

CCL INDUSTRIES INC.
2007 Second Quarter
Consolidated Statements of Earnings and Retained Earnings

Unaudited	Three months ended June 30th			Six months ended June 30th		
(in millions of Cdn dollars, except per share data)	2007	2006	% Change	2007	2006	% Change
Sales	\$ 357.2	\$ 296.6	20.4	\$ 730.3	\$ 609.8	19.8
Income before undernoted items	62.7	49.6	26.4	130.5	104.7	24.6
Depreciation and amortization	21.5	18.5		42.3	36.6	
Interest expense, net	6.5	5.3		13.1	10.9	
	34.7	25.8	34.5	75.1	57.2	31.3
Restructuring and other items - net loss <i>(note 5)</i>	-	(1.0)		(0.3)	(0.6)	
Earnings before income taxes	34.7	24.8	39.9	74.8	56.6	32.2
Income taxes	5.9	7.2		16.0	17.9	
Net earnings	28.8	17.6	63.6	58.8	38.7	51.9
Retained earnings, beginning of period as reported	499.8	430.9		476.6	413.0	
Transition adjustment on adoption of financial instruments standards, net of tax <i>(note 1)</i>	-	-		(3.0)	-	
Retained earnings, beginning of period as restated	499.8	430.9		473.6	413.0	
Net earnings	28.8	17.6		58.8	38.7	
	528.6	448.5		532.4	451.7	
Less dividends:						
Class A shares	0.2	0.2		0.5	0.4	
Class B shares	3.7	3.3		7.2	6.3	
	3.9	3.5		7.7	6.7	
Retained earnings, end of period	\$ 524.7	\$ 445.0		\$ 524.7	\$ 445.0	
Earnings per share						
Class B	\$ 0.89	\$ 0.54	64.8	\$ 1.82	\$ 1.20	51.7
Class A	\$ 0.87	\$ 0.52		\$ 1.79	\$ 1.17	
Diluted earnings per share						
Class B	\$ 0.86	\$ 0.53	62.3	\$ 1.76	\$ 1.17	50.4
Class A	\$ 0.84	\$ 0.51		\$ 1.73	\$ 1.14	

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2007 Second Quarter
Consolidated Statements of Comprehensive Income (Loss)

Unaudited (in millions of Cdn dollars)	Three months ended June 30th		Six months ended June 30th	
	2007	2006	2007	2006
Net earnings	28.8	17.6	58.8	38.7
Other comprehensive income, net of tax:				
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(55.3)	(20.5)	(59.3)	(7.9)
Gains (losses) on hedges of net investment in self-sustaining foreign operations, net of tax of \$4.6 million	24.4	6.7	25.3	(2.2)
Unrealized foreign currency translation, net of hedging activities	(30.9)	(13.8)	(34.0)	(10.1)
Losses on derivatives designated as cash flow hedges, net of tax	(3.9)	-	(4.0)	-
Gains on derivatives designated as cash flow hedges in prior periods transferred to net earnings in the current period, net of tax of \$0.3 million	3.6	-	3.4	-
Change in losses on derivatives designated as cash flow hedges	(0.3)	-	(0.6)	-
Other comprehensive loss	(31.2)	(13.8)	(34.6)	(10.1)
Comprehensive income (loss) <i>(note 1)</i>	\$ (2.4)	\$ 3.8	\$ 24.2	\$ 28.6

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2007 Second Quarter
Consolidated Balance Sheets

Unaudited	June 30th	December 31st	June 30th
(in millions of Cdn dollars)	<u>2007</u>	<u>2006</u>	<u>2006</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 86.9	\$ 125.0	\$ 111.7
Accounts receivable - trade	200.6	178.8	170.2
Other receivables and prepaid expenses <i>(note 1)</i>	27.1	23.1	27.4
Inventories	96.9	98.0	99.5
	<hr/> 411.5	<hr/> 424.9	<hr/> 408.8
Property, plant and equipment	655.8	628.0	561.5
Other assets	26.0	28.9	24.5
Future income tax assets	33.0	32.3	31.1
Intangible assets	36.4	39.5	46.9
Goodwill	425.8	389.0	386.3
Total assets	<hr/> \$ 1,588.5	<hr/> \$ 1,542.6	<hr/> \$ 1,459.1
Liabilities			
Current liabilities			
Bank advances	\$ 7.5	\$ 12.4	\$ 3.8
Accounts payable and accrued liabilities <i>(note 1)</i>	254.5	280.8	227.3
Income and other taxes payable	8.9	13.7	23.8
Current portion of long-term debt	16.3	16.1	21.6
	<hr/> 287.2	<hr/> 323.0	<hr/> 276.5
Long-term debt <i>(note 1)</i>	479.4	413.6	420.5
Other long-term items	50.6	52.3	52.1
Future income taxes	103.1	101.1	120.0
Total liabilities	<hr/> 920.3	<hr/> 890.0	<hr/> 869.1
Shareholders' equity			
Share capital <i>(note 2)</i>	187.5	190.3	189.9
Contributed surplus	6.3	4.2	3.1
Retained earnings	524.7	476.6	445.0
Accumulated other comprehensive loss <i>(notes 1 & 4)</i>	(50.3)	(18.5)	(48.0)
Total shareholders' equity	<hr/> 668.2	<hr/> 652.6	<hr/> 590.0
Total liabilities and shareholders' equity	<hr/> \$ 1,588.5	<hr/> \$ 1,542.6	<hr/> \$ 1,459.1

See notes to interim consolidated financial statements.

Certain 2006 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2007 Second Quarter
Consolidated Statements of Cash Flows

Unaudited	Three months ended June 30th		Six months ended June 30th	
(in millions of Cdn dollars)	2007	2006	2007	2006
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 28.8	\$ 17.6	\$ 58.8	\$ 38.7
Items not requiring cash:				
Depreciation and amortization	21.5	18.5	42.3	36.6
Stock-based compensation	1.0	0.6	2.1	1.1
Future income taxes	(0.7)	(2.5)	(1.4)	0.3
Restructuring and other items, net of tax <i>(note 5)</i>	-	1.7	(0.2)	2.9
	50.6	35.9	101.6	79.6
Net change in non-cash working capital	4.5	9.2	(41.3)	(30.5)
Cash provided by operating activities	55.1	45.1	60.3	49.1
Financing activities				
Proceeds on issuance of long-term debt	0.4	1.5	104.1	202.3
Retirement of long-term debt	(1.1)	(6.0)	(3.3)	(146.5)
Decrease in bank advances	(3.6)	(5.8)	(9.9)	(5.2)
Issue of shares	0.9	0.2	1.6	0.9
Purchase of shares held in trust <i>(note 2)</i>	-	-	(4.4)	-
Dividends	(3.9)	(3.5)	(7.7)	(6.7)
Cash provided by (used for) financing activities	(7.3)	(13.6)	80.4	44.8
Investing activities				
Additions to property, plant and equipment	(39.0)	(25.1)	(70.2)	(67.6)
Proceeds on disposal of property, plant and equipment	1.7	0.3	4.6	1.5
Proceeds on business dispositions <i>(note 5)</i>	-	-	-	24.4
Business acquisitions <i>(note 3)</i>	-	-	(105.6)	(62.2)
Other	(4.3)	2.2	(1.1)	3.9
Cash used for investing activities	(41.6)	(22.6)	(172.3)	(100.0)
Effect of exchange rate changes on cash	(5.9)	(3.0)	(6.5)	(2.4)
Increase (decrease) in cash	0.3	5.9	(38.1)	(8.5)
Cash and cash equivalents at beginning of period	86.6	105.8	125.0	120.2
Cash and cash equivalents at end of period	\$ 86.9	\$ 111.7	\$ 86.9	\$ 111.7

Cash and cash equivalents are defined as cash and short-term investments.

See notes to interim consolidated financial statements.

Certain 2006 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2007 and 2006

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

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Changes in 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, 2006.

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, 2007, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity", Section 3861, "Financial Instruments - Disclosure and Presentation", Section 3865, "Hedges" and Section 3855, "Financial Instruments - Recognition and Measurement".

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date are generally not reversed, therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading. Long-term investments are designated as available-for-sale. Cash and cash equivalents and long-term investments are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank advances, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Company has also elected to expense, as incurred, transaction costs related to long-term debt.

Upon adoption of these new standards, the Company recorded a decrease to opening retained earnings of \$3.0 million. The decrease to opening retained earnings was a result of the write-off of previously deferred transaction costs related to issuance of long-term debt (\$1.0 million loss, net of tax of \$0.5 million), the write-off of a deferred loss on the termination of various cross currency interest rate swaps that did not meet the new requirements (\$2.1 million loss, no tax) and the ineffectiveness of cash flow hedges discussed below (\$0.1 million gain, net of tax).

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless exempted from derivative treatment as a normal purchase or sale. All changes in their fair value are recorded in net earnings unless cash flow hedge accounting is used, in which case, changes in fair value are recorded in other comprehensive income. The Company has applied this accounting treatment for all embedded derivatives in existence at transition. The impact of the change in accounting policy related to embedded derivatives is not material.

The Company uses various financial instruments to manage foreign currency exposures, fluctuation in interest rates and exposures related to the purchase of aluminum for the Container Division. These financial instruments are classified into three types of hedges: cash flow hedges, fair value hedges and hedges of net investments in self-sustaining operations.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2007 and 2006

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

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Changes in accounting policies (cont'd)

In a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the statement of earnings. Upon adoption of the new standards, the Company remeasured its cash flow hedge derivatives at fair value. Aluminum forward contracts with a favourable fair value of \$1.7 million are the largest component of the Company's cash flow hedges and are recorded in other receivables and prepaid expense. In addition, the Company entered into Cross Currency Interest Rate Swap Agreements (CCIRSA) that converted U.S. dollar fixed rate debt into Canadian dollar fixed rate debt in order to reduce the Company's exposure to the U.S. dollar debt and currency exposures. This CCIRSA is also designated as a cash flow hedge and has an unfavourable fair value of \$5.6 million for the current period and is recorded in long-term debt. The Company also uses forward contracts to hedge foreign exchange exposure on anticipated sales. All existing forward contracts matured during the current quarter. These hedges were previously recorded in accounts payable and accrued liabilities.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent the hedging relationship is effective, is offset by changes in the fair value of the derivative also measured at fair value on the balance sheet date, with changes in value recorded through net earnings. The Company has two CCIRSA designated as fair value hedges, which convert U.S. dollar fixed rate debt into Canadian dollar floating rate debt in order to reduce interest rate and currency risk. In addition, the Company has an interest rate swap converting U.S. dollar fixed rate debt to U.S. dollar floating rate debt to reduce interest rate risk exposure. These fair value hedges have an unfavourable fair value of \$7.7 million and are recorded in long-term debt.

In a hedge of a net investment in a self-sustaining foreign operation, the portion of the gain or loss on the hedging item that is determined to be an effective hedge should be recognized in comprehensive income and the ineffective portion should be recognized in net earnings. During 2006, the Company entered into CCIRSA that converted Canadian dollar fixed rate and floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to the euro, with a view to reducing foreign exchange fluctuations and interest expense. These CCIRSA have been designated as net investment hedges and have a net favourable fair value of \$3.6 million at the end of the current period and are recorded in other assets and long-term debt. The Company had also entered into a non-deliverable forward foreign exchange contract to hedge its investment in its Brazilian subsidiaries. This foreign exchange contract was previously recorded in accounts payable and accrued liabilities. It expired in April 2007 and was settled by a payment of \$1.5 million in cash from CCL. The Company has elected to record the forward points associated with the forward contract in accumulated other comprehensive income. The forward points are recognized in income on maturity of the contract.

b) Recently issued accounting standards

In May 2007, the CICA issued a new Handbook Section 3031, "Inventories", which addresses the measurement and disclosure of inventory. The new standard is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Management is currently reviewing the potential impact on the financial results of the Company. However, further disclosure will be required in the Consolidated Statement of Earnings as it will now be necessary to disclose the amount of inventories recognized as an expense during the period. The Company will comply with this standard on January 1, 2008.

In October 2006, the CICA issued new standards related to financial instrument presentation and disclosure, Handbook Section 3862, "Financial Instruments - Disclosure" and Handbook Section 3863, "Financial Instruments - Presentation". These standards revise and enhance the disclosure requirements of Handbook Section 3861, "Financial Instruments - Disclosure and Presentation". These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Management is currently reviewing the potential impact on the Company. The Company will comply with the requirements of the new standard when the standard becomes effective.

In October 2006, the CICA approved new accounting standards, Handbook Section 1535, "Capital Disclosures". This new section establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Management is currently reviewing the potential impact on the Company. The Company will comply with the requirements of the new standard when the standard becomes effective.

2. SHARE CAPITAL

Issued and outstanding

	<u>June 30</u> <u>2007</u>	<u>December 31</u> <u>2006</u>	<u>June 30</u> <u>2006</u>
Issued share capital	\$ 199.2	\$ 197.5	\$ 197.1
Less: Executive share purchase plan loans	(1.6)	(1.6)	(1.6)
Shares held in trust	(10.1)	(5.6)	(5.6)
Total	<u>\$ 187.5</u>	<u>\$ 190.3</u>	<u>\$ 189.9</u>

During 2007, the Company granted an award of 120,000 Class B shares of the Company. These shares are restricted in nature and will vest in 2009 dependent on continuing employment and company performance. The Company purchased these 120,000 shares in the open market and has placed them in trust until they vest. The fair value of this stock award is being amortized over the vesting period and recognized as executive compensation expense.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2007 and 2006

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

(Unaudited)

2. SHARE CAPITAL (CONT'D)

Actual number of shares:

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u>
Class A	2,378,496	2,378,496	2,381,584
Class B	30,329,847	30,223,047	30,198,759
	<u>32,708,343</u>	<u>32,601,543</u>	<u>32,580,343</u>
Less: Executive share purchase plan shares - Class B	(125,000)	(125,000)	(125,000)
Shares held in trust - Class B	(320,000)	(200,000)	(200,000)
Total	<u>32,263,343</u>	<u>32,276,543</u>	<u>32,255,343</u>
Year-to-date weighted average number of shares	<u>32,232,585</u>	<u>32,240,324</u>	<u>32,211,906</u>
Year-to-date weighted average diluted number of shares	<u>33,501,168</u>	<u>33,259,055</u>	<u>33,256,345</u>

3. ACQUISITIONS

On January 26, 2007, the Company completed its purchase of the sleeve label business of Illinois Tool Works Inc. (ITW). ITW's sleeve label business, through its two locations in the United Kingdom and one location in each of Austria, Brazil and United States, is a leading supplier of shrink sleeve and stretch sleeve labels for markets in Europe and the Americas. The purchase price was \$105.6 million, net of cash acquired. The Company established a \$95.0 million line of credit, of which \$75.0 million was drawn to facilitate the purchase. The Company is reviewing the valuation of the net assets acquired, including intangible assets, therefore, certain items disclosed below may change when the review is completed in 2007.

Details of the transaction are as follows:

Current assets	\$ 24.3
Current liabilities	(8.5)
Non-current assets at assigned values	39.4
Future taxes	(0.8)
Goodwill and intangible assets	51.2
Net assets purchased	<u>\$ 105.6</u>
Total consideration:	
Cash, less cash acquired of \$2.8 million	<u>\$ 105.6</u>

In January 2006, the Company purchased Prodesmaq, based in Vinhedo, Brazil. Prodesmaq operated two state-of-the-art plants and is Brazil's largest supplier of pressure sensitive labels for many global companies in the home and personal care, healthcare and premium food and beverage markets. The purchase price was \$62.2 million, net of cash acquired.

Details of the transaction are as follows :

Current assets	\$ 9.8
Current liabilities	(2.1)
Non-current assets at assigned values	9.3
Intangible assets	14.8
Goodwill	30.4
Net assets purchased	<u>\$ 62.2</u>
Total consideration:	
Cash, less cash acquired of \$1.7 million	<u>\$ 62.2</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2007 and 2006

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

(Unaudited)

4. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u>
Unrealized foreign currency translation losses, net of tax of \$12.0 million	\$ (52.5)	\$ (18.5)	\$ (48.0)
Impact of new net investment hedge accounting standards on January 1, 2007, net of tax \$0.1 million	0.4	-	-
Impact of new cash flow hedge accounting standards on January 1, 2007, net of tax of \$1.3 million	2.4	-	-
Change in derivatives designated as cash flow hedges, net of tax recovery of \$0.5 million	(0.6)	-	-
	<u>\$ (50.3)</u>	<u>\$ (18.5)</u>	<u>\$ (48.0)</u>

5. RESTRUCTURING AND OTHER ITEMS

	<u>Segment</u>	<u>Three months ended</u> <u>June 30th</u>		<u>Six months ended</u> <u>June 30th</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Container segment restructuring	Container	\$ -	\$ (0.9)	(1.0)	(2.2)
Sale of non-operational land	Corporate	-	-	0.7	-
Gain (loss) on net assets sale of CCL Dispensing Systems, LLC	Tube	-	(0.1)	-	1.6
Net loss		<u>\$ -</u>	<u>\$ (1.0)</u>	<u>\$ (0.3)</u>	<u>\$ (0.6)</u>
Tax recovery (expense)		\$ -	\$ 0.3	\$ 0.5	\$ (2.3)

The Company commenced a senior management restructuring of the Container segment and recorded provisions related to severances of \$2.2 million (\$1.5 million after tax) in the first six months of 2006, and by year-end, additional costs related to obsolete equipment and spare parts were recorded of \$9.2 million (\$5.7 million after tax). In 2007, further costs of \$1.0 million (\$0.7 million after tax) were incurred.

In March 2007, the Company sold its non-operational land in Toronto, Canada for \$2.0 million cash and realized a gain of \$0.7 million (\$0.9 million after tax).

In February 2006, the Company sold its CCL Dispensing Systems, LLC net assets for \$24.4 million cash and realized a gain of \$1.6 million (loss of \$1.3 million after tax).

6. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the second quarter is \$0.4 million (2006 - \$0.5 million) and year-to-date of \$0.8 million (2006 - \$0.9 million).

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended June 30, 2007 and 2006

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

(Unaudited)

7. SEGMENTED INFORMATION

Industry segments

	Three months ended June 30th				Six months ended June 30th			
	Sales		Operating income		Sales		Operating income	
	2007	2006	2007	2006	2007	2006	2007	2006
Label	\$ 238.4	\$ 191.5	\$ 31.6	\$ 23.2	\$ 483.5	\$ 396.6	\$ 69.4	\$ 52.4
Container	49.3	48.3	6.0	5.7	102.2	92.7	12.0	11.9
Tube	15.8	17.7	0.2	1.5	34.0	36.8	1.6	2.5
ColepCCL	53.7	39.1	4.4	3.9	110.6	83.7	9.7	8.0
Total operations	\$ 357.2	\$ 296.6	42.2	34.3	\$ 730.3	\$ 609.8	92.7	74.8
Corporate expense			(1.0)	(3.2)			(4.5)	(6.7)
			41.2	31.1			88.2	68.1
Interest expense, net			6.5	5.3			13.1	10.9
			34.7	25.8			75.1	57.2
Restructuring and other items - net loss (note 5)			-	(1.0)			(0.3)	(0.6)
Earnings before income taxes			34.7	24.8			74.8	56.6
Income taxes			5.9	7.2			16.0	17.9
Net earnings			\$ 28.8	\$ 17.6			\$ 58.8	\$ 38.7

	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	
	2007	2006	2007	2006	2007	2006	2007	2006
					Continuing operations			
Label	\$ 1,018.6	\$ 909.3	\$ 343.4	\$ 303.6	\$ 28.9	\$ 23.9	\$ 59.1	\$ 48.3
Container	179.2	194.4	12.7	12.8	5.7	5.2	2.5	13.1
Tube	86.2	96.9	27.4	30.0	3.6	3.6	1.3	4.0
ColepCCL	174.3	172.4	42.2	42.6	3.9	3.6	7.3	1.9
Corporate	130.2	169.6	0.1	-	0.2	0.3	-	0.3
Total	\$ 1,588.5	\$ 1,542.6	\$ 425.8	\$ 389.0	\$ 42.3	\$ 36.6	\$ 70.2	\$ 67.6

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarters Ended June 30, 2007 and 2006

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, 2007 and 2006 and an update to the 2006 Annual MD&A document. The information in this interim MD&A is current to August 2, 2007 and should be read in conjunction with the Company's June 30, 2007 unaudited second quarter financial statements released on August 2, 2007 and the 2006 Annual MD&A document, which forms part of the CCL Industries Inc. 2006 Annual Report, dated February 21, 2007.

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

Management's Discussion and Analysis contains forward-looking statements, as defined in the Securities Act (Ontario) (hereinafter referred to as "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 and geo-political conditions; currency exchange rates; and CCL's ability to attract and retain qualified employees and, accordingly, the Company's results could differ materially from those anticipated in these forward-looking statements.

1. Overview

In a continuation of recent trends, most of CCL's global customers are experiencing higher sales levels than last year based on the current favourable worldwide economy. CCL also continues to benefit from this positive business environment and has enjoyed good sales growth in most product categories through the second quarter of 2007. Both CCL and its customers have continued to see firm demand in Europe, Asia and Latin America with more modest growth in North America.

Based on recent economic data, it is expected that markets will remain very strong in Latin America, Asia and Europe. European growth will be driven by the large demand for consumer products in Central and Eastern Europe. There are continued concerns about a slowdown in the U.S. economy and this has been reflected in cautionary comments from some of our customers and suppliers in North America. CCL continues to expect only modest sales growth in North America for the balance of 2007. CCL's first half of the year is generally stronger and more profitable than the second half due to the extended holiday and vacation periods in the second half of the year around the world and the seasonality of specific products.

2. Review of Consolidated Operations

Sales for the second quarter of 2007 of \$357.2 million were 20% ahead of the \$296.6 million recorded in the second quarter of 2006, while sales for the first six months of

2007 of \$730.3 million were 20% higher than last year's \$609.8 million. Financial comparisons to the prior year's results have been positively affected by the significant appreciation of the euro and most other currencies relative to the Canadian dollar partially offset by the further depreciation of the U.S. dollar. Sales increased for the quarter by 19% due to organic growth and an acquisition, while foreign exchange net of a disposition added a further 1%. On a comparative basis with last year's second quarter, sales increased significantly in all reporting segments with the exception of a decline in the Tube Division. For the year-to-date, sales increased by 17% as a result of organic growth and acquisitions, while foreign exchange net of dispositions added a further 3%. For the quarter and year-to-date periods, overall sales growth was split about equally between organic growth and acquisitions.

The following acquisitions and divestitures affected financial comparisons in the second quarter and year-to-date results of 2007 versus 2006:

- In January 2006, the Label Division acquired the label converting assets of Prodesmaq and its subsidiaries in Vinhedo, Brazil for \$62 million.
- In February 2006, the Company divested the assets of its CCL Dispensing business in Libertyville, Illinois for \$24 million. It is included in the Tube Division for comparative purposes.
- In October 2006, the non-core label business in Houten, the Netherlands was sold for \$3 million.
- On January 26, 2007, CCL acquired the shrink sleeve and stretch sleeve business of Illinois Tool Works ("ITW") located in the United Kingdom, Austria, Brazil and the United States for approximately \$106 million. The purchase equation for this acquisition will be finalized by fourth quarter 2007.

Net earnings for the second quarter of 2007 were \$28.8 million, up 64% from the \$17.6 million recorded in the second quarter of 2006. This improvement was due primarily to the substantial sales and operating income increases in the business, the impact of favourable tax adjustments in 2007 and restructuring and other items incurred in 2006. Divisional operating income defined as operating income before corporate expenses, interest and restructuring and other items improved by \$7.9 million or 23% from last year's second quarter due to substantially stronger performances in the Label and Container Divisions and higher income from the ColepCCL joint venture. Operating income in the Tube Division was below prior year's level. In the second quarter of 2007, a favourable tax settlement was reached in a foreign subsidiary and corporate income tax rates were lowered in Canada, the United Kingdom and Denmark, resulting in a decrease in future tax liabilities and income tax expense of \$3.6 million in the quarter. In the second quarter of 2006, restructuring and other costs of \$1.0 million before tax were incurred (\$0.7 million after tax) primarily in the Container Division.

For the first six months of 2007, net earnings were \$58.8 million, up 52% from the \$38.7 million in the comparable 2006 period. Net earnings for the six months of 2007 were affected by restructuring and other costs of \$1.0 million and a gain on the sale of a property of \$0.7 million for a net loss of \$0.3 million before tax (net gain of \$0.2 million after tax). Including the positive effect of favourable tax adjustments of \$5.0 million, net earnings increased by \$5.2 million due to the foregoing items.

Net interest expense for the second quarter was \$6.5 million, \$1.2 million higher than last year's corresponding quarter due primarily to higher net debt levels (defined as bank

advances and long term debt net of cash and cash equivalents) and slightly higher floating interest rates. Corporate expenses for the quarter of \$1.0 million were substantially below last year's second quarter of \$3.2 million due to lower insurance costs including a reduction in self-insured claims reserves and reduced variable executive compensation. The overall effective income tax rate was 17% for the second quarter of 2007 compared to 29% in the second quarter of 2006. If the impact of restructuring and other items and favourable tax adjustments were excluded, the effective tax rate in the second quarter of 2007 would have been 27% compared to 29% in last year's second quarter (a non-GAAP measure; see Section 12 later in this report discussing key performance indicators and defining non-GAAP measures).

Earnings per Class B share were \$0.89 in the second quarter of 2007 compared to \$0.54 earned in the same period last year, an increase of 65%. Favourable tax adjustments had a positive effect on earnings per share in the second quarter of 2007 of \$0.11. Restructuring and other items in the second quarter of 2006 decreased earnings per Class B share by \$0.03 (a non-GAAP measure; see Section 12).

Diluted earnings per Class B share were \$0.86 in the second quarter of 2007 and \$0.53 in the same period last year.

For the first six months of 2007, earnings per Class B share were \$1.82 compared to \$1.20 in the prior year period, a 52% increase. A gain on the sale of a property and favourable tax adjustments net of restructuring and other items increased earnings per Class B share by \$0.16 for the first half of 2007 versus a \$0.06 reduction in the first half of 2006 (a non-GAAP measure; see Section 12).

The following table is presented to provide context to the change in the Company's financial performance.

(in Canadian dollars)

<u>Earnings per Class B shares</u>	<u>2nd Quarters</u>		<u>Year-to-date</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net earnings	\$ 0.89	\$ 0.54	\$1.82	\$ 1.20
Net gain (loss) from restructuring and other items and favourable tax adjustments included in net earnings*	\$ 0.11	(\$0.03)	\$0.16	(\$0.06)

* A non-GAAP measure – see Section 12

The following is selected financial information for the ten most recently completed quarters. In May 2005, the North American Custom Manufacturing business was sold and was treated as Discontinued Operations.

(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					
2007	\$373.1	\$357.2			
2006	313.2	296.6	\$293.5	\$308.9	\$1,212.2
2005	265.7	280.1	281.9	282.4	1,110.1
Net earnings-continuing operations					
2007	30.0	28.8			
2006	21.1	17.6	13.6	25.1	77.4
2005	16.1	5.1	15.3	13.5	50.0
Net earnings					
2007	30.0	28.8			
2006	21.1	17.6	13.6	25.1	77.4
2005	19.7	113.8	15.3	15.0	163.8
Net earnings per Class B share - continuing operations					
Basic					
2007	\$0.93	\$0.89			
2006	0.66	0.54	\$0.43	\$0.78	\$2.41
2005	0.50	0.16	0.48	0.43	1.57
Diluted					
2007	0.90	0.86			
2006	0.64	0.53	0.41	0.75	2.33
2005	0.49	0.16	0.46	0.41	1.52
Net earnings per Class B share					
Basic					
2007	0.93	0.89			
2006	0.66	0.54	0.43	0.78	2.41
2005	0.61	3.53	0.48	0.48	5.10
Diluted					
2007	0.90	0.86			
2006	0.64	0.53	0.41	0.75	2.33
2005	0.60	3.45	0.46	0.46	4.97
Restructuring and other items and favourable tax adjustments and gain on discontinued operations per Class B share(*)					
2007	0.05	0.11			
2006	(0.03)	(0.03)	(0.10)	0.20	0.04
2005	-	2.96	-	(0.02)	2.94

* A non-GAAP measure – see Section 12

The impact on net earnings per Class B share of the gain on the sale of Custom in 2005 is included in the table above. Net earnings per Class B share have generally increased over time but have also fluctuated significantly due to changes in foreign exchange rates, restructuring costs and other items, and favourable tax adjustments.

In addition, the seasonality of the business has evolved over the last few years with the first and second quarters being the strongest and second strongest, respectively, due to the aggressive marketing plans of many customers at the beginning of the year. Also, there are many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for CCL in the first half of the year. The last two quarters of the year are negatively affected from a sales perspective by summer vacation in the Northern Hemisphere, Thanksgiving, and the Christmas season shutdowns in the fourth quarter.

3. Business Segment Review

Label Division

(\$ Millions)	<u>Q2 2007</u>	<u>Q2 2006</u>	<u>+/- %</u>
Sales	\$238.4	\$191.5	+25%
Operating Income	\$ 31.6	\$ 23.2	+36%
Return on Sales ⁽¹⁾	13.3%	12.1%	
	<u>1st Half</u>	<u>1st Half</u>	
	<u>2007</u>	<u>2006</u>	<u>+/- %</u>
Sales	\$483.5	\$396.6	+22%
Operating Income	\$ 69.4	\$ 52.4	+32%
Return on Sales ⁽¹⁾	14.4%	13.2%	
Capital Spending	\$ 59.1	\$ 48.3	
Depreciation and Amortization	\$ 28.9	\$ 23.9	

⁽¹⁾ A non-GAAP measure - see Section 12

Sales for the Label Division were strong at \$238.4 million for the second quarter, up 25% from \$191.5 million in the same quarter last year. The sales increase was a result of an acquisition and organic growth contributing 23%, and foreign exchange net of a disposition adding a further 2%. For the first six months of 2007, sales of \$483.5 million were 22% ahead of the \$396.6 million recorded in the same period last year with 18% coming from organic growth and acquisitions and 4% from foreign exchange net of a disposition.

Sales growth in the second quarter was due in part to the ITW sleeve business acquisition (owned by CCL since the end of January 2007). Overall, however, the base business also experienced a continuation of very positive organic sales growth and operating income improvements.

North America continued to report only modest sales growth based on a slowing U.S. economy. Personal care volume was down for the quarter compared to the very strong markets enjoyed last year, as our key customers experienced softer sales and a reduction in new product launches. This was partially offset by increased volumes in shrink sleeves and in-mould labels for new product lines in the home care sector. In addition, new orders for beverage labels for international customers were supported by the North American operations. Healthcare sales were up slightly due chiefly to the strength in expanded content labels. Specialty products sales were slightly below last year's second quarter with good growth in agricultural chemical labels more than offset by a relatively soft promotional label market compared to a strong prior year, influenced by the World Cup. Overall in North America, profitability was up modestly on slightly higher sales despite weaker market conditions.

Brazil continued to show strong sales growth with improvements in operating income due to the volume growth and operating efficiencies and the recently acquired ITW sleeve business. Profitability in Brazil is well above the average of our Label Division.

In Europe, sales showed good growth in personal care compared to last year, driven by consumer demand in Central and Eastern Europe, and there was enormous growth in beverage applications as two plants in other business lines were converted to beverage products to support the demand. Healthcare and specialty sales were strong as we continue to secure new business through global customer relationships. This business continues to be very profitable. The ITW sleeve acquisition generated strong sales and operating income, well above its recent history under prior ownership and much better than management's expectations for this business.

The battery label business was managed geographically in the past. The business is now organized on a global basis and experienced modest growth in Europe and the United States but generated less sales in China than expected due to a customer delay in transferring volume from Europe into that operation.

Asia continued to generate very strong sales and income growth from a very small base. Sales in Thailand were substantially ahead of last year. In addition, the Guangzhou, China operation that opened only a year ago, was very busy in personal care. The Label Division continues to benefit from its international presence with large global personal care customers.

Operating income for the second quarter of 2007 was \$31.6 million, up 36% from \$23.2 million in the second quarter of 2006. Positive currency translation contributed modestly to this improvement. Drivers of this improvement were the performance of the recent ITW acquisition and higher sales in most product categories in each region. During the quarter, plants in Memphis, Paris and Mexico were in the process of relocating, and incurred direct moving costs of \$0.6 million. The Mexican and Memphis locations are two of the largest facilities in the Label Division's network. Further moving costs are expected during the balance of 2007. Operating income as a percentage of sales at 13.3% exceeded our internal targets and was well above the 12.1% return generated in last year's second quarter. The first and second quarters have become the strongest and second strongest, respectively, for the Label Division due to the aggressive marketing plans of many customers at the beginning of the year, seasonal products such as agricultural chemicals, and minimal vacation and holiday shutdowns. Year-to-date, operating income was \$69.4 million versus \$52.4 million last year, up 32%.

Sales and operating income in the second quarter of 2007 for the ITW acquisition noted earlier in this report were \$28.3 million and \$5.5 million, respectively. The operation in Houten, the Netherlands, disposed of in the fall of 2006 generated sales of \$2.0 million and nominal operating income in the second quarter of 2006.

Sales backlogs for the label business are generally low due to short customer lead times, but indications are that customers' orders overall continue to be seasonally firm through the third quarter of 2007.

The Label Division invested \$59.1 million in capital in the first six months of 2007 compared to \$48.3 million in the same period last year. The capital was spent throughout the business to maintain and expand the manufacturing base by adding presses in strategic locations, plant construction for the future relocation of the Memphis, Tennessee and Mexico City operations and a plant extension in Brazil. Depreciation and

amortization for the Label Division were \$28.9 million for the first half of 2007 and \$23.9 million in the comparable 2006 period.

Container Division

(\$ Millions)	<u>Q2 2007</u>	<u>Q2 2006</u>	<u>+/- %</u>
Sales	\$ 49.3	\$ 48.3	+2%
Operating Income	\$ 6.0	\$ 5.7	+5%
Return on Sales ⁽¹⁾	12.2%	11.8%	
	<u>1st Half</u>	<u>1st Half</u>	
	<u>2007</u>	<u>2006</u>	<u>+/- %</u>
Sales	\$102.2	\$ 92.7	+10%
Operating Income	\$ 12.0	\$ 11.9	+1%
Return on Sales ⁽¹⁾	11.7%	12.8%	
Capital Spending	\$ 2.5	\$ 13.1	
Depreciation and Amortization	\$ 5.7	\$ 5.2	

⁽¹⁾ A non-GAAP measure – see Section 12

Sales in the second quarter were \$49.3 million, up 2% from \$48.3 million last year. Sales increased organically for the quarter by 3% due to price increases with volume generally unchanged. Foreign currency translation was a negative factor, reducing the sales growth by 1%. For the first six months of 2007, sales of \$102.2 million were 10% above the \$92.7 million recorded in the same period last year.

The Container Division experienced a modest sales increase as management has been able to pass on higher aluminum costs to its key customers and has benefited from strong demand for aluminum aerosol containers with bag-in-can technology. Personal care volume in the aerosol format had been satisfactory into the second quarter but recent order levels have slowed due in part to the weaker U.S. economy, volume losses due to predatory competitive pricing and customer uncertainty concerning consumer demand in this market. Beverage volume has continued to be light but there are many interesting sizeable opportunities that may come into production in the second half of 2007. Mexican aerosol container sales volumes were substantially higher in the second quarter compared to last year. The growth by our global customers located in Mexico provides further justification for the seventh new aluminum container line to be installed in the new plant in Guanajuato, Mexico for start-up in mid 2008.

Operating income for the Container Division before restructuring and other items for the second quarter of 2007 was \$6.0 million, up 5% from \$5.7 million in the second quarter of 2006. The key issues continue to be the significant increase in aluminum costs, the reduction of aluminum hedges and related income, and our ability to pass on price increases to customers. The reduction in higher margin beverage volume has also resulted in unfavourable product mix. Return on sales for the second quarter of 2007 was 12.2% compared to 11.8% in last year's second quarter. For the first half of 2007, operating income was \$12.0 million versus \$11.9 million last year, up 1%.

The aluminum container plant in Penetanguishene, Ontario sells a large part of its production to the United States market in U.S. dollars. The business has hedged a part of the Canadian dollar value of these U.S. dollar sales by way of forward contracts and sells the rest of its U.S. dollar sales at spot currency rates. The change in the exchange rates on U.S. currency transactions reduced comparative income for the Container Division by \$0.9 million in the second quarter of 2007 and \$1.4 million year-to-date. Further discussion of currency hedging follows later in this report.

The Container Division invested \$2.5 million in capital in the first six months of 2007 compared to \$13.1 million in the same period last year. Only modest maintenance capital was expended in the first half of 2007 compared to the acquisition and installation of production lines last year. Depreciation and amortization for the first half of 2007 and 2006 were \$5.7 million and \$5.2 million, respectively. The Division has successfully installed six new aluminum container lines in the last four years. A seventh new line is ready to be shipped and will be installed at a new plant under construction in Guanajuato, Mexico. The new plant will come on line in the first half of 2008.

The Container Division continues to hedge a small portion of its anticipated future aluminum purchases through futures contracts. The proportion of future contracts outstanding has dropped considerably over the last few years since the Division and its customers have been less inclined to hedge aluminum costs at recent record price levels. The cost of aluminum persists in remaining at relatively high levels and the Division continues to be challenged to recover these additional costs by adjusting prices to its customers. Also, most of the aluminum hedges that were acquired at much lower prices in prior years have been realized and there has been and will continue to be less benefit from aluminum hedges going forward. Generally, the Division has either pricing agreements with customers that may fluctuate to adjust for the changes in aluminum costs or fixed pricing contracts that are hedged by agreement with key customers using aluminum forward contracts.

Tube Division

(\$ Millions)	<u>Q2 2007</u>	<u>Q2 2006</u>	<u>+/- %</u>
Sales	\$ 15.8	\$ 17.7	-11%
Operating Income	\$ 0.2	\$ 1.5	-87%
Return on Sales ⁽¹⁾	1.3%	8.5%	
	<u>1st Half</u>	<u>1st Half</u>	
	<u>2007</u>	<u>2006</u>	<u>+/- %</u>
Sales	\$ 34.0	\$ 36.8	-8%
Operating Income	\$ 1.6	\$ 2.5	-36%
Return on Sales ⁽¹⁾	4.7%	6.8%	
Capital Spending	\$ 1.3	\$ 4.0	
Depreciation and Amortization	\$ 3.6	\$ 3.6	

⁽¹⁾ A non-GAAP measure – see Section 12

Sales in the second quarter for the Tube Division were \$15.8 million, down 11% from \$17.7 million last year. Sales decreased for the quarter due to the slowing economy in the United States and the impact it has had on consumer spending and the related marketing plans of our personal care customers. This trend is expected to continue into the third quarter with some improvement by the fourth quarter. Sales in the first half of 2007 were \$34.0 million, down 8% from the \$36.8 million recorded in 2006 due to lower volume, the disposition of CCL Dispensing and unfavourable foreign exchange.

Operating income for the Tube Division for the second quarter of 2007 was \$0.2 million, down 87% from \$1.5 million in the second quarter of 2006. The decrease was due to the downturn in sales and new orders with the current level of fixed overhead to support the business, negatively impacting margins. As a result, return on sales was 1.3% in the second quarter compared to an 8.5% return in prior years' second quarter. Year-to-date operating income was \$1.6 million, down 36% from \$2.5 million recorded in the same period last year.

The Tube Division invested \$1.3 million in maintenance capital in the first six months of 2007 compared to \$4.0 million in the same period last year. Depreciation and amortization for the first half of 2007 and 2006 were \$3.6 million in each year.

ColepCCL Joint Venture - CCL's 40% proportionate share

(\$ Millions)	<u>Q2 2007</u>	<u>Q2 2006</u>	<u>+/- %</u>
Sales	\$ 53.7	\$ 39.1	+37%
Operating Income	\$ 4.4	\$ 3.9	+13%
Return on Sales ⁽¹⁾	8.2%	10.0%	
	1 st Half	1 st Half	
	<u>2007</u>	<u>2006</u>	<u>+/- %</u>
Sales	\$110.6	\$ 83.7	+32%
Operating Income	\$ 9.7	\$ 8.0	+21%
Return on Sales ⁽¹⁾	8.8%	9.6%	
Capital Spending	\$ 7.3	\$ 1.9	
Depreciation and Amortization	\$ 3.9	\$ 3.6	

⁽¹⁾ A non-GAAP measure – see Section 12

For the second quarter of 2007, CCL's share of the joint venture's sales was \$53.7 million. This sales level was 37% higher than the comparative sales last year of \$39.1 million due to a continuation of strong markets in Europe and Eastern Europe for ColepCCL's products and the 5% increase in the value of the euro over last year's second quarter. New order levels continue to be firm and it is anticipated that sales will grow in the second half of the year. For the first half of 2007, sales were \$110.6 million, up 32% from last year's \$83.7 million.

Operating income in the second quarter of 2007 for ColepCCL was \$4.4 million, indicating a return on sales of 8.2%, and in the second quarter of 2006, operating income was \$3.9 million, with a return on sales of 10.0%. Operating income was 13% ahead of last year's level due to higher sales and currency translation, partially offset by lower margins due to product mix and additional expenses incurred to service the substantially higher sales level. For the first half of 2007, operating income of \$9.7 million was 21% ahead of the \$8.0 million recorded in the first half of 2006.

Capital spending for the first six months of 2007 was \$7.3 million compared to \$1.9 million in the comparable 2006 period. Major expenditures have been undertaken to expand aerosol can manufacturing capacity. Depreciation and amortization were \$3.9 million in the first half of 2007, up from \$3.6 million in the first half of 2006.

4. Currency Translation and Currency Transaction Hedging

Approximately 90% of CCL's sales are generated from our international operations and therefore, are recorded in foreign currencies and then translated into Canadian dollars for reporting purposes. The U.S. dollar is the functional currency for approximately 33% of the Company's total sales and it depreciated 2% on average compared to the Canadian dollar in the second quarter of 2007 versus last year's second quarter. In addition, European currencies are now the measurement currencies for over 48% of CCL's sales. The primary European currency, the euro, however, strengthened by 5% compared to the Canadian dollar versus prior year's quarter. Changes in foreign exchange rates have increased earnings per share due to currency translation by \$0.01 in the second quarter compared to 2006 and \$0.06 year-to-date.

Additionally, CCL has utilized a hedging program to lock in a portion of its expected U.S. dollar revenues earned in Canada by the Container Division. These hedge transactions were at an average rate of \$1.24 (US\$ 6.0 million sold forward) for the second quarter of 2006 and were \$1.13 (US\$ 3.0 million sold forward) for the second quarter of 2007. The Container Division in Canada also collected an additional US\$ 12.5 million at this year's average rate, 2% below the prior year's rate. This change in the exchange rates on U.S. currency transactions reduced comparative income by \$0.9 million in the second quarter of 2007 and reduced comparative earnings per share by \$0.02 for the quarter and \$0.03 year-to-date. As at June 30, 2007, there were no outstanding foreign exchange contracts due to the overall reduced materiality and risk. The Company has discontinued its hedging program as it has a partial natural hedge due to interest payments on its long-term debt being primarily in U.S. dollars.

After the acquisition of Prodesmaq early in 2006, the Company hedged a portion of its expected cash flow from Brazil. The hedge involved locking in 20.8 million reais at \$0.48 per Canadian dollar (\$10.0 million in total), which matured in April 2007 at \$0.55. The loss on the contract settlement of \$1.5 million was charged to other comprehensive loss. The Company is not anticipating further hedges against the Brazilian currency or any other currencies on the basis that the Company has a diversified basket of foreign exchange exposures in many different regions and currencies.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

<u>\$ Millions</u>	<u>June 30 2007</u>	<u>December 31 2006</u>	<u>June 30 2006</u>
Total debt	\$503.2	\$442.1	\$445.9
Cash and cash equivalents	<u>86.9</u>	<u>125.0</u>	<u>111.7</u>
Net debt ⁽¹⁾	<u>\$416.3</u>	<u>\$317.1</u>	<u>\$334.2</u>
Shareholders' equity	<u>\$668.2</u>	<u>\$652.6</u>	<u>\$590.0</u>
Net debt: total capitalization ⁽²⁾	38.4%	32.7%	36.2%
Book value per share ⁽³⁾	\$20.79	\$20.24	\$18.34

(1) Net debt is a non-GAAP measure - see Section 12

(2) Net debt: total capitalization is a non-GAAP measure - see Section 12

(3) Book value per share is a non-GAAP measure - see Section 12

The Company has considerable cash resources and operates below management's optimal target of financial leverage. As of June 30, 2007, cash and cash equivalents amounted to \$87 million compared to \$112 million at June 30, 2006. Net debt amounted to \$416 million at June 30, 2007, \$82 million higher than the net debt of \$334 million at the end of June 2006. The increase in net debt in this time frame is primarily due to the ITW sleeve business acquisition in the first quarter of 2007.

Net debt to total capitalization (a non-GAAP measure – see Section 12) at June 30, 2007 was 38%, up from 36% at the end of June 2006 and 33% at the end of 2006 primarily due to the ITW sleeve business acquisition. Book value per share was \$20.79 at the end of the second quarter of 2007, 13% above \$18.34 a year ago. The increase is primarily the result of earnings retained in the Company, offset in part by the decrease

in shareholders' equity due to the changes in accumulated other comprehensive loss (mainly due to currency translation).

The Company's debt structure is comprised of three private debt placements completed in 1997, 1998 and 2006 for a total of US\$ 336.2 million (Cdn\$ 358.2 million) and a 5-year revolving line of credit initiated in January 2007 for \$95 million, of which \$86 million was drawn at June 30, 2007. The Company's overall average interest rate is 5.6% after factoring in the related Interest Rate Swap Agreements ("IRSAs") and Cross Currency Interest Rate Swap Agreements ("CCIRSAs"). The IRSAs and CCIRSAs are discussed later in this report.

The Company believes that it has sufficient cash on hand and the ability to generate cash flow from operations to fund its expected financial obligations during the balance of 2007.

6. Cash Flow

During the second quarters of 2007 and 2006, the Company generated cash from operating activities of \$55.1 million and \$45.1 million, respectively. The increase in cash flow compared to last year's second quarter was due primarily to higher net earnings.

Working capital was reduced in the second quarter by \$4.5 million compared to a \$9.2 million decrease last year. The smaller reduction is indicative of the high level of activity across the business.

Capital spending in the second quarter was \$39.0 million compared to \$25.1 million last year. The major capital expenditures in the second quarter were for many new presses for the Label Division and building purchases and expansions. This level of capital spending was higher than the \$21.5 million of depreciation and amortization in the second quarter of 2007 and the \$18.5 million in the second quarter of 2006 as the Company continues to invest in new growth opportunities for the business. Plans for capital spending in 2007 are expected to be below the \$150 million spent in 2006 with \$70.2 million spent in the first half of 2007.

Dividends declared in each of the second quarters of 2007 and 2006 were \$3.9 million and \$3.5 million, respectively. The total number of shares outstanding as at June 30, 2007 and 2006 were 32.7 million and 32.6 million, respectively, with the increase due to the exercise of stock options. The Company has historically paid out dividends at a rate of 20-25% of net earnings. Since the Company's cash flow and financial position are strong, the Board of Directors approved a continuation of the higher dividend declared earlier this year of \$0.1075 per Class A share and \$0.12 per Class B share to shareholders of record as of September 14, 2007 and payable on September 28, 2007. The annualized dividend rate is \$0.43 per Class A share and \$0.48 per Class B share.

7. Interest Rate and Foreign Exchange Management

The Company has utilized Interest Rate Swap Agreements to allocate notional debt between fixed and floating rates by converting the underlying U.S. dollar fixed rate private placement debt into U.S. dollar floating rate debt. The Company has utilized IRSAs with a view to reducing interest expense over time.

The Company has developed into a global business over the last few years with a significant asset base in Europe. It has utilized Cross Currency Interest Rate Swap

Agreements to effectively convert notional U.S. dollar fixed rate debt into fixed and floating euro debt in order to hedge its euro-based assets and cash flows.

The effect of the IRSAs and CCIRSAs has been to reduce interest expense by \$0.2 million in the second quarter of 2007 compared to a reduction of \$0.3 million in the second quarter of 2006. Interest coverage (a non-GAAP measure – see Section 12) improved to 6.2 times in 2007 compared to 5.8 times in 2006 as at June 30th.

8. New Accounting Standards

A. Changes In Accounting Policies

Starting on January 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 1530, “Comprehensive Income”; Section 3251, “Equity”; Section 3861, “Financial Instruments - Disclosure and Presentation”; Section 3865, “Hedges” and Section 3855, “Financial Instruments - Recognition and Measurement”.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date are generally not reversed, therefore, the comparative figures have not been restated except for the requirement to restate the currency translation adjustment as part of other comprehensive income.

Section 3865 prescribes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading. Long-term investments are designated as available-for-sale. Cash and cash equivalents and long-term investments are measured at fair value.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank advances, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Company has also elected to expense, as incurred, transaction costs related to long-term debt.

Upon adoption of these new standards, the Company recorded a decrease to opening retained earnings of \$3.0 million. The decrease to opening retained earnings was a result of the write-off of previously deferred transaction costs related to issuance of long-term debt (\$1.0 million, loss net of tax of \$0.5 million), the write-off of a deferred loss on the termination of various cross currency interest rate swaps that did not meet the new requirements (\$2.1 million loss, no tax) and the ineffectiveness of cash flow hedges discussed below (\$0.1 million gain, net of tax).

All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless exempted from derivative treatment as a normal purchase or sale. All changes in their fair value are recorded in net earnings unless cash flow hedge accounting is used, in which case, changes in fair value are recorded in other comprehensive income. The Company has applied this accounting treatment for all embedded derivatives in existence at transition. The impact of the change in accounting policy related to embedded derivatives is immaterial.

The Company uses various financial instruments to manage foreign currency exposures, fluctuation in interest rates, and exposures related to the purchase of aluminum for the Container Division. These financial instruments are classified into three types of hedges: cash flow hedges, fair value hedges and hedges of net investments in self-sustaining operations.

In a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the statement of earnings. Upon adoption of the new standards, the Company remeasured its cash flow hedge derivatives at fair value. Aluminum forward contracts with a favourable fair value of \$1.7 million are the largest component of the Company's cash flow hedges and are recorded in other receivables and prepaid expenses. In addition, the Company entered into Cross Currency Interest Rate Swap Agreements (CCIRSAs) that converted U.S. dollar fixed rate debt into Canadian dollar fixed rate debt in order to reduce the Company's exposure to the U.S. dollar debt and currency exposures. This CCIRSA is also designated as a cash flow hedge and has an unfavourable fair value of \$5.6 million for the current period and is recorded in long-term debt. The Company also uses forward contracts to hedge foreign exchange exposure on anticipated sales. All existing forward contracts matured during the current quarter. These hedges were previously recorded in accounts payable and accrued liabilities.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent the hedging relationship is effective, is offset by changes in the fair value of the derivative also measured at fair value on the balance sheet date, with changes in value recorded through net earnings. The Company has two CCIRSAs designated as fair value hedges, which convert U.S. dollar fixed rate debt into Canadian dollar floating rate debt in order to reduce interest rate and currency risk. In addition, the Company has an interest rate swap converting U.S. dollar fixed rate debt to U.S. dollar floating rate debt to reduce interest rate risk.

exposure. These fair value hedges have an unfavourable fair value of \$7.7 million and are recorded in long-term debt.

In a hedge of a net investment in a self-sustaining foreign operation, the portion of the gain or loss on the hedging item that is determined to be an effective hedge should be recognized in comprehensive income and the ineffective portion should be recognized in net earnings. During 2006, the Company entered into CCIRSA's that converted Canadian dollar fixed rate and floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to the euro, with a view to reducing foreign exchange fluctuations and interest expense. These CCIRSA's have been designated as net investment hedges and have a net favourable fair value of \$3.6 million at the end of the current period and are recorded in other assets and long-term debt. The Company had also entered into a non-deliverable forward foreign exchange contract to hedge its investment in its Brazilian subsidiaries. This foreign exchange contract was previously recorded in accounts payable and accrued liabilities. It expired in April 2007 and was settled by a payment of \$1.5 million in cash from CCL. The Company has elected to record the forward points associated with the forward contract in accumulated other comprehensive income. The forward points are recognized in income on the maturity of the contract.

B. Recently Issued Accounting Standards

In May 2007, the CICA issued a new Handbook Section 3031, "Inventories", which addresses the measurement and disclosure of inventory. The new standard is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Management is currently reviewing the potential impact on the financial results of the Company. However, further disclosure will be required in the Consolidated Statement of Earnings as it will now be necessary to disclose the amount of inventories recognized as an expense during the period. The Company will comply with the standard on January 1, 2008.

In October 2006, the CICA issued new standards related to financial instrument presentation and disclosure, Handbook Section 3862, "Financial Instruments - Disclosure" and Handbook Section 3863, "Financial Instruments - Presentation". These standards revise and enhance the disclosure requirements of Handbook Section 3861, "Financial Instruments - Disclosure and Presentation". These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Management is currently reviewing the potential impact on the Company. The Company will comply with the requirements of the new standard when the standard becomes effective.

In October 2006, the CICA approved new accounting standards, Section 1535, "Capital Disclosures". This new section establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Management is currently reviewing the potential impact on the Company. The Company will comply with the requirements of the new standard when the standard becomes effective.

9. Commitments and Contingencies

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, 2006 Annual Consolidated Financial Statements. The

Company does not have any material related party transactions. There are no defined benefit plans funded with CCL stock.

10. Risks and Strategies

The 2006 Management's Discussion and Analysis in the Annual Report detailed risks to the Company's business and the strategies that were planned for 2007 and beyond. There have been no material changes to those risks and strategies. CCL is now more exposed to the inherent risks associated with running a more internationally diverse specialty packaging business. The Company now has a greater dependence on the European, Latin American and Asian economies and their currencies. These non-Canadian risks were described in the 2006 Management's Discussion and Analysis.

11. Outlook

The Company continues to focus on the growth prospects of its specialty packaging business and the prudent management and reinvestment of its cash on hand and cash flow generation with a view to the continued improvement in shareholder value in 2007 and beyond. CCL is continuing to integrate and reorganize the large number of recent acquisitions it has made into its global network to improve profitability and simplify administration. The Company is investigating mid-sized potential acquisition and joint venture candidates that meet its criteria of core products and customers, and its expectation of earnings accretion in the first year of ownership.

The organic growth in sales and income experienced in 2006 and the first half of 2007 is anticipated to continue into the balance of 2007 as the Company is expected to generate additional returns from its capital investments and acquisitions. Growth is predominantly expected to come from outside North America due to the slowdown in the U.S. economy.

The seasonality of the business continues to evolve, particularly in the Label Division, with the first quarter being the most profitable by a considerable margin followed by the second quarter. The overall outlook for the balance of the year is positive. However, there are challenges expected during the remainder of 2007 associated with the cost of aluminum in the Container Division and its ability to maintain margins through higher selling prices to its customers. Sluggish customer demand for personal care products in North America are expected to impact the Tube and Container Divisions at least through the third quarter. In addition, the Label Division will be relocating its operations to new facilities in Mexico and Memphis over the remainder of 2007 and Paris into 2008, and will be incurring additional costs associated with these moves. The recent weakness in the U.S. dollar compared to the Canadian dollar will continue to negatively impact comparative results due to adverse currency translation. Currently, the Canadian dollar relative to the European currencies, primarily the euro, and other currencies is effectively unchanged from last year's rates and may have little impact on comparative results.

12. Key Performance Indicators and Non-GAAP Measures

CCL measures the success of its business using a number of key performance indicators, many of which are in accordance with Canadian GAAP as described throughout this report. The following performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative or replacement of any other measure of performance under Canadian GAAP. These non-GAAP measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers.

Restructuring and other items and favourable tax adjustments – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items and favourable tax adjustments on a per share basis is measured by dividing the after-tax income of these items by the average number of shares outstanding in the relevant period. Management will continue to disclose the impact of these 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 these items.

Return on Sales – A measure indicating relative profitability of sales to customers. It is defined as operating income divided by sales, expressed as a percentage.

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

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

Book Value per Share – A measure of the book shareholders' equity per the combined Class A and Class B shares. It is calculated by dividing shareholders' equity by the actual Class A and Class B shares outstanding excluding amounts and shares related to shares held in trust and the executive share purchase plan.

Interest Coverage – A measure indicating the relative amount of operating income generated by the Company compared to the amount of interest expense incurred by the Company. It is calculated as operating income before restructuring and other items plus net interest expense divided by net interest expense calculated on a 12-month rolling basis.