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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2023 and 2022
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In millions of Canadian dollars

		As at June 30		As at December 31
		2023		**2022**
Assets				
Current assets				
Cash and cash equivalents	$	737.8	$	839.5
Trade and other receivables		1,133.5		1,100.5
Inventories		767.3		785.1
Prepaid expenses		52.4		50.0
Income taxes recoverable		16.4		44.6
Total current assets		2,707.4		2,819.7
Non-current assets				
Property, plant and equipment		2,322.5		2,212.3
Right-of-use assets		187.0		180.2
Goodwill		2,215.7		2,193.5
Intangible assets		984.4		1,018.3
Deferred tax assets		78.4		71.5
Equity-accounted investments		74.2		79.5
Other assets		27.3		23.9
Derivative instruments		38.3		65.5
Total non-current assets		5,927.8		5,844.7
Total assets	**$**	**8,635.2**	**$**	**8,664.4**
Liabilities				
Current liabilities				
Trade and other payables	$	1,227.7	$	1,394.4
Current portion of long-term debt (note 8)		4.2		6.6
Lease liabilities		41.6		40.0
Income taxes payable		47.6		60.3
Derivative instruments		0.4		0.1
Total current liabilities		1,321.5		1,501.4
Non-current liabilities				
Long-term debt (note 8)		2,106.6		2,175.6
Lease liabilities		146.3		139.6
Deferred tax liabilities		309.3		311.7
Employee benefits		256.6		256.9
Provisions and other long-term liabilities		20.4		14.0
Derivative instruments		1.5		-
Total non-current liabilities		2,840.7		2,897.8
Total liabilities		4,162.2		4,399.2
Equity				
Share capital		506.8		468.4
Contributed surplus		134.8		132.0
Retained earnings		3,962.0		3,730.2
Accumulated other comprehensive loss (note 5)		(130.6)		(65.4)
Total equity attributable to shareholders of the Company		4,473.0		4,265.2
Acquisitions (note 3)				
Subsequent events (note 10)				
Total liabilities and equity	**$**	**8,635.2**	**$**	**8,664.4**

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	
	2023	**2022**	**2023**	**2022**
Sales	$ 1,644.5	$ 1,615.2	$ 3,296.6	$ 3,136.9
Cost of sales	1,176.4	1,170.4	2,355.3	2,279.2
Gross profit	468.1	444.8	941.3	857.7
Selling, general and administrative expenses	247.4	214.8	482.8	416.7
Restructuring and other items (note 6)	2.9	3.2	3.7	5.0
Earnings in equity-accounted investments	(5.0)	(3.7)	(8.1)	(6.9)
	222.8	**230.5**	**462.9**	**442.9**
Finance cost	20.2	15.5	40.2	29.6
Finance income	(2.8)	(1.3)	(5.1)	(2.0)
Interest on lease liabilities	1.8	1.2	3.5	2.5
Net finance cost	19.2	15.4	38.6	30.1
Earnings before income tax	**203.6**	**215.1**	**424.3**	**412.8**
Income tax expense	47.7	51.7	102.0	99.2
Net earnings for the period	**$ 155.9**	**$ 163.4**	**$ 322.3**	**$ 313.6**
Basic earnings per Class B share	**$ 0.88**	**$ 0.91**	**$ 1.82**	**$ 1.75**
Diluted earnings per Class B share	**$ 0.88**	**$ 0.91**	**$ 1.81**	**$ 1.74**

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	
	2023	2022	2023	2022
Net earnings	**$ 155.9**	**$ 163.4**	**$ 322.3**	**$ 313.6**
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 expense of $0.2 and $2.4 for the three-month and six-month periods ending June 30, 2023 (2022 – tax recovery of $3.6 and $8.1)	(100.1)	(36.1)	(71.4)	(109.0)
Net gains on hedges of net investment in foreign operations, net of tax expense of $1.5 and $1.0 for three-month and six-month periods ending June 30, 2023 (2022 – tax expense of $3.6 and $8.4)	9.6	23.8	6.4	54.8
Effective portion of changes in fair value of cash flow hedges, net of tax recovery of $0.2 and $0.1 for the three-month and six-month periods ending June 30, 2023 (2022 – tax recovery of $0.3 and $0.1)	(0.4)	(0.7)	(0.3)	(0.2)
Net change in fair value of cash flow hedges transferred to the income statement, net of tax recovery of nil for the three-month and six-month periods ending June 30, 2023 (2022 – tax recovery of $0.1 and nil)	0.1	0.3	0.1	-
Actuarial gains on defined benefit post-employment plans, net of tax expense of $0.3 and $1.1 for the three-month and six-month periods ending June 30, 2023 (2022 – tax expense of $18.0 and $28.0)	0.8	50.7	3.5	79.0
Other comprehensive income (loss), net of tax	**$ (90.0)**	**$ 38.0**	**$ (61.7)**	**$ 24.6**
Total comprehensive income	**$ 65.9**	**$ 201.4**	**$ 260.6**	**$ 338.2**

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 loss	Total equity
Balances, January 1, 2022	$ 4.5	$ 457.6	$ 462.1	$ 103.6	$ 3,422.7	$ (241.4)	$ 3,747.0
Net earnings	-	-	-	-	313.6	-	313.6
Dividends declared							
Class A	-	-	-	-	(5.6)	-	(5.6)
Class B	-	-	-	-	(79.8)	-	(79.8)
Defined benefit plan actuarial gain, net of tax	-	-	-	-	79.0	-	79.0
Stock-based compensation plan	-	5.2	5.2	13.8	-	-	19.0
Stock options expense	-	-	-	0.4	-	-	0.4
Stock options exercised	-	3.9	3.9	(0.8)	-	-	3.1
Income tax effect related to stock-based compensation	-	-	-	0.2	-	-	0.2
Repurchase of shares (note 9)		(9.3)	(9.3)	-	(190.7)		(200.0)
Other comprehensive loss	-	-	-	-	-	(54.4)	(54.4)
Balances, June 30, 2022	$ 4.5	$ 457.4	$ 461.9	$ 117.2	$ 3,539.2	$ (295.8)	$ 3,822.5

	Class A shares	Class B shares	Total share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balances, January 1, 2023	$ 4.5	$ 463.9	$ 468.4	$ 132.0	$ 3,730.2	$ (65.4)	$ 4,265.2
Net earnings	-	-	-	-	322.3	-	322.3
Dividends declared							
Class A	-	-	-	-	(6.2)	-	(6.2)
Class B	-	-	-	-	(87.8)	-	(87.8)
Defined benefit plan actuarial gain, net of tax	-	-	-	-	3.5	-	3.5
Stock-based compensation plan	-	14.3	14.3	6.3	-	-	20.6
Stock options exercised	-	24.1	24.1	(4.1)	-	-	20.0
Income tax effect related to stock-based compensation	-	-	-	0.6	-	-	0.6
Other comprehensive loss	-	-	-	-	-	(65.2)	(65.2)
Balances, June 30, 2023	$ 4.5	$ 502.3	$ 506.8	$ 134.8	$ 3,962.0	$ (130.6)	$ 4,473.0

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	
	2023	**2022**	**2023**	**2022**
Cash provided by (used for)				
Operating activities				
Net earnings	$ 155.9	$ 163.4	$ 322.3	$ 313.6
Adjustments for:				
Property, plant and equipment depreciation	68.9	63.6	136.4	127.9
Right-of-use assets depreciation	12.5	9.9	24.4	19.8
Intangibles amortization	17.2	15.9	34.4	32.2
Earnings in equity-accounted investments, net of dividends received	(5.0)	(3.7)	(0.7)	(6.9)
Net finance costs	19.2	15.4	38.6	30.1
Current income tax expense	61.3	64.2	116.5	115.2
Deferred income tax recovery	(13.6)	(12.5)	(14.5)	(16.0)
Equity-settled share-based payment transactions	10.9	10.0	21.2	19.6
Gain on sale of property, plant and equipment	(2.2)	(0.4)	(3.3)	(0.9)
	325.1	325.8	675.3	634.6
Change in inventories	36.4	(43.3)	21.3	(93.5)
Change in trade and other receivables	54.4	(12.6)	(30.6)	(45.3)
Change in prepaid expenses	(7.5)	(5.6)	(2.2)	(1.5)
Change in trade and other payables	(51.9)	28.4	(178.0)	(29.7)
Change in income taxes receivable and payable	(1.9)	(3.1)	0.4	(0.1)
Change in employee benefits	(1.5)	(0.3)	4.3	(6.0)
Change in other assets and liabilities	(11.6)	(2.5)	(3.9)	(7.8)
	341.5	286.8	486.6	450.7
Net interest paid	(25.8)	(23.7)	(31.1)	(26.0)
Income taxes paid	(66.7)	(54.0)	(100.4)	(81.3)
Cash provided by operating activities	**249.0**	**209.1**	**355.1**	**343.4**
Financing activities				
Proceeds on issuance of long-term debt	12.2	769.4	21.5	1,003.5
Repayment of long-term debt	(53.6)	(514.0)	(57.7)	(518.3)
Repayment of lease liabilities	(11.2)	(9.9)	(22.6)	(19.6)
Proceeds from issuance of shares	10.5	0.2	20.0	3.1
Repurchase of shares (note 9)	-	(100.0)	-	(200.0)
Dividends paid	(47.0)	(42.5)	(94.0)	(85.4)
Cash provided by (used for) financing activities	**(89.1)**	**103.2**	**(132.8)**	**183.3**
Investing activities				
Additions to property, plant and equipment	(137.7)	(97.7)	(261.6)	(194.6)
Proceeds on disposal of property, plant and equipment	8.8	3.7	10.1	4.4
Business acquisitions (note 3)	(65.6)	(193.0)	(65.6)	(287.3)
Cash used for investing activities	**(194.5)**	**(287.0)**	**(317.1)**	**(477.5)**
Net increase (decrease) in cash and cash equivalents	(34.6)	25.3	(94.8)	49.2
Cash and cash equivalents at beginning of period	787.1	616.9	839.5	602.1
Translation adjustments on cash and cash equivalents	(14.7)	(7.9)	(6.9)	(17.0)
Cash and cash equivalents at end of period	**$ 737.8**	**$ 634.3**	**$ 737.8**	**$ 634.3**

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

In millions of Canadian dollars, unless otherwise noted

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim periods ended June 30, 2023 and 2022, 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, as issued by the International Accounting Standards Board.

These consolidated condensed interim financial statements should be read in conjunction with the Company's 2022 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 9, 2023.

(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 2023

In April 2023, the Company acquired privately owned eAgile Inc. ("eAgile"), based in Grand Rapids, Michigan, for approximately $52.2 million, net of cash acquired. eAgile is a start-up technology company with a proprietary, patented hardware and software solutions for the healthcare industry alongside RFID inlays embedded into labels. This business will be integrated into the CCL Segment.

In April 2023, the Company acquired the intellectual property of Alert Systems ApS ("Alert"), based in Hoersholm, Denmark, for approximately $3.2 million. Alert's patent protected anti-theft solutions will be added to the Checkpoint Segment.

In April 2023, the Company acquired privately owned Data Management, Inc. ("DMI"), based in Farmington, Connecticut, for approximately $10.2 million, net of cash acquired. DMI's tracking and identification badges business will be added to the Avery Segment.

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and liabilities assumed for the eAgile, Alert and DMI acquisitions:

Cash consideration, net of cash acquired	$	65.6
Trade and other receivables	$	2.5
Inventories		3.4
Prepaid expenses		0.3
Property, plant and equipment		3.7
Right-of-use assets		5.5
Goodwill		52.2
Intangible assets		3.6
Deferred tax assets		2.6
Trade and other payables		(2.7)
Lease liabilities		(5.5)
Net assets acquired	$	65.6

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 for eAgile and DMI are 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 eAgile, Alert and DMI is $55.8 million, which is not deductible for tax purposes.

The following table summarizes the combined sales and net earnings (loss) that the newly acquired eAgile, Alert and DMI have contributed to the Company for the current reporting period.

		Six Months Ended June 30
Sales	$	4.1
Net earnings (loss)	$	(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, 2023.

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 eAgile, Alert and DMI as though the acquisitions took place on January 1, 2023:

		Six Months Ended June 30
Sales	$	3,301.8
Net earnings	$	322.1

(c) Acquisitions in 2022

In January 2022, the Company acquired privately owned McGavigan Holdings Ltd. ("McGavigan"), headquartered in Glasgow, Scotland and with significant manufacturing operations in China, for $103.6 million net of cash acquired and debt assumed. McGavigan is a leading supplier of "in mould" decorated components for automotive interiors and has formed an integral part of CCL Design.

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

Cash consideration, net of cash acquired	$	94.3
Assumed debt		9.3
	$	103.6
Trade and other receivables	$	14.7
Inventories		6.8
Property, plant and equipment		23.2
Right-of-use assets		10.2
Goodwill		51.7
Intangible assets		17.5
Deferred tax assets		3.7
Trade and other payables		(11.5)
Income taxes payable		(0.9)
Lease liabilities		(7.5)
Deferred tax liabilities		(4.3)
Net assets acquired	$	103.6

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill for McGavigan is $51.7 million, which is not deductible for tax purposes.

In April 2022, the Company acquired Adelbras Indústria e Comércio de Adesivos Ltda. and Amazon Tape Indústria e Comércio de Fitas Adesivas Ltda. (collectively "Adelbras") headquartered in Vinhedo near São Paulo, Brazil for approximately $152.3 million net of cash and debt. Adelbras is a producer of adhesive tapes sold through retailers and distributors to consumers and small businesses under the Adelbras brand name. The new business largely reports as part of Avery, with the smaller industrial portion added to CCL Design.

In millions of Canadian dollars, unless otherwise noted

3. Acquisitions (continued)

(c) Acquisitions in 2022 (continued)

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

Cash consideration, net of cash acquired	$	139.8
Assumed debt		12.5
	$	152.3
Trade and other receivables	$	16.1
Inventories		24.6
Prepaid expenses		2.5
Property, plant and equipment		23.9
Goodwill		67.2
Intangible assets		30.3
Trade and other payables		(5.9)
Income taxes payable		(0.2)
Deferred tax liabilities		(6.2)
Net assets acquired	$	152.3

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill for Adelbras is $67.2 million, of which approximately $34.5 million is deductible for tax purposes.

In May 2022, the Company acquired privately owned, Floramedia Group B.V. ("Floramedia"), based in Westzaan, in the Netherlands, for approximately $53.1 million net of cash acquired. Floramedia is a European leader in horticulture media with in-house tag and label production complemented with sales offices in seven countries. Floramedia is reported as part of Avery.

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

Cash consideration, net of cash acquired	$	53.1
Trade and other receivables	$	9.5
Inventories		6.9
Prepaid expenses		0.3
Property, plant and equipment		3.5
Right-of-use assets		6.4
Goodwill		29.2
Intangible assets		20.0
Deferred tax assets		1.1
Trade and other payables		(9.0)
Income taxes payable		(0.7)
Provision and other long term liabilities		(0.9)
Lease liabilities		(6.7)
Deferred tax liabilities		(6.5)
Net assets acquired	$	53.1

Goodwill is comprised of the excess fair value of the consideration paid over the fair value of the net assets acquired. Factors that make up the amount of goodwill recognized include expected synergies and employee knowledge of operations. The total amount of goodwill for Floramedia is $29.2 million, which is not deductible for tax purposes.

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 extruded film materials for a wide range of decorative, instructional, security and functional applications for government institutions and large global customers in the consumer packaging, healthcare, chemicals, consumer durables, electronic device and automotive markets. Extruded and labeled plastic tubes, aluminum aerosols and specialty bottles, folded instructional leaflets, specialty folded cartons, precision engineered and 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 products sold through distributors and mass market retailers and pressure sensitive tapes in Brazil. The products are split into five primary lines: (1) Printable Media: including address labels, product identification labels and name badges/cards supported by customized software solutions where applicable; (2) Organization Products: including binders, indexes, sheet protectors and writing instruments; (3) Direct-to-Consumer: digitally imaged labels, name and event badges, RFID enabled key cards and wristbands, planners and kids-oriented identification labels supported by unique web-enabled e-commerce URLs; (4) Pressure Sensitive Tapes; and (5) Horticultural labels & tags.
- 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 biaxially oriented polypropylene ("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 the CCL Segment and more so to CCL Secure. 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	
	2023	2022	2023	2022	2023	2022	2023	2022
CCL	$ 995.5	$ 965.2	$ 144.0	$ 154.9	$ 2,008.6	$ 1,907.2	$ 309.4	$ 307.7
Avery	268.0	236.5	50.3	46.9	528.3	416.8	100.9	80.8
Checkpoint	210.5	197.1	28.1	22.6	420.9	400.1	58.9	49.2
Innovia	170.5	216.4	19.6	23.4	338.8	412.8	30.5	38.7
Total operations	$ 1,644.5	$ 1,615.2	$ 242.0	$ 247.8	$ 3,296.6	$ 3,136.9	$ 499.7	$ 476.4
Corporate expense			(21.3)	(17.8)			(41.2)	(35.4)
Restructuring and other items			(2.9)	(3.2)			(3.7)	(5.0)
Earnings in equity-accounted investments			5.0	3.7			8.1	6.9
Finance cost			(20.2)	(15.5)			(40.2)	(29.6)
Finance income			2.8	1.3			5.1	2.0
Interest on lease liabilities			(1.8)	(1.2)			(3.5)	(2.5)
Income tax expense			(47.7)	(51.7)			(102.0)	(99.2)
Net earnings			$ 155.9	$ 163.4			$ 322.3	$ 313.6

	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	
	2023	2022	2023	2022	2023	2022	2023	2022
CCL	$ 4,360.0	$ 4,290.6	$ 1,067.5	$ 1,178.6	$ 125.0	$ 117.1	$ 188.9	$ 134.6
Avery	1,156.3	1,102.7	298.7	293.8	21.3	16.7	6.9	17.4
Checkpoint	1,085.4	1,117.7	416.1	445.0	23.5	21.3	28.5	21.9
Innovia	1,149.4	1,157.2	256.9	304.5	24.5	24.0	37.3	20.7
Equity-accounted investments	74.2	79.5	-	-	-	-	-	-
Corporate	809.9	916.7	2,123.0	2,177.3	0.9	0.8	-	-
Total	$ 8,635.2	$ 8,664.4	$ 4,162.2	$ 4,399.2	$ 195.2	$ 179.9	$ 261.6	$ 194.6

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

All revenues are from products and services transferred at a point in time, except $19.7 million and $38.6 million for the three-month and six-month periods ending June 30, 2023, respectively (June 30, 2022 - $18.1 million and $35.5 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 2023		December 31 2022
Unrealized foreign currency translation losses, net of tax expense of $0.1 (2022 – tax recovery of $3.3)	$	(130.5)	$	(65.5)
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery of $0.1 (2022 – tax recovery of nil)		(0.1)		0.1
	$	(130.6)	$	(65.4)

6. Restructuring and other items

	Three Months Ended June 30				Six Months Ended June 30			
		2023		2022		2023		2022
Restructuring costs	$	2.6	$	2.5	$	3.4	$	3.7
Acquisition costs		0.3		0.7		0.3		1.3
Total restructuring and other items	$	2.9	$	3.2	$	3.7	$	5.0

For the six months ended June 30, 2023, the Company recorded $3.7 million ($3.1 million, net of tax) for restructuring and other items principally related to severance costs associated with the CCL Segment and acquisition costs for the transactions completed so far this year.

For the six months ended June 30, 2022, the Company recorded $5.0 million ($4.1 million, net of tax) for restructuring and other items largely related to severance costs at CCL Design and other acquisition costs.

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, 2023		Level 1		Level 2		Level 3		Total
Other assets	$	19.6	$	-	$	-	$	19.6
Derivative financial assets		-		38.3		-		38.3
Long-term debt		-		(1,913.0)		-		(1,913.0)
Derivative financial liabilities		-		(1.9)		-		(1.9)
	$	19.6	$	(1,876.6)	$	-	$	(1,857.0)
December 31, 2022								
Other assets	$	18.7	$	-	$	-	$	18.7
Derivative financial assets		-		65.5		-		65.5
Long-term debt		-		(1,972.3)		-		(1,972.3)
Derivative financial liabilities		-		(0.1)		-		(0.1)
	$	18.7	$	(1,906.9)	$	-	$	(1,888.2)

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, 2023				December 31, 2022			
		Carrying Amount		Fair Value		Carrying Amount		Fair Value
Long-term debt	$	2,110.8	$	1,913.0	$	2,182.2	$	1,972.3

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.

In millions of Canadian dollars, unless otherwise noted

8. Long-term debt

The Company's debt structure at June 30, 2023, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($788.2 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($659.0 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of $349.6 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled $1.2 million; accordingly, there was approximately US$0.9 billion of unused availability on the revolving credit facility at June 30, 2023.

The Company's debt structure at December 31, 2022, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($806.4 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($674.2 million), the $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of $394.1 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled $1.8 million; accordingly, there was approximately US$0.9 billion of unused availability on the revolving credit facility at December 31, 2022.

9. Repurchase of shares

In May 2023, the Company renewed its previously announced share repurchase program under a normal course issuer bid to purchase up to 14.5 million Class B non voting shares, approximately 9.94% of outstanding Class B non-voting shares of the Company.

During the second quarter of 2023 the Company did not repurchase any shares. During 2022, the Company acquired 3,392,680 of its Class B shares for cancellation at an average price of $58.95 per share. The excess of the purchase price over the paid-up capital was charged to retained earnings.

10. Subsequent events

The Board of Directors has declared a dividend of $0.2650 per Class B non-voting share and $0.2625 per Class A voting share, which will be payable to shareholders of record at the close of business on September 15, 2023, to be paid on September 29, 2023.

In July 2023, the Company acquired Oomph Made Limited, a privately owned designer and supplier of Radio Frequency Identification and Near-Field Communication access cards and wristbands based in Liphook, United Kingdom. The debt free, all cash consideration, is approximately $7.1 million. This business will be integrated into the Avery Segment.

In July 2023, the Company acquired Pouch Partners s.r.l., Italy, ("Pouch Partners") from Pouch Partners AG, Switzerland, a company owned by Swiss headquartered Capri-Sun Group. Pouch Partners supplies highly-specialized, gravure printed and laminated, flexible film materials for pouch forming, including recyclable solutions. The debt free, all cash purchase consideration is approximately $44.0 million. The new business will be added to the CCL Segment.

In July 2023, the Company acquired privately held Creaprint S.L., based in Alicante, Spain ("Creaprint") for the debt and cash-free purchase consideration of approximately $38.1 million, including $5.9 million invested in a new production facility where operations will relocate later this year. Creaprint is a specialist in mould label producer with a manufacturing facility in Alicante, Spain, and a sales office in Miami, Florida. Creaprint will become part of the CCL Segment.

In July 2023, the Company acquired privately held Faubel & Co. Nachfolger GmbH ("Faubel") headquartered in Melsungen, Germany, for an all cash purchase consideration of approximately $185.9 million. Faubel is a specialist in labels for pharmaceutical clinical trials with a manufacturing facility in Melsungen, Germany and sales offices in the United States and China. Faubel will be added to the CCL Segment.

In August 2023, the Company acquired the entire intellectual property suite and other select assets of Imprint Energy Inc. ("IEI"), based in Alameda, California for $27.0 million. IEI is a start-up technology company with proprietary technology for ultrathin, non-hazardous and non-toxic printed batteries for IoT devices, sensors and wearables. These product lines will become an integral part of the CCL Segment.

MANAGEMENT’S DISCUSSION AND ANALYSIS
Second Quarters Ended June 30, 2023 and 2022

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, 2023 and 2022. The information in this interim MD&A is current to August 9, 2023, and should be read in conjunction with the Company’s August 9, 2023, unaudited second quarter consolidated condensed interim financial statements (“interim financial statements”) released on August 9, 2023, and the 2022 Annual MD&A and consolidated financial statements (“annual financial statements”), which form part of CCL Industries Inc.’s 2022 Annual Report, dated February 23, 2023.

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”) as issued by the International Accounting Standards Board, 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 2023; 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; 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 conflict between Russia and Ukraine 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 Company's continued ability to successfully manage its businesses in a softening economic environment; the Company's expectation that productivity initiatives and cost cutting strategies will yield solid results for the CCL Segment; the Company's expectation that demand will remain stable for the CCL and Checkpoint Segments; the Company's expectation that the success of Checkpoint's ALS conventional products will be dictated by the strength of the traditionally strong retail shopping season in the back half of 2023; the Company's expectation that the Avery Segment's ability to fulfill a second swell in orders during the third quarter is critical; the Company's expectation that Avery's direct-to-consumer businesses will continue to outpace legacy product lines; the Company's expectation that Innovia will improve results in the second half of 2023 compared to the second half of 2022; the Company's expectation that filling Innovia's new EcoFloat production line with profitable incremental volume is possible and the Company's expectation that Innovia will successfully construct its new environmentally friendly label film line in Germany. 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 2022 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 2023 was solid for the Company despite softening global consumer demand illustrated by the modest 3.0% organic sales decline for the CCL Segment. Avery and Checkpoint posted organic gains of 2.6% and 3.3%, respectively, compared to the second quarter of 2022, albeit Avery's organic growth rate declined compared to the first quarter of 2023. The CCL Segment's corresponding decline in operating income (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A), was almost entirely offset by the gains at Avery and Checkpoint. Innovia's results declined as expected compared to the prior year second quarter but improved dramatically compared to the first quarter of this year. All-in, the Company posted solid second quarter basic and adjusted basic earnings (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) per class B share of $0.88 and $0.90, respectively compared to basic and adjusted basic earnings per Class B share of $0.91 and $0.94, respectively, for the 2022 second quarter.

2. Review of Consolidated Financial Results

The following acquisitions affected the financial comparisons to 2022 including those announced through to the end of the second quarter of 2023:

- In April 2023, the Company acquired privately owned eAgile Inc. (“eAgile”), based in Grand Rapids, Michigan, for approximately $52.2 million, including estimated net cash assumed. eAgile is a start-up technology company with proprietary, patented hardware and software solutions for the healthcare industry alongside RFID inlays embedded into labels. This business is being integrated into CCL Label’s Healthcare & Specialty business.

- In April 2023, the Company acquired the intellectual property of Alert Systems ApS (“Alert”), based in Hoersholm, Denmark, for $3.2 million. Alert’s patent protected anti-theft solutions are sold alongside Checkpoint’s Merchandise Availability Solutions (“MAS”) product lines.

- In April 2023, the Company acquired privately owned Data Management, Inc. (“DMI”), based in Farmington, Connecticut, for approximately $10.2 million net of cash acquired. DMI’s tracking and identification badges business will be added to the Avery Segment.

- In May 2022, the Company acquired privately owned Floramedia Group B.V. (“Floramedia”), based in Westzaan, in the Netherlands, for approximately $53.1 million, net of cash acquired. Floramedia is a European leader in horticulture media with in-house tag and label production complemented with sales offices in six countries. It is reported as part of Avery.

- In April 2022, the Company acquired Adelbras Indústria e Comércio de Adesivos Ltda. and Amazon Tape Indústria e Comércio de Fitas Adesivas Ltda. (collectively “Adelbras”), headquartered in Vinhedo near São Paulo, Brazil, for approximately $152.3 million, net of cash and debt. Adelbras is a producer of adhesive tapes sold through retailers and distributors to consumers and small businesses under the Adelbras brand name. The new business is reported as part of Avery.

- In January 2022, the Company acquired privately owned McGavigan Holdings Ltd. (“McGavigan”), headquartered in Glasgow, Scotland, and with significant manufacturing operations in China, for $103.6 million, net of cash acquired and debt assumed. McGavigan is a leading supplier of in-mould decorated components for automotive interiors and forms an integral part of CCL Design.

Sales for the second quarter of 2023 were $1,644.5 million, a 1.8% increase compared to $1,615.2 million recorded in the second quarter of 2022. Sales increased on acquisition related growth of 1.0% and 5.3% positive impact from foreign currency translation partially offset by a 4.5% organic decline. For the six-month period ended June 30, 2023, sales were $3,296.6 million, a 5.1% increase compared to $3,136.9 million for the same six-month period a year ago. This increase in sales can be attributed to 1.9% acquisition-related growth and 4.9% positive impact from foreign currency translation partially offset by 1.7% organic decline.

Selling, general and administrative expenses ("SG&A") were $247.4 million and $482.8 million for the three-month and six-month periods ended June 30, 2023, compared to $214.8 million and $416.7 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 long-term variable compensation expense within corporate costs, an increase in discretionary expenses in 2023 compared to 2022, and the additional SG&A expenses associated with recent acquisitions.

The Company recorded an expense of $2.9 million ($2.4 million after tax) and $3.7 million ($3.1 million after tax) for restructuring and other items for the three-month and six-month periods of 2023 compared to $3.2 million ($2.6 million after tax) and $5.0 million ($4.1 million after tax) for restructuring and other items for the three-month and six-month periods of 2022. For the three-month and six-month periods of 2023, restructuring and other items largely relates to severance costs at CCL Design and acquisition costs for the three transactions closed so far this year.

Operating income (a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) for the second quarter of 2023 was $242.0 million, a 2.3% decline compared to $247.8 million for the second quarter of 2022. The Avery and Checkpoint Segments posted improved results offset by reduced results for the CCL and Innovia Segments. For the six months ended June 30, 2023, operating income increased 4.9%. The six-month increase in operating income was due to the improvement in results at the CCL, Avery and Checkpoint Segments compared to the same six-month period in 2022. Operating income for the 2022 three-month and six–month periods included a $3.5 million non-cash acquisition accounting adjustment expensed to cost of sales to fair value the inventory for the acquisition of Adelbras. Foreign currency translation had a positive impact of 5.8% and 5.5% on operating income for the comparable three-month and six-month periods, respectively.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments, and restructuring and other items ("Adjusted EBITDA", a non-IFRS financial measure; refer to definition in Section 14 of this MD&A) decreased 1.1% to $319.3 million for the second quarter of 2023, compared to $322.9 million for the second quarter of 2022. Excluding the impact of foreign currency translation, Adjusted EBITDA decreased 6.7%. For the six months ended June 30, 2023, adjusted EBITDA was $653.7 million, an increase of 4.7% compared to $624.4 million in the comparable 2022 six-month period. Foreign currency translation had a positive impact of 5.2% on EBITDA for the comparable six-month periods.

Net finance cost was $19.2 million and $38.6 million for the three-month and six-month periods ended June 30, 2023, compared to $15.4 million and $30.1 million for the same periods in 2022. The increase in net finance cost for the three-month and six-month periods ended June 30, 2023, was attributable an increase in average debt drawn and an increase in variable interest rates compared to the same periods in 2022.

The overall effective income tax rate was 24.0% and 24.5% for the three-month and six-month periods ended June 30, 2023, respectively, compared to 24.4% for the three-month and six-month periods of the prior year. 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 2023 was $155.9 million compared to $163.4 million for the second quarter of 2022. This resulted in basic and diluted earnings of $0.88 per Class B share for the 2023 second quarter compared to basic and diluted earnings of $0.91 per Class B share for the prior year second quarter. Changes in foreign exchange rates positively impacted earnings by $0.05 per Class B share compared to the second quarter of 2022.

Net earnings for the six-month period of 2023 were $322.3 million, an increase of 2.8% compared to $313.6 million for the same period a year ago. This resulted in basic and diluted earnings of $1.82 and $1.81 per Class B share, respectively, for the 2023 six-month period compared to basic and diluted earnings of $1.75 and $1.74 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 2023 six-month period were 177.4 million basic and 178.5 million diluted shares compared to 179.0 million basic and 180.2 million diluted shares for the comparable period of 2022. Diluted shares include weighted average in-the-money equity compensation arrangements totaling 1.1 million shares (2022 – 1.2 million shares).

Adjusted basic earnings per Class B share were $0.90 and $1.84 for the three-month and six-month periods of 2023, respectively, compared to $0.94 and $1.79 for the same periods of 2022.

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	**2023**	**2022**	**2023**	**2022**
Basic earnings per Class B share	$ 0.88	$ 0.91	$ 1.82	$ 1.75
Restructuring and other items	0.02	0.01	0.02	0.02
Non-cash acquisition accounting adjustment related to inventory	-	0.02	-	0.02
Adjusted basic earnings [1] per Class B share	$ 0.90	$ 0.94	$ 1.84	$ 1.79

(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					
2023	$ 1,652.1	$ 1,644.5	$ -	$ -	$ 3,296.6
2022	1,521.7	1,615.2	1,658.1	1,587.2	6,382.2
2021	1,349.5	1,406.3	1,488.2	1,488.8	5,732.8
Net earnings					
2023	166.4	155.9	-	-	322.3
2022	150.2	163.4	163.9	145.2	622.7
2021	147.8	153.0	153.2	145.1	599.1
Net earnings per Class B share					
Basic					
2023	0.94	0.88	-	-	1.82
2022	0.84	0.91	0.93	0.82	3.50
2021	0.82	0.86	0.85	0.80	3.33
Net earnings per Class B share					
Adjusted basic					
2023	0.94	0.90	-	-	1.84
2022	0.85	0.94	0.95	0.83	3.57
2021	0.82	0.89	0.85	0.81	3.37
Net earnings per Class B share					
Diluted					
2023	0.93	0.88	-	-	1.81
2022	0.83	0.91	0.92	0.82	3.48
2021	0.81	0.86	0.84	0.80	3.31

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.

3. Business Segment Review

CCL Segment ("CCL")

($ millions)	Second Quarter 2023	Second Quarter 2022	+/-	Year-To-Date 2023	Year-To-Date 2022	+/-
Sales	$ 995.5	$ 965.2	3.1%	$ 2,008.6	$ 1,907.2	5.3%
Operating Income (1)	$ 144.0	$ 154.9	(7.0%)	$ 309.4	$ 307.7	0.6%
Return on Sales (1)	14.5%	16.0%		15.4%	16.1%	
Capital Spending	$ 115.0	$ 65.0	76.9%	$ 188.9	$ 134.6	40.3%
Depreciation and Amortization (2)	$ 56.6	$ 52.2	8.4%	$ 112.5	$ 106.1	6.0%

(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 $6.5 million and $12.5 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2023 (2022 - $5.5 million and $11.0 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 $995.5 million for the second quarter of 2023 compared to $965.2 million for the same quarter last year. The components of the 3.1% increase in sales are 0.3% acquisition-related growth and 5.8% positive impact from foreign currency translation partially offset by a 3.0% organic decline.

North American sales were down low-single digit for the second quarter of 2023, excluding currency translation and acquisitions, compared to the second quarter of 2022. Home & Personal Care sales decreased on significantly reduced demand for tubes and modest declines for labels and aerosols. Healthcare & Specialty results were mixed, with improved Healthcare results offset by slower performance in Ag-Chem products, especially in the consumer space. Food & Beverage sales and profitability reduced in all categories driven by softening demand. CCL Design North America sales and profitability improved on gains in automotive markets offsetting a challenging demand environment for electronics. CCL Secure sales and profitability increased dramatically on robust demand for passport components. Overall operating income, and return on sales, for the current quarter in North America declined compared to the second quarter of 2022.

Sales in **Europe** were up low-single digit for the second quarter of 2023, excluding currency translation compared to the second quarter of 2022. Home & Personal Care results declined on mix and provisions for a contract manufacturer customer bankruptcy in Germany. Healthcare & Specialty profitability decreased despite solid performance in pharmaceutical markets, offset by start-up costs for new operations for folding cartons in Switzerland, AgChem labels in Germany and the move to a recently constructed Healthcare label plant in the Netherlands. Food & Beverage sales and profitability improved on strong performance in sleeve applications offsetting reduced demand in pressure sensitive labels. CCL Design results improved on comparatively stronger automotive and industrial markets more than offsetting reduced profitability in electronics markets. CCL Secure sales declined but profitability improved. European profitability and return on sales declined despite foreign exchange translation and transaction gains on the stronger euro.

For the second quarter of 2023, sales in **Latin America** were up low single digit compared to the second quarter of 2022. Sales and profitability improvements gains were recorded in all countries augmented in Brazil and Mexico by exchange rate translation gains from stronger currencies but offset in Mexico by foreign exchange transaction losses on U.S. dollar denominated export sales. Operating income and return on sales improved compared to the second quarter of 2022.

Asia Pacific sales for the 2023 second quarter, excluding currency translation decreased double-digit compared to the corresponding quarter in 2022. Sales in China declined with all end markets flat or down, significantly so in electronics; however, productivity initiatives and significant cost cutting at CCL Design dramatically reduced the impact to results, with profitability almost flat to the prior year second quarter. Results in ASEAN countries were mixed with modest sales improvement driven by foreign exchange translation and a moderate decline in profitability driven by slow markets at CCL Design. In Australia, profitability declined despite, improved results for label operations, on difficult comparisons at CCL Secure to a robust prior year second quarter. South Africa posted solid results albeit below a strong prior year period. For the Asia Pacific region, operating income decreased and return on sales declined compared to the second quarter of 2022.

Operating income for the second quarter of 2023 was $144.0 million, compared to $154.9 million for the second quarter of 2022. Return on sales was 14.5% compared to the 16.0% recorded for the same period in 2022.

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 $188.9 million in capital spending for the first six months of 2023, compared to $134.6 million in the same period in 2022. Investments for the first half of 2023 primarily related to capacity additions to support the Home & Personal Care, Healthcare & Specialty and Food & Beverage businesses globally. Investments will continue in order to add capacity, broaden capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization expense was $112.5 million for the six months ended June 30, 2023, compared to $106.1 million for the same period of 2022.

Avery Segment ("Avery")

	Second Quarter			Year-To-Date		
($ millions)	2023	2022	+/-	2023	2022	+/-
Sales	$ 268.0	$ 236.5	13.3%	$ 528.3	$ 416.8	26.8%
Operating Income [(1)]	$ 50.3	$ 46.9	7.2%	$ 100.9	$ 80.8	24.9%
Return on Sales [(1)]	18.8%	19.8%		19.1%	19.4%	
Capital Spending	$ 2.9	$ 13.7	(78.8%)	$ 6.9	$ 17.4	(60.3%)
Depreciation and Amortization [(2)]	$ 8.3	$ 6.6	25.8%	$ 16.3	$ 13.0	25.4%

(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 $2.5 million and $5.0 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2023 (2022 - $1.9 million and $3.7 million, respectively).

Avery is one of the world's largest suppliers of labels, specialty converted media and software solutions to enable short-run digital printing in businesses and homes alongside complementary products sold through distributors and mass-market retailers and pressure sensitive tapes in Brazil. The products are split into five primary lines: (1) Printable Media: including address labels, product identification labels and name badges/cards supported by customized software solutions where applicable; (2) Organization Products: including binders, indexes, sheet protectors and writing instruments; (3) Direct-to-Consumer: digitally imaged labels, name and event badges, RFID enabled key cards and wristbands, planners and kids-oriented identification labels supported by unique web-enabled e-commerce URLs; (4) Pressure Sensitive Tapes; and (5) Horticultural labels & tags.

Avery sales were $268.0 million for the second quarter of 2023, an increase of 13.3% compared to $236.5 million for the same quarter last year. This increase in sales is attributed to 2.6% organic growth, 5.6% acquisition-related growth and 5.1% positive impact from foreign currency translation.

Sales in **North America** for the second quarter of 2023 improved, excluding acquisitions and currency translation, compared to a strong second quarter of 2022. Sales for PMG and OPG product lines improved slightly, as the change in seasonal patterns from 2022 where customers brought forward an earlier back-to-school purchasing cycle repeated in 2023. However, profitability reduced on the impact of foreign exchange and labour cost inflation from Avery's large Mexican supply plant. Sales and profitability for Direct-to-Consumer name badge, event badge and wristband categories improved compared to the second quarter of 2022, with the newly acquired DMI posting excellent results for the quarter. The Horticultural business entered its seasonally slow period; however, results improved compared to the second quarter of 2022.

International sales represented approximately 31% of Avery sales for the second quarter. Excluding currency translation and acquisitions, organic sales growth was low-single digit. Profitability growth in Direct-to-consumer and legacy product categories in Europe and Australia offset a moderate decline in Latin America and lower profitability from seasonally loss-making Horticultural operations with a full quarter in 2023 compared to a part quarter in 2022 when the business was first acquired. Operating income declined internationally.

Operating income for the second quarter of 2023 increased 7.2% to $50.3 million compared to $46.9 million for the second quarter of 2022. Return on sales was 18.8% for the 2023 second quarter compared to 19.8% recorded for the same quarter in 2022.

Avery invested $6.9 million in capital spending in the first six months of 2023 compared to $17.4 million in the same period a year ago. The majority of the expenditures were to enhance the Direct-to-Consumer business in North America. Depreciation and amortization expense was $16.3 million for the 2023 six-month period compared to $13.0 million for the 2022 six-month period.

Checkpoint Segment ("Checkpoint")

	Second Quarter			Year-To-Date		
($ millions)	2023	2022	+/-	2023	2022	+/-
Sales	$ 210.5	$ 197.1	6.8%	$ 420.9	$ 400.1	5.2%
Operating Income (1)	$ 28.1	$ 22.6	24.3%	$ 58.9	$ 49.2	19.7%
Return on Sales (1)	13.3%	11.5%		14.0%	12.3%	
Capital Spending	$ 7.5	$ 13.9	(46.0%)	$ 28.5	$ 21.9	30.1%
Depreciation and Amortization (2)	$ 9.5	$ 8.9	6.7%	$ 18.3	$ 17.2	6.4%

(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 $2.7 million and $5.2 million, respectively, for right-of-use assets in the three-month and six-month periods ended June 30, 2023 (2022 - $2.0 million and $4.1 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: 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 $210.5 million for the second quarter of 2023, an improvement of 6.8% compared to $197.1 million for the second quarter of 2022 driven by 3.3% organic sales growth and a 3.5% positive impact from foreign currency translation. MAS sales improved in the Americas, Europe and Asia Pacific compared to the 2022 second quarter with strong profitability gains overall. The current quarter benefited from price increases introduced in the second half of 2022 to offset inflation. The stronger euro, closure of the label plant in Japan and lower freight costs also contributed to profitability. ALS sales declined modestly but profitability increased compared to a very strong second quarter in 2022; aided by foreign exchange translation and transaction gains on the stronger euro. Good growth in RFID products, productivity initiatives and price increases in the back half of 2022 improved profitability. Meto operations posted an organic sales decline and a corresponding drop in profitability for the 2023 second quarter compared to the same period a year ago.

Overall operating income was $28.1 million for the second quarter of 2023 compared to $22.6 million for the second quarter of 2022; return on sales improved to 13.3% from 11.5% for the comparable quarter in 2022.

Checkpoint invested $28.5 million in capital spending for the first six months of 2023 compared to $21.9 million for the same period of 2022. The majority of the expenditures were in the ALS manufacturing facilities, much of it RFID-related and included land for a major expansion in Turkey. Depreciation and amortization expense was $18.3 million for the six-month period of 2023, compared to $17.2 million for the six-month period of 2022.

Innovia Segment ("Innovia")

	Second Quarter			Year-To-Date		
($ millions)	2023	2022	+/-	2023	2022	+/-
Sales	$ 170.5	$ 216.4	(21.2%)	$ 338.8	$ 412.8	(17.9%)
Operating Income (1)	$ 19.6	$ 23.4	(16.2%)	$ 30.5	$ 38.7	(21.2%)
Return on Sales (1)	11.5%	10.8%		9.0%	9.4%	
Capital Spending	$ 12.3	$ 5.1	141.2%	$ 37.3	$ 20.7	80.2%
Depreciation and Amortization (2)	$ 11.5	$ 11.6	(0.9%)	$ 23.2	$ 23.3	(0.4)%

(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, 2023 (2022 - $0.3 million and $0.7 million, respectively).

Innovia supplies specialty, high-performance, multi-layer, surface engineered Biaxially Oriented Polypropylene ("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 $170.5 million for the second quarter of 2023 compared to $216.4 million for the second quarter of 2022. Sales decreased 26.6% organically, partially offset by a 5.4% positive impact from foreign currency translation. The sales decline was principally driven by a reduction in the volume of film sold to external customers in the label materials industry plus the impact of reduced sales prices from lower resin indices, notably in North America, in the second quarter of 2023 compared to the prior year period. Profitability declined largely due to lower demand, especially in Europe in the pressure sensitive label materials industry. The new “EcoFloat” line in Poland reached breakeven for the quarter. North America profitability reduced in line with its sales volume declines. However, compared to the first quarter of 2023, Innovia profitability worldwide gained sequentially quite significantly on productivity and procurement gains, reduced sales volume rebates, lower energy and freight costs.

Operating income declined 16.2% to $19.6 million for the second quarter of 2023 compared to operating income of $23.4 million in the 2022 second quarter; return on sales improved 70 basis points to 11.5%.

Innovia invested $37.3 million in capital spending for the first six months of 2023 compared to $20.7 million for the 2022 six-month period. The majority of the investment was for the new lower gauge, environmentally friendly label films facility in Germany. Depreciation and amortization expense was $23.2 million for the six-month period of 2023 compared to $23.3 million for the same period of 2022.

Joint Ventures

	Second Quarter			Year-To-Date		
($ millions)	2023	2022	+/-	2023	2022	+/-
Sales (at 100%)						
CCL joint ventures	$ 48.5	$ 46.0	5.4%	$ 93.0	$ 81.9	13.6%
Earnings in equity accounted investments						
CCL joint ventures	$ 5.0	$ 3.7	35.1%	$ 8.1	$ 6.9	17.4%

Results from the joint ventures in CCL-Kontur, Russia, and Pacman-CCL, Middle East, 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, sales and earnings increased significantly. Earnings in equity accounted investments amounted to $5.0 million for the second quarter of 2023 compared to $3.7 million for the second quarter of 2022.

4. Currency Transaction Hedging and Currency Translation

Approximately 97% of sales made in the second quarter of 2023 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 2023 were negatively impacted by the appreciation of the Canadian dollar against the Australian dollar and Chinese renminbi by 1.6%, and 0.9%, respectively, compared to the rates in the same period in 2022. This negative impact was offset by the depreciation of the Canadian dollar relative to the U.S. dollar, euro, U.K. pound, Brazilian real, Mexican peso and Thai baht of 5.2%, 7.6%, 4.9%, 4.5%, 19.1% and 5.0%, respectively, when comparing the rates in the second quarters of 2023 and 2022. For the second quarter of 2023, currency translation had a $0.05 positive 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, 2023	December 31, 2022
Current portion of long-term debt	$ 4.2	$ 6.6
Current lease liabilities	41.6	40.0
Long-term debt	2,106.6	2,175.6
Long-term lease liabilities	146.3	139.6
Total debt	2,298.7	2,361.8
Cash and cash equivalents	(737.8)	(839.5)
Net debt [1]	$ 1,560.9	$ 1,522.3
Adjusted EBITDA[1][2]	$ 1,260.7	$ 1,231.4
Net debt to Adjusted EBITDA [1]	1.24	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 2022 second quarter, the Company amended its syndicated revolving credit facility extending the maturity an additional two years to February 2027.

During the first six months of 2023, net debt repayments on the Company's credit facilities totaled $36.2 million.

The Company's debt structure at June 30, 2023, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($788.2 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($659.0 million), $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of $349.6 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled $1.2 million; accordingly, there was approximately US$933.7 million of unused availability on the revolving credit facility at June 30, 2023.

The Company's debt structure at December 31, 2022, was primarily comprised of the 144A 3.05% private notes due June 2030 in the principal amount of US$600.0 million ($806.4 million), 144A 3.25% private notes due October 2026 in the principal amount of US$500.0 million ($674.2 million), $300.0 million principal amount 3.864% Series 1 Notes due April 2028, and borrowings of $394.1 million on the Company's syndicated revolving credit facility. Outstanding contingent letters of credit totaled $1.8 million; accordingly, there was approximately US$910.0 million of unused availability on the revolving credit facility at December 31, 2022.

Net debt was $1,560.9 million at June 30, 2023, $38.6 million more than the net debt of $1,522.3 million at December 31, 2022. The increase in net debt is principally a result of a decrease in cash-on-hand at June 30, 2023, compared to December 31, 2022, partially offset by repayments on the Company's syndicated revolving credit facility.

Net debt to Adjusted EBITDA at June 30, 2023, was 1.24 times, equal to 1.24 times at December 31, 2022, reflecting an increase in Adjusted EBITDA offsetting the aforementioned increase in net debt.

The Company's overall average finance rate, excluding lease liabilities, was 3.0% as at June 30, 2023, and 2.9% as at December 31, 2022.

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	**2023**	**2022**	**2023**	**2022**
Cash provided by operating activities	$ 249.0	$ 209.1	$ 355.1	$ 343.4
Cash provided by (used for) financing activities	(89.1)	103.2	(132.8)	183.3
Cash used for investing activities	(194.5)	(287.0)	(317.1)	(477.5)
Translation adjustments on cash and cash equivalents	(14.7)	(7.9)	(6.9)	(17.0)
Increase (decrease) in cash and cash equivalents	$ (49.3)	$ 17.4	$ (101.7)	$ 32.2
Cash and cash equivalents – end of period	$ 737.8	$ 634.3	$ 737.8	$ 634.3
Free cash flow from operations (1)	$ 120.1	$ 115.1	$ 103.6	$ 153.2

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

During the second quarters of 2023 and 2022, the Company generated cash from operating activities of $249.0 million and $209.1 million, respectively. Free cash flow from operations was an inflow of $120.1 million in the 2023 second quarter compared to an inflow of $115.1 million in the prior year second quarter. An improvement in non-cash working capital partially offset by an increase in net capital expenditures improved free cash flow from operations for the second quarter of 2023 compared to the second quarter of 2022.

Capital spending in the second quarter of 2023 amounted to $137.7 million compared to $97.7 million in the 2022 second quarter. Total depreciation and amortization expense for the second quarter of 2023 was $98.6 million, compared to $89.4 million for the second quarter of 2022. Expected net capital spending for 2023 is estimated to be approximately $440.0 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 2023 and 2022 were $47.0 million and $42.5 million, respectively. The total number of shares issued and outstanding as at June 30, 2023 and 2022 were 177.7 million and 176.9 million, respectively. The Board of Directors has approved a dividend of $0.2625 per Class A voting share and $0.2650 per Class B non-voting share to shareholders of record as of September 15, 2023, and payable September 29, 2023. The annualized dividend rate is $1.05 per Class A share and $1.06 per Class B share.

In May of 2023, the Company renewed its share repurchase program under a normal course issuer bid to purchase up to 14.5 million Class B non-voting shares, approximately 9.9% of the public float of the Class B non-voting shares of the Company. For the six-month period ended June 30, 2023 the Company did not purchase any shares for cancellation under its issuer bid programs.

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, 2023, the Company had US$40.0 million and EUR46.0 million drawn on its syndicated bank revolving credit facility hedging a portion of its US$-based and euro-based investments and cash flows.

As at June 30, 2023, 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 $8.3 million for the six months ended June 30, 2023.

8. Subsequent Events

The Board of Directors has declared a dividend of $0.2650 per Class B non-voting share and $0.2625 per Class A voting share, which will be payable to shareholders of record at the close of business on September 15, 2023, to be paid on September 29, 2023.

In July 2023, the Company acquired Oomph Made Limited, a privately owned designer and supplier of Radio Frequency Identification and Near-Field Communication access cards and wristbands based in Liphook, United Kingdom. The debt free, all cash consideration, is approximately $7.1 million. This business will be integrated into the Avery Segment.

In July 2023, the Company acquired Pouch Partners S.r.l., Italy, (“Pouch Partners”) from Pouch Partners AG, Switzerland, a company owned by Swiss headquartered Capri-Sun Group. Pouch Partners supplies highly-specialized, gravure printed and laminated, flexible film materials for pouch forming, including recyclable solutions. The debt free, all cash purchase consideration is approximately $44.0 million. The new business will be added to the CCL Segment.

In July 2023, the Company acquired privately held Creaprint S.L., based in Alicante, Spain (“Creaprint”), for the debt and cash-free purchase consideration of approximately $38.1 million, including $5.9 million invested in a new production facility where operations will relocate later this year. Creaprint is a specialist in mould label producer with a manufacturing facility in Alicante, Spain, and a sales office in Miami, Florida. Creaprint will become part of the CCL Segment.

In July 2023, the Company acquired privately held Faubel & Co. Nachfolger GmbH (“Faubel”) headquartered in Melsungen, Germany, for $185.9 million. Faubel is a specialist in labels for pharmaceutical clinical trials manufactured in Melsungen, Germany, and sales offices in the United States and China. Faubel will become part of the CCL Segment.

In August 2023, the Company acquired the entire intellectual property suite and other select assets of Imprint Energy Inc. (“IEI”), based in Alameda, California for $27.0 million. IEI is a start-up company with proprietary technology for ultrathin, non-hazardous and non-toxic printed batteries for IoT devices, sensors and wearables. These product lines will become an integral part of CCL Design.

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 2022 annual audited consolidated financial statements and notes thereto, as well as the 2022 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, 2023, there are no changes to the critical accounting policies and estimates from those described in the 2022 annual MD&A.

B) Inter-Company and Related Party Transactions

A summary of the Company's related party transactions is set out in note 27 to the annual consolidated financial statements for the year ended December 31, 2022. There have been no changes to the nature of, or parties to, the transactions for the six months ended June 30, 2023.

10. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, surety bonds and loan guarantees. The nature of the Company's commitments are described in note 26 and note 27 to the annual consolidated financial statements for the year ended December 31, 2022. There are no defined benefit plans funded with CCL Industries Inc. stock.

11. Controls and Procedures

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of eAgile, Alert, and DMI. These companies were acquired between December 2022 and June 30, 2023, for approximately $65.6 million.

The scope of the limitation is primarily based on the time required to assess the acquired businesses disclosure controls and procedures and internal control over financial reporting in a manner consistent with the Company's other operations. Further details related to the summary financial information of these acquisitions is disclosed in note 3 of the Company's condensed consolidated interim financial statements for the periods ended June 30, 2023 and 2022.

Except for the preceding changes, there were no other material changes in internal control over financial reporting in the six-month period ended June 30, 2023.

12. Risks and Strategies

The 2022 Annual MD&A detailed risks to the Company's business and the strategies planned for 2023 and beyond. There have been no material changes to those risks and strategies during the first six months of 2023.

13. Outlook

The second quarter of 2023, saw continued geopolitical uncertainty coupled with government interest rate policy intervention to supress inflation that has had the expected outcome of dulling economic activity. The Company successfully managed within this softening economic environment, driving organic growth at Avery and Checkpoint, dampening the profitability impact of an organic decline at the CCL Segment, while significantly improving results at Innovia sequentially compared to the first quarter of this year.

For the CCL Segment, demand may moderate compared to the second half of 2022; however, results should remain solid as productivity initiatives take hold and benefits of cost cutting strategies are realized. For CCL Design electronics demand is expected to improve in the fourth quarter of this year as comparative results ease. Carefully observing economic activity or the re-emergence of inflationary cost pressures and rebalancing operating costs remains vital for 2023.

For Checkpoint, demand is expected to be stable for MAS product lines and strong for RFID-related tags and labels within ALS as retailers pivot to this fast growing technology. However, the ultimate success of conventional products within ALS will be dictated by the strength of the traditionally strong retail shopping season in the back half of 2023.

For the second quarter of 2023, Avery's back-to-school categories experienced an earlier surge in volume, similar to 2022 but not the normal seasonal pattern. Should a second swell in back-to-school reorder demand occur during the latter part of third quarter, not unlike years prior to the pandemic, successfully filling this need will be critical. Avery's Direct-to-Consumer businesses are still expected to outpace legacy product lines.

For the remainder of 2023, Innovia is expected to improve results compared to the second half of 2022. Resin markets appear to have stabilized, efficiency initiatives have yielded improved results and auger well for the expected second half rebound in the label materials market. Now that the new EcoFloat line in Poland has reached breakeven, profitably filling incremental capacity is paramount. Finally, at the forefront for 2023 is the successful construction of the new environmentally friendly label film line in Germany.

The Company finished the second quarter with $737.8 million cash-on-hand and additional unused capacity of US$0.9 billion within its syndicated revolving credit facility; Net debt to Adjusted EBITDA is at 1.24 turns. The Company's liquidity position remains robust and positioned for incremental acquisition growth. The Company expects net capital expenditures for 2023 to be approximately $440.0 million, supporting organic

growth and new greenfield opportunities globally. Third quarter orders so far have been in line with expectations given the softer demand environment experienced in the 2023 second quarter.
Foreign currency translation would be a tailwind at current exchange rates for the third quarter of 2023 compared to the same quarter in 2022.

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		**2023**		**2022**		**2023**		**2022**
Net earnings	$	155.9	$	163.4	$	322.3	$	313.6
Corporate expense		21.3		17.8		41.2		35.4
Earnings in equity accounted investments		(5.0)		(3.7)		(8.1)		(6.9)
Net finance cost		19.2		15.4		38.6		30.1
Restructuring and other items		2.9		3.2		3.7		5.0
Income taxes		47.7		51.7		102.0		99.2
Operating income (a non-IFRS measure)	$	242.0	$	247.8	$	499.7	$	476.4
Less: Corporate expense		(21.3)		(17.8)		(41.2)		(35.4)
Add: Depreciation and amortization		98.6		89.4		195.2		179.9
Add: Non-cash acquisition accounting adjustment related to inventory		-		3.5		-		3.5
Adjusted EBITDA (a non-IFRS measure)	$	319.3	$	322.9	$	653.7	$	624.4
Adjusted EBITDA for 12 months ended December 31, 2022 and 2021, respectively					$	1,231.4	$	1,173.1
less: Adjusted EBITDA for six months ended June 30, 2022 and 2021, respectively						(624.4)		(596.4)
add: Adjusted EBITDA for six months ended June 30, 2023 and 2022 respectively						653.7		624.4
Adjusted EBITDA for 12 months ended June 30					$	1,260.7	$	1,201.1

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		**2023**		**2022**		**2023**		**2022**
Cash provided by operating activities	$	249.0	$	209.1	$	355.1	$	343.4
Less: Additions to property, plant and equipment		(137.7)		(97.7)		(261.6)		(194.6)
Add: Proceeds on disposal of property, plant and equipment		8.8		3.7		10.1		4.4
Free Cash Flow from Operations	$	120.1	$	115.1	$	103.6	$	153.2

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**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
CCL	$ 995.5	$ 965.2	$ 144.0	$ 154.9	14.5%	16.0%
Avery	268.0	236.5	50.3	46.9	18.8%	19.8%
Checkpoint	210.5	197.1	28.1	22.6	13.3%	11.5%
Innovia	170.5	216.4	19.6	23.4	11.5%	10.8%
Total Operations	$ 1,644.5	$ 1,615.2	$ 242.0	$ 247.8	14.7%	15.3%

Supplemental Financial Information

Sales Change Analysis
Revenue Growth Rates (%)

	Three Months Ended June 30, 2023				Six Months Ended June 30, 2023			
	Organic Growth	**Acquisition Growth**	**FX Translation**	**Total**	**Organic Growth**	**Acquisition Growth**	**FX Translation**	**Total**
CCL	(3.0%)	0.3%	5.8%	3.1%	(0.1%)	0.2%	5.2%	5.3%
Avery	2.6%	5.6%	5.1%	13.3%	7.7%	13.9%	5.2%	26.8%
Checkpoint	3.3%	-	3.5%	6.8%	2.4%	-	2.8%	5.2%
Innovia	(26.6%)	-	5.4%	(21.2)%	(22.3%)	-	4.4%	(17.9%)
Total	(4.5%)	1.0%	5.3%	1.8%	(1.7%)	1.9%	4.9%	5.1%

15. Outstanding Share Data

As at August 9, 2023, there were 11,781,887 Class A voting shares and 165,882,767 Class B non-voting shares ("Class B Shares") outstanding. In addition, there were stock options outstanding to purchase 277,000 Class B shares, 261,788 deferred share units, 194,760 restricted stock units under the 2017-2025 Long Term Retention Plan, 129,338 restricted stock units under the 2019-2027 Long Term Retention Plan and 495,862 restricted stock units under the Restricted Stock Unit Plan. Lastly, there are 1,429,319 Class B shares reserved for issuance under the Performance Stock Unit Plan.