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

CCL INDUSTRIES INC.

Interim periods ended June 30, 2014 and 2013
Unaudited

CCL Industries Inc.

Consolidated condensed interim statements of financial position

Unaudited

In thousands of Canadian dollars

	As at June 30 2014	As at December 31 2013
Assets		
Current assets		
Cash and cash equivalents	$ 208,303	$ 209,095
Trade and other receivables	430,913	363,493
Inventories	218,139	181,644
Prepaid expenses	19,350	13,458
Income tax recoverable	3,280	2,503
Total current assets	879,985	770,193
Property, plant and equipment	907,427	856,001
Goodwill (note 7)	548,400	494,231
Intangible assets	207,425	207,569
Deferred tax assets	4,557	4,115
Equity accounted investments	53,275	47,363
Other assets	23,983	22,176
Total non-current assets	1,745,067	1,631,455
Total assets	**$ 2,625,052**	**$ 2,401,648**
Liabilities		
Current liabilities		
Trade and other payables	$ 518,830	$ 475,777
Current portion of long-term debt	52,176	47,070
Income taxes payable	21,228	21,060
Derivative instruments	158	642
Total current liabilities	592,392	544,549
Long-term debt	722,425	664,976
Deferred tax liabilities	41,622	42,661
Employee benefits	116,608	109,068
Provisions and other long-term liabilities	15,719	21,511
Derivative instruments	747	748
Total non-current liabilities	897,121	838,964
Total liabilities	1,489,513	1,383,513
Equity		
Share capital	243,164	237,189
Contributed surplus	16,439	11,919
Retained earnings	859,522	768,738
Accumulated other comprehensive income (note 5)	16,414	289
Total equity attributable to shareholders of the Company	1,135,539	1,018,135
Acquisitions (note 3)		
Subsequent events (note 8)		
Total liabilities and equity	**$ 2,625,052**	**$ 2,401,648**

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

CCL Industries Inc.

Consolidated condensed interim income statements

Unaudited

In thousands of Canadian dollars, except per share data

	Three Months Ended June 30			Six Months Ended June 30		
	2014	2013	% Change	2014	2013	% Change
Sales	$ 650,402	$ 361,414	80.0	$ 1,260,102	$ 725,057	73.8
Cost of sales	476,264	272,178		925,007	540,091	
Gross profit	174,138	89,236		335,095	184,966	
Selling, general and administrative	92,298	45,930		170,923	87,237	
Restructuring and other items	1,095	1,432		2,041	2,754	
Earnings in equity accounted investments	(975)	(245)		(1,044)	(622)	
	81,720	**42,119**		**163,175**	**95,597**	
Finance cost	6,477	6,066		13,351	11,433	
Finance income	(179)	(166)		(330)	(326)	
Net finance cost	6,298	5,900		13,021	11,107	
Earnings before income taxes	**75,422**	**36,219**	108.2	**150,154**	**84,490**	77.7
Income tax expense	20,094	9,781		42,264	23,970	
Net earnings	**$ 55,328**	**$ 26,438**	109.3	**$ 107,890**	**$ 60,520**	78.3
Attributable to:						
Shareholders of the Company	$ 55,328	$ 26,438		$ 107,890	$ 60,520	
Net earnings for the period	**$ 55,328**	**$ 26,438**		**$ 107,890**	**$ 60,520**	
Basic earnings per Class B share	**$ 1.61**	**$ 0.77**	109.1	**$ 3.15**	**$ 1.78**	77.0
Diluted earnings per Class B share	**$ 1.58**	**$ 0.76**	107.9	**$ 3.09**	**$ 1.75**	76.6

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

CCL Industries Inc.

Consolidated condensed interim statements of comprehensive income

Unaudited

In thousands of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Net earnings	**$ 55,328**	**$ 26,438**	**$ 107,890**	**$ 60,520**
Other comprehensive income (loss), net of tax:				
Items that may subsequently be reclassified to income:				
Foreign currency translation adjustment for foreign operations, net of tax recovery of $2,461 and $543 for the three months and six months ended June 30, 2014 (2013 - tax expense of $649 and $1,253)	(56,033)	19,714	14,185	33,402
Net gains (losses) on hedges of net investment in foreign operations, net of tax expense of $3,639 and $239 for the three months and six months ended June 30, 2014 (2013 - tax recovery of $1,442 and $2,289)	25,509	(9,454)	1,601	(15,113)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of $61 and tax recovery of $9 for the three months and six months ended June 30, 2014 (2013 - tax recovery of $238 and $485)	47	(627)	(122)	(1,254)
Net change in the fair value of cash flow hedges transferred to the income statement, net of tax recovery of $54 and $156 for the three months and six months ended June 30, 2014 (2013 - tax recovery of $128 and $226)	161	379	461	667
Other comprehensive income (loss), net of tax	**(30,316)**	**10,012**	**16,125**	**17,702**
Total comprehensive income	**$ 25,012**	**$ 36,450**	**$ 124,015**	**$ 78,222**
Attributable to:				
Shareholders of the Company	$ 25,012	$ 36,450	$ 124,015	$ 78,222
Total comprehensive income	**$ 25,012**	**$ 36,450**	**$ 124,015**	**$ 78,222**

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

CCL Industries Inc.

Consolidated condensed interim statements of changes in equity

Unaudited

In thousands of Canadian dollars

	Six Months Ended June 30	
	2014	**2013**
Share capital		
Class A shares, beginning of period	$ 4,504	$ 4,507
Class A shares, end of period	4,504	4,507
Class B shares, beginning of period	246,843	227,123
Normal course issuer bid	-	(364)
Stock options exercised	5,835	19,588
Class B shares, end of period	252,678	246,347
Shares held in trust, beginning of period	(14,158)	(4,928)
Shares redeemed from trust	240	4,500
Shares purchased and held in trust	(100)	(5)
Shares held in trust, end of period	(14,018)	(433)
Share capital, end of period	**243,164**	**250,421**
Contributed surplus		
Contributed surplus, beginning of period	11,919	9,584
Stock option expense	1,513	1,038
Stock options exercised	(1,050)	(3,051)
Stock-based compensation plan	2,173	(4,495)
Income tax effect related to stock options exercised	1,884	-
Contributed surplus, end of period	**16,439**	**3,076**
Retained earnings, beginning of period	768,738	697,937
Net earnings	107,890	60,520
Repurchase of shares	-	(2,656)
Dividends:		
Class A	(1,124)	(960)
Class B	(15,982)	(13,718)
Total dividends	(17,106)	(14,678)
Retained earnings, end of period	**859,522**	**741,123**
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of period	289	(47,036)
Other comprehensive income	16,125	17,702
Accumulated other comprehensive income (loss), end of period	**16,414**	**(29,334)**
Total equity, end of period	**$ 1,135,539**	**$ 965,286**

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

CCL Industries Inc.

Consolidated condensed interim statements of cash flows

Unaudited

In thousands of Canadian dollars

	Three Months Ended June 30		Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Cash provided by (used for)				
Operating activities				
Net earnings	$ 55,328	$ 26,438	$ 107,890	$ 60,520
Adjustments for:				
Depreciation and amortization	37,049	27,372	72,556	54,005
Earnings in equity accounted investments, net of dividends received	(975)	2,307	(1,044)	1,930
Net finance cost	6,298	5,900	13,021	11,107
Current income tax expense	21,696	8,713	41,961	25,484
Deferred taxes	(1,602)	1,068	303	(1,514)
Equity-settled share-based payment transactions	2,359	523	5,810	1,044
Gain on sale of property, plant and equipment	(220)	(183)	(70)	(318)
	119,933	72,138	240,427	152,258
Change in inventories	(12,833)	(10,898)	(28,722)	(17,328)
Change in trade and other receivables	(12,497)	(4,266)	(53,963)	(40,620)
Change in prepaid expenses	(5,678)	(4,032)	(5,675)	(4,229)
Change in trade and other payables	31,498	15,627	20,461	26,605
Change in income taxes receivable and payable	(2,045)	(184)	29	517
Change in employee benefits	572	2,296	7,540	6,527
Change in other assets and liabilities	(5,370)	(20,233)	(12,370)	(18,309)
	113,580	50,448	167,727	105,421
Net interest paid	(2,603)	(13)	(13,086)	(10,078)
Income taxes paid	(25,999)	(13,106)	(42,599)	(21,465)
Cash provided by operating activities	**84,978**	**37,329**	**112,042**	**73,878**
Financing activities				
Proceeds on issuance of debt	13,331	476,920	111,592	476,920
Repayment of debt	(45,741)	(1,962)	(47,849)	(4,601)
Proceeds from issuance of shares	1,046	5,450	4,784	16,537
Repurchase of shares	-	(3,018)	-	(3,018)
Dividends paid	(8,606)	(7,361)	(17,206)	(14,683)
Cash provided by (used for) financing activities	**(39,970)**	**470,029**	**51,321**	**471,155**
Investing activities				
Additions to property, plant and equipment	(24,269)	(23,932)	(84,147)	(63,182)
Proceeds on disposal of property, plant and equipment	238	1,617	5,652	1,858
Business acquisitions and other long-term investments (note 3)	-	(11,662)	(86,924)	(11,662)
Cash used for investing activities	**(24,031)**	**(33,977)**	**(165,419)**	**(72,986)**
Net increase (decrease) in cash and cash equivalents	20,977	473,381	(2,056)	472,047
Cash and cash equivalents at beginning of period	193,843	189,647	209,095	188,972
Translation adjustment on cash and cash equivalents	(6,517)	20,877	1,264	22,886
Cash and cash equivalents at end of period	**$ 208,303**	**$ 683,905**	**$ 208,303**	**$ 683,905**

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

1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended June 30, 2014, comprise the Company, its subsidiaries and its interest in joint ventures and associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and consumer printable media products.

2. Basis of preparation

(a) Statement of compliance

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

These consolidated condensed interim financial statements should be read in conjunction with the Company’s 2013 annual financial statements.

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

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on July 31, 2014.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3. Acquisitions

In February 2014, the Company acquired Sancoa and TubeDec ("Sancoa"); two privately owned companies supplying labels and plastic tubes to Home & Personal Care customers within North America from three plants located in New Jersey and Ohio. The purchase price was C$78.6 million (U$71.0 million), including the settlement of financial debt, and is subject to customary closing and tax structuring adjustments. This acquisition expands the Company's customer portfolio and product offerings.

In February 2014, the Company acquired DekoPak Ambalaj San. Ve Tic. A.S. ("Dekopak"); a leading shrink sleeve producer based in Istanbul, Turkey. The Dekopak acquisition expands the Company's geographic reach and will serve as an entry platform into Turkey for all of the Company's product lines. The purchase price consisted of a cash payment of C$4.7 million (€3.1 million) plus contingent consideration based on average annual EBITDA for the earn-out period to be settled in 2017. Currently the fair value of the contingent consideration is estimated at C$6.0 million (€4.1 million). The final purchase price is subject to customary closing adjustments.

As a result of the timing of the acquisition close, for both Sancoa and Dekopak, in relation to the date of issuance of the financial statements for the second quarter, the availability of information and the inherent complexity associated with the valuations, the initial allocation of the consideration paid has not yet been completed. The initial allocation has resulted in goodwill and intangible assets of $39.8 million and $9.2 million for Sancoa and Dekopak, respectively.

4. Segment reporting

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

The Company is comprised of the following main business segments:

- Label – Includes the production of pressure sensitive and extruded film materials for a wide range of decorative, instructional and functional applications for large global customers in the consumer packaging, healthcare, automotive and consumer durables markets. Extruded and laminated plastic tubes, folded instructional leaflets, precision printed and die cut metal components with LED displays and other complementary products and services are sold in parallel to specific enduser markets.

- Avery – Includes the manufacturing and selling of various consumer products, including labels, binders, dividers, sheet protectors and writing instruments in North America, Latin America, Asia Pacific and Europe.

- Container – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.

In thousands of Canadian dollars

4. Segment reporting (continued)

	Three Months Ended June 30				Six Months Ended June 30			
	Sales		Operating income		Sales		Operating income	
	2014	2013	2014	2013	2014	2013	2014	2013
Label	$ 423,758	$ 309,891	$ 55,983	$ 44,998	$ 847,498	$ 622,155	$ 125,370	$ 101,577
Avery	174,200	-	28,405	-	307,123	-	41,548	-
Container	52,444	51,523	4,804	5,233	105,481	102,902	10,828	10,550
Total operations	$ 650,402	$ 361,414	89,192	50,231	$ 1,260,102	$ 725,057	177,746	112,127
Corporate expense			(7,352)	(6,925)			(13,574)	(14,398)
Restructuring and other items			(1,095)	(1,432)			(2,041)	(2,754)
Earnings in equity accounted investments			975	245			1,044	622
Finance cost			(6,477)	(6,066)			(13,351)	(11,433)
Finance income			179	166			330	326
Income tax expense			(20,094)	(9,781)			(42,264)	(23,970)
Net earnings			$ 55,328	$ 26,438			$ 107,890	$ 60,520

	Total Assets		Total Liabilities		Depreciation and Amortization		Capital Expenditures	
	June 30 2014	December 31 2013	June 30 2014	December 31 2013	Six Months Ended June 30 2014	2013	Six Months Ended June 30 2014	2013
Label	$ 1,716,167	$ 1,558,832	$ 398,924	$ 357,386	$ 58,498	$ 46,497	$ 65,625	$ 60,867
Avery	431,621	391,658	202,617	205,154	6,689	-	5,700	-
Container	153,514	140,678	54,144	49,607	6,965	7,110	12,822	2,301
Equity accounted investments	53,275	47,363	-	-	-	-	-	-
Corporate	270,475	263,117	833,828	771,366	404	398	-	14
Total	$ 2,625,052	$ 2,401,648	$ 1,489,513	$ 1,383,513	$ 72,556	$ 54,005	$ 84,147	$ 63,182

Due to the seasonality of CCL's business, the Company's operating results for the three months or six months ended June 30, 2014, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2014. The first and second quarters are traditionally higher sales periods for the Label and Container Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of the year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America.

Certain comparative segment information has been recast to conform with current period presentation.

5. Accumulated other comprehensive income

	June 30 2014	December 31 2013
Unrealized foreign currency translation gains net of tax recovery of $1,836 (2013 – tax recovery of $1,532)	$ 17,075	$ 1,289
Losses on derivatives designated as cash flow hedges, net of tax recovery of $128 (2013 – tax recovery of $275)	(661)	(1,000)
	$ 16,414	$ 289

6. Financial instruments

(a) Fair value hierarchy

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

The different levels have been defined as follows:

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

In thousands of Canadian dollars

6. Financial instruments (continued)

(a) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Available-for-sale financial assets	$ -	$ 14,702	$ -	$ 14,702
Contingent consideration	-	-	6,032	6,032
Derivative financial liabilities	-	905	-	905
Unsecured senior notes	-	-	289,401	289,401
	$ -	$ 905	$ 295,433	$ 296,338
December 31, 2013				
Available-for-sale financial assets	$ -	$ 12,884	$ -	$ 12,884
Derivative financial liabilities	-	1,390	-	1,390
Unsecured senior notes	-	-	284,402	284,402
	$ -	$ 1,390	$ 284,402	$ 285,792

(b) Fair values versus carrying amounts

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

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

	June 30, 2014		December 31, 2013	
	Amount	Fair Value	Amount	Fair Value
Long-term debt	$ 774,601	$ 808,990	$ 712,046	$ 742,776

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

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

7. Goodwill impairment

For the purpose of impairment testing, goodwill is allocated to the Company's operating segments, which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes.

As at December 31, 2013, the allocation of goodwill to the Avery cash generating units ("CGU") had not been finalized, consequently, an impairment test for the reported Avery goodwill was not performed at December 31, 2013. The Company performed the impairment test relating to the Avery goodwill as at June 30, 2014.

Impairment testing for goodwill and indefinite-life intangible assets related to Avery of $74.8 million and $141.1 million, respectively, was done by a comparison of the assets carrying amount to its estimated value in use, determined by discounting the CGU's future cash flows. Key assumptions used in the determination of the value in use include a growth rate of 0%-3%, and a pre-tax discount rate of 17.0%. Discount rates reflect current market assumptions and risks related to the CGU's and are based upon the weighted average cost of capital. The Company's growth rates are used as a basis in determining the growth rate applied for impairment testing.

The estimated value in use of Avery exceeded its carrying amount. As a result, no impairment was recorded.

8. Subsequent events

The Board of Directors has declared a dividend of $0.3000 for the Class B non-voting shares and $0.2875 on the Class A voting shares that will be payable to shareholders of record at the close of business on September 16, 2014, to be paid on September 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Second Quarters Ended June 30, 2014 and 2013

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("CCL" or the "Company") relates to the second quarters ended June 30, 2014 and 2013. The information in this interim MD&A is current to July 31, 2014, and should be read in conjunction with the Company's June 30, 2014, unaudited second quarter consolidated condensed interim financial statements released on July 31, 2014, and the 2013 Annual MD&A document and consolidated financial statements, which form part of the CCL Industries Inc. 2013 Annual Report, dated February 20, 2014.

Basis of Presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of CCL's operations are the Canadian dollar, U.S. dollar, euro, Argentine peso, Australian dollar, Brazilian real, Chilean peso, Chinese renminbi, Danish krone, Japanese yen, Mexican peso, Polish zloty, Russian rouble, South African rand, Thai baht, 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. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy of the Company 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 growth in sales, income and profitability of the Company's segments; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2014; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy and the Company's expectations regarding general business and economic conditions.

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 after-effects of the global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL'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: global economic recovery and higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific sectors and entering into new markets; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum costs; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; the Company's ability to realize targeted operational synergies and cash flows from the restructuring of Avery, Designed & Engineered Solutions ("DES"), Sancoa and TubeDec ("Sancoa") and the Canadian

Container operation; the Company's expectation that its new operation in the Philippines and new joint venture in Thailand will not post profitable returns until 2015; the Company's expectation that low growth forecasts for Europe could reinforce solid performance for 2014; the Company's expectation that a strong back-to-school season in the Avery Segment will dictate the third quarter results; the Company's expectation for strong cash flow from the business; the Company's expected order intake levels; and general business and economic conditions. Should one or more risks materialize or should any assumptions 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 2013 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 CCL'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 2014 was the fifteenth consecutive quarter of year-over-year improvement in quarterly adjusted basic earnings per Class B share (a non-IFRS financial measure; refer to definition in Section 13) for CCL. This result was driven by solid second quarter performance in all three of the Company's Segments, Label, Avery and Container. The Label Segment posted an increase of 36.8% in sales and 24.4% in operating income (a non-IFRS financial measure; refer to definition in Section 13) due to the acquisitions over the past twelve months and solid organic growth. The new Avery Segment for the second quarter of 2014 posted operating income that again exceeded management expectations as the back-to-school season commenced at the end of the quarter. The Container Segment delivered solid quarterly results in the midst of the reorganization of the Canadian operation. Accordingly, adjusted basic earnings (a non-IFRS financial measure; refer to definition in Section 13) for the Company was a record, improving 98.8% to $1.63 per Class B share compared to adjusted basic earnings per Class B share of $0.82 in the 2013 second quarter.

2. Review of Consolidated Financial Results

The following acquisitions and joint venture developments affected the financial comparisons to 2013:

- In March 2013, the Company announced the creation of a new plastic tube manufacturing and decorating joint venture in Bangkok, Thailand. CCL has a 50% equity interest in the venture equal to its partner Taisei Kako Co., Ltd., a leading Japanese producer of specialty plastic containers.

- In April 2013, the acquisition of INT Autotechnik GmbH ("INT"), a privately owned company based in Munich, Germany, for $14.4 million. INT is a leading supplier to German automotive original equipment manufacturers alongside CCL Design.

- On July 1, 2013, the acquisition of the Avery and DES businesses of Avery Dennison Corporation for US$486.7 million. Avery, CCL's newest business segment is the world's largest supplier of labels, specialty converted media and software solutions to enable short run digital printing for businesses and consumers. The DES business has augmented the CCL Design and other businesses within the Label Segment.

- In October 2013, the acquisition of Advanced Packaging Films, a privately owned company based in Schkopau, Germany, for $9.3 million. This new business trades as Advanced Performance Films ("APF") and forms an integral part of the CCL Label global Food & Beverage business.

- In January 2014, the acquisition of an additional 12.5% interest in Acrus-CCL, the Company's Chilean wine label joint venture, for US$1.2 million bringing CCL's total ownership to 62.5%.

- In February 2014, the acquisition of Sancoa, privately owned companies with a common controlling shareholder based in New Jersey, USA, for approximately US$71.0 million, subject to typical post-closing adjustments. Sancoa produces labels and tubes and will be a vital part of the North American CCL Label Home & Personal Care business.

- In February 2014, the acquisition of DekoPak Ambalaj SAN. Ve Tic. A.S. ("Dekopak"), a privately owned company based in Istanbul, Turkey, for approximately $4.7 million, plus contingent consideration payable in 2017 subject to incremental EBITDA improvement. Dekopak is a leading producer of shrink sleeve labels for global and domestic customers in Turkey and was CCL Label's exclusive license holder for the country.

Sales for the second quarter of 2014 were $650.4 million, an increase of 80.0% compared to $361.4 million recorded in the second quarter of 2013. The increase in sales can be attributed to organic growth of 6.2%, acquisition related growth of 67.1% and positive impact from foreign currency translation of 6.7%. For the six-month period ended June 30, 2014, sales were $1,260.1 million, an increase of 73.8% compared to $725.1 million recorded in the same period of 2013. The six-month improvement in sales can be attributed to 5.4% organic growth, a 61.0% impact of the aforementioned acquisitions and a 7.4% positive impact from foreign currency translation.

Selling, general and administrative expenses ("SG&A") were $92.3 million for the second quarter of 2014 compared to $45.9 million for the second quarter of 2013. The increase was primarily attributable to SG&A expenses associated with the aforementioned acquisitions, particularly Sancoa, Avery and DES. Corporate expenses included within SG&A, increased $0.5 million for the second quarter of 2014 compared to the same period in 2013 due to an increase in director equity-linked compensation expense. For the six months ended June 30, 2014, SG&A expenses were $170.9 million, an increase of 96.0% compared to $87.2 million for the 2013 six-month period. The increase in SG&A for the six-month period can be attributed to higher costs in the operating segments, augmented by increased corporate expense, due to an increase in equity-based compensation expense resulting from the increase in the Company's share price.

The Company recorded an expense of $1.1 million ($0.7 million after tax) in restructuring and other items for the second quarter of 2014. The primary charges were $0.7 million of transaction and reorganization expenses associated with the Sancoa acquisition and $0.4 million of severance expenses associated with DES. In the 2013 second quarter, the Company recorded $1.4 million ($1.0 million after tax) of restructuring and other items for transaction expenses related to the Avery and DES business acquisitions. For the six-month period ending June 30, 2014, the Company recorded $2.0 million ($1.4 million after tax) in restructuring and other items predominantly related to Sancoa and DES. For the corresponding period ending June 30, 2013, the Company recorded $2.8 million ($2.2 million after tax) in restructuring and other items, of which $0.8 million for the downsizing of a small label plant in France and $2.0 million of transaction costs related to the acquisition of Avery and DES.

Operating income for the second quarter of 2014 increased 77.7% to $89.2 million, compared to $50.2 million for the second quarter of 2013. For the second quarter of 2014 compared to the same period in 2013, the Label Segment improved operating income 24.4%, partially offset by a $0.4 million reduction in operating income at the Container Segment. The newly acquired Sancoa and Dekopak businesses, now included in the Label Segment, met performance expectations for the quarter but on a combined basis did not contribute to earnings. The Avery Segment posted operating income of $28.4 million exceeding management expectations. Foreign currency translation contributed an improvement of 6.3% to the consolidated operating income. For the six months ended June 30, 2014, operating income increased 58.5%, with the Label and Container Segments recording increases in operating income of 23.5% and 1.9%, respectively, compared to the same six-month period in 2013. The Avery Segment recorded solid results for the first six months of 2014, with operating income of $41.5 million.

Earnings before net finance cost, taxes, earnings in equity accounted investments, depreciation and amortization, non-cash acquisition accounting adjustments to finished goods inventory, restructuring and other items ("EBITDA," a non-IFRS financial measure; refer to definition in Section 13) was $118.8 million for the second quarter of 2014, an increase of 68.0% compared to $70.7 million for the second quarter of 2013. Foreign currency had a positive impact of 6.6% on EBITDA for the second quarter of 2014. For the six months ended June 30, 2014, EBITDA was $236.8 million, an increase of 56.1% compared to $151.7 million in the comparable 2013 period. Foreign currency translation has a positive impact of 7.7% for the comparable six-month periods.

Net finance cost was $6.3 million for the second quarter of 2014 compared to $5.9 million for the second quarter of 2013. For the six-month period ended June 30, 2014, net finance cost was $13.0 million compared to $11.1 million in the corresponding six-month period of 2013. The increase in net finance cost for the three-month and six-month periods ended June 30, 2014 was attributable to the added interest expense associated with the funded debt that was used to acquire the Avery, DES and Sancoa businesses.

The overall effective income tax rate was 27.0% for the second quarter of 2014 compared to 27.2% for the second quarter of 2013. The overall effective income tax rate was 28.3% for the six-month period of 2014 compared to 28.5% for the six-month period of 2013. The tax rate in future quarters may increase as a higher portion of income will be earned in higher tax jurisdictions.

Net earnings for the second quarter of 2014 were $55.3 million, an increase of 109.5% compared to $26.4 million for the second quarter of 2013. This resulted in basic and diluted earnings of $1.61 and $1.58 per Class B share, respectively, in the current quarter compared to basic and diluted earnings of $0.77 and $0.76 per Class B share, respectively, for the prior year second quarter.

Net earnings for the six-month period of 2014 were $107.9 million, an increase of 78.3% compared to $60.5 million for the same period a year ago. This resulted in basic and diluted earnings of $3.15 and $3.09 per Class B share, respectively, for the 2014 six-month period compared to basic and diluted earnings of $1.78 and $1.75 per Class B share, respectively, for the prior year six-month period. The weighted average number of shares for the 2014 six-month period were 34.3 million basic and 35.0 million diluted shares compared to 34.0 million basic and 34.5 million diluted shares for the comparable period of 2013. Diluted shares include weighted average in-the-money stock options and other equity settled obligation totaling 0.7 million shares.

Adjusted basic earnings per Class B share (a non-IFRS financial measure – see Section 13) were $1.63 and $3.19 for the three-month and six-month periods of 2014, respectively, compared to $0.82 and $1.86 for the same periods of 2013.

The following table is presented to provide context to the comparative change in the financial performance of the business.

(in Canadian dollars)

	Second Quarter		Year-to-Date	
Adjusted Basic Earnings per Class B Share	**2014**	**2013**	**2014**	**2013**
Basic earnings	$ 1.61	$ 0.77	$ 3.15	$ 1.78
Net loss from restructuring and other items	0.02	0.05	0.04	0.08
Adjusted basic earnings (1)	$ 1.63	$ 0.82	$ 3.19	$ 1.86

(1) Adjusted Basic Earnings per Class B Share is a non-IFRS financial measure. Refer to definition in Section 13.

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					
2014	$ 609.7	$650.4	-	-	$ 1,260.1
2013	363.7	361.4	606.6	557.7	1,889.4
2012	341.4	337.1	316.6	313.5	1,308.6
Net earnings					
2014	52.6	55.3	-	-	107.9
2013	34.1	26.4	23.6	19.5	103.6
2012	30.4	25.9	21.3	19.9	97.5
Net earnings per Class B share					
Basic					
2014	1.54	1.61	-	-	3.15
2013	1.01	0.77	0.68	0.58	3.04
2012	0.91	0.77	0.64	0.59	2.91
Diluted					
2014	1.51	1.58	-	-	3.09
2013	0.99	0.76	0.67	0.57	2.99
2012	0.89	0.76	0.63	0.58	2.86
Adjusted basic net earnings per Class B share					
2014	1.56	1.63	-	-	3.19
2013	1.04	0.82	1.38	1.19	4.43
2012	0.91	0.77	0.64	0.59	2.91

The quarterly financial results above are affected by the seasonality of the business Segments. The first and second quarters are traditionally higher sales periods for the Label and Container Segments as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of a year. For Avery, the third quarter has historically been its strongest, as it benefits from the increased demand related to back-to-school activities in North America. Furthermore, on July 1, 2013, CCL acquired the Avery and DES businesses of Avery Dennison Corporation, the most significant acquisition in the past ten quarters.

3. Business Segment Review

Label Segment

($ millions)	Second Quarter			Year-to-Date		
	2014	**2013**	**+/-**	**2014**	**2013**	**+/-**
Sales	$ 423.8	$ 309.9	36.8%	$ 847.5	$ 622.2	36.2%
Operating Income [(1)]	$ 56.0	$ 45.0	24.4%	$ 125.4	$ 101.5	23.5%
Return on Sales [(1)]	13.2%	14.5%		14.8%	16.3%	
Capital Spending	$ 19.2	$ 22.4	(14.3%)	$ 65.6	$ 60.9	7.7%
Depreciation and Amortization	$ 30.0	$ 23.7	26.6%	$ 58.5	$ 46.5	25.8%

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Label Segment were $423.8 million for the second quarter of 2014, compared to $309.9 million for the same quarter last year. The 36.8% increase in sales can be attributed to organic growth of 7.5%, the impact from the DES, Sancoa and Dekopak acquisitions of 22.0% and the positive effect from foreign currency translation of 7.3%.

North American sales increased high-single digits, excluding currency translation and the acquisitions of DES and Sancoa, compared to the second quarter of 2013. CCL Design, a significant portion of the acquired DES operations, posted strong sales results, benefiting from a robust North American automotive market; however, product mix issues muted profitability. Home & Personal Care sales, excluding the Sancoa acquisition improved on new business momentum in a soft market. Healthcare & Specialty results improved, despite a prolonged winter that hindered AgChem revenues, as the U.S. FDA rescinded sanctions at certain pharmaceutical customers and the specialty promotional operations benefited from added volume associated with the World Cup. Food & Beverage sales and profitability improved year-over-year on market share gains in Wine & Spirits and better operating execution in the Beverage business. Overall profitability improved in North America notwithstanding the impact of acquisitions and currency translation, however, return on sales declined entirely due to the mix impact of the acquired DES and Sancoa businesses.

Sales in **Europe** were up low-single digits for the second quarter of 2014, excluding currency translation and acquisitions, compared to the second quarter of 2013. The Home & Personal Care business posted modest sales growth and strong profitability improvement attributable to significant operational gains in Western Europe, more than offsetting transition and plant expansion expenses in Poland. Sales in Healthcare & Specialty, excluding foreign currency translation, were up compared to the second quarter of 2013 but profitability declined as changes in business mix in France and the Netherlands impacted results. Results in Food & Beverage were strong on continued solid performance in Beverage and double digit sales gains in Sleeves, partially offset by start-up losses at APF. Sales improved significantly at the CCL Design business due to the addition of a small Italian operation coming from DES and strong automotive demand. Profitability was impacted by a large German customer insolvency resulting in a receivables write-down of $1.7 million. Overall, European operating income, excluding incremental acquisitions and foreign currency translation, increased modestly, compared to the prior year second quarter.

Sales in **Latin America** increased mid-single digits for the second quarter of 2014, excluding the impact of currency translation compared to the second quarter of 2013. Double digit sales improvement due to market share gains in the Mexican operations offset almost flat sales results for operations in Brazil. The weaker Brazilian real drove inflationary cost pressures on imported materials and continued to negatively impact translated results year-over-year. A deteriorating economic outlook for Brazil and tax reforms affecting consumer spending in Mexico negatively impacted regional profitability, albeit operating margin levels in this region remain above the CCL average.

Asia Pacific delivered strong double digit sales and profitability growth for the second quarter of 2014, compared to the second quarter of 2013. China posted significant quarterly improvement in both sales and operating income as losses reduced at the operation in Tianjin and consumer demand remained robust. ASEAN customer demand declined in Home & Personal Care export markets from Thailand, but this was more than offset by increases in Specialty and Food & Beverage plus improved results in Vietnam. The change in business mix and the efficiency realized from operating the newly constructed third plant in Bangkok resulted in a significant increase in return on sales. Australian results declined on a poor quarter at one of the Healthcare plants and start-up costs at the new Wine plant in Sydney. Sales volume for beverage labels in South Africa was strong. Despite start-up costs for the new plant in the Philippines, overall profitability in the Asia Pacific region improved.

Operating income, for the second quarter of 2014 improved 24.4% to $56.0 million, compared to $45.0 million for the second quarter of 2013. Operating income as a percentage of sales was 13.2%, below the 14.5% recorded for the same period in 2013, due entirely to the mix impact of acquisitions.

Results from the joint ventures in CCL-Kontur, Russia; Pacman-CCL, Middle East; Acrus-CCL, Chile; and CCL-Taisei, Thailand, are not proportionately consolidated into the Label Segment but instead are accounted for as equity investments. CCL's share of the joint ventures' net income is disclosed in "Earnings in Equity Accounted Investments" in the consolidated condensed interim financial statements. Sales at CCL-Kontur improved for the 2014 second quarter; profits were significantly strengthened by the appreciation of the ruble to the euro in the quarter. Pacman-CCL contributed meaningfully to overall earnings for the 2014 second quarter inclusive of the start-up operations in Saudi Arabia and Pakistan. For the second quarter of 2014, Acrus-CCL posted an operating profit compared to start-up losses in the 2013 second quarter. CCL-Taisei continued to build its new tube plant during the quarter and incurred a start-up loss. This operation is not expected to trade until late in the second half of 2014. Earnings in equity accounted investments amounted to $1.0 million for the 2014 second quarter compared to $0.2 million for the 2013 second quarter.

Sales backlogs for the label business rarely exceed one month of sales, making forecasts one quarter ahead difficult. For the first few weeks of the third quarter order intake levels remain solid. Management continues to watch the global economic situation closely along with associated volatility in foreign exchange rates.

The Label Segment invested $65.6 million in capital spending in the six-month period ended June 30, 2014, compared to $60.9 million in the same six-month period in 2013. The investments for the six-month period are in line with Company's planned capital expenditures for 2014. The major expenditures for the six-month period of 2014 were related to equipment installations to support the Home & Personal Care business in North America and to add more digital printing capabilities throughout the Label Segment footprint. As in the past, investments in the Label Segment are expected to continue in order to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label Segment was $58.5 million for the six-month period ended June 30, 2014, compared to $46.5 million for the same period of 2013.

Avery Segment

($ millions)	Second Quarter				Year-to-Date			
		2014		2013		2014		2013
Sales	$	174.2	$	-	$	307.1	$	-
Operating Income [1]	$	28.4	$	-	$	41.5	$	-
Return on Sales [1]		16.3%				13.5%		
Capital Spending	$	1.9	$	-	$	5.7	$	-
Depreciation and Amortization	$	3.3	$	-	$	6.7	$	-

[1] Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

The Avery Segment was acquired July 1, 2013 from Avery Dennison Corporation. The Segment has two primary product groups, Printable Media and Binders, Organization & Presentation, Writing Instruments ("BOPWI").

Sales for the Avery Segment were $174.2 million for the second quarter of 2014, approximately flat compared to the pre-acquisition second quarter of 2013. The seasonal back-to-school surge in the North American BOPWI category commences late in the second quarter and carries on through the summer months.

North American sales increased for the comparative quarter partly due to a slightly earlier start to the back-to-school season in 2014, but more importantly Avery continued to exceed expectations within its Printable Media category. Cost reductions stemming from the 2013 restructuring initiative, and strong operational execution from a reinvigorated workforce, resulted in a better than expected operating profit.

International sales principally generated in the Printable Media category represented 23% of the Avery Segment sales for the quarter. Sales were in line with expectations in Europe but declined slightly in Asia Pacific, however, operating profit continues to exceed projected results due to cost reduction initiatives and productivity enhancements taking hold.

Operating income for the Avery Segment for the second quarter of 2014 was $28.4 million.

The Avery Segment invested $5.7 million in capital spending for the six-month period ended June 30, 2014. The majority of the expenditures were for equipment additions for North American continuing operations in order to facilitate the previously announced closure of the Chicopee, Massachusetts, operation. Depreciation and amortization for the Avery Segment was $6.7 million for the six-month period ended June 30, 2014.

Container Segment

($ millions)	Second Quarter			Year-to-Date		
	2014	**2013**	**+/-**	**2014**	**2013**	**+/-**
Sales	$ 52.4	$ 51.5	1.7%	$ 105.5	$ 102.9	2.5%
Operating Income [1]	$ 4.8	$ 5.2	(7.7%)	$ 10.8	$ 10.6	1.9%
Return on Sales [1]	9.2%	10.1%		10.2%	10.3%	
Capital Spending	$ 3.2	$ 1.5	113.3%	$ 12.8	$ 2.3	456.5%
Depreciation and Amortization	$ 3.5	$ 3.5	-	$ 7.0	$ 7.1	(1.4%)

[1] Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Container Segment in the 2014 second quarter were $52.4 million, an increase of 1.7% compared to $51.5 million in the second quarter of 2013. Foreign currency translation propped up reported sales and offset a decline attributable to lower average aluminum prices in the comparable second quarters of 2014 and 2013. The Container Segment posted operating income of $4.8 million compared to $5.2 million for the 2013 second quarter. Strong financial results from the North American operations, aided by a stronger U.S. dollar, offset lower operating income at the Mexican operations due to changes in business mix and start-up costs associated with the first production line moved from the Canadian plant. Expenses relating to the move of this line from the previously announced restructuring plan for the Canadian plant closure were an additional $0.3 million in the quarter bringing the year-to-date total to $0.5 million.

The Container Segment invested $12.8 million and $2.3 million in capital spending for the six-month periods of June 30, 2014, and of June 30, 2013, respectively. The majority of the expenditures in the first six months 2014 were for the previously announced facility expansion and installation of a new manufacturing line at the U.S. operation to facilitate the efficient redistribution of part of the Canadian plant's equipment. Depreciation and amortization for the Container Segment was $7.0 million for the six-month period of 2014 compared to $7.1 million for the comparable six-month period of 2013.

The Container Segment continues to hedge some of its anticipated future aluminum purchases through futures contracts and has hedged 20.5% of its expected 2014 requirements. All of these hedges are specifically tied to customer contracts. Existing hedges are priced in the US$1,700 to US$2,100 range per metric ton. The Company is encouraging customers to adopt 90-day pass-through pricing for changes in aluminum cost and is only adopting long-term hedges to stabilize input prices with large blue-chip multinationals willing to accept responsibility for the hedge.

Pricing for aluminum in the second quarter of 2014 ranged from US$1,700 to US$1,900 per metric ton compared to US$1,700 to US$2,000 in the second quarter of 2013.

4. Currency Transaction Hedging and Currency Translation

Approximately 96% of sales made in the first six months of 2014 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 2014 were most impacted by the positive effect of the 6.6%, 11.9%, 16.8% and 2.3% appreciation of the U.S. dollar, euro, sterling and Mexican peso, respectively, partially offset by the 1.3% and 2.0% depreciation of the Brazilian real and Thai baht when comparing the rates in the second quarters of 2014 and 2013, relative to the Canadian dollar. For the second quarter of 2014, currency translation had a $0.07 positive impact on earnings per share compared to last year's second quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

($ Millions, except per share data)

	June 30, 2014	December 31, 2013	June 30, 2013
Current debt	$ 52.2	$ 47.0	$ 567.1
Long-term debt	722.4	665.0	256.7
Total debt	774.6	712.0	823.8
Cash and cash equivalents	(208.3)	(209.1)	(683.9)
Net debt (1)	$ 566.3	$ 502.9	$ 139.9
Shareholders' equity	$ 1,135.5	$ 1,018.1	$ 965.3
Net debt to total book capitalization (1)	33.3%	33.1%	12.7%

(1) Net Debt and Net Debt to Total Book Capitalization are non-IFRS financial measures. Refer to definitions in Section 13.

Net debt (a non-IFRS financial measure; refer to definition in Section 13) was $566.3 million at June 30, 2014, $426.4 million higher than the net debt of $139.9 million at June 30, 2013. This increase in net debt is due to the additional debt drawn on the

Company's syndicated credit facility to fund the acquisitions of Avery, DES and Sancoa, partially offset by the cash flow generated by the Company since the second quarter of 2013. Net debt at June 30, 2013 included an increase in debt and cash of US$453.4 million attributable to the early borrowing of the funds required to close the acquisition of Avery and DES on July 1, 2013, a national holiday in Canada. Net debt at June 30, 2014, was $63.4 million higher than the net debt of $502.9 million at December 31, 2013, due to debt drawn to acquire Sancoa on March 1, 2014, partially offset by repayments against the syndicated credit facilities. Since the Canadian dollar has devalued versus the Company's primarily U.S. dollar and euro drawn debt, foreign currency translation has resulted in an increase in total debt for the comparative periods above.

Net debt to total book capitalization (a non-IFRS financial measure; refer to definition in Section 13) at June 30, 2014, was 33.3%, up from 12.7% at the end of June 2013.

The Company's debt structure at June 30, 2014, was comprised of three private debt placements completed in 1998, 2006 and 2008 for a total of US$239.0 million (C$255.0 million) and a bank syndicated US$344.4 million non-revolving credit and $300.0 million revolving facility. During the quarter, the Company made payments of US$10.0 million on the non-revolving credit facility and payments of US$21.5 million on the revolving credit facility. During the first six months of 2014 the Company, on a no-fee basis, amended the borrowing currency of the non-revolving facility from Canadian dollars to U.S. dollars. Including the $3.7 million of outstanding letters of credit, the Company had approximately $149.2 million of available capacity within its revolving credit facility as at June 30, 2014.

The Company's overall average finance rate was 3.2% as at June 30, 2014, compared to 4.5% as at June 30, 2013. The decline in the average finance rate was caused by the lower rates applicable to the Company's syndicated credit facilities, compared to the outstanding debt at June 30, 2013, that included a larger proportion of private placement debt at higher interest rates.

The Company 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 next few years.

6. Cash Flow

Summary of Cash Flows	Second Quarter 2014	Second Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
Cash provided by operating activities	$ 85.0	$ 37.3	$ 112.0	$ 73.9
Cash provided by (used for) financing activities	(40.0)	470.1	51.3	471.1
Cash used for investing activities	(24.0)	(34.0)	(165.4)	(73.0)
Translation adjustments on cash and cash equivalents	(6.5)	20.9	1.3	22.9
Increase (decrease) in cash and cash equivalents	$ 14.5	$ 494.3	$ (0.8)	$ 494.9
Cash and cash equivalents – end of period	$ 208.3	$ 683.9	$ 208.3	$ 683.9
Free cash flow from operations [1]	$ 60.9	$ 15.0	$ 33.6	$ 12.6

[1] Free Cash Flow from Operations is non-IFRS financial measure. Refer to definition in Section 13.

During the second quarters of 2014 and 2013, the Company generated cash from operating activities of $85.0 million and $37.3 million, respectively. Free cash flow from operations (a non-IFRS financial measure; refer to definition in Section 13) was $60.9 million in the 2014 second quarter compared to $15.0 million in the prior year quarter. The change in operating cash flow and free cash flow from operations was primarily due to the increase in net earnings.

Capital spending in the second quarter of 2014 amounted to $24.3 million compared to $23.9 million in the 2013 second quarter. Depreciation and amortization for the second quarters of 2014 and 2013 were $37.0 million and $27.4 million, respectively. Plans for capital spending in 2014 are expected to be approximately $130 million, in line with annualized depreciation expense. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the second quarters of 2014 and 2013 were $8.6 million and $7.4 million, respectively. The total number of shares issued and outstanding as at June 30, 2014 and 2013, were 34.6 million and 34.4 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2014 and beyond continues to be positive, the Board of Directors has approved a $0.20 increase to the annual dividend from $0.95 and $1.00 to $1.15 and $1.20 per Class A and Class B share, respectively. The new quarterly dividend of $0.2875 per Class A share and $0.30 per Class B share will be for shareholders of record as of September 16, 2014, and payable on September 30, 2014.

7. Interest rate and Foreign Exchange Management

The Company has entered into an interest rate swap agreement ("IRSA") to convert US$80 million notional debt from floating interest rates to a fixed interest rate since all of the underlying debt is floating rate debt within the syndicated term credit facility. The effect of the IRSA increased finance cost nominally in the second quarter of 2014.

Since the Company has developed into a global business with a significant asset base in the United States and Europe, the majority of the Company's debt is drawn in United States dollars and euros.

Interest coverage (a non-IFRS financial measure, defined later in Section 13) was 10.4 times as at June 30, 2014, compared to 7.5 times as at June 30, 2013.

8. Accounting Policies

A) Critical Accounting Estimates

The preparation of the Company's 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 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 2013 annual audited consolidated financial statements and notes thereto, as well as the 2013 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of CCL's business operations and results of operations. For the six months ended June 30, 2014, there are no changes to the critical accounting policies and estimates from those described in the 2013 annual MD&A.

B) Inter-Company and Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management and commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements. A summary of the Company's related party transactions are set out in note 26 of the annual consolidated financial statements for the year ended December 31, 2013.

9. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, except for long-term operating lease agreements. The nature of these commitments is described in note 25 of the annual consolidated financial statements for the year ended December 31, 2013. There are no defined benefit plans funded with CCL stock.

10. Controls and Procedures

There were no material changes in internal control over financial reporting in the six-month period ended June 30, 2014.

11. Risks and Strategies

The 2013 MD&A in the annual report detailed risks to the Company's business and the strategies that were planned for 2014 and beyond. There have been no material changes to those risks and strategies during the first six months of 2014.

12. Outlook

CCL posted its second consecutive record quarter, with its legacy business outperforming the prior year second quarter, strengthened by results for the new Avery Segment, that results in a 98.8% improvement in adjusted basic earnings per Class B share for the current period. The newly acquired Sancoa and Dekopak businesses met expectations for the quarter, but lag the CCL historical margins. Unused credit lines stand at $149 million and, with additional cash on hand, the Company has the capacity to execute its growth strategy or the flexibility to reduce its bank leverage. Moving forward the Company remains confident about its ability to deliver solid results and cash flows from its operations required to augment this growth strategy, including the financing of investment opportunities that will expand geographic, market segment reach and technological capabilities. The Company's capital spending for the year is expected to be $130 million, in line with annualized depreciation expense.

Order intake in the Label Segment remains steady so far into the third quarter. Management continues to see only low growth opportunities in developed economies but the outlook for emerging markets remains strong with the notable exception of Latin America where growth rates have moderated significantly, particularly in Brazil. Foreign currency remains positive into the third quarter of 2014 on translated results if current levels of the Canadian dollar prevail or weaken. Expansion initiatives, such as CCL's new Home & Personal Care operation in the Philippines and CCL's new joint venture in Thailand that are under construction, are not expected to commence operations until the back half of 2014 and not post profitable returns until late 2015. As a result of the Sancoa acquisition, further restructuring charges in the North American Home & Personal Care operations might be required in order to achieve the incremental $5.0 million in synergies for 2016.

At Avery, restructuring programs are moving to the final stage and will be completed before the end of 2014, cost reduction initiatives and product innovation and marketing plans are in progress with a re-invigorated workforce. The Company remains on track to deliver at least $40 million of targeted annual savings and synergies in 2014; the degree to which these will convert to earnings will depend on a successful back-to-school performance in the coming quarter.

The Container Segment posted another solid quarter while organizing the closure and redistribution of the manufacturing equipment from its Canadian operation to the U.S. and Mexican facilities. The Container Segment is still within its announced $25.0 million infrastructure investment budget and remains committed to delivering the $10.0 million of incremental annual cash flow when this initiative is completed in mid-2015.

Overall, the Company is optimistic in its outlook for the balance of 2014. Momentum in consumer staples remains muted in North America. Back-to-school sales, which are volatile and hard to predict, will dictate Avery's profitability for the third quarter. The Eurozone macroeconomic gauges have not substantially weakened and low growth forecasts should prevail for 2014 and reinforce improved performance for CCL. Consumer consumption in emerging markets should support continuing strong performance at the Company's operations in those regions with the potential exception of Latin America where activity levels have subsided, especially in Brazil. Foreign currency trends remain favourable at current exchange rates but related inflationary cost pressures have arisen in certain international markets.

13. Key Performance Indicators and Non-IFRS Financial Measures

CCL 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. In fact, these additional measures are used to provide added insight into CCL'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, Avery and DES finance costs, non-cash acquisition accounting adjustment to finished goods inventory, restructuring and other items and tax adjustments.

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 adjustment to finished good inventory, earnings in equity accounted investments, and restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of CCL's 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 CCL's business to that of its peers and competitors who may have different capital or organizational structures. EBITDA is a measure tracked by financial analysts and investors to evaluate financial performance and is a key metric in business valuations. EBITDA is considered an important measure by lenders to the Company and is included in the financial covenants for CCL's bank lines of credit.

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

(in millions of Canadian dollars)				
	Second Quarter		**Year-to-Date**	
EBITDA (earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, non-cash acquisition accounting adjustments to finished goods inventory, restructuring and other items)	**2014**	**2013**	**2014**	**2013**
Net earnings	$ 55.3	$ 26.4	$ 107.9	$ 60.5
Corporate expense	7.4	6.9	13.5	14.4
Earning in equity accounted investments	(1.0)	(0.2)	(1.0)	(0.6)
Finance cost, net	6.3	5.9	13.0	11.1
Restructuring and other items – net loss	1.1	1.4	2.0	2.8
Income taxes	20.1	9.8	42.3	23.9
Operating income (a non-IFRS measure)	$ 89.2	$ 50.2	$ 177.7	$ 112.1
Less: Corporate expense	(7.4)	(6.9)	(13.5)	(14.4)
Add: Depreciation and amortization	37.0	27.4	72.6	54.0
EBITDA (a non-IFRS measure)	$ 118.8	$ 70.7	$ 236.8	$ 151.7

<u>Free Cash Flow from Operations</u> – 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 statements of cash flows for the periods ended as indicated.

(in millions of Canadian dollars)

Free Cash Flow from Operations	**Second Quarter 2014**	**Second Quarter 2013**	**Year-to-Date 2014**	**Year-to-Date 2013**
Cash provided by operating activities	$ 85.0	$ 37.3	$ 112.0	$ 73.9
Less: Additions to property, plant and equipment	(24.3)	(23.9)	(84.1)	(63.2)
Add: Proceeds on disposal of property, plant and equipment	0.2	1.6	5.7	1.9
Free Cash Flow from Operations	$ 60.9	$ 15.0	$ 33.6	$ 12.6

Interest Coverage – A measure indicating the relative amount of Operating Income (see definition below) earned by the Company compared to the amount of finance cost incurred by the Company. It is calculated as Operating Income, including discontinued items, less corporate expense, divided by net finance cost on a 12-month rolling basis.

The following table reconciles the interest coverage measure to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

(in millions of Canadian dollars)
Interest coverage

	12-month rolling*		**Year-to-date**				
	July 1 – June 30		**December 31**		**June 30**	**June 30**	**June 30**
	2014	**2013**	**2013**	**2012**	**2014**	**2013**	**2012**
Operating income (a non-IFRS financial measure; see definition below)	$ 317.8	$ 190.0	$ 252.2	$ 178.4	$ 177.7	$ 112.1	$ 100.5
Less: Corporate expense	$ 32.6	$ 27.8	$ 33.5	$ 26.4	$ 13.5	$ 14.4	$ 13.0
Operating income less corporate expense	$ 285.2	$ 162.2	$ 218.7	$ 152.0	$ 164.2	$ 97.7	$ 87.5
Net finance cost	$ 27.5	$ 21.5	$ 25.6	$ 20.9	$ 13.0	$ 11.1	$ 10.5
Interest coverage	10.4	7.5					

* 12-month rolling represents December 31st annual results plus the current year's year-to-date results less the prior year's year-to-date results.

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, less cash and cash equivalents.

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

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

Restructuring and Other Items – 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 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 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**	
Industry Segments	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Label	$ 423.8	$ 309.9	$ 56.0	$ 45.0	13.2%	14.5%
Avery	174.2	-	28.4	-	16.3%	-
Container	52.4	51.5	4.8	5.2	9.2%	10.1%
Total Operations	$ 650.4	$ 361.4	$ 89.2	$ 50.2	13.7%	13.9%