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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2021 and 2020
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

	As at June 30 2021	As at December 31 2020
Assets		
Current assets		
Cash and cash equivalents	$ 693.3	$ 703.7
Trade and other receivables	1,060.2	922.8
Inventories	605.7	533.5
Prepaid expenses	51.3	35.3
Income taxes recoverable	18.0	29.0
Derivative instruments	0.6	0.4
Total current assets	2,429.1	2,224.7
Non-current assets		
Property, plant and equipment	1,830.0	1,882.7
Right-of-use assets	148.9	158.4
Goodwill	1,863.0	1,918.5
Intangible assets	948.2	1,007.6
Deferred tax assets	47.8	42.7
Equity-accounted investments	61.4	66.1
Other assets	28.1	26.8
Derivative instruments	11.4	9.2
Total non-current assets	4,938.8	5,112.0
Total assets	**$ 7,367.9**	**$ 7,336.7**
Liabilities		
Current liabilities		
Trade and other payables	$ 1,195.6	$ 1,135.7
Current portion of long-term debt (note 8)	160.8	51.8
Lease liabilities	31.8	34.2
Income taxes payable	39.3	40.3
Total current liabilities	1,427.5	1,262.0
Non-current liabilities		
Long-term debt (note 8)	1,649.1	1,889.4
Lease liabilities	113.9	119.2
Deferred tax liabilities	281.5	270.8
Employee benefits	322.8	385.1
Provisions and other long-term liabilities	13.1	10.9
Derivative instruments	85.0	117.1
Total non-current liabilities	2,465.4	2,792.5
Total liabilities	3,892.9	4,054.5
Equity		
Share capital	432.7	396.8
Contributed surplus	95.2	90.1
Retained earnings	3,197.9	2,937.5
Accumulated other comprehensive loss (note 5)	(250.8)	(142.2)
Total equity attributable to shareholders of the Company	3,475.0	3,282.2
Acquisitions (note 3)		
Subsequent events (note 9)		
Total liabilities and equity	**$ 7,367.9**	**$ 7,336.7**

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

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In millions of Canadian dollars, except per share information

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Sales	$ 1,406.3	$ 1,221.9	$ 2,755.8	$ 2,518.3
Cost of sales	996.0	894.4	1,958.4	1,820.2
Gross profit	410.3	327.5	797.4	698.1
Selling, general and administrative expenses	191.0	171.3	370.9	352.2
Restructuring and other items (note 6)	2.6	3.8	2.6	5.6
Earnings in equity-accounted investments	(2.1)	(1.7)	(4.0)	(3.0)
	218.8	**154.1**	**427.9**	**343.3**
Finance cost	13.5	14.9	27.5	31.0
Finance income	(0.7)	(0.6)	(1.4)	(1.3)
Interest on lease liabilities	1.3	1.6	2.7	3.3
Net finance cost	14.1	15.9	28.8	33.0
Earnings before income tax	**204.7**	**138.2**	**399.1**	**310.3**
Income tax expense	51.7	34.3	98.3	79.8
Net earnings for the period	**$ 153.0**	**$ 103.9**	**$ 300.8**	**$ 230.5**
Basic earnings per Class B share	**$ 0.86**	**$ 0.58**	**$ 1.68**	**$ 1.29**
Diluted earnings per Class B share	**$ 0.86**	**$ 0.58**	**$ 1.67**	**$ 1.28**

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

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Net earnings	**$ 153.0**	**$ 103.9**	**$ 300.8**	**$ 230.5**
Other comprehensive income (loss), net of tax:				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustment for foreign operations, net of tax recovery of $0.4 and $4.0 for the three-month and six-month periods ended June 30, 2021 (2020 – tax recovery of $3.6 and tax expense of $5.2)	(38.8)	(110.8)	(172.8)	46.9
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of $4.4 and $9.7 for the three-month and six-month periods ended June 30, 2021 (2020 – tax expense of $5.6 and tax recovery of $6.7)	28.4	37.5	64.1	(45.3)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of $0.1 and $0.3 for the three-month and six-month periods ended June 30, 2021 (2020 – tax of nil and tax recovery of $0.1)	0.4	-	0.8	(0.4)
Net change in fair value of cash flow hedges transferred to the income statement, net of tax expense of $0.1 and $0.2 for the three-month and six-month periods ended June 30, 2021 (2020 – tax recovery of $0.1 and $0.1)	(0.4)	0.2	(0.7)	0.4
Actuarial gains (losses) on defined benefit post-employment plans, net of tax expense of $1.2 and $12.0 for the three-month and six-month periods ended June 30, 2021 (2020 – tax recovery of $7.3 and $4.2)	(5.5)	(22.0)	35.0	(13.1)
Other comprehensive loss, net of tax	**$ (15.9)**	**$ (95.1)**	**$ (73.6)**	**$ (11.5)**
Total comprehensive income	**$ 137.1**	**$ 8.8**	**$ 227.2**	**$ 219.0**

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

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In millions of Canadian dollars

	Class A shares	Class B shares	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balances, January 1, 2020	$ 4.5	$ 361.0	$ 365.5	$ 81.5	$ 2,540.0	$ (89.3)	$ 2,897.7
Net earnings	-	-	-	-	230.5	-	230.5
Dividends declared							
Class A	-	-	-	-	(4.2)	-	(4.2)
Class B	-	-	-	-	(60.1)	-	(60.1)
Defined benefit plan actuarial loss, net of tax	-	-	-	-	(13.1)	-	(13.1)
Stock-based compensation plan	-	-	-	4.4	-	-	4.4
Stock options expense	-	-	-	3.0	-	-	3.0
Stock options exercised	-	4.0	4.0	(0.7)	-	-	3.3
Income tax effect related to stock options	-	-	-	0.1	-	-	0.1
Other comprehensive income	-	-	-	-	-	1.6	1.6
Balances, June 30, 2020	$ 4.5	$ 365.0	$ 369.5	$ 88.3	$ 2,693.1	$ (87.7)	$ 3,063.2

	Class A shares	Class B shares	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2021	$ 4.5	$ 392.3	$ 396.8	$ 90.1	$ 2,937.5	$ (142.2)	$ 3,282.2
Net earnings	-	-	-	-	300.8	-	300.8
Dividends declared							
Class A	-	-	-	-	(4.9)	-	(4.9)
Class B	-	-	-	-	(70.5)	-	(70.5)
Defined benefit plan actuarial gain, net of tax	-	-	-	-	35.0		35.0
Stock-based compensation plan	-	3.0	3.0	9.5	-	-	12.5
Stock options expense	-	-	-	1.3	-	-	1.3
Stock options exercised	-	32.9	32.9	(6.1)	-	-	26.8
Income tax effect related to stock options	-	-	-	0.4	-	-	0.4
Other comprehensive loss	-	-	-	-	-	(108.6)	(108.6)
Balances, June 30, 2021	$ 4.5	$ 428.2	$ 432.7	$ 95.2	$ 3,197.9	$ (250.8)	$ 3,475.0

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

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In millions of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2021	**2020**	**2021**	**2020**
Cash provided by (used for)				
Operating activities				
Net earnings	$ 153.0	$ 103.9	$ 300.8	$ 230.5
Adjustments for:				
Property, plant and equipment depreciation	59.7	62.2	121.9	123.0
Right-of-use assets depreciation	9.6	10.3	19.5	20.5
Intangibles amortization	13.9	14.3	28.5	28.8
Earnings in equity-accounted investments, net of dividends received	4.1	(1.7)	2.2	0.5
Net finance costs	14.1	15.9	28.8	33.0
Current income tax expense	54.8	23.1	107.3	67.0
Deferred tax expense (recovery)	(3.1)	11.2	(9.0)	12.8
Equity-settled share-based payment transactions	7.3	4.0	14.2	7.5
Gain on sale of property, plant and equipment	(0.4)	(2.4)	(2.1)	(2.5)
	313.0	240.8	612.1	521.1
Change in inventories	(54.5)	(22.8)	(71.8)	(82.7)
Change in trade and other receivables	(81.8)	69.3	(134.3)	(66.8)
Change in prepaid expenses	(13.9)	1.9	(15.9)	2.3
Change in trade and other payables	91.4	(14.0)	55.2	8.8
Change in income taxes receivable and payable	1.0	3.4	(0.7)	4.9
Change in employee benefits	(1.6)	4.8	(15.2)	10.8
Change in other assets and liabilities	(1.0)	(31.3)	0.5	(34.9)
	252.6	252.1	429.9	363.5
Net interest paid	(22.0)	(22.7)	(24.1)	(32.0)
Income taxes paid	(63.0)	(36.0)	(97.8)	(57.8)
Cash provided by operating activities	**167.6**	**193.4**	**308.0**	**273.7**
Financing activities				
Proceeds on issuance of long-term debt	0.5	818.7	1.9	860.4
Repayment of long-term debt	(18.1)	(842.6)	(92.2)	(903.5)
Repayment of lease liabilities	(8.7)	(11.6)	(17.7)	(23.7)
Proceeds from issuance of shares	14.0	3.1	26.8	3.3
Dividends paid	(37.7)	(32.1)	(75.4)	(64.3)
Cash used for financing activities	**(50.0)**	**(64.5)**	**(156.6)**	**(127.8)**
Investing activities				
Additions to property, plant and equipment	(74.9)	(61.4)	(132.1)	(157.1)
Proceeds on disposal of property, plant and equipment	2.0	13.7	6.4	14.1
Business acquisitions and other long-term investments (note 3)	(10.3)	(0.1)	(10.3)	(100.3)
Cash used for investing activities	**(83.2)**	**(47.8)**	**(136.0)**	**(243.3)**
Net increase (decrease) in cash and cash equivalents	34.4	81.1	15.4	(97.4)
Cash and cash equivalents at beginning of period	662.7	545.5	703.7	703.6
Translation adjustments on cash and cash equivalents	(3.8)	(7.2)	(25.8)	13.2
Cash and cash equivalents at end of period	**$ 693.3**	**$ 619.4**	**$ 693.3**	**$ 619.4**

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

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended June 30, 2021 and 2020, comprise the results of the Company, its subsidiaries and its interests in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, consumer printable media products, technology-driven label solutions, polymer banknote substrates and specialty films.

2. Basis of preparation and presentation

(a) Statement of compliance

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

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2020 annual consolidated financial statements.

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on August 5, 2021.

(b) Basis of measurement

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

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

(c) Presentation currency

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

3. Acquisitions

(a) Acquisitions in 2021

In April 2021, the Company acquired the assets of Europack Packaging and Fluid Management GmbH ("Europack") for approximately $0.9 million. Europack was added to the CCL Segment.

In May 2021, the Company acquired privately held Lux Global Label Asia Pte. Ltd. ("LUX"), based in Singapore for approximately $9.4 million, net of cash. LUX produces decorative labels for global consumer product customers in the ASEAN region. LUX now trades as "CCL Label Singapore."

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

Cash consideration, net of cash acquired	$	10.3
Trade and other receivables	$	3.1
Inventories		0.5
Property, plant and equipment		5.5
Right-of-use assets		0.6
Goodwill		2.3
Intangible assets		0.1
Trade and other payables		(1.2)
Lease liabilities		(0.6)
Net assets acquired	$	10.3

As a result of the inherent complexity associated with the valuation of net assets acquired, the determination of the fair value of assets and liabilities acquired is based upon preliminary estimates and assumptions. The Company will continue to review information prior to finalizing the fair value of the assets acquired and liabilities assumed. The actual fair value of the assets acquired and liabilities assumed may differ from the amounts noted above.

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill and intangible assets for Europack and LUX is $2.4 million, which is not deductible for tax purposes.

The following table summarizes the combined sales and net earnings that the newly acquired Europack and LUX have contributed to the Company for the current reporting period.

		Six Months Ended June 30
Sales	$	1.5
Net losses	$	(0.4)

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

(b) Pro Forma Information

The pro forma consolidated financial information below has been prepared following the accounting policies of the Company as if the acquisitions took place January 1, 2021.

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

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

The following table summarizes the sales and net earnings of the Company combined with Europack and LUX as though the acquisitions took place on January 1, 2021:

	Six Months Ended June 30
Sales	$ 2,758.5
Net earnings	$ 300.0

(c) Acquisitions in 2020

In January 2020, the Company acquired IDentilam Limited ("IDentilam") based in Horsham, U.K., for approximately $2.9 million, net of cash acquired. The company designs and develops a range of software solutions for event badging and identification cards along with digital printing services. IDentilam was added to Avery's direct-to-consumer operations.

In January 2020, the Company acquired I.D.&C. World Holdco Ltd ("ID&C"), with operations in Tunbridge Wells, U.K., and Bradenton, Florida, for approximately $35.5 million, net of cash acquired. ID&C is a global leader in live event badges and wristbands. ID&C was added to Avery's direct-to-consumer operations.

In January 2020, the Company acquired privately owned Ibertex Etiquetaje Industrial S.L.U. and Eti-Textil Maroc S.a.r.l. AU ("Eti-Textil"), for approximately $20.1 million, net of cash and debt. Eti-Textil, headquartered in Elche, Spain, with satellite manufacturing in Tangier, Morocco, is an apparel label producer that was integrated into the Apparel Labeling Solutions business of Checkpoint.

In February 2020, the Company acquired the remaining 50% interest in its aluminum slug joint venture, Rheinfelden Americas, LLC ("Rheinfelden"), by assuming $18.8 million of net debt previously held in the venture. The business immediately changed its name to CCL Metal Science and reported within the CCL Segment.

In February 2020, the Company acquired Clinical Systems, Inc. ("CSI"), based in Garden City, New York, for approximately $19.7 million, net of cash acquired. CSI is a specialized provider to the U.S. clinical trials industry and operates as part of CCL Label's Healthcare and Specialty business.

In March 2020, the Company acquired Flexpol Sp. z o.o. ("Flexpol"), a privately owned company based in Plock, Poland, for approximately $23.5 million, net of cash acquired. Flexpol is a leading producer of biaxially oriented polypropylene ("BOPP") film for the European market and was added to the Innovia Segment.

In July 2020, the Company acquired InTouch Labels and Packaging, Co., Inc. ("InTouch"), based near Boston, Massachusetts, for approximately $11.1 million, net of cash and debt. InTouch is a specialized short-run digital label converter and was added to Avery's direct-to-consumer operations.

In October 2020, the Company acquired Graphic West International ApS ("GWI"), headquartered in Denmark, with operations in Europe and North America, for approximately $35.2 million, net of cash and debt. This new operation brings expanded capabilities and geographic reach in digitally printed cartons for the pharmaceutical industry. The company now trades as "CCL Specialty Cartons".

In November 2020, the Company acquired privately owned Super Enterprises Printing (Malaysia) Sdn. Bnd. ("SEP") for approximately $18.4 million, net of cash. SEP headquartered in Kuala Lumpur, with a second manufacturing operation in Guangzhou, China. SEP manufactures decorative panels, liquid crystal and touch-screen display covers and in-mould decorated components for the consumer electronics and automotive sectors across Asia. The company now trades as "CCL Design."

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the IDentilam, ID&C, Eti-Textil, CSI, Rheinfelden, Flexpol, InTouch, GWI and SEP acquisitions:

Cash consideration, net of cash acquired	$ 164.4
Assumed debt	20.8
	$ 185.2
Trade and other receivables	$ 30.5
Inventories	13.4
Other current assets	0.9
Income tax recoverable	1.7
Property, plant and equipment	59.2
Right-of-use assets	7.2
Goodwill	99.3
Intangible assets	24.0
Trade and other payables	(34.2)
Lease liabilities	(4.7)
Deferred tax liabilities	(9.3)
Provisions and other long-term liabilities	(2.8)
Net assets acquired	$ 185.2

In millions of Canadian dollars, unless otherwise noted

4. Segment reporting and disaggregation of revenue

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

The Company's reportable segments:

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

	Three Months Ended June 30				Six Months Ended June 30			
	Sales		Operating income		Sales		Operating income	
	2021	2020	2021	2020	2021	2020	2021	2020
CCL	$ 856.3	$ 781.6	$ 139.5	$ 115.0	$ 1,733.0	$ 1,620.4	$ 296.7	$ 255.6
Avery	178.9	146.3	38.2	18.5	319.3	305.0	59.2	50.6
Checkpoint	187.7	121.5	29.1	6.4	356.4	276.5	54.5	18.5
Innovia	183.4	172.5	28.7	23.7	347.1	316.4	48.2	39.2
Total operations	$ 1,406.3	$ 1,221.9	$ 235.5	$ 163.6	$ 2,755.8	$ 2,518.3	$ 458.6	$ 363.9
Corporate expense			(16.2)	(7.4)			(32.1)	(18.0)
Restructuring and other items			(2.6)	(3.8)			(2.6)	(5.6)
Earnings in equity-accounted investments			2.1	1.7			4.0	3.0
Finance cost			(13.5)	(14.9)			(27.5)	(31.0)
Finance income			0.7	0.6			1.4	1.3
Interest on lease liabilities			(1.3)	(1.6)			(2.7)	(3.3)
Income tax expense			(51.7)	(34.3)			(98.3)	(79.8)
Net earnings			$ 153.0	$ 103.9			$ 300.8	$ 230.5

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	June 30	December 31	June 30	December 31	Six Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020	2021	2020	2021	2020
CCL	$ 3,780.4	$ 3,805.6	$ 1,014.5	$ 1,066.8	$ 113.5	$ 115.6	$ 101.1	$ 116.9
Avery	743.4	707.1	263.1	231.9	12.7	13.0	3.9	10.9
Checkpoint	969.6	975.1	492.1	497.7	18.6	19.1	9.6	14.8
Innovia	1,172.4	1,145.9	320.1	288.7	24.3	23.9	17.5	14.5
Equity-accounted investments	61.4	66.1	-	-	-	-	-	-
Corporate	640.7	636.9	1,803.1	1,969.4	0.8	0.7	-	-
Total	$ 7,367.9	$ 7,336.7	$ 3,892.9	$ 4,054.5	$ 169.9	$ 172.3	$ 132.1	$ 157.1

The quarterly financial results above are affected by the seasonality of the business Segments. The first and second quarters of a year are traditionally higher sales periods for the CCL and Innovia Segments as a result of the greater number of work days than the third and fourth quarters plus the seasonality of certain end markets. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America. For the Checkpoint Segment, in its recurring revenue streams, the second half of the calendar year is healthier as the business substantially follows the retail cycle of its customers, which traditionally experiences more consumer activity from September through the end of the year and prepares for the same in its supply chain from mid-year on. As a result of the impact of COVID-19 on the economy and the Company's businesses, historical seasonality trends could be adversely affected or temporarily improved.

All revenues are from products and services transferred at a point in time, except $18.9 million and $37.4 million for the three-month and six-month periods ended June 30, 2021, respectively (June 30, 2020 - $14.4 million and $31.7 million), which are for installation and maintenance service arrangements within the Checkpoint Segment.

In millions of Canadian dollars, unless otherwise noted

5. Accumulated other comprehensive loss

	June 30 2021	December 31 2020
Unrealized foreign currency translation losses, net of tax expense of $0.5 (2020 – tax recovery of $5.2)	$ (251.3)	$ (142.6)
Gains on derivatives designated as cash flow hedges, net of tax expense of $0.2 (2020 – tax expense of $0.1)	0.5	0.4
	$ (250.8)	$ (142.2)

6. Restructuring and other items

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
Restructuring costs	$ 2.4	$ 4.2	$ 2.4	$ 5.2
Acquisition costs	0.2	0.1	0.2	0.9
Other items	-	(0.5)	-	(0.5)
Total restructuring and other items	$ 2.6	$ 3.8	$ 2.6	$ 5.6

For the six months ended June 30, 2021, the Company recorded $2.6 million ($2.1 million after tax) for restructuring and other items principally related to severance at the Checkpoint Segment, and other acquisition costs.

For the six months ended June 30, 2020, the Company recorded $5.6 million ($4.4 million, net of tax) for restructuring and other items. Restructuring costs were $5.2 million ($4.0 million, net of tax), primarily for severance costs associated with the Checkpoint Segment and CCL wine label operations in Australia and Chile. Acquisition costs of $0.9 million ($0.9 million, net of tax) were for transaction costs related to the six acquisitions closed in 2020 and other items were a net gain of $0.5 million ($0.5 million, net of tax).

7. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

June 30, 2021	Level 1	Level 2	Level 3	Total
Other assets	$ 18.9	$ -	$ -	$ 18.9
Derivative financial assets	-	12.0	-	12.0
Long-term debt	-	(1,919.9)	-	(1,919.9)
Derivative financial liabilities	-	(85.0)	-	(85.0)
	$ 18.9	$ (1,992.9)	$ -	$ (1,974.0)
December 31, 2020				
Other assets	$ 19.6	$ -	$ -	$ 19.6
Derivative financial assets	-	9.6	-	9.6
Long-term debt	-	(2,121.3)	-	(2,121.3)
Derivative financial liabilities	-	(117.1)	-	(117.1)
	$ 19.6	$ (2,228.8)	$ -	$ (2,209.2)

The methods and assumptions used to measure the fair value are as follows:

The fair value of derivative financial instruments generally reflects the estimated amounts that the Company would receive to sell favourable contracts, or pay to transfer unfavourable contracts, at the reporting date. The Company uses discounted cash flow analysis and market data such as interest rates, credit spreads and foreign exchange spot rates to estimate the fair value of forward agreements and interest-rate derivatives.

The fair value of long-term debt is estimated using public quotations, when available, or discounted cash flow analysis based on the current corresponding borrowing rate for similar types of borrowing arrangements.

(b) Fair values versus carrying amounts

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

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

	June 30, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 1,809.9	$ 1,919.9	$ 1,941.2	$ 2,121.3

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

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

8. Long-term debt

During the second quarter of 2020, the Company closed a rule 144A 3.05% private note offering due June 2030 in the principal amount of US$600.0 million. The proceeds of the offering were almost entirely used to repay borrowings on the Company's unsecured syndicated revolving credit facility.

During the first quarter of 2020, the Company amended its syndicated bank credit facilities extending the tenor of the US$366.0 million term facility to February 2022 and extending the tenor of the US$1.2 billion revolving credit facility to February 2025.

During the first six months 2021, debt repayments of $92.2 million were primarily made on syndicated term debt and a bilateral uncommitted credit facility in Australia.

The Company's debt structure at June 30, 2021, was primarily comprised of 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($735.7 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($614.9 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US$104.0 million ($128.9 million). A bilateral uncommitted credit facility resident in Australia was $29.4 million.

The Company's debt structure at December 31, 2020, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($754.8 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($630.8 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US$161.0 million ($204.8 million). The additional uncommitted loan facility resident in Australia was $50.2 million.

9. Subsequent events

The Board of Directors has declared a dividend of $0.21 per Class B non-voting share and $0.2075 per Class A voting share, which will be payable to shareholders of record at the close of business on September 16, 2021, to be paid on September 30, 2021.

In July 2021, the Company acquired Plum Paper LLC ("Plum Paper"), a privately owned, direct-to-consumer ecommerce business based in Oceanside, California. The debt free, all cash purchase consideration, subject to customary closing conditions, is approximately $26.0 million. Plum Paper is a leading supplier of personalized planners, journals and related stickers and has been added to Avery's direct-to-consumer operations.

In July 2021, the Company, acquired the privately owned Uniter Group of companies ("Uniter"). Uniter consists of five apparel label factories located in Spain, Portugal, Morocco, Turkey and China. The purchase price, net of cash and debt, is approximately $53.7 million, subject to customary closing adjustments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarters Ended June 30, 2021 and 2020

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("the Company") relates to the second quarters ended June 30, 2021 and 2020. The information in this interim MD&A is current to August 5, 2021, and should be read in conjunction with the Company's August 5, 2021, unaudited second quarter consolidated condensed interim financial statements ("interim financial statements") released on August 5, 2021, and the 2020 Annual MD&A and consolidated financial statements ("annual financial statements"), which form part of CCL Industries Inc.'s 2020 Annual Report, dated February 24, 2021.

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website www.cclind.com.

Basis of Presentation

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

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Specifically, this MD&A contains forward-looking statements regarding the anticipated sales, income and profitability of the Company's segments; the Company's capital spending levels and planned capital expenditures in 2021; the adequacy of the Company's financial liquidity including the availability of sufficient cash from operations and available credit capacity to fund the Company's future financial obligations for the next few years; the Company's effective tax rate; the Company's ongoing business strategy; the Company's planned restructuring expenditures; the Company's expectations regarding general business and economic conditions; the impact of the COVID-19 ("CV19") global pandemic on the Company's overall operations, customers, strategy and financial results and on the respective Segments of the Company, including in respect of the third quarter of 2021 and beyond; and the ability of management to align cost structures with changing demand levels and improve profitability.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the continuing adverse impact of the CV19 pandemic on the Company, its employees, customers, suppliers, the global economy and financial markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological changes; changes in government regulations; risks associated with operating and product hazards; and the Company's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: consumer spending; customer demand for the Company's products; market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum and resin costs; the Company's expectation that relaxation of government CV19-related restrictions and modest impact from CV19 variants will results in improved economic activity and improved results for the Company; the Company's expectation it can effectively manage inflationary cost pressure and improve financial results; that trends for the CCL and Checkpoint Segments will persist through the second half of 2021; the Company's expectation that matching results for the second half of 2020 in the second half of 2021 will be a challenge; the ability of the Company to participate in certain government assistance programs; the Company's expectation that the Avery Segment's direct-to-consumer event and name badging operations will remain materially impacted due to the CV19 pandemic; the Company's expectation that Avery's "Kids' labels" and "WePrint" will remain solid; the Company's expectation that Avery's PMG and OPG product groups in North America will improve as bricks-and-mortar retail reopens and onsite office-employee density increases; the Company's expectation that Avery's orders internationally will remain steady; and the Company's expectation that the Innovia Segment will effectively manage input cost volatility, enhance productivity and successfully establish its new "Ecofloat" shrink film line. Should one or more risks come to fruition or should any assumption prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2020 Annual MD&A.

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

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

1. Overview

The second quarter of 2021 was, as expected, a rebound period for the Company compared to the second quarter of 2020 so dramatically impacted by the global CV19 pandemic. This resulted in a highly unusual consolidated organic growth rate of 20.5% on strong performances at each of the Company's Segments culminating in a 16.7% return on sales for operating income (non-IFRS financial measures; refer to definition in Section 14 of this MD&A), 330 basis points and 200 basis points ahead of the 2020 and 2019 second quarter results, respectively. Temporary company-wide savings from furloughed and short time working employees and other government assistance were not material for the quarter as governments wind down support programmes. Although significant issues associated with the global pandemic persist, especially in the Asia Pacific region, the Company posted outstanding second quarter basic and adjusted basic earnings per Class B share (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) of $0.86 and $0.89, respectively compared to basic and adjusted basic earnings per Class B share of $0.58 and $0.59, respectively, for the 2020 second quarter.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2020 including those announced through to the end of the second quarter of 2021:

- In May 2021, the Company acquired privately held Lux Global Label Asia Pte. Ltd. ("LUX"), based in Singapore for approximately $9.4 million, net of cash. LUX produces decorative labels for global consumer product customers in the ASEAN region. LUX now trades as "CCL Label Singapore."

- In April 2021, the Company acquired the assets of Europack Packaging and Fluid Management GmBH ("Europack") for approximately $0.9 million. Europack was added to the CCL Segment.

- In November 2020, the Company acquired privately owned Super Enterprises Printing (Malaysia) Sdn. Bnd. ("SEP") for approximately $18.4 million, net of cash. SEP is headquartered in Kuala Lumpur, with a second manufacturing operation in Guangzhou, China. SEP manufactures decorative panels, liquid crystal and touch-screen display covers and in-mould decorated components for the consumer electronics and automotive sectors across Asia. The company now trades as "CCL Design."

- In October 2020, the Company acquired Graphic West International ApS ("GWI"), headquartered in Denmark, with operations in Europe and North America, for approximately $35.2 million, net of cash and debt. This new operation brings expanded capabilities and geographic reach in digitally printed cartons for the pharmaceutical industry. The company now trades as "CCL Specialty Cartons."

- In July 2020, the Company acquired InTouch Labels and Packaging Co., Inc. ("InTouch"), near Boston, Massachusetts, for approximately $11.1 million, net of cash and debt. InTouch is a specialized short-run digital label converter and has been added to Avery's direct-to-consumer operations.

- In March 2020, the Company acquired Flexpol Sp. Z.o.o. ("Flexpol"), a privately owned company based in Plock, Poland. Flexpol is a leading producer of biaxially oriented polypropylene ("BOPP") film for the European market. The purchase price, net of cash acquired was approximately $23.5 million. The new business immediately commenced operating as "Innovia Poland."

- In February 2020, the Company acquired Clinical Systems, Inc. ("CSI"), based in Garden City, New York, for approximately $19.7 million, net of cash on hand. CSI is a specialized provider to the United States clinical trials industry and is operating as part of CCL Label's Healthcare and Specialty business.

- In February 2020, the Company acquired the remaining 50% interest in its aluminum slug joint venture, Rheinfelden Americas, LLC ("Rheinfelden"), by assuming the $18.8 million of net debt previously held in the venture. The business immediately changed its name to CCL Metal Science.

- In January 2020, the Company acquired privately owned Ibertex Etiquetaje Industrial S.L.U. and Eti-Textil Maroc S.a.r.l. AU ("Eti-Textil") for approximately $20.1 million, net of cash and debt. Eti-Textil, headquartered in Elche, Spain, with satellite manufacturing in Tangier, Morocco, is an apparel label producer that has been integrated into the Apparel Labeling Systems ("ALS") business of Checkpoint.

- In January 2020, the Company acquired I.D&C. World Holdco Ltd. ("ID&C"), with operations in Tunbridge Wells, U.K., and Bradenton, Florida, for approximately $35.5 million, net of cash acquired. ID&C is a global leader in live event badges and wristbands and is part of Avery's growing direct-to-consumer business.

- In January 2020, the Company acquired IDentilam Ltd. ("IDL"), based in Horsham, UK, for approximately $2.9 million, net of cash acquired. IDL designs and develops a range of software solutions for event badging and identification cards and has been added to Avery's direct-to-consumer operations.

Sales for the second quarter of 2021 were $1,406.3 million, an increase of 15.1% compared to $1,221.9 million recorded in the second quarter of 2020. Sales increased due to an organic growth rate of 20.5% and acquisition-related growth of 1.5% partially offset by a 6.9% negative impact from foreign currency translation. For the six-month period ended June 30, 2021, sales were $2,755.8 million, an increase of 9.4% compared to $2,518.3 million for the same six-month period a year ago. This increase in sales can be attributed to 12.1% organic growth and 2.0% acquisition-related growth partially offset by a 4.7% negative impact from foreign currency translation.

Selling, general and administrative expenses ("SG&A") were $191.0 million and $370.9 million for the three-month and six-month periods ended June 30, 2021, compared to $171.3 million and $352.2 million for same periods in the prior year, respectively. The increase in SG&A for the comparative three-month and six-month periods is due to an increase in short-term and long-term variable compensation expense within corporate costs and an increase in discretionary expenses in 2021 compared to 2020.

The Company recorded an expense of $2.6 million ($2.1 million after tax) for restructuring and other items for the three-month and six-month periods of 2021 compared to $3.8 million ($2.8 million after tax) and $5.6 million ($4.4 million after tax) for three-month and six-month periods of 2020. For the six-month periods of 2021 and 2020 restructuring and other items were principally severance costs and other transaction costs.

Operating income (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) for the second quarter of 2021 improved 43.9% to $235.5 million, compared to $163.6 million for the second quarter of 2020. The CCL, Avery, Checkpoint and Innovia operating Segments all posted improved results. Operating income improved 51.4%, excluding the negative impact of foreign currency translation. For the six months ended June 30, 2021, operating income improved 26.0%. The six-month increase was due to improved results for all of the Company’s Segments compared to the same six-month period in 2020. Foreign currency translation had a negative impact of 4.9%, on operating income for the comparable six-month periods.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, restructuring and other items (“Adjusted EBITDA”, a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) improved 24.5% to $302.5 million for the second quarter of 2021, compared to $243.0 million for the second quarter of 2020. Excluding the negative impact of foreign currency translation, Adjusted EBITDA increased 31.4%. For the six months ended June 30, 2021, EBITDA was $596.4 million, an increase of 15.1% compared to $518.2 million in the comparable 2020 six-month period. Foreign currency translation had a negative impact of 4.6% on EBITDA for the comparable six-month periods.

Net finance cost was $14.1 million and $28.8 million for the three-month and six-month periods ended June 30, 2021, compared to $15.9 million and $33.0 million for the same periods in 2020. The decrease in net finance cost for the three-month and six-month periods ended June 30, 2021, was attributable to a reduction in total debt compared to the same periods in 2020.

The overall effective income tax rate was 25.5% and 24.9% for the three-month and six-month periods ended June 30, 2021, compared to 25.1% and 26.0% for the same periods in the prior year. The effective tax rate was impacted by recent amendments to UK tax legislation enacted into law during the quarter partially offset by a reduction in valuation allowances due to improved profitability at certain subsidiaries of the Company.

The new UK tax legislation raised income tax rates in future periods, therefore, the Company was required to increase its deferred income liability by $8.0 million resulting in a corresponding increase in tax expense. This increase in tax expense was largely offset by a $7.3 million reduction in valuation allowances due to improved profitability at certain subsidiaries of the Company. Of this $8.0 million increase, $4.7 million primarily related to book and tax timing differences and other discrete items. However, $3.3 million related to indefinite life intangibles from recent acquisitions that were recognized for accounting purposes but had no corresponding tax basis and were therefore excluded from adjusted basic earnings per share.

The effective tax rate may increase in future periods if a higher portion of the Company’s taxable income is earned in higher tax jurisdictions.

Net earnings for the second quarter of 2021 increased 47.3% to $153.0 million compared to $103.9 million for the second quarter of 2020. This resulted in basic and diluted earnings of $0.86 per Class B share for the 2021 second quarter compared to basic and diluted earnings of $0.58 per Class B share for the prior year second quarter. Changes in foreign exchange rates reduced earnings by $0.05 per Class B share compared to the second quarter of 2020.

Net earnings for the six-month period of 2021 were $300.8 million, an increase of 30.5% compared to $230.5 million for the same period a year ago. This resulted in basic and diluted earnings of $1.68 and $1.67 per Class B share, respectively, for the 2021 six-month period compared to basic and diluted earnings of $1.29 and $1.28 per Class B share, respectively, for the prior year six-month period. The weighted average number of shares (comprised of Class A voting shares and Class B non-voting shares) for the 2021 six-month period were 179.4 million basic and 180.7 million diluted shares compared to 178.6 million basic and 179.7 million diluted shares for the comparable period of 2020. Diluted shares include weighted average in-the-money equity compensation arrangements totaling 1.2 million shares (2020 – 1.0 million shares).

Adjusted basic earnings per Class B share were $0.89 and $1.71 for the three-month and six-month periods of 2021, respectively, compared to $0.59 and $1.31 for same periods of 2020.

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

(in Canadian dollars)	**Second Quarter**		**Year-To-Date**	
Adjusted Basic Earnings per Class B Share	**2021**	**2020**	**2021**	**2020**
Basic earnings per Class B share	$ 0.86	$ 0.58	$ 1.68	$ 1.29
Restructuring and other items	0.01	0.01	0.01	0.02
New UK Tax Legislation	0.02	-	0.02	-
Adjusted basic earnings (1) per Class B share	$ 0.89	$ 0.59	$ 1.71	$ 1.31

(1) Adjusted Basic Earnings per Class B Share is a non-IFRS financial measure. Refer to definition in Section 14 of this MD&A.

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

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

	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total
Sales					
2021	$ 1,349.5	$ 1,406.3	$ -	$ -	$ 2,755.8
2020	1,296.5	1,221.8	1,373.4	1,350.6	5,242.3
2019	1,332.1	1,354.2	1,357.1	1,277.9	5,321.3
Net earnings					
2021	147.8	153.0	-	-	300.8
2020	126.6	103.9	153.3	145.9	529.7
2019	123.7	121.3	127.7	104.4	477.1
Net earnings per Class B share					
Basic					
2021	0.82	0.86	-	-	1.68
2020	0.71	0.58	0.86	0.81	2.96
2019	0.70	0.68	0.71	0.59	2.68
Net earnings per Class B share					
Adjusted basic					
2021	0.82	0.89	-	-	1.71
2020	0.72	0.59	0.93	0.84	3.08
2019	0.71	0.69	0.72	0.67	2.79
Net earnings per Class B share					
Diluted					
2021	0.81	0.86	-	-	1.67
2020	0.70	0.58	0.86	0.80	2.94
2019	0.69	0.68	0.71	0.58	2.66

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

As a result of the impact of CV19 on the economy and the Company's businesses, historical seasonality trends could either be adversely affected or temporarily improved as described within this MD&A.

3. Business Segment Review

CCL Segment ("CCL")

($ millions)	Second Quarter 2021	Second Quarter 2020	+/-	Year-To-Date 2021	Year-To-Date 2020	+/-
Sales	$ 856.3	$ 781.6	9.6%	$ 1,733.0	$ 1,620.4	6.9%
Operating Income (1)	$ 139.5	$ 115.0	21.3%	$ 296.7	$ 255.6	16.1%
Return on Sales (1)	16.3%	14.7%		17.1%	15.8%	
Capital Spending	$ 57.6	$ 44.8	28.6%	$ 101.1	$ 116.9	(13.5%)
Depreciation and Amortization (2)	$ 50.2	$ 52.6	(4.6%)	$ 102.8	$ 104.7	(1.8%)

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 14.
(2) Depreciation and Amortization expense excludes depreciation of $5.2 million and $10.7 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2021 (2020 - $5.5 million and $10.9 million, respectively).

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

Sales for CCL were $856.3 million for the second quarter of 2021 compared to $781.6 million for the same quarter last year. The components of the 9.6% increase in sales are a 14.4% organic growth rate and 1.9% acquisition-related growth partially offset by a 6.7% negative impact from foreign currency translation.

North American sales were up double digit for the second quarter of 2021, excluding currency translation (where the weaker U.S. dollar had a significant impact), compared to the second quarter of 2020. Home & Personal Care sales increased significantly on much improved demand for labels, tubes and aerosol containers for travel size, beauty, cosmetic and skin care products offsetting significantly slower demand for cleansing and sanitizing related products. Healthcare & Specialty sales were mixed, with modest sales declines for Healthcare and reduced profitability compared to a prior year period fueled by pandemic related demand, partially offset by solid results in Ag-Chem products even compared to a very strong prior year period. CCL Design North America sales and profitability were up on improvements at electronics customers with U.S. automotive demand improving very significantly over an extremely weak prior year period. Food & Beverage posted strong sales growth in both sleeves and pressure sensitive labels leading to a corresponding profitability improvement. CCL Secure posted a sales decrease but increased profitability on productivity gains and strong mix. Overall operating income, and return on sales, for the current quarter in North America improved compared to the second quarter of 2020.

Sales in **Europe** were up double digit for the second quarter of 2021, excluding currency translation and acquisitions, compared to the second quarter of 2020. Home & Personal Care sales and profitability improved in still challenging markets. Healthcare & Specialty sales increased modestly but profitability fell on share loss in Ag-Chem markets and operational challenges in Germany. Food & Beverage markets were mixed: sales and profitability gains in pressure sensitive products improved as “on premise” demand in bars, cafes, and restaurants returned, offsetting share loss related declines in sleeve applications. CCL Design sales and profitability increased significantly in comparatively stronger automotive and industrial markets offsetting reduced profitability in electronics markets. CCL Secure posted strong results for the second quarter of 2021. European overall profitability and return on sales improved.

For the second quarter of 2021, solid organic sales growth in **Latin America** offset the negative impact of foreign exchange rates compared to the second quarter of 2020. Strong sales and profitability improvement in Brazil, Chile and Argentina were partially offset by significant currency devaluations, which also drove input cost inflation. Profitability was down in Mexico due to lower demand at CCL Secure compared to a very strong prior year. Excluding the impact of currency translation, underlying operating income and return on sales declined, entirely due to results in Mexico

Asia Pacific sales for the 2021 second quarter, excluding currency translation and acquisitions, increased low-double digit compared to the corresponding quarter in 2020. Modest organic sales growth in China was more than offset by currency devaluation. Slower demand in electronics end markets for CCL Design compared to a robust prior year period recovering from the first quarter 2020 industry shut down, plus start up cost for new business wins, reduced profitability. This was compounded by some share loss at CCL Label customers. Results in Thailand improved considerably compared to a weak prior year period, however markets in ASEAN countries remain challenged with some of the toughest CV19 restrictions in the world. CCL Design remained strong in Singapore. In Australia, sales and profitability increased on exceptional results for CCL Secure and improved underlying results for Healthcare and Wine label operations. The new Johannesburg Beverage plant posted a modest profit for the quarter. For the Asia Pacific region, operating income increased and return on sales improved compared to the second quarter of 2020.

Operating income for the second quarter of 2021 was $139.5 million, compared to $115.0 million for the second quarter of 2020. Return on sales improved to 16.3% compared to the 14.7% recorded for the same period in 2020. Included in the 2021 second quarter operating income was a benefit of $4.5 million from a positive Brazilian Supreme Court decision that concluded on the recovery of certain indirect taxes previously paid by the Company.

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

CCL invested $101.1 million in capital spending for the first six months of 2021, compared to $116.9 million in the same period in 2020. Major expenditures for the six-month period related to capacity additions to support the Home & Personal Care, Healthcare & Specialty and Food & Beverage businesses globally as well as CCL Design electronics in Asia. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization was $102.8 million for the six months ended June 30, 2021, compared to $104.7 million for the same period of 2020.

Avery Segment ("Avery")

	Second Quarter			Year-To-Date		
($ millions)	2021	2020	+/-	2021	2020	+/-
Sales	$ 178.9	$ 146.3	22.3%	$ 319.3	$ 305.0	4.7%
Operating Income (1)	$ 38.2	$ 18.5	106.5%	$ 59.2	$ 50.6	17.0%
Return on Sales (1)	21.4%	12.6%		18.5%	16.6%	
Capital Spending	$ 2.3	$ 4.5	(48.9%)	$ 3.9	$ 10.9	(64.2%)
Depreciation and Amortization (2)	$ 4.5	$ 4.7	(4.3%)	$ 9.5	$ 9.3	2.2%

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 14.

(2) Depreciation and Amortization expense excludes depreciation of $1.6 million and $3.2 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2021 (2020 - $1.9 million and $3.7 million, respectively).

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

Avery sales were $178.9 million for the second quarter of 2021, an improvement of 22.3% compared to $146.3 million for the same quarter last year. This increase in sales is attributed to 28.8% organic sales growth and 2.2% impact from acquisition-related sales growth partially offset by 8.7% negative impact from foreign currency translation.

Sales in **North America** for the second quarter of 2021 improved dramatically, excluding currency translation (where the weaker U.S. dollar had a significant effect), compared to a weak second quarter of 2020 significantly impacted by the pandemic. Sales and profitability for PMG and OPG product lines improved significantly compared to prior year second quarter as demand returned to near normal levels. Sales and profitability for Direct-to-Consumer name badge, event badge and wristband categories improved markedly compared to the market shutdown conditions during the second quarter of 2020, as sports and leisure events, conventions, meetings and conferences continue to sequentially improve, although still far below normal levels. Strong sales gains were posted for "WePrint", Avery's online label category, as well as for "Kids' labels". InTouch, acquired in July of 2020, continued to perform ahead of expectations.

International sales represented approximately 26% of Avery sales for the second quarter. Excluding currency translation and acquisitions, organic sales growth was robust in all categories and all geographies compared to the second quarter of 2020. All-in operating income nearly doubled internationally for Avery.

Operating income for the second quarter of 2021 increased 106.5% to $38.2 million compared to $18.5 million for the second quarter of 2020. Return on sales was 21.4% for the 2021 second quarter compared to 12.6% recorded for the same quarter in 2020.

Avery invested $3.9 million in capital spending in the first six months of 2021 compared to $10.9 million in the same period a year ago. The majority of the expenditures were capacity additions in the PMG and Direct-to-Consumer operations globally. Depreciation and amortization was $9.5 million for the 2021 six-month period compared to $9.3 million for the 2020 six-month period.

Checkpoint Segment ("Checkpoint")

	Second Quarter			Year-To-Date		
($ millions)	2021	2020	+/-	2021	2020	+/-
Sales	$ 187.7	$ 121.5	54.5%	$ 356.4	$ 276.5	28.9%
Operating Income [(1)]	$ 29.1	$ 6.4	354.7%	$ 54.5	$ 18.5	194.6%
Return on Sales [(1)]	15.5%	5.3%		15.3%	6.7%	
Capital Spending	$ 4.5	$ 5.2	(13.5%)	$ 9.6	$ 14.8	(35.1%)
Depreciation and Amortization [(2)]	$ 7.2	$ 7.3	(1.4%)	$ 14.6	$ 14.6	-

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 14.

(2) Depreciation and Amortization expense excludes depreciation of $2.0 million and $4.0 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2021 (2020 - $2.3 million and $4.5 million, respectively).

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

Checkpoint sales were $187.7 million for the second quarter of 2021, an increase of 54.5% compared to $121.5 million for the second quarter of 2020 driven by 61.6% organic sales growth rate partially offset by 7.1% negative impact from foreign currency translation. MAS sales and profitability improved significantly in all regions compared to a 2020 second quarter highly impacted by CV19 challenges. ALS sales also increased significantly compared to the 2020 second quarter, when large parts of the global apparel supply chain closed down. Strong recovery conditions continued this quarter aided by very strong growth in RFID products and compounded by productivity gains driving a dramatic increase in profitability. Meto operations posted improved sales and solid profitability for the 2021 second quarter compared to a small loss in the period a year ago.

Overall operating income increased 354.7% to $29.1 million for the second quarter of 2021 compared to $6.4 million for the second quarter of 2020; return on sales improved to 15.5% from 5.3% for the comparable quarter in 2020.

Checkpoint invested $9.6 million in capital spending for the first six months of 2021 compared to $14.8 million for the same period of 2020. The majority of the expenditures were in the ALS manufacturing facilities. Depreciation and amortization was $14.6 million for the six-month period of 2021, compared to $14.6 million for the six-month period of 2020.

Innovia Segment (“Innovia”)

	Second Quarter			Year-To-Date		
($ millions)	2021	2020	+/-	2021	2020	+/-
Sales	$ 183.4	$ 172.5	6.3%	$ 347.1	$ 316.4	9.7%
Operating Income [1]	$ 28.7	$ 23.7	21.1%	$ 48.2	$ 39.2	23.0%
Return on Sales [1]	15.6%	13.7%		13.9%	12.4%	
Capital Spending	$ 10.5	$ 6.9	52.2%	$ 17.5	$ 14.5	20.7%
Depreciation and Amortization [2]	$ 11.5	$ 11.6	(0.9%)	$ 23.0	$ 22.6	1.8%

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 14.
(2) Depreciation and Amortization expense excludes depreciation of $0.6 million and $1.3 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2021 (2020 - $0.6 million and $1.3 million, respectively).

Innovia supplies specialty, high-performance, multi-layer, surface engineered BOPP films from facilities in Australia, Belgium, Mexico, Poland and the U.K to customers in the pressure sensitive label materials, flexible packaging and consumer packaged goods industries worldwide. Additionally, a small percentage of the total volume is sold internally to the CCL Segment and more so to CCL Secure. Two smaller non-BOPP facilities, in Germany and the U.S., produce almost their entire output for CCL Label.

Sales for Innovia were $183.4 million for the second quarter of 2021 compared to $172.5 million for the second quarter of 2020. The components of the 6.3% increase in sales were 12.1% organic growth (entirely price/mix driven) partially offset by 5.8% negative impact from currency translation. Volume of film sold to external customers in Europe decreased, compounded by resin shortages in the U.K. early in the quarter, the planned dismantling of an old production line in Poland to make way for the new “EcoFloat” technology and compared to a strong pantry loading prior year period. Volume reduced modestly in North America compared to an exceptional prior year. Films sold internally for CCL Secure and CCL Label operations were solid. Resin costs in North America reached record highs and also increased in Europe. However, price increases were largely passed on to customers on the same agreed indexing basis that had seen them fall when resin cost dropped dramatically in the first half of 2020.

Operating income improved 21.1% to $28.7 million for the second quarter of 2021 compared to operating income of $23.7 million in the 2020 second quarter.

Innovia invested $17.5 million in capital spending for the first six months of 2021, largely for the new “EcoFloat” investment in Poland, compared to $14.5 million for the 2020 six-month period. Depreciation and amortization was $23.0 million for the six-month period of 2021 compared to $22.6 million for the same period of 2020.

Joint Ventures

	Second Quarter			Year-To-Date		
($ millions)	2021	2020	+/-	2021	2020	+/-
Sales (at 100%)						
CCL joint ventures	$ 33.6	$ 32.7	2.8%	$ 67.2	$ 63.6	5.7%
Rheinfelden*	-	-	-	-	3.0	n.m.
CCL Total	$ 33.6	$ 32.7	2.8%	$ 67.2	$ 66.6	0.9%
Earnings (losses) in equity accounted investments						
CCL joint ventures	$ 2.1	$ 1.7	23.5%	$ 4.0	$ 3.3	21.2%
Rheinfelden	-	-	-	-	(0.3)	n.m.
CCL Total	$ 2.1	$ 1.7	23.5%	$ 4.0	$ 3.0	33.3%

* Primarily sales to the CCL Segment

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East and up until the date of its acquisition by the Company on February 14, 2020, Rheinfelden in the U.S., are not proportionately consolidated into a Segment but instead are accounted for as equity investments. The Company's share of the joint ventures' net earnings is disclosed in "Earnings in Equity-Accounted Investments" in the consolidated condensed interim income statements. Excluding currency translation for the Russian and Middle Eastern operations sales and earnings increased significantly for both. Earnings in equity accounted investments amounted to $2.1 million for the second quarter of 2021 compared to $1.7 million for the second quarter of 2020. Commencing mid-February 2020, equity investments no longer include the financial results of the Rheinfelden venture due to the Company's increase in ownership to 100%.

4. Currency Transaction Hedging and Currency Translation

Approximately 98% of sales made in the second quarter of 2021 to end-use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials.

The results of the second quarter of 2021 were negatively impacted by the appreciation of the Canadian dollar against the U.S. dollar, euro, U.K. pound, Brazilian real, Chinese renminbi and Thai baht by 11.3%, 3.0%, 0.2%, 10.0%, 2.8% and 9.6%, respectively, compared to the rates in the same period in 2020. This negative impact was partially offset by the depreciation of the Canadian dollar relative to the Mexican peso of 3.2%, and the Australian dollar by 3.8%, when comparing the rates in the second quarters of 2021 and 2020. For the second quarter of 2021, currency translation had a $0.05 negative impact on earnings per Class B share compared to last year's second quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

($ Millions)

		June 30, 2021		December 31, 2020
Current portion of long-term debt	$	160.8	$	51.8
Current lease liabilities		31.8		34.2
Long-term debt		1,649.1		1,889.4
Long-term lease liabilities		113.9		119.2
Total debt		1,955.6		2,094.6
Cash and cash equivalents		(693.3)		(703.7)
Net debt [1]	$	1,262.3	$	1,390.9
Adjusted EBITDA[1][2]	$	1,201.4	$	1,123.2
Net debt to Adjusted EBITDA [1]		1.05		1.24

(1) Net debt, Adjusted EBITDA and net debt to Adjusted EBITDA are non-IFRS financial measures. Refer to definitions in Section 14 of this MD&A.

(2) Adjusted EBITDA is calculated on a trailing twelve-month basis. Refer to definitions in Section 14 of this MD&A.

During the second quarter of 2020, the Company closed a rule 144A 3.05% private note offering due June 2030 in the principal amount of US$600.0 million. The proceeds of the offering were almost entirely used to repay borrowings on the Company's unsecured syndicated revolving credit facility.

During the first quarter of 2020, the Company amended its syndicated bank credit facilities extending the tenor of the US$366.0 million term facility to February 2022 and extending the tenor of the US$1.2 billion revolving credit facility to February 2025.

During the first six months 2021, debt repayments of $92.2 million were primarily used to repay syndicated term debt and the bilateral uncommitted credit facility in Australia.

The Company's debt structure at June 30, 2021, was primarily comprised of 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million (C$735.7 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million (C$614.9 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US$104.0 million (C$128.9 million). A bilateral uncommitted credit facility resident in Australia was $29.4 million.

The Company's debt structure at December 31, 2020, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600 million ($754.8 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($630.8 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and the term loan facility of US$161.0 million ($204.8 million). The additional uncommitted loan facility resident in Australia was $50.2 million.

Net debt was $1,262.3 million at June 30, 2021, $128.6 million lower than the net debt of $1,390.9 million at December 31, 2020. The decrease in net debt is principally a result of debt repayments during the first six months of this year partially offset by a decrease in cash-on-hand at June 30, 2021, compared to December 31, 2020.

Net debt to Adjusted EBITDA at June 30, 2021 decreased to 1.05 times, compared to 1.24 times at December 31, 2020, reflecting the aforementioned decrease in net debt as well as increase in Adjusted EBITDA.

Including US$3.5 million of outstanding letters of credit, the Company had approximately US$1.2 billion of available capacity within its syndicated revolving credit facility as at June 30, 2021.

The Company's overall average finance rate, excluding lease liabilities, was 2.3% as at June 30, 2021, and December 31, 2020.

The Company's leverage remains low and its liquidity very strong. The Company is in compliance with all its debt covenants and believes that it has sufficient cash on hand, unused credit lines and the ability to generate cash flow from operations to fund its expected financial obligations for the foreseeable future.

6. Cash Flow

(in millions of Canadian dollars)	Second Quarter		Year-To-Date	
Summary of Cash Flows	**2021**	**2020**	**2021**	**2020**
Cash provided by operating activities	$ 167.6	$ 193.4	$ 308.0	$ 273.7
Cash used for financing activities	(50.0)	(64.5)	(156.6)	(127.8)
Cash used for investing activities	(83.2)	(47.8)	(136.0)	(243.3)
Translation adjustments on cash and cash equivalents	(3.8)	(7.2)	(25.8)	13.2
Increase (decrease) in cash and cash equivalents	$ 30.6	$ 73.9	$ (10.4)	$ (84.2)
Cash and cash equivalents – end of period	$ 693.3	$ 619.4	$ 693.3	$ 619.4
Free cash flow from operations (1)	$ 94.7	$ 145.7	$ 182.3	$ 130.7

(1) Free cash flow from operations is non-IFRS financial measure. Refer to definition in Section 14.

During the second quarters of 2021 and 2020, the Company generated cash from operating activities of $167.6 million and $193.4 million, respectively. Free cash flow from operations was an inflow of $94.7 million in the 2021 second quarter compared to an inflow of $145.7 million in the prior year second quarter. An increase in cash taxes paid and net capital expenditures coupled with a retrenchment of net working capital cash reduced free cash flow from operations and cash provided by operating activities for the second quarter of 2021 compared to the second quarter of 2020.

Capital spending in the second quarter of 2021 amounted to $74.9 million compared to $61.4 million in the 2020 second quarter. Total depreciation and amortization for the second quarter of 2021 was $83.2 million, compared to $86.8 million for the second quarter of 2020. Expected net capital spending for 2021 is estimated to be approximately $340.0 million. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends paid in the second quarters of 2021 and 2020 were $37.7 million and $32.1 million, respectively. The total number of shares issued and outstanding as at June 30, 2021 and 2020 were 179.8 million and 178.7 million, respectively. The Board of Directors has approved a dividend of $0.2075 per Class A voting share and $0.21 per Class B non-voting share to shareholders of record as of September 16, 2021, and payable September 30, 2021. The annualized dividend rate is $0.83 per Class A share and $0.84 per Class B share.

In May 2021, the Company announced a share repurchase program under a normal course issuer bid (“bid”) to purchase up to 8.0 million Class B non-voting shares, approximately 4.8% of the public float. The Company has not repurchased any shares under this bid to date.

7. Interest rate and Foreign Exchange Management

The Company is a global business with a significant asset base in the U.S. and Europe; consequently, a majority of the Company's debt is drawn in U.S. dollars. The Company continues to evaluate the appropriate levels of fixed versus floating interest rate debt and underlying currency of its drawn debt.

As at June 30, 2021, the Company had US$104.0 million drawn on its term loan, which is hedging a portion of its US$-based investments and cash flows.

As at June 30, 2021, the Company utilized cross-currency interest rate swap agreements ("CCIRSAs") to hedge its euro-based assets and cash flows, effectively converting notional US$264.7 million 3.25% fixed rate debt into 1.23% fixed rate euro debt, US$111.5 million 3.25% fixed rate debt into 1.16% fixed rate euro debt, US$204.6 million 3.05% fixed rate debt into 2.06% fixed rate euro debt and US$203.9 million 3.05% fixed rate debt into 2.0% fixed rate euro debt. The effect of the CCIRSAs has been to reduce finance cost by $6.8 million for the six months ended June 30, 2021.

8. Subsequent Events

In July 2021, the Company acquired Plum Paper LLC ("Plum Paper"), a privately owned, direct-to-consumer ecommerce business based in Oceanside, California. The debt free, all cash purchase consideration, subject to customary closing conditions, is approximately $26.0 million. Plum Paper is a leading supplier of personalized planners, journals and related stickers and has been added to Avery's direct-to-consumer operations.

In July 2021, the Company, acquired the privately owned Uniter Group of companies ("Uniter"). Uniter consists of five apparel label factories located in Spain, Portugal, Morocco, Turkey and China. The purchase price, net of cash and debt, is approximately $53.7 million, subject to customary closing adjustments.

9. Accounting Policies

A) Critical Accounting Estimates

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

The 2020 annual audited consolidated financial statements and notes thereto, as well as the 2020 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of the Company's business operations and results of operations. For the six months ended June 30, 2021, there are no changes to the critical accounting policies and estimates from those described in the 2020 annual MD&A.

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions are set out in note 27 of the annual consolidated financial statements for the year ended December 31, 2020. There have been no changes to the nature of, or parties to, the transactions for the six months ended June 30, 2021.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, surety bonds and loan guarantees. The nature of these commitments are described in note 26 and note 27 of the annual consolidated financial statements for the year ended December 31, 2020. There are no defined benefit plans funded with CCL Industries Inc. stock.

11. Controls and Procedures

There have been no changes in the Company's internal controls during the quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There were no material changes in disclosure controls and procedures in the six-month period ended June 30, 2021.

12. Risks and Strategies

The 2020 MD&A in the annual report detailed risks to the Company's business and the strategies planned for 2021 and beyond. There have been no material changes to those risks and strategies during the first six months of 2021.

13. Outlook

The second quarter of 2021 saw governments roll out CV19 vaccines and regimes that had strong initial take up, reduced civil restrictions and experienced a corresponding uptick in economic activity. Compared to a prior year period that was significantly impacted by CV19 challenges, the Company posted robust consolidated organic sales growth of 20.5%, supported by strong underlying organic growth rates at each of the Company's business segments. Consequently, adjusted basic earnings of $0.89 per Class B share, was better than expected, an increase of 50.8% compared to the 2020 second quarter. Despite rising negative effects from inflationary cost pressures and CV19 variants, management expects improved economic activity globally driven by continued relaxation of government CV19-related restrictions. However, it will be a challenge in the second half of 2021 for the Company to exceed the financial results of the very strong final six-month period of 2020, which included windfall orders for CCL

Secure from banknote shortages in that period coupled with the potential negative impact of foreign currency translation if current exchange rates prevail in 2021, especially the weaker U.S. dollar.

For the CCL and Checkpoint Segments, early indications are the consumer momentum built in the first half of the year will persist through the second half of 2021. However, comparative financial results for the back half of 2020 were very strong, especially the record third quarter recovery period aided by central bank customers' cash shortages and subsequent windfall gains for CCL Secure. At today's foreign exchange rates to the Canadian dollar, matching results for the second half 2020 would be at the very high end of management's expectations. Both Segments have significant exposure to ASEAN and Indian sub continent locations where heavy pandemic-related restrictions have returned.

Avery's Direct-to-Consumer event and name badging operations will remain materially impacted globally by the crisis as long as large-scale gatherings are restricted. "Kids' labels" and "WePrint" sales are expected to remain solid. Avery's PMG and OPG product groups in North America should improve as bricks-and-mortar retail strengthens and onsite office-employee density increases. The strength of the Back-to-School season will be contingent on strong attendance for in-class learning in the back half of the year and overcoming supply chain obstacles on critical materials from China. International orders remain steady for the start of the third quarter. Overall results for Avery are expected to improve on prior year levels for the balance of 2021.

Innovia faced significant polypropylene resin cost increases in the first six months of 2021 but so far successfully passed them on to customers. Effectively managing input cost volatility, enhancing productivity and building the proprietary new "Ecofloat" shrink film line in Europe will be at the forefront for the balance of the year. Solid progress is otherwise expected to continue.

The Company finished the second quarter with $693.3 million cash-on-hand and additional unused capacity of US$1.2 billion within its syndicated revolving credit facility. Net debt to Adjusted EBITDA continued to decline, now at 1.05 turns. The Company's liquidity position is robust and positioned for incremental acquisition growth in the right circumstances. The Company expects net capital expenditures for 2021 to be approximately $340.0 million, supporting organic growth and new greenfield opportunities globally. Third quarter orders have been solid so far compared to prior year. Pandemic uncertainties remain in certain geographies where vaccination rates are low and where new upstart CV19 waves could impact expectations.

Foreign currency translation would be a headwind at current exchange rates for the third quarter of 2021 compared to the same quarter in 2020.

14. Key Performance Indicators and Non-IFRS Financial Measures

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

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

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

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

(in millions of Canadian dollars)	Second Quarter		Year-To-Date	
Adjusted EBITDA	**2021**	**2020**	**2021**	**2020**
Net earnings	$ 153.0	$ 103.9	$ 300.8	$ 230.5
Corporate expense	16.2	7.4	32.1	18.0
Earnings in equity accounted investments	(2.1)	(1.7)	(4.0)	(3.0)
Net finance cost	14.1	15.9	28.8	33.0
Restructuring and other items	2.6	3.8	2.6	5.6
Income taxes	51.7	34.3	98.3	79.8
Operating income (a non-IFRS measure)	$ 235.5	$ 163.6	$ 458.6	$ 363.9
Less: Corporate expense	(16.2)	(7.4)	(32.1)	(18.0)
Add: Depreciation and amortization	83.2	86.8	169.9	172.3
Adjusted EBITDA (a non-IFRS measure)	$ 302.5	$ 243.0	$ 596.4	$ 518.2
Adjusted EBITDA for 12 months ended December 31, 2020 and 2019, respectively			1,123.2	$ 1,067.2
less: Adjusted EBITDA for six months ended June 30, 2020 and 2019, respectively			(518.2)	(538.6)
add: Adjusted EBITDA for six months ended June 30, 2021 and 2020 respectively			596.4	518.2
Adjusted EBITDA for 12 months ended June 30			1,201.4	$ 1,046.8

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

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

(in millions of Canadian dollars)	Second Quarter		Year-To-Date	
Free Cash Flow from Operations	**2021**	**2020**	**2021**	**2020**
Cash provided by operating activities	$ 167.6	$ 193.4	$ 308.0	$ 273.7
Less: Additions to property, plant and equipment	(74.9)	(61.4)	(132.1)	(157.1)
Add: Proceeds on disposal of property, plant and equipment	2.0	13.7	6.4	14.1
Free Cash Flow from Operations	$ 94.7	$ 145.7	$ 182.3	$ 130.7

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

Net Debt to Adjusted EBITDA (or leverage ratio) – A measure that indicates the Company's ability to service its existing debt. Net Debt to Adjusted EBITDA is calculated as net debt divided by Adjusted EBITDA.

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

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

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

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

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

(in millions of Canadian dollars)

Return on Sales

	Sales Second Quarter		**Operating Income Second Quarter**		**Return on Sales Second Quarter**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
CCL	$ 856.3	$ 781.6	$ 139.5	$ 115.0	16.3%	14.7%
Avery	178.9	146.3	38.2	18.5	21.4%	12.6%
Checkpoint	187.7	121.5	29.1	6.4	15.5%	5.3%
Innovia	183.4	172.5	28.7	23.7	15.6%	13.7%
Total Operations	$ 1,406.3	$ 1,221.9	$ 235.5	$ 163.6	16.7%	13.4%

Supplemental Financial Information

Sales Change Analysis
Revenue Growth Rates (%)

	Three Months Ended June 30, 2021				Six Months Ended June 30, 2021			
	Organic Growth	**Acquisition Growth**	**FX Translation**	**Total**	**Organic Growth**	**Acquisition Growth**	**FX Translation**	**Total**
CCL	14.4%	1.9%	(6.7%)	9.6%	9.8%	1.9%	(4.8%)	6.9%
Avery	28.8%	2.2%	(8.7%)	22.3%	8.4%	2.0%	(5.7%)	4.7%
Checkpoint	61.6%	-	(7.1%)	54.5%	33.3%	0.1%	(4.5%)	28.9%
Innovia	12.1%	-	(5.8%)	6.3%	9.2%	4.4%	(3.9%)	9.7%
Total	20.5%	1.5%	(6.9%)	15.1%	12.1%	2.0%	(4.7%)	9.4%

15. Outstanding Share Data

As at August 5, 2021, there were 11,822,137 Class A voting shares and 167,938,482 Class B non-voting shares (“Class B Shares”) outstanding. In addition, there were stock options outstanding to purchase 1,954,375 Class B shares, 250,601 deferred share units, 259,676 restricted stock units under the 2017-2025 Long Term Retention Plan, 129,338 restricted stock units under the 2019 Long Term Retention Plan, 1,114,725 performance stock units and 123,209 restricted stock units under the Performance Stock Unit Plan and 342,632 restricted stock units under the Restricted Stock Unit Plan.