



News Release

Stock Symbol: TSX – CCL.A and CCL.B

For Immediate Release – Tuesday, March 12, 2008

CCL Releases 2007 Annual Financial Statements

Toronto, March 12, 2008 - CCL Industries Inc., a world leader in the development of labelling solutions and specialty packaging for the consumer products and healthcare industries, released today its annual financial statements for the year ended December 31, 2007 and the related Management's Discussion and Analysis. The Company previously released its summary financial results for 2007 on February 28, 2008.

With headquarters in Toronto, Canada, CCL Industries now employs approximately 5,300 people and operates 53 production facilities in North America, Europe, Latin America and Asia. CCL Label is the world's largest converter of pressure sensitive and film materials and sells to leading global customers in the consumer packaging, healthcare and consumer durable segments. CCL Container and CCL Tube produce aluminum cans, bottles and plastic tubes for the consumer products industry in North America.

Statements contained in this Press Release, other than statements of historical facts, are forward-looking statements subject to a number of uncertainties that could cause actual events or results to differ materially from some statements made.

For more information, contact:

Steve Lancaster

Executive Vice President

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Consolidated Financial Statements
(In thousands of Canadian dollars)

CCL INDUSTRIES INC.

Years ended December 31, 2007 and 2006



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of CCL Industries Inc. as at December 31, 2007 and 2006 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 28, 2008

CCL INDUSTRIES INC.

Consolidated Balance Sheets
(In thousands of Canadian dollars)

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 96,602	\$ 125,000
Accounts receivable, trade	127,105	178,819
Other receivables and prepaid expenses	97,710	23,115
Inventories (note 6)	69,606	97,963
	<u>391,023</u>	<u>424,897</u>
Property, plant and equipment (note 7)	630,810	628,019
Other assets (note 8)	33,340	28,914
Future income tax assets (note 12)	32,135	32,261
Intangible assets (note 9)	26,132	39,499
Goodwill	374,750	389,000
	<u>\$ 1,488,190</u>	<u>\$ 1,542,590</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank advances (note 10)	\$ –	\$ 12,428
Accounts payable and accrued liabilities	221,254	280,752
Income and other taxes payable	2,501	13,697
Current portion of long-term debt (note 10)	21,211	16,119
	<u>244,966</u>	<u>322,996</u>
Long-term debt (note 10)	382,166	413,552
Other long-term items (note 11)	48,796	52,332
Future income tax liabilities (note 12)	94,403	101,109
	<u>770,331</u>	<u>889,989</u>
Shareholders' equity:		
Share capital (note 13)	190,504	190,251
Accumulated other comprehensive loss (note 3)	(85,455)	(18,546)
Contributed surplus (note 13)	6,715	4,226
Retained earnings	606,095	476,670
	<u>717,859</u>	<u>652,601</u>
Commitments and contingencies (note 14)		
Subsequent event (note 19)		
	<u>\$ 1,488,190</u>	<u>\$ 1,542,590</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

D.G. Lang _____ Director J.K. Grant _____ Director

CCL INDUSTRIES INC.

Consolidated Statements of Earnings
(In thousands of Canadian dollars)

Years ended December 31, 2007 and 2006

	2007	2006
Sales	\$ 1,144,260	\$ 1,029,569
Income from operations before undernoted items	\$ 206,904	\$ 176,054
Depreciation and amortization	75,912	67,047
	130,992	109,007
Interest (note 10)	23,157	20,584
	107,835	88,423
Restructuring and other items, net loss (gain) (note 5)	(4,137)	11,502
Earnings before income taxes	111,972	76,921
Income taxes (notes 5 and 12)	18,466	12,053
Net earnings from continuing operations	93,506	64,868
Net earnings from discontinued operations, net of tax (note 4)	10,957	12,552
Gain on sale of discontinued operations (note 4)	43,452	–
Net earnings	\$ 147,915	\$ 77,420
Basic earnings per Class B share (note 13):		
Continuing operations	\$ 2.90	\$ 2.02
Discontinued operations	0.34	0.39
Gain on sale of discontinued operations	1.35	–
Net earnings	\$ 4.59	\$ 2.41
Diluted earnings per Class B share (note 13):		
Continuing operations	\$ 2.79	\$ 1.95
Discontinued operations	0.33	0.38
Gain on sale of discontinued operations	1.30	–
Diluted earnings	\$ 4.42	\$ 2.33

See accompanying notes to consolidated financial statements.

CCL INDUSTRIES INC.

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31, 2007 and 2006

	2007	2006
Net earnings	\$ 147,915	\$ 77,420
Other comprehensive income, net of tax:		
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	(107,129)	33,480
Gains (losses) on hedges of net investment in self-sustaining foreign operations, net of tax of \$6,591 (2006 - recovery of \$6,032)	38,378	(14,078)
Unrealized foreign currency translation, net of hedging activities	(68,751)	19,402
Losses on derivatives designated as cash flow hedges, net of tax of \$1,141	(6,812)	—
Reclassification of losses on derivatives designated as cash flow hedges to earnings, net of tax of \$7	5,906	—
Change in losses on derivatives designated as cash flow hedges	(906)	—
Other comprehensive income (loss)	(69,657)	19,402
Comprehensive income (note 1(o))	\$ 78,258	\$ 96,822

See accompanying notes to consolidated financial statements.

CCL INDUSTRIES INC.

Consolidated Statements of Shareholders' Equity
(In thousands of Canadian dollars)

Years ended December 31, 2007 and 2006

	2007	2006
Share capital (note 13):		
Class A shares, beginning of year	\$ 4,525	\$ 4,608
Conversion of Class A to Class B	—	(83)
Class A shares, end of year	4,525	4,525
Class B shares, beginning of year	192,977	191,541
Stock options exercised, Class B	4,421	1,353
Conversion of Class A to Class B	—	83
Class B shares, end of year	197,398	192,977
Executive share purchase plan loans, beginning of year	(1,599)	(1,841)
Repayment of executive share purchase plan loans	341	242
Executive share purchase plan loans, end of year	(1,258)	(1,599)
Shares held in trust, beginning of year	(5,652)	(5,572)
Shares purchased and held in trust	(4,509)	(80)
Shares held in trust, end of year	(10,161)	(5,652)
Share capital, end of year	190,504	190,251
Contributed surplus:		
Contributed surplus, beginning of year	4,226	2,005
Stock option expense	1,020	680
Stock options exercised	(238)	(83)
Stock-based compensation plan	1,707	1,624
Contributed surplus, end of year	6,715	4,226
Retained earnings, beginning of year:		
Transition adjustment on adoption of new accounting standards (note 1(o))	(3,062)	—
Net earnings	147,915	77,420
Dividends:		
Class A	(1,023)	(908)
Class B	(14,405)	(12,867)
Total dividends, end of year	(15,428)	(13,775)
Retained earnings, end of year	606,095	476,670
Accumulated other comprehensive loss (note 3):		
Accumulated other comprehensive loss, beginning of year	(18,546)	(37,948)
Transition adjustment on adoption of new accounting standards (note 3)	2,748	—
Other comprehensive income (loss)	(69,657)	19,402
Accumulated other comprehensive loss, end of year	(85,455)	(18,546)
Total shareholders' equity, end of year	\$ 717,859	\$ 652,601

See accompanying notes to consolidated financial statements.

CCL INDUSTRIES INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2007 and 2006

	2007	2006
Cash provided by (used for):		
Operating activities:		
Net earnings	\$ 147,915	\$ 77,420
Earnings from discontinued operations, net of tax	(10,957)	(12,552)
Gain on sale of discontinued operations	(43,452)	-
Items not involving cash:		
Depreciation and amortization	75,912	67,047
Executive compensation	2,370	2,102
Future income taxes	(5,435)	(7,496)
Restructuring and other items, net of tax	(1,947)	10,228
Gain on sale of property, plant and equipment	(2,644)	(1,158)
	<u>161,762</u>	<u>135,591</u>
Net change in non-cash working capital	(16,928)	6,321
Cash provided by continuing operations	144,834	141,912
Cash provided by discontinued operations	17,360	19,386
Cash provided by operating activities	<u>162,194</u>	<u>161,298</u>
Financing activities:		
Proceeds on issuance of long-term debt	107,055	202,623
Retirement of long-term debt	(63,987)	(183,690)
Increase (decrease) in bank advances	(4,038)	2,844
Issue of shares	4,183	1,270
Purchase of shares held in trust	(4,357)	-
Dividends	(15,233)	(13,775)
Cash provided by financing activities	<u>23,623</u>	<u>9,272</u>
Investing activities:		
Additions to property, plant and equipment	(163,453)	(150,423)
Proceeds on disposal of property, plant and equipment	6,486	13,122
Proceeds on business dispositions	69,526	27,122
Business acquisitions	(105,575)	(62,170)
Long-term investment acquisition	(8,795)	-
Other	-	1,251
Cash used for investing activities	<u>(201,811)</u>	<u>(171,098)</u>
Effect of exchange rates on cash	(12,404)	5,335
Increase (decrease) in cash and cash equivalents	(28,398)	4,807
Cash and cash equivalents, beginning of year	125,000	120,193
Cash and cash equivalents, end of year	<u>\$ 96,602</u>	<u>\$ 125,000</u>

See accompanying notes to consolidated financial statements.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements include the accounts of CCL Industries Inc. (the "Company") and all subsidiary companies since dates of acquisition. Investments subject to significant influence are accounted for using the equity method. Investments that are jointly controlled are accounted for using proportionate consolidation.

(b) Foreign currency translation:

The Company records foreign currency-denominated transactions at the Canadian dollar equivalent at the date of the transaction and translates foreign currency-denominated monetary assets and liabilities at year-end exchange rates. Exchange gains and losses are included in earnings.

The Company's foreign subsidiaries are defined as self-sustaining. Revenue and expense items, including depreciation and amortization, are translated at the average exchange rate for the year. All assets and liabilities are translated at year-end exchange rates and any resulting exchange gains or losses are included in shareholders' equity as part of accumulated other comprehensive loss. The revaluation of foreign currency debt, net of related tax, that hedges the net investment in foreign operations is also charged to the accumulated other comprehensive loss. Foreign exchange gains and losses on the reduction of net investments in foreign subsidiaries are included in net earnings for the year.

Movement in the accumulated other comprehensive loss during the year results from changes in the value of the Canadian dollar in comparison primarily to the U.S. dollar, the U.K. pound sterling, the euro, the Danish krone, the Mexican peso, the Thailand baht, the Chinese renminbi, the Brazilian real, the Polish zloty, and the Japanese yen and from changes in foreign currency-denominated net assets.

Foreign currency transactions within each subsidiary are translated at the rate of exchange in effect at the time of the transaction. Monetary balances held in foreign currencies are translated at the rate of exchange at the end of the period and any gain or loss is recorded in income.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents consist of cash in bank and short-term investments with original maturity dates on acquisition of 90 days or less.

(d) Inventories:

Raw materials and supplies are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost, which includes interest and certain start-up costs during the construction of major projects. Depreciation is provided over the assets' estimated useful lives, primarily on the straight-line basis, using rates varying from 2% to 30% on buildings, and from 7% to 33% on machinery and equipment.

Long-lived assets, including property, plant and equipment subject to depreciation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses for assets held for use where the carrying value is not recoverable are measured based on fair value, which is measured by discounted cash flows. Impairment losses on any assets held for sale are measured based on expected proceeds less direct costs to sell.

(f) Intangible assets:

Intangible assets, consisting primarily of the value of acquired customer contracts and relationships, are amortized over the expected life and any impairment is charged against earnings. The amortization period ranges from 10 to 12 years and is recorded on a straight-line basis. Impairment losses for intangible assets where the carrying value is not recoverable, are measured based on fair value. Fair value is calculated by using discounted cash flows.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(g) Goodwill:

Goodwill represents the excess of the purchase price of the Company's interest in the businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. Goodwill is not amortized but is required to be tested for impairment annually. To test impairment, the Company determines whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating potential impairment. If the fair value of the reporting unit exceeds its carrying amount, further evaluation is not necessary. However, if the fair value of the reporting unit is less than its carrying amount, further evaluation is required to compare the implied fair value of the reporting unit's goodwill to its carrying amount to determine whether a write-down of goodwill is required.

Any impairment is then recorded as a separate charge against earnings. During the current year, the Company assessed the fair value of reporting units to which the underlying goodwill was attributable and determined that no charge for impairment of goodwill was required for the year ended December 31, 2007.

(h) Revenue recognition:

Revenue is recorded and related costs transferred to cost of sales at the time the product is shipped and ownership transfers to the customers. At that time, persuasive evidence of an arrangement exists, the price to the customer is fixed and ultimate collection is reasonably assured.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(i) Employee future benefits:

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans use the projected benefit method prorated on service and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged to expense as services are rendered. Past service costs arising from plan amendments are amortized on a straight-line basis over the expected average remaining service lives of the employees who are members of the plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the expected average remaining service lives of the employees who are members of the plan.

(j) Stock-based compensation plan:

The Company applied the intrinsic value method of accounting for employee stock options granted prior to January 1, 2003 as permitted by The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. Under the intrinsic value method, consideration paid by employees on the exercise of stock options was credited to share capital and no compensation expense was recognized.

The Company adopted the fair value-based method prescribed by CICA Handbook Section 3870 to account for employee stock options granted after December 31, 2002. Under the fair value-based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting periods. In accordance with one of the transitional options permitted under the amended Section 3870, the new recommendations were applied to all stock-based compensation granted on or after January 1, 2003. Stock-based compensation granted prior to January 1, 2003 continues to be accounted for using the intrinsic value method. The description of the plan and the pro forma effect of using this method are described in note 13.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(k) Earnings per share:

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted earnings per share are computed similarly to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, shares held as security for executive share purchase plan loans outstanding, shares held in trust and deferred share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, shares held in trust and deferred share units were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

(l) Income taxes:

The Company is following the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted or substantively enacted tax rates and laws that are expected to be in effect in the years in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(m) Exit and disposal costs:

The Company recognizes costs associated with exit or disposal activities at fair value in the year in which the liability is incurred. Special termination benefits are recognized at fair value at the communication date.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(n) Use of estimates:

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the year. In particular, the amounts recorded for inventories, redundant assets, bad debts, derivatives, income taxes, restructuring, pension and other post-retirement benefits, contingencies and litigation, environmental matters, outstanding self-insured claims, depreciation and amortization of property, plant and equipment, and the valuation of goodwill are based on estimates. Actual results could differ from those estimates.

(o) Changes in accounting policies:

Effective January 1, 2007, the Company adopted the new CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3861, Financial Instruments - Disclosure and Presentation; Section 3865, Hedges; and Section 3855, Financial Instruments - Recognition and Measurement.

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

Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period. This Section requires an enterprise to present a separate component of equity for each category of equity that is of a different nature.

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

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

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

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

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

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

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

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

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

In a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of earnings. Upon adoption of the new standards, the Company remeasured its cash flow hedge derivatives at fair value. Aluminum forward contracts with an unfavourable fair value of \$0.6 million are recorded in other receivables and prepaid expenses. In addition, the Company entered into a cross currency interest rate swap agreement ("CCIRSA") that converted U.S. dollar fixed rate debt into Canadian dollar fixed rate debt in order to reduce the Company's exposure to the U.S. dollar debt and currency exposures. This CCIRSA is also designated as a cash flow hedge and has an unfavourable fair value of \$8.7 million for the current year and is recorded in long-term debt. The Company also had used forward contracts to hedge foreign exchange exposure on anticipated sales. All existing forward contracts matured earlier in 2007. During the year, these hedges were previously recorded in accounts payable and accrued liabilities.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent the hedging relationship is effective, is offset by changes in the fair value of the derivative also measured at fair value on the consolidated balance sheet date, with changes in value recorded through net earnings. The Company has two CCIRSAs designated as fair value hedges, which convert U.S. dollar fixed rate debt into Canadian dollar floating rate debt in order to reduce the risk of changes in the value of the debt. In addition, the Company has an interest rate swap converting U.S. dollar fixed rate debt to U.S. dollar floating rate debt to reduce interest rate risk exposure. These fair value hedges have an unfavourable fair value of \$8.3 million and are recorded in long-term debt.

In a hedge of a net investment in a self-sustaining foreign operation, the portion of the gain or loss on the hedging item that is determined to be an effective hedge should be recognized in comprehensive income and the ineffective portion should be recognized in net earnings. The Company has various borrowings designated as a hedge of the net investment in a self-sustaining operation. During 2006, the Company entered into CCIRSAs that converted Canadian dollar fixed rate debt and floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to the euro, with a view to reducing foreign exchange fluctuations and interest expense. These CCIRSAs have been designated as net investment hedges and have a net favourable fair value of \$3.1 million at the end of 2007 and are recorded in other assets and long-term debt.

The primary changes for the Company's 2006 accounting policies relating to financial instruments were the requirements to record certain non-financial contracts at their fair value and the election to write off previously deferred transaction costs related to issuance of long-term debt. In addition, realized and unrealized gains and losses associated with derivative instruments used in hedging relationships were deferred off-balance sheet and recognized in income in the period in which the underlying hedged transaction was recognized.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(p) Recently issued accounting standards:

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

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

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

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

2. Acquisitions:

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

Details of the transaction are as follows:

Current assets	\$ 23,805
Current liabilities	(8,487)
Non-current assets at assigned values	35,234
Future income taxes	(1,516)
Goodwill and intangible assets	56,539
Net assets purchased	\$ 105,575
<hr/>	
Total consideration:	
Cash, less cash acquired of \$2.8 million	\$ 105,575

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

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

2. Acquisitions (continued):

Details of the transaction are as follows:

Current assets	\$ 9,824
Current liabilities	(2,120)
Non-current assets at assigned values	9,272
Future income taxes	(24)
Intangible assets	14,794
Goodwill	30,424
Net assets purchased	\$ 62,170
Total consideration:	
Cash, less cash acquired of \$1.7 million	\$ 62,170

3. Accumulated other comprehensive loss:

	2007	2006
Unrealized foreign currency translation losses, net of tax of \$13,919 (2006 - \$7,328)	\$ (87,297)	\$ (18,546)
Impact of new net investment hedge accounting standards on January 1, 2007, net of tax of \$85	378	—
Impact of new cash flow hedge accounting standards on January 1, 2007, net of tax of \$1,291	2,370	—
Change in losses on derivatives designated as cash flow hedges, net of tax recovery of \$1,148	(906)	—
	\$ (85,455)	\$ (18,546)

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

4. Discontinued operations:

In November 2007, the Company sold its interest in the ColepCCL joint venture to the majority joint venture party for \$72.8 million (EUR 50.0 million) in cash and a short-term note for a further EUR 50.0 million (\$74.4 million) to be paid February 29, 2008. The sale resulted in a gain of \$43.5 million. The disposition is reported as discontinued operations and the results are as follows:

	2007	2006
Sales from discontinued operations	\$ 199,400	\$ 182,660
Income before undernoted items	\$ 23,268	\$ 25,540
Depreciation and amortization	6,881	7,558
Interest expense, net	1,099	819
Earnings before income taxes	15,288	17,163
Income taxes	4,331	4,611
Net earnings from discontinued operations	\$ 10,957	\$ 12,552
Gain on sale of discontinued operations	\$ 43,452	\$ –
		2006
Current assets		\$ 75,227
Long-lived assets		99,519
Current liabilities		50,179
Long-term liabilities		14,185

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

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

5. Restructuring and other items:

	Segment	2007	2006
Container segment restructuring	Container	\$ (252)	\$ (11,354)
Recovery related to a disposed operation	Corporate	–	1,250
Gain on sale of CCL Label B.V., net of restructuring costs	Label	–	498
Repatriation of capital	Corporate	1,338	(3,531)
Gain on sale of CCL Dispensing Systems, LLC	Tube	–	1,635
Gain on note receivable	Corporate	2,340	–
Gain on sale of land	Corporate	711	–
Gain (loss)		\$ 4,137	\$ (11,502)
Tax recovery (expense) on restructuring and other items		\$ (452)	\$ 1,274

In the fourth quarter of 2007, the Company repatriated capital from a foreign subsidiary, which resulted in a net foreign exchange gain of \$1.3 million. Gains or losses arise from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested. This exchange gain did not give rise to any tax effect.

In December 2007, an unrealized exchange gain on a euro-denominated note receivable on the sale of ColepCCL of \$2.3 million was recognized (\$1.6 million after tax).

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

In early 2006, the Company commenced a senior management restructuring of the Container segment and recorded provisions related to severance costs and obsolete equipment and spare parts totalling \$11.4 million (\$7.2 million after tax). In 2007, further costs of \$0.3 million (\$0.2 million after tax) were incurred in restructuring the Container Division.

In December 2006, the Company recovered \$1.3 million related to a loan amount previously provided for on a disposed operation with no tax effect.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

5. Restructuring and other items (continued):

In October 2006, the Company restructured its European label operations which included the sale of its CCL Label B.V. operation in the Netherlands for \$2.8 million cash. The Company realized a gain of \$1.0 million on the sale and incurred restructuring costs of \$0.5 million (net gain of \$0.7 million after tax).

In July 2006, the Company repatriated capital from a foreign subsidiary, which resulted in a net foreign exchange loss of \$3.5 million. Gains and losses arise from the difference between the exchange rate in effect on the date the capital was returned to Canada compared to the historical rate in effect when the capital was invested. These gains or losses on foreign exchange do not give rise to any tax effect.

In February 2006, the Company sold its CCL Dispensing Systems, LLC net assets for \$24.4 million cash and realized a gain of \$1.6 million (net loss of \$1.5 million after tax).

6. Inventories:

	2007	2006
Raw materials and supplies	\$ 29,498	\$ 45,675
Work in process and finished goods	40,108	52,288
	<u>\$ 69,606</u>	<u>\$ 97,963</u>

7. Property, plant and equipment:

2007	Cost	Accumulated depreciation	Net book value
Land	\$ 21,380	\$ –	\$ 21,380
Buildings	159,247	39,007	120,240
Machinery and equipment	775,303	286,113	489,190
	<u>\$ 955,930</u>	<u>\$ 325,120</u>	<u>\$ 630,810</u>

2006	Cost	Accumulated depreciation	Net book value
Land	\$ 22,605	\$ –	\$ 22,605
Buildings	178,094	52,837	125,257
Machinery and equipment	767,579	287,422	480,157
	<u>\$ 968,278</u>	<u>\$ 340,259</u>	<u>\$ 628,019</u>

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

7. Property, plant and equipment (continued):

Construction in progress assets of \$88.6 million (2006 - \$61.9 million) are included in machinery and equipment and represent assets constructed or developed over time. Depreciation commences when these assets become available for commercial use.

8. Other assets:

	2007	2006
Long-term investments	\$ 26,572	\$ 19,551
Deferred charges and other	6,768	9,363
	<u>\$ 33,340</u>	<u>\$ 28,914</u>

In December 2007, the Company formed a joint venture in Russia in the pressure sensitive label business named CCL-Kontur. CCL paid cash of \$8.8 million for its 50% share in December with an expectation to pay a further \$5.8 million in the first quarter once the assets of the business have been legally transferred to the joint venture by the Russian partner. The Russian partner has operating control of the business and, consequently, the investment is being carried at its equity value. The allocation of the investment to specific assets will be completed during the first quarter and the purchase equation will be finalized during 2008.

9. Intangible assets:

	2007	2006
Intangible assets, primarily customer contracts and relationships	\$ 39,367	\$ 50,153
Amortization	(13,235)	(10,654)
	<u>\$ 26,132</u>	<u>\$ 39,499</u>

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt:

	2007	2006
Bank advances	\$ —	\$ 12,428
Current portion of long-term debt	21,211	16,119
Long-term debt due after one year	382,166	413,552
Total debt outstanding	\$ 403,377	\$ 442,099

(a) The total borrowings at December 31, 2007 are denominated in the following currencies:

		2007		2006	
		Local currency	Canadian equivalent	Local currency	Canadian equivalent
U.S. dollar	USD	213,166	\$ 209,153	277,200	\$ 323,040
Euros	EUR	81,552	116,288	67,814	104,278
Canadian dollar	CAD	48,757	48,757	—	—
U.K. pound sterling	GBP	8,332	16,331	56	127
Chinese renminbi	RMB	55,558	7,517	55,968	8,356
Thai baht	THB	156,353	5,180	195,347	6,298
Japanese yen	JPY	17,074	151	—	—
		\$ 403,377		\$ 442,099	

(b) The short-term operating lines of credit provided to the Company, and amounts used included in bank advances, at December 31 are:

	2007	2006
Credit lines available	\$ 40,647	\$ 67,688
Credit lines used	931	12,428

Operating facilities amounting to \$0.3 million (2006 - \$1.4 million) are secured by parent guarantees and receivables with the balance being unsecured. All are at interest rates varying with London Interbank Offered Rate ("LIBOR"), the prime rate and similar market rates for other currencies.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
 (Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

(c) Total long-term debt is comprised of:

	2007	2006
\$95.0 million unsecured revolving line of credit issued January 2007, rates varying with prime, Canadian bankers' acceptance, LIBOR or EURIBOR, repayable in January 2013	\$ 45,000	\$ —
Unsecured senior notes issued March 2006, 5.29%, repayable in March 2011 (U.S. \$60.0 million)	59,477	69,922
Unsecured senior notes issued March 2006, 5.57%, repayable in March 2016 (U.S. \$110.0 million)	109,040	128,190
Unsecured senior notes issued July 1998, 6.90%, weighted-average, repayable in three tranches with repayments after 12, 15 and 20 years (U.S. \$110.0 million)	109,040	128,190
Unsecured senior notes issued September 1997, 6.97%, repayable in equal instalments starting September 2002 and finishing September 2012 (2007 - U.S. \$46.8 million; 2006 - U.S. \$56.2 million)	46,410	65,472
Other loans	34,410	37,897
	<u>403,377</u>	<u>429,671</u>
Current portion	(21,211)	(16,119)
	<u>\$ 382,166</u>	<u>\$ 413,552</u>

Other loans include commercial paper loans, term bank loans, industrial revenue bonds and capital leases at various rates and repayment terms. In addition, other loans include the fair value of cross currency and interest rate swap agreements.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

(d) Interest rate swap agreements:

During 2006, the Company entered into cross currency interest rate swap agreements that converted U.S. dollar fixed rate debt into Canadian dollar fixed rate debt and Canadian dollar floating rate debt in order to reduce the Company's exposure to the U.S. dollar debt, currency and interest rate exposures.

Notional principal amount		Interest rate		Maturity	Effective date
Fixed rate	Fixed rate	Paid (CAD)	Received (USD)		
U.S. \$60.0 million	C\$70.4 million	4.50%	5.29%	March 8, 2011	March 29, 2006

Notional principal amount		Interest rate		Maturity	Effective date
Fixed rate	Floating rate	Paid (CAD)	Received (USD)		
U.S. \$31.0 million	C\$36.0 million	3-month BA + 1.67%	6.67%	July 8, 2010	December 29, 2006
U.S. \$28.1 million*	C\$32.6 million	3-month BA + 2.01%	6.97%	September 16, 2012	December 29, 2006

*There is an annual principal payment on this swap. Current principal amounts are U.S. \$23.4 million and C\$27.2 million.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

During 2006, the Company entered into cross currency interest rate swap agreements that converted Canadian dollar fixed rate and Canadian dollar floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to the euro with a view to reducing foreign exchange fluctuations and interest expense.

Notional principal amount		Interest rate		Maturity	Effective date
Fixed rate	Fixed rate	Paid (EUR)	Received (CAD)		
C\$70.4 million	EUR50.0 million	3.82%	4.50%	March 8, 2011	March 29, 2006

Notional principal amount		Interest rate		Maturity	Effective date
Floating rate	Floating rate	Paid (EUR)	Received (CAD)		
C\$36.0 million	EUR23.6 million	6-month EURIBOR + 1.64%	3-month BA + 1.67%	July 8, 2010	December 29, 2006
C\$32.6 million*	EUR21.3 million	6-month EURIBOR + 1.99%	3-month BA + 2.01%	September 16, 2012	December 29, 2006

*There is an annual principal payment on this swap. Current principal amounts are C\$27.2 million and EUR17.8 million.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

During 2005, the Company entered into cross currency interest rate swap agreements that converted U.S. dollar fixed rate debt into euro floating rate debt in order to redistribute the Company's exposure to the U.S. dollar, the euro, and fixed and floating interest rates with a view to reducing foreign exchange fluctuations and interest rate costs. Due to changes in Canadian GAAP effective January 1, 2007, these swaps did not meet the new requirements to be considered as hedges and were consequently terminated on December 29, 2006. The termination resulted in a loss of \$2.1 million that was deferred as other assets for 2006 and was recognized in opening retained earnings in 2007.

Notional principal amount		Interest rate		Received (USD)	Maturity	Effective date
Fixed rate	Floating rate	Paid (EUR)				
U.S. \$31.0 million	EUR25.6 million	6-month EURIBOR + 2.32%		6.67%	July 8, 2010	June 20, 2005
U.S. \$37.5 million*	EUR31.0 million	6-month EURIBOR + 2.67%		6.97%	September 16, 2012	June 20, 2005

*There was an annual principal payment on this swap. On the termination date, principal amounts were U.S. \$28.1 million and EUR23.2 million.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

During 2002 and 2003, the Company entered into interest rate swap agreements in order to redistribute the Company's exposure to fixed and floating interest rates with a view to reducing interest costs over the long term.

Notional principal amount	Currency	Interest rate		Maturity	Effective date
		Paid (USD)	Received (USD)		
\$60.0 million	USD	3-month LIBOR + 2.18%	6.66%	March 15, 2006	June 14, 2002
\$60.0 million	USD	3-month LIBOR + 3.49%	6.66%	March 15, 2006	December 13, 2002
\$42.1 million*	USD	3-month LIBOR + 2.97%	6.97%	September 16, 2012	December 16, 2003

*There is an annual principal payment on this swap. Current principal amount is U.S. \$23.4 million.

- (e) The overall weighted average interest rate on total long-term debt factoring in the interest rate swap agreements at December 31, 2007 was 5.8% (2006 - 5.9%).
- (f) Interest expense incurred is as follows:

	2007	2006
Current	\$ 1,973	\$ 1,656
Long-term	26,478	23,953
	28,451	25,609
Interest income	(4,195)	(4,206)
	24,256	21,403
Less interest allocated to discontinued operations	(1,099)	(819)
	\$ 23,157	\$ 20,584

Interest paid during the year was \$28.4 million (2006 - \$25.0 million).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

10. Total debt (continued):

(g) Long-term debt repayments are as follows:

2008	\$	21,211
2009		12,681
2010		47,693
2011		79,199
2012		10,211
Thereafter		232,382
	\$	403,377

11. Other long-term items:

	2007	2006
Environmental reserves, less current portion of \$1,775 (2006 - \$2,069)	\$ 5,712	\$ 6,712
Outstanding self-insured claims and reserves	4,484	6,901
Employee future benefits and deferred compensation	33,144	34,076
Deferred revenue and other	5,456	4,643
	\$ 48,796	\$ 52,332

Environmental reserves represent management's best estimate for site restoration costs. Outstanding self-insured claims and reserves are actuarially determined. The actual timing of payments against these liabilities is unknown. Employee future benefits are discussed in note 16.

The Company has an unfunded deferred compensation plan for its active employees and retirees of \$13.4 million (2006 - \$14.5 million).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

12. Income taxes:

(a) Effective tax rate:

	2007	2006
Combined Canadian federal and provincial income tax rate	34.1%	34.1%
Total earnings before income taxes	\$ 111,972	\$ 76,921
Expected income taxes	\$ 38,205	\$ 26,245
Increase (decrease) resulting from:		
Realized benefit of foreign tax rate	(6,979)	(4,719)
Recognized income tax benefit of losses	(2,053)	—
Non-taxable portion of goodwill	—	2,367
Non-taxable portion of capital gain	(243)	(296)
Impact of favourable tax settlements from prior years	(5,822)	(11,500)
Losses on restructuring and other items for which no tax benefit has been recognized	1,641	192
Impact of tax rate reduction	(4,310)	(1,088)
Other	(1,973)	852
Income taxes	\$ 18,466	\$ 12,053
Income taxes paid	\$ 36,548	\$ 42,040

Future income taxes impacted earnings in the current year by a recovery of \$5,811 (2006 - \$13,311) which includes a recovery of \$478 for discontinued operations (2006 - \$724).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
 (Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

12. Income taxes (continued):

Income taxes includes tax expense on restructuring and other items of \$452 (2006 - recovery of \$1,274) as discussed in note 5.

	2007		2006	
	Earnings	Tax	Earnings	Tax
Total earnings before income taxes	\$ 111,972	\$ 18,466	\$ 76,921	\$ 12,053
Earnings from discontinued operations	15,288	4,331	17,163	4,611
Gain on sale of discontinued operations	43,452	–	–	–
	<u>\$ 170,712</u>	<u>\$ 22,797</u>	<u>\$ 94,084</u>	<u>\$ 16,664</u>

- (b) The tax effects of the significant components of temporary differences giving rise to the Company's net income tax assets and liabilities are as follows:

	2007	2006
Future income tax assets:		
Non-deductible reserves	\$ 29,966	\$ 35,635
Alternative minimum tax credit carryforward	2,005	2,415
Amount related to tax losses carried forward	24,795	24,673
Future income tax assets before valuation allowance	56,766	62,723
Valuation allowance	(24,631)	(30,462)
Future income tax assets net of valuation allowances	32,135	32,261
Future income tax liabilities:		
Property, plant and equipment, goodwill and other assets	70,940	73,185
Unrealized foreign exchange gains	13,091	6,996
Other	10,372	20,928
Future income tax liabilities	94,403	101,109
Net future income tax liabilities	<u>\$ 62,268</u>	<u>\$ 68,848</u>

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital:

	2007	2006
Issued and outstanding:		
Issued share capital	\$ 201,923	\$ 197,502
Less:		
Executive share purchase plans loans	(1,258)	(1,599)
Shares held in trust	(10,161)	(5,652)
Total	\$ 190,504	\$ 190,251

(a) Shares held in trust:

During 2005, the Company granted an award of 200,000 Class B shares of the Company. These shares are restricted in nature; 120,000 shares vested in 2007 based on performance and 80,000 shares will vest in 2009 dependent on continuing employment. The Company purchased these 200,000 shares in the open market and has placed them in trust until they are fully vested.

During 2007, the Company granted an award of 120,000 Class B shares of the Company. These shares are restricted in nature; shares will vest in 2010 dependent on performance conditions and on continuing employment. The Company purchased these 120,000 shares in the open market and has placed them in trust until they are fully vested.

The fair values of these stock awards are being amortized over the vesting period and recognized as compensation expense as is described for employee stock options in note 13(e)(i).

(b) Shares issued:

	Class A		Class B		Total
	Shares	Amount	Shares	Amount	
Balance, December 31, 2005	2,422	\$ 4,608	30,089	\$ 191,541	\$ 196,149
Stock options exercised	–	–	91	1,353	1,353
Conversions from Class A to Class B shares	(43)	(83)	43	83	–
Balance, December 31, 2006	2,379	4,525	30,223	192,977	197,502
Stock options exercised	–	–	278	4,421	4,421
Balance, December 31, 2007	2,379	\$ 4,525	30,501	\$ 197,398	\$ 201,923

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital (continued):

In 2005, the Company issued 200,000 restricted shares as part of the consideration for the purchase of the remaining 49% of its European joint venture, CCL-Pachem. These restricted shares are price protected and cannot be sold until December 31, 2008.

(c) Share attributes:

The Company's authorized capital consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

(i) Class A:

Class A shares carry full voting rights and are convertible at any time into Class B shares. Dividends are currently set at \$0.05 per share per annum less than Class B shares.

(ii) Class B:

Class B shares rank equally in all material respects with Class A shares, except as follows:

- (a) Holders of Class B shares are entitled to receive material and attend, but not to vote at, regular shareholder meetings.
- (b) Holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.
- (c) Holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital (continued):

(d) Earnings per share:

	2007		2006	
	Class A	Class B	Class A	Class B
Basic earnings	\$ 4.27	\$ 4.59	\$ 2.36	\$ 2.41
Diluted earnings	4.11	4.42	2.28	2.33

	2007	2006
Year-to-date weighted average number of shares	32,284,210	32,240,324
Year-to-date weighted average diluted number of shares	33,492,937	33,259,055

Fully diluted earnings per Class B share computed using the treasury stock method reflects the dilutive effect, if any, of the exercise of share options, shares held as security for executive share purchase plan loans outstanding, shares held in trust and deferred share units at December 31, assuming they had been exercised at the beginning of the year.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital (continued):

(e) Stock-based compensation plans:

At December 31, 2007, the Company had two stock-based compensation plans, which are described below:

(i) Employee stock option plan:

Under the employee stock option plan, the Company may grant options to employees, officers and inside directors of the Company up to 3,000,000 Class B non-voting shares. The Company does not grant options to outside directors. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Before December 2003, options vested 20% on the grant date and 20% each year following the grant date. The term of these options was generally 10 years. Beginning December 2003, options granted begin to vest a year from grant date, with 25% vesting one year from grant date and 25% each subsequent year. The term of these options is five years from the grant date. Exceptions to this vesting schedule were grants in 2005 to certain employees totalling 50,000 shares upon the acquisition of the employees' business by the Company. These options vest only at the end of five years and expire after 10 years.

The Company accounts for employee stock-based compensation granted prior to January 1, 2003 using the intrinsic value method. If the fair value method had been applied to stock options granted between January 1, 2002 and December 31, 2002, additional compensation costs of nil (2006 - \$0.3 million) would have been recorded. Pro forma net earnings would be unchanged in 2007 (2006 - \$77.1 million) and pro forma earnings per share would be unchanged in 2007 (2006 - \$2.40). For options granted after December 31, 2002 and share awards granted for executive compensation, the fair value method has been recognized in the financial statements resulting in an expense of \$2.4 million (2006 - \$2.1 million) with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2007	2006
Risk-free interest rate	3.75%	4.09%
Expected life	4.5 years	4.5 years
Expected volatility	21%	21%
Expected dividends	\$0.48	\$0.44

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital (continued):

A summary of the status of the Company's employee stock option plan as of December 31, 2007 and 2006 and changes during the years ended on those dates is presented below:

	2007		2006	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding, beginning of year	1,799	\$ 17.79	1,734	\$ 16.55
Granted	165	38.77	170	28.45
Exercised	(278)	15.05	(91)	14.03
Forfeited	–	–	(14)	17.95
Outstanding, end of year	1,686	\$ 20.30	1,799	\$ 17.79
Options exercisable, end of year	1,204	\$ 16.10	1,295	\$ 14.91

The following table summarizes information about the employee stock options outstanding at December 31, 2007:

Range of exercise price	Options outstanding			Options exercisable	
	Options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable	Weighted average exercise price
\$ 8.35 - \$12.00	142	2.8 years	\$ 8.35	142	\$ 8.35
\$12.01 - \$16.00	467	2.7 years	13.15	467	13.15
\$16.01 - \$20.00	497	2.5 years	17.96	455	17.98
\$20.01 - \$30.00	415	3.9 years	27.89	140	27.68
\$30.01 - \$44.25	165	4.9 years	38.77	–	–
\$ 8.35 - \$44.25	1,686	3.2 years	\$ 20.30	1,204	\$ 16.10

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

13. Share capital (continued):

(ii) Executive share purchase plan:

Under the executive share purchase plan, which was discontinued in December 2001, the Company provided assistance to senior officers and executives of the Company to invest in Class B shares of the Company in the open market by providing interest-free loans. The loans have a 10-year term and are repayable only when the shares are sold or upon completion of employment. The executive share purchase plan loans have been deducted from shareholders' equity. These loans are secured by 100,000 (2006 - 125,000) Class B shares of the Company with a quoted value at December 31, 2007 of \$38.61 (2006 - \$28.37) per Class B share, totalling \$3.9 million (2006 - \$3.5 million).

(f) Deferred share units:

The Company maintains a deferred share unit ("DSU") plan. Under this plan, non-employee members of the Company's Board of Directors may elect to receive DSUs, in lieu of cash remuneration, for director fees which would otherwise be payable to such directors or any portion thereof. The number of units received is equivalent to the fees earned and is based on the fair market value of a Class B non-voting share of the Company's capital stock on the date of issue of the DSU. DSUs cannot be redeemed or paid out until such time as the director ceases to be a director. A DSU entitles the holder to receive, on a deferred payment basis, either the number of Class B non-voting shares of the Company equating to the number of his or her DSUs, or, at the election of the Company, a cash amount equal to the fair market value of an equal number of Class B non-voting shares of the Company on the redemption date. The Company had 15,924 DSUs outstanding as at December 31, 2007. The amount expensed in 2007 totalled \$0.4 million (2006 - \$0.2 million).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

14. Commitments and contingencies:

The Company has commitments under various long-term operating lease agreements.

Future minimum payments under such lease obligations are due as follows:

2008	\$ 9,241
2009	7,301
2010	5,631
2011	4,303
2012	2,654
Thereafter	9,949
	<hr/>
	\$ 39,079

The Company and its consolidated subsidiaries are defendants in actions brought against them from time to time in connection with their operations. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe they will have a material impact on its financial position or results of operations.

15. Guarantees:

In connection with the divestitures of certain operations, the Company has indemnified the purchasers against defined claims from the past conduct of the business and also provided certain guarantees in relation to the obligations assumed by the purchasers. It is not possible to quantify the maximum potential liability in relation to the indemnities. There were no guarantees related to indemnities incurred from disposed operations and other guarantees (2006 - \$1.9 million). Certain indemnities for environmental matters have been accrued for in other long-term items (note 11).

Standby letters of credit amounted to \$4.0 million (2006 - \$11.6 million) and are secured with existing operating lines of credit.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

16. Employee future benefits:

The Company maintains two defined benefit pension plans, several defined contribution pension plans and various supplemental retirement plans.

The expense for the defined contribution plans was \$5.1 million (2006 - \$4.5 million).

Information on the defined benefit plans and the supplemental retirement plans is as follows:

	2007	2006
Accrued benefit obligation:		
Balance, beginning of year	\$ 70,390	\$ 59,904
Current service cost	743	663
Interest cost	3,205	2,892
Benefits paid	(1,824)	(1,717)
Actuarial loss (gain)	(4,366)	32
Reinstatements and transfers	(97)	2,722
Effect of curtailment	283	-
Special termination benefits	141	-
Foreign exchange rate changes	(6,287)	5,894
Balance, end of year	\$ 62,188	\$ 70,390
Plan assets:		
Fair value, beginning of year	\$ 34,511	\$ 26,826
Actual return on plan assets	1,977	2,904
Employer contributions	2,403	1,763
Benefits paid	(1,824)	(1,717)
Reinstatements and transfers	(97)	1,216
Foreign exchange rate changes	(4,360)	3,519
Fair value, end of year	\$ 32,610	\$ 34,511
Fund status, net deficit of plans	\$ (29,578)	\$ (35,879)
Unamortized past service cost	124	169
Unamortized net actuarial loss	9,095	14,773
Accrued benefit liability	\$ (20,359)	\$ (20,937)

The amount of accrued benefit liability is included in the Company's balance sheets under other long-term liabilities, less current portion of \$0.7 million (2006 - \$1.3 million), which is included in accrued liabilities.

Included in the above accrued benefit liability for 2007 is \$19.3 million (2006 - \$19.1 million) for the unfunded supplemental retirement plans.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

16. Employee future benefits (continued):

The most recent actuarial valuation of the UK defined benefit pension plan for funding purposes was as of January 1, 2005. The next valuation will be as of January 1, 2008 and will be completed during 2008.

The Company is in the process of converting a portion of a Canadian executive defined contribution pension plan to an existing defined benefit pension plan. The assets and obligations to be transferred to the defined benefit plan will be \$2.2 million. The most recent actuarial valuation for funding purposes of the plan was as of January 1, 2006. The next actuarial valuation for this plan will be as of January 1, 2009.

Plan assets consist of equity securities 72% (2006 - 72%), debt securities 21% (2006 - 20%), real estate 4% (2006 - 5%) and other 3% (2006 - 3%).

The significant actuarial assumptions adopted in measuring the Company's accrued benefit liability are as follows:

	2007	2006
Discount rate	5.49%	4.97%
Expected long-term rate of return on plan assets	6.92%	7.00%
Rate of compensation increase	3.34%	3.39%

The Company's net benefit plan expense is as follows:

	2007	2006
Current service cost	\$ 743	\$ 663
Past service cost	21	21
Interest cost	3,205	2,892
Expected return on plan assets	(2,275)	(1,908)
Amortization of net actuarial loss	627	710
Curtailement loss	307	—
Special termination benefits	141	—
Net benefit plan expense	\$ 2,769	\$ 2,378

The average remaining service period of active members covered by the defined benefit plans is 14 years for 2007 (2006 - 16 years).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

17. Segmented information:

The Company's reportable segments are generally managed independently of each other, primarily because of product diversity. Each segment retains its own management team and is responsible for compiling its own financial information.

The Company has three reportable segments: Label, Container and Tube (2006 - four reportable segments: Label, Container, Tube and ColepCCL). In 2006, the Company separated the Container segment into Container and Tube, to more closely represent the current management structure and provide more relevant information to the Company's shareholders. The Label segment produces pressure sensitive self-adhesive labels, and designs and prints a wide range of high-quality paper and film, expanded content, promotional, coupon and in-mould labels. The Container segment manufactures aluminum aerosol containers and the Tube segment manufactures plastic tubes. The ColepCCL segment produces aerosol, liquid and solid stick products and manufactures steel aerosol, food and general line cans and plastic containers.

Transactions with one significant customer in 2007 accounted for approximately \$127 million (2006 - one customer for \$155 million) of the Company's total revenue.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income from operations before interest, restructuring and other items and income taxes, and on return on operating assets.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

17. Segmented information (continued):

(a) Industry segments:

	Sales		Income	
	2007	2006	2007	2006
Label	\$ 904,438	\$ 784,134	\$ 122,466	\$ 100,605
Container	181,470	176,311	17,760	16,677
Tube	58,352	69,124	460	4,482
	<u>\$ 1,144,260</u>	<u>\$ 1,029,569</u>	140,686	121,764
Corporate expense			(9,694)	(12,757)
Interest expense, net			(23,157)	(20,584)
Restructuring and other items, net gain (loss) (note 5)			4,137	(11,502)
Income taxes			(18,466)	(12,053)
Net earnings from continuing operations			93,506	64,868
Net earnings from discontinued operations, net of tax			10,957	12,552
Gain on sale of discontinued operations			43,452	–
Net earnings			\$ 147,915	\$ 77,420

	Identifiable assets		Goodwill		Depreciation and amortization from continuing operations		Capital expenditures	
	2007	2006	2007	2006	2007	2006	2007	2006
Label	\$ 994,440	\$ 909,264	\$ 336,490	\$ 303,579	\$ 57,389	\$ 48,712	\$ 130,094	\$ 100,413
Container	166,838	194,438	12,734	12,759	11,254	10,604	11,622	34,408
Tube	82,424	96,923	25,526	30,026	6,852	7,091	9,551	9,724
ColepCCL	–	172,429	–	42,636	–	–	12,030	5,522
Corporate	244,488	169,536	–	–	417	640	156	356
	<u>\$ 1,488,190</u>	<u>\$ 1,542,590</u>	<u>\$ 374,750</u>	<u>\$ 389,000</u>	<u>\$ 75,912</u>	<u>\$ 67,047</u>	<u>\$ 163,453</u>	<u>\$ 150,423</u>

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

17. Segmented information (continued):

(b) Geographic segments:

	Sales		Property, plant and equipment and goodwill	
	2007	2006	2007	2006
Canada	\$ 134,451	\$ 135,875	\$ 120,728	\$ 120,569
United States and Puerto Rico	433,946	449,269	404,450	436,912
Mexico and Brazil	97,309	79,996	88,883	55,387
Europe	448,927	345,561	355,912	369,804
Asia	29,627	18,868	35,587	34,347
	<u>\$ 1,144,260</u>	<u>\$ 1,029,569</u>	<u>\$ 1,005,560</u>	<u>\$ 1,017,019</u>

The geographical segment is determined by the location of the Company's country of operation.

18. Financial instruments:

(a) Risk management activities:

In the past, the Company has utilized forward foreign exchange contracts to hedge its foreign currency exposure on certain anticipated U.S. sales. The contracts obliged the Company to sell U.S. dollars in the future at predetermined rates. As at December 31, 2007, the Company had no outstanding contracts.

The Company had also entered into a non-deliverable forward foreign exchange contract in July 2006 to hedge its investment and cash flow from its Brazilian subsidiaries. The contract required the Company to receive or pay the Canadian dollar change in value of the hedge in April 2007. There is no outstanding contract as at December 31, 2007.

The Company enters into futures contracts to hedge the cost of aluminum used in its container manufacturing process against specific customer requirements. As at December 31, 2007, futures contracts for U.S. \$14.1 million of aluminum purchase commitments at an average price of U.S. \$2,547 per metric ton, extending through 2008, were outstanding.

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

18. Financial instruments (continued):

(b) Credit risk:

Certain financial assets of the Company, including cash and cash equivalents, are exposed to credit risk. The Company may, from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment grade credit rating. In addition, the Company limits the amount that is invested in issues of any one government or corporation.

(c) Fair values:

The carrying values of cash and cash equivalents, accounts receivable, other receivables, long-term investments and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these financial instruments.

The fair value of long-term debt is \$408.6 million (2006 - \$439.1 million). Fair value of long-term debt is determined as the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments.

There were no outstanding U.S. dollar forward foreign exchange contract rates as at December 31, 2007 (2006 - unrecognized financial liabilities with a fair value loss of \$0.2 million).

There were no outstanding non-deliverable Brazilian real forward contracts as at December 31, 2007 (2006 - unrecognized financial liability with a fair value loss of \$1.1 million).

The unrealized loss on the interest rate swap agreements and the cross currency interest rate swap agreements as at December 31, 2007 amounts to \$13.9 million (2006 - \$14.8 million).

Future aluminum contracts that have become unfavourable constitute unrecognized financial liabilities and have a fair value loss of \$0.6 million (2006 - fair value gain of \$4.5 million).

CCL INDUSTRIES INC.

Notes to Consolidated Financial Statements (continued)

(Tabular amounts in thousands of Canadian dollars, except per share data)

Years ended December 31, 2007 and 2006

18. Financial instruments (continued):

(d) Foreign exchange gains and losses:

Included in income from operations for the year ended December 31, 2007 are foreign exchange gains totalling \$3.0 million (2006 - \$1.2 million).

19. Subsequent event:

On January 31, 2008, the Company acquired CD-Design GmbH ("CD-Design"), a privately owned business based in Solingen, Germany. CD-Design converts pressure sensitive films and aluminum for automotive original equipment manufacturers in Germany and other European markets. The purchase price is approximately \$10.0 million in a combination of cash and assumed debt and potentially a further \$4.5 million in cash at the end of 2008 as an earn-out subject to achieving certain financial targets. The purchase was funded with existing cash on hand.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2007 AND 2006

(TABULAR AMOUNTS IN MILLIONS OF CANADIAN DOLLARS EXCEPT PER SHARE DATA)

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the years ended December 31, 2007 and 2006. The information in this MD&A is current to February 28, 2008, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2007 year-end financial statements, which form part of the CCL Industries Inc. 2007 Annual Report dated February 28, 2008. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars as the reporting currency. The major measurement currencies of CCL's operations are the Canadian dollar, the U.S. dollar, the euro, the Danish krone, the U.K. pound sterling, the Mexican peso, the Thailand baht, the Chinese renminbi, the Brazilian real, the Polish zloty and the Russian rouble. All "per 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 MD&A to ensure consistency with the approved strategy of the Company and the results of the Company.

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6. Outlook

Management's Discussion and Analysis contains forward-looking information, as defined in the Securities Act (Ontario) (hereinafter referred to as "forward-looking statements"), including statements concerning possible or assumed future results of operations of the Company. Forward-looking statements typically are preceded by, followed by or include the words "believes," "expects," "anticipates," "estimates," "intends," "plans," or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions including, but not limited to, the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; and CCL's ability to attract and retain qualified employees. Accordingly, the Company's results could differ materially from those anticipated in these forward-looking statements. Further details on key risks can be found throughout this report, particularly in the "Risks and Uncertainties" section.

1. CORPORATE OVERVIEW

A) Our Company

CCL Industries Inc. is a leading provider of state-of-the-art specialty packaging solutions to global producers of consumer brands in the home and personal care, healthcare, durable goods, and specialty food and beverage sectors. Founded in 1951, the Company has been public under its current name since 1980. CCL's corporate office is located in Toronto, Canada with its operational leadership centred in Framingham, Massachusetts, United States. The corporate office provides executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology and environmental, health and safety. The Framingham office provides operational direction and oversees the activities of CCL's divisions: Label, Container and Tube. As of February 2008, CCL employs approximately 5,300 people and operates 53 production facilities in North America, Latin America, Europe and Asia, including an equity investment in Russia since December 2007.

B) Our Customers and Markets

CCL's customer base is primarily comprised of a significant number of global non-durable consumer product and healthcare companies. A strategy of many of our customers is to create ever-growing global market positions. Recent trends include customer consolidation, even among the largest players, and a disproportionate growth in sales in emerging markets.

Total demand for non-durable personal care, healthcare and household products is fairly stable as consumers generally use them on a regular basis, often daily. There tends to be less volatility in demand for CCL's products and services relative to those of some other industries. This is due to the more predictable and routine consumer usage of these non-durable products and, as a result, the specialty packaging products and services supplied by CCL. Certain markets, such as beverage and agro-chemical products, are seasonal in nature and affect the variability of quarterly sales and profitability.

The state of the global economy and geopolitical events affect consumer demand and ultimately our customers' plans. Our customers react to these issues and competitive

activity in their industries as they develop marketing strategies including the introduction and promotion of new and existing products. These factors directly influence the demand for CCL's packaging components of our customers' products. The Company's growth expectations generally mirror industry trends and the growth of gross domestic product in each market. CCL also anticipates improving its market share generally in each market and category over time, consistent with its recent overall historical trend.

No single competitor of the Label Division has the substantial operating breadth or geographic range as CCL Label. There is one competitor in North America in the Container business and a handful of competitors in the Tube category.

C) Our Strategy and Financial Targets

CCL's vision is to increase shareholder value by providing the best total value to our customers as a successful, growing market leader in specialty packaging and by building on the strengths of our people, manufacturing skills and strong international customer relationships. The Company anticipates increasing its market share in most categories by capitalizing on our customers' growth, by following market trends such as globalization, by new product innovation and by further developing existing products.

A key driver in CCL's strategy is focus. We aspire to be the market leader and the highest value-added producer for each product line and region that we choose to cover. CCL does not intend to move into radically different segments of the packaging industry but rather to expand in existing categories or in other adjacent areas closely aligned with our existing business strengths. The recent sale of our interest in the non-core ColepCCL joint venture, the creation of the new equity investment in Russia (a geographic expansion in pressure sensitive labels) and the CD-Design GmbH acquisition (an expansion into durable pressure sensitive labels) are further steps in building on our focused business strategy.

The Company's overall strategic focus in this decade has been to maximize earnings and cash flow from our current operations while developing growth opportunities through investment in new plants and equipment and by innovation in new product development. This approach is intended to allow us to increase market share and to grow internationally with our customers. The strategy also includes seeking attractively priced acquisitions. These acquisitions should be within CCL's core competencies and manufacturing capabilities and be immediately accretive to earnings. In addition, they may enhance geographic expansion and provide new technologies and products to CCL's portfolio.

In addition, CCL has a continuous focus on maximizing cash flow by minimizing working capital investment and ensuring capital spending is positively accretive to earnings, and selectively targets the most attractive growth opportunities.

A key financial target is return on equity before restructuring and other items and favourable tax adjustments ("ROE", a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below). CCL continues to execute its strategy with a goal of achieving the ROE level of its leading peers in specialty packaging, currently in the 12% to 14% range. ROE has grown from 11.5% in 2002 to 13.3% in 2007 despite the significant growth in equity as a result of the gains on sale of

the North American Custom Manufacturing Division (“Custom”) in 2005 and the ColepCCL joint venture in 2007, and the cumulative negative effect on earnings of the stronger Canadian dollar. Management believes that this target level of ROE is reasonable and attractive to investors.

Another important and related financial target is the long-term growth rate of earnings per share. Management believes that taking into account both the overall stable demand for non-durable consumer products globally and the continuing benefits from its focused strategies and operational approach, a targeted growth rate in earnings per share excluding restructuring and other items and favourable tax adjustments (a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A below) in the range of 10% compounded annually is realistic. The Company will continue to focus on generating cash and to effectively utilize the cash flow generated by operations and divestitures. This cash will continue to be invested in capital additions to take advantage of organic growth opportunities and in acquisitions that are accretive to earnings per share. If the net cash flow periodically exceeds attractive acquisition opportunities available, CCL will also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal or lower than valuations for acquisition opportunities and will not increase financial leverage beyond targeted levels. Earnings per share from continuing operations and discontinued operations, excluding restructuring and other items and favourable tax adjustments and gains on business dispositions, have grown by 19%, 19% and 53% in 2007, 2006 and 2005, respectively, well in excess of our cumulative target despite the impact of unfavourable currency.

The framework supporting the above two targets is an appropriate level of financial leverage. Based on the dynamics within the packaging industry and the risks that higher leverage may bring, CCL has a comfort level of approximately 45% for its net debt to total book capitalization (a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A below). As at December 31, 2007, net debt to total book capitalization was 30%. The January 2008 CD-Design transaction (see “Recent Acquisitions and Dispositions” in Section 1D below) will add approximately 2% to the net debt to total book capitalization ratio while the collection of the final payment on the sale of ColepCCL at the end of February 2008 reduced this ratio by approximately 5% on a pro forma basis. With the recent level of profitability that the Company has experienced and the current leverage, this would imply that CCL’s debt would firmly fit into the investment-grade category. This leverage level is well below the target range, primarily due to the sale of ColepCCL, and indicates that there is substantial room for additional net debt to finance appropriate growth opportunities without the need to attract new equity.

CCL has also targeted the dividend payout as an important metric. CCL has paid dividends quarterly for over 25 years without an omission or reduction and has increased the dividend substantially in the last five years. The Company views this consistency as an important factor in enhancing shareholder value. The Company plans to continue paying dividends equal to 20% to 25% of earnings excluding gains on dispositions, restructuring and other items and favourable tax adjustments. In 2007, the dividend payout ratio was 17% (18% in 2006). The dividend payout ratio was below the targeted range due to the substantial earnings growth in the last two years. Consequently, after a review of the 2007 results, and considering the cash flow and

earnings budgeted for 2008, the Board of Directors has declared a 17% increase in the dividend to \$0.14 per quarter per Class B share (or \$0.56 annualized) effective with the March 31, 2008 payment. If this level of dividend had been in effect for 2007, the dividend payout ratio would have been 20%.

The Company believes that all of the above targets are compatible with each other and consequently should drive meaningful shareholder value.

CCL's strategy and its ability to grow and achieve attractive returns for its shareholders are shaped by key internal and external factors that are common to specialty packaging. The key performance driver is our continuous focus on customer satisfaction, founded on a reputation of quality manufacturing, competitive cost, innovation, dependability, ethical business practices and financial stability. CCL believes that it is the highest value-added producer in most of its businesses, and is continuing to foster new product innovations to support its customers' needs.

D) Recent Acquisitions and Dispositions

In 2005, the Company recognized that the opportunities for growth in its specialty packaging businesses were substantial. At that time, CCL was offered what it considered to be a premium cash price for its North American Custom Manufacturing Division ("Custom"). The sale of Custom for \$273 million in cash was both a financial and strategic decision. Strategically, CCL's focus was dramatically narrowed by its transformation into a pure specialty packaging company, with the exception of its 40% ownership in the ColepCCL joint venture.

In November 2007, CCL sold its interest in ColepCCL to its majority partner for cash proceeds of approximately \$147 million with half paid upon closing and the balance paid on February 29, 2008. This price represented a good valuation for the investment and completed the transformation of the Company into a focused specialty packaging business.

The proceeds from both of these sales have been and continue to be invested in the Company's higher growth specialty packaging businesses. These investments include accretive acquisitions and capital spending for organic internal growth and technology enhancements. The sale of Custom and ColepCCL also reduced CCL's financial leverage, and the Custom sale reduced the financial risk associated with its dependence on the U.S. dollar and the international competitive risk of the North American economy. The ColepCCL sale reduced the investment risk of minority ownership, the related inability for CCL to control operating decisions associated with this joint venture and the risks in operating a contract manufacturing and metal packaging business in Europe. CCL is now a more internationally positioned company with increased diversification across the global economy and with exposure to many different currencies. For financial reporting purposes, Custom and ColepCCL have been treated as discontinued operations.

CCL has been redeploying the proceeds of the sale of Custom and ColepCCL and its cash flow from operations into its specialty packaging business with internal organic capital investments and by way of the following acquisitions in the last two years:

- In January 2006, the Prodesmaq label business in Brazil was acquired as CCL's first venture into South America for \$62 million.
- In January 2007, CCL acquired the shrink sleeve and stretch sleeve business of Illinois Tool Works, Inc. ("ITW") located in Europe, Brazil and the United States for \$106 million.
- In December 2007, CCL entered into the 50% owned CCL-Kontur equity investment located in Moscow and St. Petersburg, Russia, servicing the personal care and beverage label markets in the region for \$9 million with further investment to come in early 2008 once the assets have been legally transferred to the Company.
- In January 2008, CD-Design in Germany was acquired for \$10 million as CCL's first entry into the durable label business as it services the European automotive original equipment manufacturing market primarily in Germany, with a further payment of \$5 million expected based on financial performance.

From 2005 until now, CCL has spent \$326 million on acquisitions. They have been funded by dispositions totalling \$444 million in cash over the same time frame, including the \$74 million in 2008 for the final payment on the sale of ColepCCL.

All of the recent acquisitions, including building new plants in Thailand, Poland and China in the last few years and Vietnam and India in 2008, have positioned the Label Division as the global leader for pressure sensitive labels in the personal care, healthcare, battery, food, beverage, promotional and specialty categories.

In February 2006, the Company divested the assets of the CCL Dispensing business in Libertyville, Illinois, as it was deemed to be a non-core minor player in the global closures market. In October 2006, the label business in Houten, the Netherlands, was sold as it was relatively small and serviced primarily local customers that were not part of the Label Division's target markets.

E) Consolidated Annual Financial Results

Selected Financial Information

<u>Results of Consolidated Operations</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales from continuing operations	<u>\$1,144.3</u>	<u>\$1,029.5</u>	<u>\$922.5</u>
Income from operations before undernoted items	\$ 206.9	\$ 176.1	\$146.9
Depreciation and amortization	75.9	67.0	57.6
Interest expense (net)	<u>23.2</u>	<u>20.6</u>	<u>18.8</u>
	107.8	88.5	70.5
Restructuring and other items - net gain (loss)	<u>4.1</u>	<u>(11.5)</u>	<u>(16.5)</u>
Earnings before income taxes	111.9	77.0	54.0
Income taxes	<u>18.5</u>	<u>12.1</u>	<u>13.8</u>
Net earnings from continuing operations	93.4	64.9	40.2
Net earnings from discontinued operations, net of tax	11.0	12.5	15.1
Gain on sale of discontinued operations, net of tax	<u>43.5</u>	<u>-</u>	<u>108.5</u>
Net earnings	\$ <u>147.9</u>	\$ <u>77.4</u>	\$ <u>163.8</u>
Per Class B share			
Continuing operations	\$ 2.90	\$ 2.02	\$ 1.26
Discontinued operations	0.34	0.39	0.48
Gain on sale of discontinued operations	<u>1.35</u>	<u>-</u>	<u>3.36</u>
Net earnings	\$ <u>4.59</u>	\$ <u>2.41</u>	\$ <u>5.10</u>
Restructuring and other items and favourable tax adjustment - net gain (loss)	\$ <u>0.42</u>	\$ <u>0.04</u>	\$ <u>(0.42)</u>
Diluted earnings	\$ <u>4.42</u>	\$ <u>2.33</u>	\$ <u>4.97</u>

Comments on Consolidated Results

Sales from continuing operations were \$1,144.3 million in 2007 compared to \$1,029.5 million in 2006, up a healthy 11%. This performance comes off a very strong year in 2006, with growth of 12% over the 2005 sales level despite unfavourable currency translation. The annualized impact of the ITW acquisition in 2007 provided a significant part of the sales growth, partially offset by two small divestitures in 2006. Organic growth was also a major contributor to the sales improvement in 2007. The sales growth in 2007 of \$114.8 million was derived from the following divisions: Label (\$120.3 million), Container (\$5.2 million) offset in part by Tube (down \$10.7 million). In 2007, currency translation had a very small negative effect on sales; however, the US-based business units were negatively affected by unfavourable currency translation (particularly Container and Tube) whereas the European operations (Label) were favourably affected by currency translation.

Sales from manufacturing in Canada represented only 12% of 2007 total sales from continuing operations. Sales and income reported from foreign operations are reported in local currency and then translated into Canadian dollars. During 2006 and 2007, a number of important currencies changed value relative to the Canadian dollar. The US dollar, the base currency of 38% of CCL's total sales from continuing operations, depreciated by 5% on average for the year 2007 versus 2006, following a depreciation of 6% in 2005. All of the 2007 reduction occurred in the last half of the year. In

addition, Europe, accountable for 39% of CCL's total sales, has seen its primary currency, the euro, appreciate against the Canadian dollar in 2007 by 3% on average versus 2006, after a depreciation of 6% in 2005. However, all of the relative appreciation of the euro in 2007 occurred in the first half of the year. There was a modest 1% negative effect on sales due to currency translation in 2007 overall, but in 2006 it had a more significant negative effect on reported sales. If the effect of foreign currency translation and the impact of divestitures were excluded, sales increased by 13% in 2007 compared to 2006, including acquisitions. Excluding currency translation and the impact of divestitures, sales from continuing operations increased by 17% in 2006 compared to 2005.

Divisional operating income from continuing operations in 2007 was \$140.7 million, up a very strong 16% from \$121.8 million reported in 2006 and \$99.3 million earned in 2005. This income growth was derived from both existing and acquired operations despite negative currency influences. The growth in divisional operating income in 2007 of \$18.9 million was generated in Label (\$21.8 million) and Container (\$1.2 million) offset, in part, by Tube (\$4.1 million). The Container and Tube operations were negatively impacted by currency translation. In addition, Container was affected by unfavourable currency transactions on its Canadian operations year-over-year of \$3.9 million. Further details on the divisions follow later in this report.

Corporate expenses in 2007 at \$9.7 million were down from \$12.7 million in 2006 and \$10.0 million in 2005. Certain corporate expenses had been previously allocated to the disposed Custom business in 2005. Major areas of decreased corporate expenses in 2007 were lower insurance costs, including a reduction in self-insured claims reserves, and reduced performance-based executive compensation.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") from continuing operations before restructuring and other items (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) in 2007 was \$206.9 million, up a strong 17% from the \$176.1 million recorded in 2006. The growth in 2006 was up a substantial 20% from the 2005 level of \$146.9 million.

Net interest expense from continuing operations was \$23.2 million in 2007, up \$2.6 million from the \$20.6 million recorded in 2006 and the \$18.8 million of 2005. In all years, interest expense was allocated to discontinued operations, which accounts for some of the increase in 2006. The other factors in the increase in net interest costs are higher floating interest rates and higher average net debt during the year to finance the ITW acquisition. The depreciation of the U.S. dollar and fluctuations in the euro over this period have had the overall effect of reducing reported interest expense since CCL's borrowings are primarily impacted by these currencies. Interest expense is net of interest earned on short-term investments, interest rate swap agreements ("IRSA") and cross currency interest rate swap agreements ("CCIRSA"). The Company amortized a gain realized on the sale of an IRSA in 2001 until March 2006.

In 2007, the Company incurred restructuring costs and other items for a total gain of \$4.1 million (\$3.7 million after tax) as follows:

- In the first quarter, a gain on sale of a redundant property of \$0.7 million (\$0.9 million after tax);

- Container Division restructuring costs net of a recovery of a severance provision of \$0.2 million (\$0.1 million after tax);
- In the fourth quarter, a gain on repatriation of capital from a foreign subsidiary to Canada primarily from the sale of ColepCCL of \$1.3 million with no tax effect; and
- In the fourth quarter, an unrealized exchange gain on the euro-denominated note receivable from the sale of ColepCCL of \$2.3 million (\$1.6 million after tax).

The positive earnings impact of these restructuring and other items in 2007 was \$0.12 per Class B share. In addition, the Company recorded favourable tax adjustments of \$9.9 million or \$0.30 per share. The net gain of the restructuring and other items and favourable tax adjustments in 2007 was \$0.42 per share.

There were a number of restructuring and other items in 2006 for a total loss of \$11.5 million (\$10.2 million after tax) as follows:

- In early 2006, the Company commenced a senior management restructuring in the Container Division and incurred severance costs. With new management in place, and in light of changes in the business environment, the Division's capital assets and spare parts inventory were reviewed and it was determined that certain of these assets had no future value in the restructured operations and should not have a carrying value. The total cost of the Container restructuring was \$11.4 million (\$7.2 million after tax).
- The Company sold net assets of its CCL Dispensing Systems, LLC for \$24.4 million in cash and realized a gain of \$1.6 million (net loss of \$1.5 million after tax).
- The Company repatriated capital from a foreign subsidiary for a net foreign exchange loss of \$3.5 million with no tax effect.
- The Company restructured its European label operations, which included the sale of its label operation in Houten, the Netherlands, for \$2.8 million cash and incurred certain severances within the Label Division. The gain on sale, net of restructuring costs, was \$0.5 million (\$0.7 million after tax).
- The Company recovered \$1.3 million related to a loan amount previously provided for on a disposed operation with no tax effect.

The negative earnings impact of these restructuring and other items was \$0.32 per Class B share for the full year 2006. In addition, in December, the Company recorded a favourable tax adjustment of \$11.5 million or \$0.36 per share.

There were three restructuring and other items in 2005 for a total loss of \$17.9 million (\$17.8 million after tax). The Company sold its equity interest in IntraPac L.P. in exchange for certain real estate of the business and recorded a loss of \$12.7 million (\$12.6 million after tax), recorded an impairment of a ColepCCL property held for sale of \$1.4 million and restructured its Mexican Container business by recording an impairment on certain equipment and inventory of \$3.8 million. Also in 2005, there was a favourable tax adjustment from previously unrecognized tax losses of \$4.3 million.

The negative earnings impact of the restructuring and other items in 2005 was \$0.55 per Class B share. In addition, the favourable tax adjustments in 2005 positively impacted earnings per share by \$0.13. The net loss of the restructuring and other items and favourable tax adjustments in 2005 was \$0.42 per share.

In 2007, the tax rate from continuing operations was 16.5% compared to 15.7% and 25.6%, respectively, in 2006 and 2005. These effective rates are lower than the combined Canadian federal and provincial tax rate of 34.1% in all three years. The actual tax rate has been lower in these years due to the benefit of lower tax rates in foreign subsidiaries net of income and expense items not subject to tax. In 2007, tax rates were positively affected by tax rate reductions in Canada and foreign jurisdictions and other adjustments for a total of \$9.9 million or \$0.30 per share that positively affected the tax rate. The tax rate would have been 25.4% in 2007 if the above tax expense reductions were excluded. In 2006, CCL successfully settled a significant tax reassessment with a foreign tax authority and recorded a net reduction in tax of \$11.5 million or \$0.36 per share. The tax rate would have been 30.6% in 2006 if the above tax expense reduction were excluded. The 2005 tax rate would have been 33.5% if the benefit of a previously unrecognized tax loss due to the sale of Custom were excluded.

Approximately 88% of CCL's sales are manufactured in plants outside of Canada, and the income from these foreign operations is subject to varying rates of taxation. The Company has benefited from lower tax rates in these jurisdictions compared to the combined Canadian federal and provincial rates. The Company's effective tax rate varies from year to year as a result of the level of income in the various countries, tax losses not previously recognized, tax reassessments and income and expense items not subject to tax.

On November 20, 2007, ColepCCL was sold and is now classified as discontinued operations. Net earnings from this business for the part year of 2007 were \$11.0 million compared to the full year 2006 of \$12.5 million and \$9.8 million in 2005. In addition, a gain of \$43.5 million was recorded upon the sale of the business in 2007. In 2005, the Custom business was sold and it generated earnings of \$5.3 million in 2005 and a gain on disposal of \$108.5 million.

Net earnings for 2007 of \$147.9 million compares to \$77.4 million in 2006 and \$163.8 million in 2005. Net earnings per Class B share amounted to \$4.59 in 2007 versus the \$2.41 recorded in 2006 and \$5.10 in 2005. The fluctuation in earnings and earnings per Class B share over the three years was due to the sequential improvement in operational performance, restructuring and other items in each year and the significant gains on the sale of ColepCCL in 2007 and Custom in 2005. In particular, 2007 results included the positive impact of the gain on the sale of ColepCCL of \$43.5 million or \$1.35 per share and 2005 had the benefit of the gain on the sale of Custom of \$108.5 million or \$3.36 per share. Diluted earnings per Class B share were \$4.42 in 2007 compared to \$2.33 in 2006.

There was \$0.01 negative effect of foreign currency translation, including the benefit of lower interest costs on CCL's earnings per share from continuing operations in 2007 compared to 2006. The negative impact of currency translation was \$0.13 per share in 2006 compared to 2005. The negative effect on currency transactions in the Container

Division's Canadian operation due to the weakening U.S. dollar was \$0.09 per share in 2007 compared to 2006 and was \$0.07 per share in 2006 compared to 2005.

The following table is presented to provide context to the change in the Company's financial performance. CCL's strategy is to continue to increase the earnings in existing businesses and replace the earnings from recent large divestitures - Custom in 2005 and ColepCCL in 2007. The plan to replace this income includes investing in existing businesses by capital expenditures and accretive acquisitions, generating interest income on the cash proceeds from the sale, paying down debt and potentially repurchasing stock at appropriate prices. There have been no share repurchases since early 2005. On March 4, 2008, the Company initiated a normal course issuer bid to repurchase up to 2.5 million Class B shares and 13,000 Class A shares in the following 12 months.

The progress of our earnings growth is of primary importance to our shareholders, lenders, employees and the financial community. This progress is measured based on earnings per Class B share from the following table. The gains from the sale of the Custom business in 2005 and ColepCCL in 2007 are excluded for this purpose. If the net negative impact of restructuring and other items and the favourable tax adjustments indicated above were excluded from these results, there is meaningful performance improvement over this time frame.

<u>Earnings per Class B Share</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Continuing operations	\$2.90	\$2.02	\$ 1.26
Discontinued operations	\$0.34	\$0.39	\$ 0.48
Net gain (loss) from restructuring and other items and favourable tax adjustments included in continuing operations *	\$0.42	\$0.04	\$(0.42)

* Note: This is a non-GAAP measure. Refer to "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

The financial results of ColepCCL have been restated to discontinued operations due to its sale in November 2007.

The sale of Custom in 2005 required a restatement of its results, including the allocation of certain costs between continuing and discontinued operations. Interest expense was allocated based on the ratio of the net assets employed in the business (not the proceeds from the sale) to the total net assets of CCL. The income tax expense was based on Custom operating as an independent business in Canada and the United States and incurring income tax at the appropriate federal, provincial and state tax rates.

F) Seasonality and Fourth Quarter Financial Results

2007	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Sales					
Label	\$245.1	\$238.4	\$222.9	\$198.0	\$ 904.4
Container	52.9	49.3	40.2	39.1	181.5
Tube	<u>18.2</u>	<u>15.8</u>	<u>11.8</u>	<u>12.6</u>	<u>58.4</u>
Total sales	<u>\$316.2</u>	<u>\$303.5</u>	<u>\$274.9</u>	<u>\$249.7</u>	<u>\$1,144.3</u>
Divisional operating income					
Label	\$ 37.8	\$ 31.6	\$ 28.6	\$ 24.5	\$ 122.5
Container	6.0	6.0	2.9	2.9	17.8
Tube	<u>1.4</u>	<u>0.2</u>	<u>(0.4)</u>	<u>(0.8)</u>	<u>0.4</u>
Contribution from continuing operations	45.2	37.8	31.1	26.6	140.7
Corporate expenses	<u>3.5</u>	<u>1.0</u>	<u>2.9</u>	<u>2.3</u>	<u>9.7</u>
	41.7	36.8	28.2	24.3	131.0
Interest expense, net	<u>6.4</u>	<u>6.2</u>	<u>5.8</u>	<u>4.8</u>	<u>23.2</u>
	35.3	30.6	22.4	19.5	107.8
Restructuring and other items - net gain (loss)	<u>(0.3)</u>	<u>-</u>	<u>1.2</u>	<u>3.2</u>	<u>4.1</u>
Earnings before income taxes	35.0	30.6	23.6	22.7	111.9
Income taxes	<u>8.7</u>	<u>4.7</u>	<u>2.8</u>	<u>2.3</u>	<u>18.5</u>
Net earnings from continuing operations	26.3	25.9	20.8	20.4	93.4
Net earnings from discontinued operations	3.7	2.9	3.0	1.4	11.0
Gain on sale of discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>43.5</u>	<u>43.5</u>
Net earnings	\$ <u>30.0</u>	\$ <u>28.8</u>	\$ <u>23.8</u>	\$ <u>65.3</u>	\$ <u>147.9</u>
Per Class B Share					
Net earnings from continuing operations	\$ 0.82	\$ 0.80	\$ 0.64	\$ 0.64	\$ 2.90
Net earnings from discontinued operations	0.11	0.09	0.10	0.04	0.34
Gain on sale of discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.35</u>	<u>1.35</u>
Net earnings	\$ <u>0.93</u>	\$ <u>0.89</u>	\$ <u>0.74</u>	\$ <u>2.03</u>	\$ <u>4.59</u>
Diluted earnings	\$ <u>0.90</u>	\$ <u>0.86</u>	\$ <u>0.71</u>	\$ <u>1.95</u>	\$ <u>4.42</u>
Restructuring and other items and favourable tax adjustments included in net earnings - net gain	\$ <u>0.05</u>	\$ <u>0.11</u>	\$ <u>0.12</u>	\$ <u>0.14</u>	\$ <u>0.42</u>

2006	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Year</u>
Sales					
Label	\$205.1	\$191.5	\$188.1	\$199.4	\$ 784.1
Container	44.4	48.3	41.5	42.1	176.3
Tube	<u>19.1</u>	<u>17.7</u>	<u>17.0</u>	<u>15.3</u>	<u>69.1</u>
Total sales	<u>\$268.6</u>	<u>\$257.5</u>	<u>\$246.6</u>	<u>\$256.8</u>	<u>\$1,029.5</u>
Divisional operating income					
Label	\$ 29.2	\$ 23.2	\$ 21.7	\$ 26.6	\$ 100.7
Container	6.2	5.7	1.9	2.8	16.6
Tube	<u>1.0</u>	<u>1.5</u>	<u>1.4</u>	<u>0.6</u>	<u>4.5</u>
Contribution from continuing operations	36.4	30.4	25.0	30.0	121.8
Corporate expenses	<u>3.5</u>	<u>3.2</u>	<u>1.5</u>	<u>4.5</u>	<u>12.7</u>
	32.9	27.2	23.5	25.5	109.1
Interest expense, net	<u>5.4</u>	<u>5.1</u>	<u>5.1</u>	<u>5.0</u>	<u>20.6</u>
	27.5	22.1	18.4	20.5	88.5
Restructuring and other items - net gain (loss)	<u>0.4</u>	<u>(1.0)</u>	<u>(3.7)</u>	<u>(7.2)</u>	<u>(11.5)</u>
Earnings before income taxes	27.9	21.1	14.7	13.3	77.0
Income taxes (recovery)	<u>9.8</u>	<u>6.0</u>	<u>4.7</u>	<u>(8.4)</u>	<u>12.1</u>
Net earnings from continuing operations	18.1	15.1	10.0	21.7	64.9
Net earnings from discontinued operations	<u>3.0</u>	<u>2.5</u>	<u>3.6</u>	<u>3.4</u>	<u>12.5</u>
Net earnings	\$ <u>21.1</u>	\$ <u>17.6</u>	\$ <u>13.6</u>	\$ <u>25.1</u>	\$ <u>77.4</u>
<u>Per Class B Share</u>					
Net earnings from continuing operations	\$ 0.57	\$ 0.46	\$ 0.32	\$ 0.67	\$ 2.02
Net earnings from discontinued operations	<u>0.09</u>	<u>0.08</u>	<u>0.11</u>	<u>0.11</u>	<u>0.39</u>
Net earnings	\$ <u>0.66</u>	\$ <u>0.54</u>	\$ <u>0.43</u>	\$ <u>0.78</u>	\$ <u>2.41</u>
Diluted earnings	\$ <u>0.64</u>	\$ <u>0.53</u>	\$ <u>0.41</u>	\$ <u>0.75</u>	\$ <u>2.33</u>
Restructuring and other items and favourable tax adjustments included in net earnings - net gain (loss)	\$ <u>(0.03)</u>	\$ <u>(0.03)</u>	\$ <u>(0.10)</u>	\$ <u>0.20</u>	\$ <u>0.04</u>

Fourth Quarter Results

Sales from continuing operations for the fourth quarter of 2007 were \$249.7 million, down \$7.1 million, or 3%, from \$256.8 million recorded in last year's fourth quarter. This sales performance was primarily due to the significant impact of unfavourable comparative currency translation and slightly lower sales compared to a strong fourth quarter in 2006, offset in part by the ITW sleeve acquisition. The decrease in sales came from the Label Division (\$1.4 million), Container (\$3.0 million) and Tube (\$2.7 million).

In the fourth quarter results, currency translation was substantially unfavourable with a 14% decline in the U.S. dollar and a 3% decline in the euro compared to last year, based on the quarterly average, resulting in an overall 8% negative impact on total

sales. The year-over-year decline in Label and Tube was partly due to currency translation while Container experienced organic growth that was more than offset by unfavourable currency. The Label Division experienced a very strong fourth quarter in 2006 compared to 2007 while the Tube Division continued the unfavourable volume trend from the third quarter due primarily to the slowing U.S. economy.

Divisional operating income in the fourth quarter of 2007 was \$26.6 million, down \$3.4 million, or 11%, from \$30.0 million in the fourth quarter of 2006. This income reduction was primarily due to unfavourable currency effects offset in part by the ITW sleeve acquisition. This reduction came from Label (\$2.1 million) and Tube (\$1.4 million) while Container had an increase of \$0.1 million. Foreign currency transactions negatively impacted Container by \$1.4 million in the fourth quarter of 2007 relative to 2006, primarily due to the weakness of the U.S. dollar.

Corporate expenses were down by \$2.2 million due primarily to lower performance-related bonuses in 2007 versus 2006.

Net interest expense of \$4.8 million in this year's fourth quarter was down by \$0.2 million from last year's \$5.0 million due primarily to lower debt levels subsequent to the sale of ColepCCL.

Restructuring and other items in the fourth quarter of 2007 were a net gain of \$3.2 million (\$2.7 million after tax). The restructuring and other items, the details of which were explained earlier under the annual financial results, consisted of Container's restructuring of \$0.4 million (\$0.3 million after tax), more than offset by a \$1.3 million gain on repatriation of capital with no tax effect and a gain on the euro-denominated note receivable from the sale of ColepCCL of \$2.3 million (\$1.6 million after tax). The gain from the sale of ColepCCL was \$43.5 million and the income earned from this discontinued operation in the 51 days of ownership in the fourth quarter of 2007 was \$1.4 million compared to \$3.4 million in the full fourth quarter of 2006.

Restructuring and other items in the fourth quarter of 2006 created a net loss of \$7.2 million (\$3.6 million after tax). The restructuring and other items, the details of which were explained earlier under the annual financial results, consisted of Container's restructuring of \$9.0 million (\$5.6 million after tax), offset in part by a \$1.3 million recovery related to a loan amount previously provided for on a disposed operation, with no tax effect, and the gain on the sale of Houten, the Netherlands operation, of \$0.5 million (\$0.7 million after tax).

Tax expense in the fourth quarter of 2007 was \$2.3 million with a tax rate of 10% due primarily to the benefit of tax rate reductions in certain jurisdictions of \$2.1 million. Excluding the benefit of tax rate reductions, the tax rate for the fourth quarter of 2007 would have been 19.4%. This is lower than the average year's rate due primarily to the non-taxable nature of certain restructuring and other items in the fourth quarter and higher earnings in lower taxed jurisdictions.

Tax expense in the fourth quarter of 2006 was a net recovery of \$8.4 million due primarily to the favourable settlement with a foreign tax authority for a net amount of \$10.1 million. Excluding the favourable tax adjustment of \$10.1 million for the quarter, the tax rate for the fourth quarter of 2006 would have been 12.8%. This is lower than

the average year's rate due primarily to the non-taxable nature of certain restructuring and other items in the fourth quarter and higher earnings in lower taxed jurisdictions.

Net earnings in the fourth quarter of 2007 were \$65.3 million, up 160% from the \$25.1 million earned in last year's comparable quarter.

Earnings per Class B share were \$2.03 in the fourth quarter of 2007, up 160% from the \$0.78 earned in fourth quarter 2006. Unfavourable currency translation reduced earnings per share from continuing operations compared to last year by \$0.05 per share, and unfavourable currency transactions further reduced earnings per share from continuing operations by \$0.04.

Restructuring and other items in the fourth quarter of 2007 positively affected earnings per share by \$0.08. In addition, favourable tax adjustments added \$0.06 per share. The gain on the sale of ColepCCL was \$1.35 per share and earnings from discontinued operations were \$0.04 per share.

Restructuring and other items in the fourth quarter of 2006 negatively affected earnings per share by \$0.12. This was more than offset by the favourable tax adjustments of \$0.32 per share.

The following table provides context to the comparative performance of the business. If the impact of restructuring and other items and the favourable tax adjustments were excluded from these results, there is good improvement over the prior year's performance.

<u>Earnings per Class B Share</u>	<u>Fourth Quarter</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
From continuing operations	\$ 0.64	\$ 0.67	\$ 0.40
From discontinued operations	\$ 0.04	\$ 0.11	\$ 0.08
Net gain (loss) from restructuring and other items and favourable tax adjustments included in continuing operations *	\$ 0.14	\$ 0.20	\$ (0.07)

* Note: This is a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

Summary of Seasonality and Quarterly Results

Sales and net earnings comparability between the quarters of 2007 and 2006 were primarily affected by the general overall improvement in operations, the negative impact of weakening foreign currencies relative to the Canadian dollar, the dates of acquisitions and divestitures, and the effect and timing of restructuring and other items.

The Label Division has generally experienced strong demand in the last few years in its existing and newly acquired operations. Sales and income growth have been substantial in each quarter compared to the prior year. In 2007, the slowing U.S. economy and the overall macro-economic environment had an impact on the business in the fourth quarter. The beer label business has grown from a small base three years ago to be a substantial product category. Seasonality for this business primarily results

in high demand in the spring and summer and has affected quarterly results. Return on sales for the year (a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A below) in 2003 was 8.2% but has grown to 12.8% in 2006 and 13.5% in 2007. This margin improvement is due to the incremental volume, combined with the increased sales of higher margin products and improved efficiencies. This level of return, combined with the volume growth, reflects the Division's strategy of capitalizing each operation with world-class equipment and servicing our international customers on a global basis for their unique product needs.

The Container Division encountered significant challenges in the last half of 2006. Prior to this time, sales of aluminum aerosol and bottle products had been very strong with sales backlogs persisting despite the addition of significant and expensive new capacity. By the second quarter of 2006, the impact on the industry of meaningfully higher aluminum costs combined with significantly lower volumes of higher margin beverage containers resulted in lower order intake, reduced production volumes and subsequently lower profit margins. The Division responded to these challenges in 2007 by increasing prices to its customers to offset aluminum cost increases and maintained the same level of volume while reducing its operating costs. The Canadian operation was hit hard by the declining value of the U.S. dollar and therefore its margins, as it lost \$3.9 million on currency transactions compared to 2006. A restructuring of this operation was recorded in the fourth quarter of 2006. Return on sales for 2007 was 9.8% compared to 9.4% in 2006 and 13.1% in 2005, with the operational improvements being offset by the currency impact in 2007 versus 2006.

The Tube Division experienced good sales and income growth through 2005 and 2006. The business started 2007 well but volume dropped quickly in mid-spring. High-end tube demand in the U.S. market was very soft due primarily to the U.S. economic slowdown and its negative impact on customer demand. This business has a relatively high level of incremental margin on volume changes and the reduced sales volume had a very negative effect on profitability for the balance of the year. Return on sales for the year for the Tube Division fell to 0.7% in 2007 from the 6.5% level in 2006. However, the Division has seen good order intake to start 2008 with existing and new customers.

Net earnings for CCL for 2007 were up 91.1% from 2006 due primarily to the impact, after tax, of the gain on sale of ColepCCL and from improved operational performance in 2007 versus 2006. The first three quarters of 2007 resulted in good sales and earnings growth over 2006. The fourth quarter of 2006 was generally strong and the results for the fourth quarter of 2007 were not as robust as previous quarters due in part to the substantial impact of the strong Canadian dollar. Despite the negative impact of currency, earnings growth over the last two years from continuing operations overall has achieved management's expectations, with the exception of the Tube business.

2) BUSINESS SEGMENT REVIEW

A) General

All divisions invest significant capital and management effort in their facilities in order to develop world-class manufacturing operations, with spending allocated to cost-reduction projects, the development of innovative products, the maintenance and expansion of existing capacity and the continuous improvement in health and safety in the workplace, including environmental activities. In the last five years, CCL's capital spending was significantly higher than its depreciation expense in order to take advantage of new market and product opportunities and to improve infrastructure and operating performance. Capital spending is more fully discussed in the Divisions' sections below.

Although each division is a leader in market share or has a significant position in the markets it serves, it also operates in a mature and competitive environment. In recent years, consumer products and healthcare companies have experienced steady pressure to maintain or even reduce their prices to their major retail and distribution customers. Consumer product and healthcare customers and their retail and distribution customers continue to experience consolidation in their industries. This has, in turn, resulted in a discipline throughout the supply chain for reducing costs in order to maintain reasonable profit margins at each level in the supply chain. The acceleration in commodity costs has created serious challenges to meet the pricing concerns of our customers. This dynamic has been an ongoing challenge for CCL and its competitors, requiring greater control and firm cost structures. Unlike some of its competitors, CCL has the financial strength to invest in the equipment and innovation necessary to constantly strive to be the highest value-added producer in the markets that it serves.

The cost of many of the key raw material inputs for CCL, such as resins, aluminum, film, paper and inks, is dependent on the economics within the petrochemical and energy industries. The significant cost fluctuations for these inputs have an impact on the Company's profitability. Over the past few years, booming global demand has caused a tremendous increase and instability in the cost of these commodities. CCL generally has the ability, due to its size and the use of long-term contracts with both its suppliers and customers, to moderate fluctuations in costs from its suppliers and to pass on price increases to its customers to recover such increases. The success of the business is dependent on each business managing the cost-and-price equation with suppliers and customers. The cost of aluminum has doubled over the last three years. Since it is the largest component of the Container Division's costs, the ability to fully recover these large cost increases from customers who are accustomed to more stable pricing is a challenge but has been well managed in the last year.

Most of our facilities are in locations with adequate skilled labour, resulting in moderate pressure on wage rates and employee benefits. CCL's labour costs are competitive in each of the geographies in which it does business. The Company uses a combination of annual and long-term incentive plans specifically designed for corporate, divisional and plant staff to focus key employees on the objectives of achieving annual business plans and creating shareholder value through growth, innovation, cost reductions and cash flow generation in the longer term.

A driver common to all divisions for maximizing operating profitability is the discipline of pricing orders based on size, including consideration for fluctuations in raw materials and packaging costs, manufacturing efficiency and available capacity. This approach facilitates effective asset utilization and higher levels of profitability. Efficiency is generally benchmarked per production line against a target such as "throughput of quality product" and per order against scrap and output standards. The analysis of total utilization versus capacity available per production line or facility is also used to manage certain segments of the business. In most of the Company's operations, the measurement of each sales order shipped is based on actual production costs to calculate the amount of actual profit margin earned and its return on sales. This process ensures that pricing policies and production performance are aligned in attaining profit margin targets.

Performance measures used by the divisions that are critical to meeting their operating objectives and financial targets are return on sales, cash flow, days working capital employed and return on investment. Measures used at the corporate level include operating income, return on sales, EBITDA, net debt to total capitalization, ROE and earnings per share (non-GAAP measures; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below). Growth in earnings per share is a key metric. In addition, the Company also monitors earnings per share before restructuring and other items since the timing and extent of restructuring and other items do not reflect or relate to the Company's ongoing and future potential operating performance. Performance measures are primarily measured against a combination of prior year, budget, industry standards or other benchmarks to promote continuous improvement in each business and process.

Management believes it has both the financial and non-financial resources, internal controls and reporting systems and processes in place to execute its strategy, manage key performance drivers and deliver targeted financial results. In addition, the Company's internal audit function provides another discipline to ensure that its disclosure controls and procedures, and internal controls over financial reporting, will be assessed on a regular basis against current corporate standards of effectiveness and compliance.

CCL is not heavily dependent upon specialized manufacturing equipment. Most of the manufacturing equipment employed by the divisions can be sourced from many different suppliers. CCL, however, has the financial resources to purchase this expensive equipment and to build infrastructure in current and new markets because of its financial strength. Most of CCL's direct competitors are much smaller and may not have the financial resources to stay current in maintaining state-of-the-art facilities like CCL can. Our competitive advantage is based primarily on our customer service and process technology, the know-how of our people and the ability to develop proprietary tooling and manufacturing techniques. Certain new manufacturing lines take many months for suppliers to construct, and any delays in delivery and/or commissioning can have an impact on customer expectations and profitability. The Company also uses strategic partnerships as a method of obtaining proprietary technology in order to support growth plans and expand its product offerings.

The expertise of our employees is a key element to achieving CCL's business plans. This know-how is broadly distributed throughout the business and its 53 facilities;

therefore, the Company is generally not at risk of losing its competency through the loss of any particular employee or group of employees. Employee skills are constantly being developed through on-the-job training and external technical education, and are enhanced by our culture of considering creative alternative applications and processes for our manufactured products.

The nature of the research carried out by the divisions can best be characterized as application or process development. As a leader in specialty packaging, the Company spends meaningful resources assisting customers with product development and developing innovative packaging components. While customers regularly come to CCL with concepts and request assistance in developing a commercial packaging solution, the Company also takes innovative packaging concepts to its customers. Company and customer information is protected through the use of confidentiality agreements and by limiting access to our manufacturing facilities.

The Company continues to invest time and capital to upgrade and expand its business systems. This investment is critical to keep pace with customer requirements and to gain or maintain a competitive edge. The Container and Tube Divisions require and have the capability for web-based supply chain integration with their customers and suppliers. While the systems of the Label Division do not require the same degree of sophistication due to the lesser requirements of its customers, the Division communicates with many customers and suppliers through the Internet, particularly when transferring and confirming printing layouts, designs and colours.

Divisional Financial Results

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Divisional sales</u>			
Label	\$ 904.4	\$ 784.1	\$669.0
Container	181.5	176.3	170.7
Tube	<u>58.4</u>	<u>69.1</u>	<u>82.8</u>
Total sales from continuing operations	\$ <u>1,144.3</u>	\$ <u>1,029.5</u>	\$ <u>922.5</u>
Sales from discontinued operations	\$ <u>199.4</u>	\$ <u>182.7</u>	\$ <u>434.4</u>
<u>Operating Income</u>			
Label	\$ 122.5	\$ 100.7	\$ 72.7
Container	17.8	16.6	22.4
Tube	<u>0.4</u>	<u>4.5</u>	<u>4.2</u>
Divisional operating income from continuing operations	\$ <u>140.7</u>	\$ <u>121.8</u>	\$ <u>99.3</u>
Operating income from discontinued operations	\$ <u>16.4</u>	\$ <u>18.0</u>	\$ <u>25.0</u>

Comments on Divisional Income from Continuing Operations

The above summary includes the results of acquisitions and segregates the effect of discontinued operations on reported sales and operating income.

Divisional operating income in 2007 increased to \$140.7 million from \$121.8 million in 2006, up a strong 16%. Primary contributors to the improvement were generally strong organic sales growth in the Label business, an accretive acquisition and improved profit margins in all divisions except Tube. Return on sales has grown to 12.3% in 2007 from 11.8% in 2006 and 10.8% in 2005. These results were achieved despite the negative

translation effect of the stronger Canadian dollar relative to the U.S. dollar and European currencies, discussed previously. This comparative result was also negatively affected by the weaker U.S. dollar on currency transactions from the Canadian operation of the Container Division, also described above. In 2006, divisional operating income from continuing operations increased by \$22.5 million compared to 2005. The major reason for this increase was the higher sales volumes and operating income generated by the Label Division due to acquisitions, organic growth and improved efficiencies. The Container Division contributed to this increase by improving its margins and controlling expenses and the Tube Division returned to profitability under new management with a cost and margin focus.

B) Label Division

Overview

The Label Division is the leading North American, Latin American, European and Asian producer of innovative label solutions for consumer product marketing companies in the personal and beauty care, food and beverage, battery, household, chemical and promotional segments of the industry, and also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. The Division's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould and expanded content labels and pharmaceutical instructional leaflets. It currently operates from 48 facilities located in the United States, Canada, Mexico, Puerto Rico, Brazil, the United Kingdom, France, Germany, the Netherlands, Denmark, Austria, Italy, Poland, China, Thailand and Russia. Included in the above are two plants in Russia from the CCL-Kontur equity investment formed in December 2007 and the German plant from the CD-Design acquisition in January 2008.

This Division operates within a sector of the packaging industry made up of a very large number of competitors that manufacture a vast array of product information and identification labels. There are many other label categories that do not fall within the Division's target market. The Company believes that the Label Division is the largest player in its global label markets. Competition mainly comes from single plant operations that compete in local markets with CCL's business. There are a few multi-plant competitors in individual countries but there is no major competitor that has plants both in Europe and North America or has the global reach of CCL Label.

CCL Label's mission is to be the global supply chain leader of innovative premium package and promotional label solutions for the world's largest consumer product and healthcare companies. It aspires to do this from regional facilities that focus on specific customer groups, products and manufacturing technologies in order to maximize management's expertise and manufacturing efficiencies to enhance customer satisfaction. The Label Division is expected to continue to grow and expand its global reach through acquisitions, joint ventures and greenfield start-ups and expand its product offerings in segments of the pressure sensitive label industry that it has not yet entered.

In January 2006, the Division acquired Prodesmaq in Brazil as its first venture into South America, thereby creating, in conjunction with existing plants in Mexico and Puerto Rico, a significant presence in the Latin American pressure sensitive label

market. Prodesmaq serves many of the Division's global customers in the home and personal care, healthcare and premium food and beverage categories.

In January 2007, CCL acquired the sleeve label business of ITW with four plants located in Europe and Brazil, and with a sales and distribution office in the United States. The Division had previously been a small player in the sleeve market but with this acquisition, CCL is well positioned as one of the leading global players in this fast growing segment of the label industry. This segment serves many of the Division's key global customers in the food, beverage, home and personal care markets and in 2007 the Division was focused on integrating the business into the CCL Label network.

As previously described, CCL entered into the CCL-Kontur equity investment in Russia in December 2007, servicing the personal care and beverage markets from Moscow and St. Petersburg, and acquired CD-Design in Germany in January 2008 as its first entry into the durable goods labels, servicing the German and European original equipment manufacturing automotive markets.

In October 2006, the Division sold its small non-core label business in Houten, the Netherlands, as it serviced primarily local customers outside of Label's target markets.

All of the above developments have positioned the Label Division as the global leader for pressure sensitive labels within our multinational customer base in the personal care, healthcare, battery, food, beverage, durable goods and specialty label categories.

The Division considers demand for traditional pressure sensitive labels, particularly in North America and Western Europe, to be reasonably mature and, as such, will continue to focus its expansion plans on innovative and higher growth product lines within those geographies with a view to improving overall profitability. In Eastern Europe, Asia and Latin America, there is a higher level of economic growth expected and this should provide opportunities for the Division to dramatically improve market share and profitability in these regions in the next few years.

The Division produces labels primarily from polyolefin films and paper sourced from converters using raw material primarily from the petrochemical and paper industries. CCL Label is generally able to mitigate the cost volatility of these components due to a combination of purchasing leverage, agreements with suppliers and its ability to pass on these cost increases to customers.

There is a close alignment in label demand to consumer demand for non-durable goods. Management believes that growth mirroring that of its customers can be attained over the next few years through its focused strategy by capitalizing on the following customer trends.

Our global customers are limiting the number of suppliers, are expecting a full range of product offerings in more geographies, are requiring more integration into their supply chain at a global level, and are concerned with the integrity of their products and the protection of their brands, particularly in markets where counterfeit products are an issue. These issues negatively affect many of our competitors, as well as the fact that high-end premium packaging requires significant investment in innovation, printing equipment and technology. Trusted and reliable suppliers are important considerations

for global consumer product companies and major pharmaceutical companies.

Label Financial Performance

	<u>2007</u>	<u>% Growth</u>	<u>2006</u>	<u>% Growth</u>	<u>2005</u>
Sales	\$904.4	15%	\$784.1	17%	\$669.0
Operating income	\$122.5	22%	\$100.7	38%	\$ 72.7
Return on sales	13.5%		12.8%		10.9%

The 2007 results include the January acquisition of the ITW sleeve business. The 2006 results include the January acquisition of Prodesmaq and the October disposition of Houten. The 2005 performance includes the results of Steinbeis Packaging acquired in January, the acquisition of the remaining 49% of the CCL-Pachem joint venture in August, the results of Merroc Ltd. also acquired in August and Inprint Systems acquired in September. Sales in 2007 increased 15% to \$904.4 million from \$784.1 million in 2006, after having increased in 2006 by 17% from the \$669.0 million level recorded in 2005. As noted earlier, the significant strengthening of the Canadian dollar in 2007, 2006 and 2005 has had a negative effect on reported sales and operating income.

Sales growth in 2007 was driven primarily by the ITW sleeve acquisition as it accounted for 11% of the increase with organic growth contributing 5% of the improvement, partially offset by 1% due to a disposition. The Division continued to experience volume gains with global customers that are launching many new products in North America, Europe, Latin America and Asia. A negative trend continues to be customer consolidation and retailer power, including the pressure for cost savings throughout the supply chain.

The North American home and personal care business had modest growth in 2007 over 2006 after experiencing weaker market conditions in the last half of the year in line with its major customers' performance. The North American healthcare business continued to show good growth in 2007, particularly in expanded content labels as customers became more confident in our increased capabilities, product range and world-class plants. Developing and producing new business in healthcare takes more time than in other categories due to the strict regulatory nature of the pharmaceutical industry. The North American specialty business experienced good sales growth in agricultural-chemical labels, offset in part by promotional labels as this business tends to have major volume fluctuations over time.

In Latin America, the Mexican operation continues to operate under tight capacity in its old facility as it transitions to its new plant in early 2008. Sales growth was modest in 2007 but further market penetration is planned once the new larger plant is operational. The Brazilian Prodesmaq continues to widen its product lines as it has added beverage, healthcare and agro-chemical products to its mainstay personal care business. The Mexican and Brazilian operations continue to work together to enhance growth in Latin America. In addition, with the acquisition of the ITW sleeve business in January 2007, Brazil has added this product line to its offerings.

In Europe, the personal care business had modest sales growth. The healthcare and specialty businesses continued to have solid underlying growth throughout Europe and absorbed the closure of a small operation in Lewes, United Kingdom. The beverage business in Western and particularly Eastern Europe continued to grow significantly

although there was a slowdown in the fourth quarter. New applications with large beverage customers are planned, particularly with wash-off labels. The battery business is managed on a global basis, including the large operation in Meerane, Germany, a smaller operation in the U.S. and a plant in Hefei, China. Sales growth in batteries worldwide was impacted by the move of some customers to produce batteries in Asia. We have picked up some of this relocated business in Hefei.

In Asia, sales growth in Thailand was very strong with three global personal care customers serviced from this facility. The new operation in Guangzhou, China, is now expanding its customer base in that immense market. A new sales office was opened in Japan and is working with customer technical centres located there. Additional new sites are planned for start-up in late 2008 in Vietnam, Thailand, China and India as we are continuing to follow our customers into new regions, products and markets.

The shrink and stretch sleeve business of ITW has been a great success since the acquisition in January 2007. The business exceeded expectations for sales and income contribution in 2007 and further growth is anticipated as new products come on stream and new markets are entered.

Operating income of \$122.5 million in 2007 was 22% higher than the \$100.7 million recorded in 2006, which was 38% higher than the \$72.7 million of 2005. Return on sales was 13.5% compared to 12.8% in 2006 and 10.9% in 2005. This growth in operating income and return on sales has been achieved due to the shift in focus to higher margin products and markets, the global growth from the Division's relationships with international customers, the contribution of the ITW sleeve acquisition and the continuing strategy to replace and upgrade existing manufacturing equipment in order to broaden product capabilities and improve operating efficiencies. Included in the 2007 results was \$2.0 million of move costs as part of the modernization of the operations described below.

The Label Division invested \$130.1 million in capital spending in 2007, after spending \$100.4 million in 2006 and \$96.0 million in 2005, to expand its manufacturing base in current and new markets. Major expenditures include building new plants to replace old facilities in Mexico and Memphis, Tennessee, and the expansion and outfitting of many of our locations with new label presses and associated manufacturing equipment. Depreciation and amortization amounted to \$57.4 million in 2007 compared to \$48.7 million in 2006 and \$39.0 million in 2005. Over the last few years, the Division has been replacing and upgrading its infrastructure with new plants and modernizations. There are a few remaining facilities that require an upgrade, with the vast majority of the modernization program completed. The Division is expected to continue to grow the business by spending capital to broaden its product offerings internationally and to reduce operating costs. New plants are planned in Paris and in a number of Asian locations for later this year or early next year.

Subsequent Event

In January 2008, the Label Division acquired the CD-Design business for \$10 million in a combination of cash and assumed debt with potentially a further \$4.5 million in cash at the end of 2008, subject to EBITDA exceeding \$2.6 million in 2008. In 2007, CD-Design had sales of \$26 million.

C) Container Division

Overview

The Container Division is a leading manufacturer of specialty containers for the consumer products industry in North America and 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. It operates from three plants located in the United States, Canada and Mexico. A new plant is under construction in Mexico. The Division functions in a competitive environment, which includes imports and the ability of customers, in some cases, to shift a product to competing alternative technology.

The strategic plan for this Division includes growing its market share through manufacturing excellence, exceeding customer expectations and innovation. The Division invests significant resources in the development of innovative containers such as its highly decorated and shaped aluminum cans and bottles and the development of barrier packs. As the demand for these new higher value products has grown, the Division dedicates new lines and/or adapts existing lines to their production and has been acquiring new lines in order to meet expected overall market requirements and to maximize manufacturing efficiencies.

Aluminum represents a significant variable cost for this Division. Aluminum is a commodity that is supplied by a limited number of global producers and is traded in the market by financial investors and speculators. The recent upward trajectory and volatility in aluminum prices (doubling in the last three years) had a significant impact on manufacturing costs, necessitating increased selling prices to our customers.

The Division historically had used a general hedging program, since aluminum trades as a commodity on the London Metals Exchange ("LME"), in combination with fixed price contracts with a number of its significant customers, to try to moderate the fluctuations in the cost of aluminum in order to reduce the volatility of its profit margins. However, with the dramatic run-up of aluminum costs, it has been difficult to get customers to commit to fixed cost pricing. Consequently, the Division has been attempting to pass on these dramatically higher costs to its customers and, in 2007, has been reasonably successful in maintaining targeted profit margins. Approximately 27% of the Division's estimated 2008 aluminum requirements has been hedged in conjunction with customers by using futures contracts on the LME. There are no hedges beyond 2008. The unrealized loss on the aluminum futures contracts as at December 31, 2007 was \$0.6 million.

Management believes the market for aluminum containers has a solid foundation. In the short term, the development and rollout of new aerosol products has moderated, and beverage bottles have seen a revival in the promotional side of the beer, soft drink and specialty beverage industry. Although our customers and the consumer have high satisfaction levels with this package, the relatively high cost makes it somewhat more expensive than some other containers in different formats and materials. The aluminum container is generally perceived to be more esthetically pleasing than steel containers. The biggest risk for the Division's business base relates to customers importing similar containers or shifting their products into containers of other materials such as steel,

glass or plastic, leading to a loss in market share. However, certain products and delivery systems can only be provided in an aluminum container. The relative cost of steel versus aluminum containers impacts the marketers' choice of container and may cause volume gains or losses if customers decide to change from one product form to another.

In North America, there is only one other competitor in the extruded aluminum container business. CCL believes that it is approximately the same size as its only domestic competitor in its market and has about 50% market share. Other competition comes from South American, Asian and European imports with currency exchange rates and lead times being important factors.

The success of new products promoted heavily in the market will have a material impact on the Division's sales and profitability. Beverage products packaged in our shaped resealable aluminum bottle, for example, are directly impacted by the success or failure of these new products in the market. Another growth opportunity is the possibility of acquiring market share from competitors in existing product lines.

Until early 2006, the Division had not been able to keep up with market demand in the aluminum container business for many years. With both CCL and its major competitors adding significant manufacturing capacity and with softness in market demand, there was excess capacity in late 2006 through early 2007. However, with improved demand for personal care and beverage containers since that time, there is much less excess capacity in the industry.

In early 2006, the Company commenced the reorganization of the Container business by bringing in a new management team to improve operational effectiveness and to be more responsive to its customers. During the year, overhead was downsized and severance costs were incurred. With the reduced volume levels, management reviewed its asset base and determined that certain production equipment and spare parts inventory were not required for future production and were deemed obsolete and written off. These restructuring activities were recorded as restructuring and other items.

With the strong Canadian dollar, the Canadian operation has become less cost competitive than operations in Mexico and the United States. Consequently, the Penetanguishene, Ontario, plant has been downsized, resulting in restructuring costs in late 2007 and certain production lines have been relocated to Mexico. In addition, a new plant is in the process of being outfitted with two new lines in Guanajuato, Mexico, to access this growing market and to provide low-cost capacity for all of North America.

Container Financial Performance

	<u>2007</u>	<u>% Growth</u>	<u>2006</u>	<u>% Growth</u>	<u>2005</u>
Sales	\$181.5	3%	\$176.3	3%	\$170.7
Operating income	\$ 17.8	7%	\$ 16.6	(26)%	\$ 22.4
Return on sales	9.8%		9.4%		13.1%

Sales increased by 3% in 2007 after a 3% increase in 2006 relative to 2005. Both of these comparatives were negatively impacted by currency translation. Excluding

currency, sales would have grown by 6% in 2007. Unit volume was unchanged in 2007 but sales grew as a result of improved pricing and better product mix. With the impact of higher aluminum costs and reduced demand for beverage containers in particular, the Division experienced lower overall sales volumes in 2006. The Division had experienced strong growth in aluminum aerosol and beverage containers in 2005 as volume increases absorbed all of the added capacity installed in the previous year.

Operating income of \$17.8 million in 2007 was up 7% from the \$16.6 million recorded in 2006 and below the record \$22.4 million level of 2005. Return on sales rose to 9.8% from the 9.4% mark in 2006 after being historically at the 13% level in 2005 and prior years. Operating income was improved in 2007 due to a better matching of selling prices and input costs, and improved efficiencies despite unfavourable currency translation and transactions. Profitability was dramatically affected in 2006 by lower margins caused by increased aluminum costs, higher depreciation and overhead costs related to the installation of new lines and the excess capacity that was created, and the negative effect of currency.

The Penetanguishene, Ontario plant sells more than 95% of its production to the U.S. market. Since the U.S. dollar has continued to weaken, the negative impact of currency transactions on operating income was \$3.9 million in 2007 compared to 2006, and \$2.1 million in 2006 compared to 2005.

The outlook for aluminum container products continues to be reasonable into 2008 and is dependent on the U.S. economy, the Division's ability to secure price adjustments with key customers aligned with changes in aluminum costs and on securing new business, particularly with certain beverage accounts, that would add incremental volume. The impact of exchange rates, and therefore higher relative production costs, continues to be a concern for the Canadian operation. A new plant in Mexico is under construction to satisfy the growth in our customers' filling operations in Mexico.

In 2007, the Division spent \$11.6 million to maintain and expand its manufacturing base compared to the \$34.4 million and \$36.2 million spent in 2006 and 2005, respectively. Over the last five years, the Division has spent a significant portion of this capital on the purchase and installation of six high-speed aluminum container production lines in Canada and the U.S. Payments have been made on a seventh line to be installed in the new plant in Mexico and an additional line has been ordered and will be installed before the end of 2008. Depreciation and amortization in 2007 amounted to \$11.3 million compared to \$10.6 million in 2006 and \$9.2 million in 2005.

D) Tube Division

Overview

The Tube Division is a leading manufacturer of highly decorated extruded tubes for the personal care and cosmetics industry in North America and Mexico. It operates from two plants located in the United States and shares a facility in Mexico with the Container Division. The Division operates in a dynamic competitive environment, which includes imports and the ability of customers to shift a product to an alternative package or to other manufacturers.

The strategic plan for the Tube Division is based on market share growth through manufacturing excellence, exceeding customer expectations and innovation. The Division has invested in equipment that improves the quality of the tube, particularly the detailed graphics that appeal to marketers of high-end products. The long-term market growth in specialty cosmetics and other personal care and beauty products is a further opportunity for the business to continue its upward trend in sales and profitability.

There are a handful of competitors to the Tube Division in North America. CCL believes that it is the third largest supplier in its markets and has about 15%-20% market share in North America.

In early February 2006, the Division sold its non-core dispensing closure business (CCL Dispensing) in Libertyville, Illinois, to an industry leader in closures. The business was deemed to be non-core as it was a small player in the global closures market. This divestiture has allowed the Division to focus on the decorated plastic tube segment.

Polyethylene resins and polypropylene caps and closures represent significant variable costs for this Division. There is no viable hedging available for plastic resins. During 2005, prices for resins rose substantially and have been volatile since that time. The Division relies on contracts with suppliers to control costs and contracts with customers to manage pricing and to pass on price increases for costs such as resin. The industry has traditionally been able to pass on these cost increases over a period of time.

Performance in the plastic tube business had improved substantially in 2005 and 2006 with more effective operations, new world-class decorating equipment and a return to profitability as customer confidence was restored. However, the slowing U.S. economy has taken its toll on high-end cosmetic products in the last half of 2007, reducing sales volumes and moving the business back towards break-even. The Division continues to believe that some North American plastic tube competitors are not well regarded by their customers, particularly in comparison to global competitors. This dynamic provides an opportunity for CCL to increase its plastic tube market share and profitability as it improves its manufacturing processes and reputation.

Tube Financial Performance

	<u>2007</u>	<u>% Growth</u>	<u>2006</u>	<u>% Growth</u>	<u>2005</u>
Sales	\$58.4	(15)%	\$69.1	(17)%	\$82.8
Operating income	\$ 0.4	(91)%	\$ 4.5	7%	\$ 4.2
Return on sales	0.7%		6.5%		5.1%

Sales and operating income in 2005 included results of the dispensing closure business sold in February 2006 as previously described. Sales in 2007 of \$58.4 million were down 15% from 2006 but, excluding the sale of CCL Dispensing and currency translation, sales were down by 8%. Sales growth was down by 17% in 2006 over 2005 due to currency translation and the CCL Dispensing disposition; otherwise, sales would have been up 9%. Operating income fell to \$0.4 million in 2007 from \$4.5 million in 2006 after a \$0.3 million improvement from 2005 into 2006. Operating income was lower in 2007 due to the lower sales and the impact of the absorption of plant overhead on the lower production volume. Return on sales has dropped to 0.7% in 2007 from

6.5% in 2006 and 5.1% in 2005.

The outlook for 2008 sales is good, with two new significant customer contracts in hand to start the year. Management reviewed the goodwill carried on this business and determined that it was not impaired, primarily based on the expectations of a return to historical profitability in 2008, in part due to a good order backlog. The business in Los Angeles, California, is being moved to a more appropriately sized and configured new leased facility later in 2008.

In 2007, the Division spent \$9.6 million to maintain and expand its manufacturing base, including new tube printing equipment and tube manufacturing lines, compared to the \$9.7 million and \$9.5 million spent in 2006 and 2005, respectively. Depreciation and amortization in 2007 amounted to \$6.9 million compared to \$7.1 million in 2006 and \$8.6 million in 2005.

3) FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's financial position remains strong. As at December 31, 2007, cash and cash equivalents were \$96.6 million. This compares to \$125.0 million as at December 31, 2006 and \$120.2 million as at December 31, 2005.

	<u>Summary of Net Debt at December 31</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current debt	\$ 21.2	\$ 28.5	\$ 26.1
Long-term debt	<u>382.2</u>	<u>413.6</u>	<u>376.5</u>
Total debt	403.4	442.1	402.6
Cash and cash equivalents	<u>(96.6)</u>	<u>(125.0)</u>	<u>(120.2)</u>
Net debt	<u>\$306.8</u>	<u>\$ 317.1</u>	<u>\$282.4</u>

The foundation of the Company's long-term debt for the last decade has been senior unsecured notes ("notes") held by private U.S. institutions that total US\$326.8 million (C\$324.0 million) at December 31, 2007. The notes outstanding were US\$336.2 million (C\$391.8 million) as at December 31, 2006. In January 2007, the Company entered into a five-year revolving line of credit with a Canadian chartered bank with total availability of C\$95 million, of which C\$45.0 million was drawn at year-end 2007. The average interest rate at year-end 2007 on all long-term debt was 5.8% (2006 - 5.9%) factoring in the related interest rate swap agreements ("IRSAs") and cross currency interest rate swap agreements ("CCIRSAs").

The notes are denominated in U.S. dollars primarily to hedge the Company's net investment in U.S. operations, but a portion of the notes has been effectively swapped into euros as a hedge of the Company's European operations. Scheduled annual repayments of US\$9.4 million began in September 2002 on one series of notes, ending in 2012. No other unsecured note repayments are required before 2010. The reported Canadian dollar amounts outstanding for debt and cash have been reduced over the last three years due to currency translation since the majority of debt and cash are denominated in U.S. dollars.

The Company's liquidity is expected to be satisfactory for the foreseeable future due to its significant cash balances, the expected continuation of its high level of cash flow, its low level of required debt repayments, the receipt of the final proceeds of approximately C\$74 million on the sale of ColepCCL on February 29, 2008 and the availability of its revolving credit line with a Canadian bank. The Company anticipates funding all of its future commitments from the above sources but may raise further financing and/or equity in the future to satisfy its additional commitments.

Interest coverage (defined as annual operating income before restructuring and other items and annual net interest expense divided by annual net interest expense) continues to improve and was 5.6, 5.3 and 4.8 times in 2007, 2006 and 2005, respectively.

On March 15, 2006, the Company had an obligation to repay one series of the senior notes for US\$120 million. The cash to repay these notes came from a new private placement totalling US\$170 million that closed on March 7, 2006. This series of notes has two tranches: US\$60 million for five years at 5.29% and US\$110 million for 10 years at 5.57%.

<u>Balance Sheet Data</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total assets	\$1,488.2	\$1,542.6	\$1,398.7
Long-term debt	\$ 382.2	\$ 413.6	\$ 376.5
Shareholders' equity	\$ 717.9	\$ 652.6	\$ 565.8
Total debt	\$ 403.4	\$ 442.1	\$ 402.6
Total debt to total book capitalization*	36.0%	40.4%	41.6%
Net debt	\$ 306.8	\$ 317.1	\$ 282.4
Net debt to total book capitalization*	29.9%	32.7%	33.3%

* Note: This is a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

Net debt as at December 31, 2007 decreased to \$306.8 million compared to \$317.1 million as at December 31, 2006 due primarily to the sale of the ColepCCL joint venture in November 2007 and the effect of a stronger Canadian dollar on U.S. dollar-denominated debt, partially offset by the acquisition of the ITW sleeve business in January 2007. The majority of the debt is denominated in U.S. dollars.

Net debt to total book capitalization, defined as net debt divided by net debt plus shareholders' equity, was marginally lower at 29.9% as at December 31, 2007 compared to 32.7% at the end of 2006 and the 33.3% reported at the end of 2005. Further information on shareholders' equity follows in Section D.

In January 2007, the Company acquired the sleeve label business of ITW for \$106 million. Since a large portion of the Company's cash is held in many foreign jurisdictions and may be required for growth in those locations, CCL entered into a five-year extendible revolving term credit line with a Canadian bank in January 2007 for up to \$95 million. This new credit line helped finance this transaction and is a long-term additional source of credit to manage the Company's cash flow fluctuations. The ITW transaction was funded using \$31 million in cash and \$75 million from this new credit line. At the end of 2007, \$45 million of the credit was drawn down and \$3.9 million was

allocated to letters of credit. The credit line was extended a further year to mature in January 2013.

The Company's committed credit availability at December 31, 2007 was as follows:

	<u>Total Amounts Available</u>
Lines of credit – committed, unused	\$ 46.2
Standby letters of credit outstanding	<u>4.0</u>
Total	\$ <u>50.2</u>

None of the above commitments expire in 2008 and it is anticipated that the Company will renew these commitments as necessary before expiration.

In addition, the Company had uncommitted and unused lines of credit of approximately \$39.6 million at December 31, 2007. The Company's uncommitted lines of credit do not have a commitment expiration date and may be cancelled at any time by the Company or the banks.

B) Cash Flow

<u>Summary of Cash Flows</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided by operating activities	\$ 162.2	\$ 161.3	\$ 112.0
Cash provided by (used for) financing activities	23.6	9.3	(38.8)
Cash used for investing activities	(201.8)	(171.1)	(16.8)
Effect of exchange rates on cash	<u>(12.4)</u>	<u>5.3</u>	<u>(7.6)</u>
Increase (decrease) in cash and cash equivalents	\$ <u>(28.4)</u>	\$ <u>4.8</u>	\$ <u>48.8</u>
Cash and cash equivalents - end of year	\$ <u>96.6</u>	\$ <u>125.0</u>	\$ <u>120.2</u>

In 2007, cash provided by operating activities was \$162.2 million, including the cash used for non-cash working capital (\$16.9 million) and cash from discontinued operations (\$17.4 million). The increase in non-cash working capital in 2007 was due to the receivable on the sale of ColepCCL of \$72.8 million being included in the year-end working capital. Otherwise, non-cash working capital was reduced due to effective management of receivables, inventory and payables during the year. The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) was 26 at December 31, 2007 as compared to two in 2006 and seven in 2005. If the receivable related to ColepCCL were excluded, working capital and days of working capital would have been negative at year-end 2007.

Cash provided by financing activities in 2007 was \$23.6 million, consisting primarily of an increase due to proceeds from issuance of long-term debt of \$107.1 million, partially offset by retirement of long-term debt of \$64.0 million, decreases in bank advances of \$4.0 million and payment of dividends of \$15.2 million.

Cash used for investing activities in 2007 of \$201.8 million was primarily for capital expenditures (see below), the ITW acquisition (\$105.6 million) and the initial investment in CCL-Kontur in Russia of \$8.8 million, offset in part by proceeds of business dispositions of \$69.5 million. Cash decreased in 2007 by \$28.4 million and included the negative impact of exchange rates of \$12.4 million.

In 2006, cash provided by operational activities of \$161.3 million included \$6.3 million of a reduction in non-cash working capital. Cash provided by financing activities of \$9.3 million consisted primarily of proceeds of long-term debt issuance of \$202.6 million, offset by retirement of long-term debt of \$183.7 million. Cash used for investing activities of \$171.1 million partially included capital expenditures (see below), \$62.2 million for the Prodesmaq acquisition and proceeds of a disposition of \$27.1 million. Cash increased in 2006 by \$4.8 million including the positive effect of currency exchange of \$5.3 million.

Capital spending of \$163.5 million in 2007 versus \$150.4 million and \$155.9 million in 2006 and 2005, respectively, was incurred in all divisions with a view to increasing capacity based on customers' requirements, expanding globally, implementing cost-reduction programs and maintaining the existing asset base. In the last three years, the level of spending was significantly higher than in prior years in order to take advantage of new market opportunities, and to improve infrastructure and operating efficiencies. Capital expenditures in 2008 are expected to be in the \$180 million range to facilitate further growth in existing and new product lines. Depreciation and amortization of other assets for continuing operations in 2007 amounted to \$75.9 million, compared to \$67.0 million in 2006, due to the higher property, plant and equipment base.

C) Interest Rate, Foreign Exchange Management and Other Hedges

The Company uses derivative financial instruments to hedge interest rates, foreign exchange and aluminum cost risks. Contracts are arranged with high-quality financial institutions to minimize the counterparty risk.

CCL had previously hedged a portion of its expected U.S. dollar cash inflows derived from sales into the United States from the Canadian operations, principally the Container plant in Penetanguishene, Ontario. The balance of the U.S. dollar cash inflows was not hedged and was received at the spot exchange rate at the time. In early 2006, with the further diversification of currencies within CCL and the relatively small net exposure involved, the Company decided to stop entering into new hedges and let the existing hedges mature. The last U.S. dollar hedge matured in June 2007.

For 2007, these hedge transactions were at an average rate of \$1.13 compared to the actual average rate for the year of \$1.07. For the year 2006, these hedge transactions were at an average rate of \$1.22 compared to the actual average rate for the year of \$1.13. The negative comparative impact on earnings before tax from continuing operations due to the change in exchange rates versus the prior year on these transactions was \$3.9 million or \$0.09 on earnings per share in 2007, \$2.1 million or \$0.07 per share in 2006 and \$3.1 million or \$0.09 per share in 2005.

The Company uses IRSAs to allocate notional debt between fixed and floating rates since the underlying debt has been fixed rate debt with U.S. financial institutions. The

Company believes that a balance of fixed and floating rate debt can reduce overall interest expense and is in line with its investment in short-term assets (e.g. working capital) and long-term assets (e.g., property, plant and equipment).

In 2002, the Company entered into two IRSAs with a Canadian financial institution, the effect of which was to convert US\$120 million of notional fixed rate debt (hedging the 1996 private placement notes) into floating rate debt, based on the three-month London Inter-Bank Offered Rates ("LIBOR"). These two IRSAs matured simultaneously with the repayment of the 1996 notes in March 2006. In 2003, the Company entered into another IRSA to convert an additional tranche of fixed rate debt to floating rate debt. This IRSA converted US\$42.1 million of notional fixed rate debt (hedging 50% of the 1997 private placement notes) into floating rate debt, based on three-month LIBOR rates. The notional amount of this IRSA decreases by US\$4.7 million annually to match the decrease in the principal of the underlying notes. The notional value of this IRSA is currently US\$23.4 million.

As the Company has developed into a global business, the broad strategy has been to leverage and hedge the assets and cash flows of each major country with debt denominated in the local currency. Since the Company has been primarily borrowing from U.S. institutions in U.S. dollars, the hedging of U.S. operations has been achieved. The Company has significantly increased its euro-based assets and consequently has used CCIRSAs as a means to convert notional U.S. dollar debt into euro debt to hedge the euro-based investment and cash flows.

In March 2006, the Company entered into two CCIRSAs with a Canadian financial institution, the effect of which was to convert US\$60 million of notional 5.29% fixed rate debt (hedging the new five-year private placement notes) into €50 million of notional fixed rate debt at 3.82%. The expiry date is in 2011.

The effect of interest earned on these swap agreements has reduced gross interest expense by \$0.5 million in 2007 compared to \$1.2 million and \$3.5 million in 2006 and 2005, respectively.

The unrealized loss on these contracts is \$13.9 million due primarily to the movement of exchange rates.

The only other material hedge the Company is involved in is aluminum futures contracts for the Container Division - see Section 2C, Container Division's review.

D) Shareholders' Equity and Dividends

Summary of Changes in Shareholders' Equity

<u>For the Year Ended December 31</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net earnings	\$147.9	\$ 77.4	\$163.8
Dividends	(15.4)	(13.8)	(12.8)
Repurchase of shares, net of issuance and settlement of exercised stock options and executive share loans	4.8	1.7	(4.4)
Purchase of shares held in trust	(4.5)	-	(5.6)
Contributed surplus on expensing of stock options and stock based compensation plans	2.5	2.1	1.8
Transition adjustments on adoption of new accounting standards	(0.3)	-	-
Increase (decrease) in accumulated other comprehensive loss	<u>(69.7)</u>	<u>19.4</u>	<u>(26.0)</u>
Increase in shareholders' equity	<u>\$ 65.3</u>	<u>\$ 86.8</u>	<u>\$116.8</u>
Shareholders' equity	\$717.9	\$652.6	\$565.8
Shares outstanding at December 31 - Class A	2,379	2,379	2,422
- Class B	30,501	30,223	30,089
Book value per share (dollars)	\$22.12	\$20.24	\$17.63

The Company's share repurchase program under normal course issuer bids ("bids") is utilized to enhance shareholder value when excess cash and liquidity are in place, and the repurchase is accretive to earnings and the best use of funds at the time. The Company announced effective on March 4, 2008 that it intended to acquire under a bid, up to 13,000 Class A voting shares and 2,500,000 of its issued and outstanding Class B non-voting shares in the following 12-month period. This bid represented 9.7% of the public float of the Class A shares and 10.0% of the public float of the Class B shares.

The current annualized dividend rate before the increase in March 2008 is \$0.43 per Class A share and \$0.48 per Class B share. Including the March 2008 increase, the annualized dividend rate is \$0.51 per Class A share and \$0.56 per Class B share. The Company has historically paid out dividends at a rate of 20%-25% of normalized earnings. As previously discussed, the current payout rate is below target at 17% but would have been 20% if the March 2008 increase were considered.

Book value per share (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) as at December 31, 2007 was \$22.12, up 9% compared to \$20.24 at the end of 2006. It was \$17.63 at the end of 2005.

E) Commitments and Other Contractual Obligations

The Company's obligations relating to debt and leases at the end of 2007 were as follows:

<u>Contractual Obligations</u>	<u>Payments Due by Period</u>						
	<u>Total</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>
Long-term lines of credit	\$ 45.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45.0
Unsecured senior notes issued March 2006, 5.29% repayable March 2011 (US\$ 60.0 million)	59.5	-	-	-	59.5	-	-
Unsecured senior notes issued March 2006, 5.57% repayable March 2016 (US\$110.0 million)	109.0	-	-	-	-	-	109.0
Unsecured senior notes issued September 1997, 6.97% repayable in equal installments starting September 2002 and finishing September 2012 (2007 - US\$ 46.8 million, 2006 - US\$ 56.2 million)	46.4	9.3	9.3	9.3	9.3	9.2	-
Unsecured senior notes issued July 1998, 6.9% weighted average, repayable in three tranches with repayments after 12, 15 and 20 years (US\$ 110.0 million)	109.0	-	-	30.7	-	-	78.3
Interest payments on debt above	133.6	22.1	21.4	19.8	15.6	14.3	40.4
Capital leases	1.5	0.5	0.4	0.4	0.2	-	-
Other long-term obligations	32.9	11.5	3.0	7.3	10.2	0.9	-
Operating leases	<u>39.1</u>	<u>9.2</u>	<u>7.3</u>	<u>5.6</u>	<u>4.3</u>	<u>2.7</u>	<u>10.0</u>
Total contractual obligations	<u>\$576.0</u>	<u>\$52.6</u>	<u>\$41.4</u>	<u>\$73.1</u>	<u>\$99.1</u>	<u>\$27.1</u>	<u>\$282.7</u>

The Company has no material "off-balance sheet" financing obligations except for typical long-term operating lease agreements. The nature of these commitments is described in note 14 of the Consolidated Financial Statements. Additionally, a majority of the Company's post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock. The Company has no other material commitments other than in the normal course of business.

F) Controls and Procedures

Over the last three years, the Canadian Securities Administrators introduced Multilateral Instrument 52-109 ("MI 52-109") defining the Company's obligations to report on its disclosure controls and procedures and its internal control over financial reporting.

CCL continually reviews and enhances its systems of controls and procedures and has taken this additional regulatory reporting requirement as an opportunity to further formulate its financial reporting practices. The work completed in 2006 consisted of the development of a standard set of control documents indicating the key financial control risks the Company considered material and the specific key controls expected to be in place at each in-scope operation to mitigate the identified risk. However, because of the inherent limitations in all control systems, CCL's management acknowledges that its disclosure controls and procedures will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can only provide reasonable, not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

During 2007, CCL continued to build upon the foundation work completed in 2006 involving the evaluation of the disclosure controls and procedures and began the process of conducting effectiveness testing on the disclosure controls and procedures and its internal control over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Vice Chairman and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) on a timely basis so that appropriate decisions can be made regarding public disclosure. CCL’s Disclosure Committee reviews all external reports and documents of CCL before publication to enhance the Company’s disclosure controls and procedures.

As at December 31, 2007, based on this year’s continued evaluation of the disclosure controls and procedures, the CEO and CFO have concluded that our disclosure controls and procedures, as defined in MI 52-109, are effective to ensure that information required to be disclosed in reports and documents that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified. This was also the case at the end of 2006 and 2005.

Internal Control Over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting to CCL Industries Inc.

At the end of 2006, CCL’s management disclosed that due to the nature of its 40% ownership of the ColepCCL joint venture headquartered in Portugal, CCL did not have the ability to design internal controls over financial reporting extending into the joint venture due to the shareholders’ agreement with the majority shareholder of ColepCCL. Consequently, at that time, the CEO and CFO were not in a position to evaluate the design of internal controls over financial reporting with respect to ColepCCL. In 2007, there were no changes from 2006 in the status of CCL’s ability to evaluate the internal controls over financial reporting of ColepCCL. With the sale of ColepCCL in November 2007, this exclusion from complying with the regulations for the ColepCCL operations will not be necessary after the 2007 annual reporting period.

There were no material changes in internal controls over financial reporting in the most recent interim period.

4) RISKS AND UNCERTAINTIES

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services to the non-durable consumer packaging industry on a global basis. These risks and uncertainties could result in a material adverse effect on our business and financial results. A number of these potential risks that could have a material adverse effect on the business, financial condition and results of operations of the Company are listed generally in order of importance as follows:

- CCL's dependence on the world economy and overall consumer confidence, disposable income and purchasing trends, inflation and geopolitical risks both globally and in each jurisdiction in which the Company operates;
- Changes within the competitive environment, including offshore producers, and our ability to be cost competitive and to offer value-added products to our customers, that may impact CCL's future profitability;
- The Company's ability to control the costs of raw materials and energy, including the effective negotiation of prices with suppliers and our ability to pass these costs on to our customers;
- The Container Division's ability to pass higher aluminum costs along to our customers and to effectively utilize the recent and planned added capacity in the business;
- The negative currency translation and transaction effect on consolidated earnings of a strengthening Canadian dollar against the currencies of the many countries in which CCL operates;
- The inability to return to the historical profitability of the Company's Tube Division, which may cause the goodwill and assets of the business to be impaired;
- The risks associated with operating a decentralized organization in over 50 facilities in 15 countries around the world with a variety of different cultures and values;
- Reliance on key employees and the retention of an experienced, skilled workforce;
- The ability of management to successfully integrate acquisitions and joint ventures into its structure, control operating performance and achieve synergies, and the risk associated with potential undisclosed liabilities associated with such acquisitions and joint ventures;
- Consolidation within the retail, healthcare and consumer products marketer base;
- Management of current income tax exposures and historical tax assessments in a multitude of jurisdictions;
- Price expectations by our customers due to pressure from the retail chains;
- The Company's ability to continuously comply with disclosure controls and internal controls over financial reporting requirements under MI 52-109 in light of its global structure;
- Achievement of planned volumes through normal growth and successful renegotiation of current contracts with customers;
- Lack of delivery of planned benefits from cost-reduction programs and recent restructuring efforts;
- The inability to continue to develop innovative packaging solutions;
- Usage of derivatives such as interest rate swaps, forward foreign exchange contracts and aluminum futures contracts to improve financial performance and mitigate earnings fluctuations;
- Availability and cost of property, casualty and executive risk insurance including the ability to manage cost increases and the residual risks not insured and thereby assumed by the Company;
- Operating hazards and product hazards due to the materials, processes and energy used to manufacture and transport the Company's products;

- The maintenance of good labour relations with our salaried and hourly personnel, including unions and labour/management committees;
- The maintenance of existing product regulations in each jurisdiction, allowing the manufacture of current and planned new products;
- The satisfactory settlement of existing legal proceedings and claims, and the management of future legal proceedings and claims; and
- The effective management of legacy issues related to the disposition of prior businesses including representations and warranties, environmental and tax matters and other financial obligations.

Sales from Canadian operations in 2007 were 12% of CCL's total sales from continuing operations. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2007, 38% and 39% of total sales came from the United States and Europe, respectively. The sales from foreign business units in Latin America and Asia in 2007 were 11% of CCL's total sales. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include our operations in Latin America and Asia. These risks include possible currency devaluation, new government controls on business activities, currency controls and changes in taxation and may have a material negative effect on the consolidated financial results of the Company.

The business is subject to numerous statutes, regulations, by-laws, permits and policies related to the protection of the environment and workers' health and safety. CCL maintains active health and safety and environmental programs for the purpose of preventing injuries to employees and pollution incidents at its manufacturing sites. Continual increases in costs for healthcare, workers' compensation and general insurance may result in the Company, in some cases, self-insuring higher levels of coverage and, in all areas, focusing significant resources on the prevention of and management of claims.

The Company also carries out a program of environmental compliance audits. This program includes an independent third party pollution liability assessment. The Company's in-house specialists manage all remediation projects and use the above environmental audit program to assess the adequacy of ongoing compliance at the operating level and to establish provisions, as required, for site restoration plans. CCL also has environmental insurance for most of its operating sites with certain exclusions for historical matters. The Company believes it has made adequate provision in its financial statements for potential site restoration costs and other remedial obligations. These site restoration and environmental reserves amounted to \$7.5 million at December 31, 2007.

5) ACCOUNTING POLICIES AND NON-GAAP MEASURES

A) Key Performance Indicators and Non-GAAP Measures

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

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

Days of Working Capital Employed - A measure indicating the relative liquidity and asset intensity of the Company's working capital. It is calculated by multiplying the net working capital by the number of days in the quarter and then dividing by the quarterly sales. Net working capital includes accounts receivable, inventory, other receivables and prepaid expenses, accounts payable and accruals, income and other taxes payable.

EBITDA - A measure used in the packaging industry and other industries to assist in understanding operating results. It is defined as earnings before interest, taxes, depreciation and amortization, excluding restructuring and other items. We believe that it is an important measure as it allows us to assess our ongoing business without the impact of interest, depreciation and amortization and income tax expenses, as well as non-operating factors. It is intended to indicate our ability to incur or service debt and to invest in property, plant and equipment, and it allows us to compare our business to those of our peers and competitors who may have different capital or organizational structures. EBITDA is a measure tracked by financial analysts and investors and is included in our senior notes and bank covenants and the shareholder agreement with our former partner in the ColepCCL joint venture.

Interest Coverage – A measure indicating the relative amount of operating income earned by the Company compared to the amount of interest expense incurred by the Company. It is calculated as operating income before restructuring and other items and favourable tax adjustments plus net interest expense, divided by net interest expense.

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

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

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

Return on Equity ("ROE") before restructuring and other items and favourable tax adjustments - A measure that provides insight into the effective use of shareholder capital in generating ongoing net earnings. This return on equity is calculated by dividing annual net income before restructuring and other items and favourable tax adjustments by the average of the beginning and end of year shareholders' equity.

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

B) Accounting Policies and New Standards

Accounting Policies

The above analysis and discussion of the Company's financial condition and results of operation are based upon its Consolidated Financial Statements prepared in accordance with Canadian GAAP. A summary of the Company's significant accounting policies is set out in note 1 of the Consolidated Financial Statements. The changes in accounting policies adopted in the current year due to changes in Canadian GAAP are discussed below.

New Accounting Standards Effective 2007

Effective on January 1, 2007, the Company adopted the new CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges and Section 3855, Financial Instruments - Recognition and Measurement.

Section 1530, Comprehensive Income, establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income

refers to items recognized in comprehensive income that are excluded from net earnings calculated in accordance with GAAP.

Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period. This Section requires an enterprise to present a separate component of equity for each category of equity that is of a different nature.

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

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

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

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

Upon adoption of these new standards, the Company recorded a decrease to opening retained earnings of \$3.0 million. The decrease to opening retained earnings was a result of the write-off of previously deferred transaction costs related to issuance of long-term debt (\$1.0 million loss, net of tax of \$0.5 million), the write-off of a deferred loss on the termination of various cross currency interest rate swaps that did not meet

the new requirements (\$2.1 million loss, no tax) and the ineffectiveness of cash flow hedges discussed below (\$0.1 million gain, net of tax).

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

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

In a cash flow hedge, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the statement of earnings. Upon adoption of the new standards, the Company remeasured its cash flow hedge derivatives at fair value. Aluminum forward contracts with an unfavourable fair value of \$0.6 million are a component of the Company's cash flow hedges and are recorded in other receivables and prepaid expenses. In addition, the Company entered into a cross currency interest rate swap agreement (CCIRSA) that converted U.S. dollar fixed rate debt into Canadian dollar fixed rate debt in order to reduce the Company's exposure to the U.S. dollar debt and currency exposures. This CCIRSA is also designated as a cash flow hedge and has an unfavourable fair value of \$8.7 million for the current period and is recorded in long-term debt. The Company also had used forward contracts to hedge foreign exchange exposure on anticipated sales. All existing forward contracts matured earlier this year. These hedges were previously recorded in accounts payable and accrued liabilities.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recorded in net earnings. This change in fair value of the hedged item, to the extent the hedging relationship is effective, is offset by changes in the fair value of the derivative also measured at fair value on the balance sheet date, with changes in value recorded through net earnings. The Company has two CCIRSAs designated as fair value hedges, which convert U.S. dollar fixed rate debt into Canadian dollar floating rate debt in order to reduce interest rate and currency risk. In addition, the Company has an interest rate swap converting U.S. dollar fixed rate debt to U.S. dollar floating rate debt to reduce interest rate risk exposure. These fair value hedges have an unfavourable fair value of \$8.3 million and are recorded in long-term debt.

In a hedge of a net investment in a self-sustaining foreign operation, the portion of the gain or loss on the hedging item that is determined to be an effective hedge should be recognized in comprehensive income and the ineffective portion should be recognized in net earnings. During 2006, the Company entered into CCIRSAs that converted Canadian dollar fixed rate debt and floating rate debt into euro fixed rate debt and euro

floating rate debt in order to hedge the Company's exposure to the euro, with a view to reducing foreign exchange fluctuations and interest expense. These CCIRSA's have been designated as net investment hedges and have a net favourable fair value of \$3.1 million at the end of 2007 and are recorded in other assets and long-term debt.

New Accounting Standards Effective in 2008

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

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

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

C) Critical Accounting Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make critical estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. The Company evaluates these estimates and assumptions on an ongoing basis including, but not limited to, those related to inventories, redundant assets, bad debts, derivatives, hedging instruments, income taxes, intangible assets, restructuring, pension and other post-retirement benefits, environmental liabilities, self-insurance reserves, contingencies and litigation. Estimates and assumptions are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis for the carrying value of certain assets and liabilities and may not be readily apparent from these sources. Reported results may differ from the estimates, under conditions and circumstances that have changed from those assumed in the determination of these estimates. The material impact on reported results and the potential impact and any associated risk related to these

estimates are discussed throughout this Management's Discussion and Analysis and in the notes to the Consolidated Financial Statements.

D) 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 amongst the subsidiaries. These inter-company structures are established on terms typical to arm's length agreements.

The Company has no material related party transactions.

6) OUTLOOK

The North American economy, particularly the economy of the United States, had been slipping toward recession as 2007 progressed and may well be in a recession now. In Western Europe, the economy has been reasonably strong, partly due to market demand for products and services from Eastern Europe including Russia. Asia and South America have continued to enjoy substantial growth. Market demand for the Company's products (packaging components of consumer non-durable goods) has been generally good although the recent slowdown in the United States has had an impact on personal care markets consistent with our customers' public reports. The Company's outlook for 2008 is positive with modest growth anticipated in both North America and Western Europe and greater growth expected in Eastern Europe, Latin America and Asia. The Company's order books are in good shape for most sectors of the business for the first quarter of 2008, and first quarter results are anticipated to be satisfactory after a record first quarter last year, although currency translation will have a sizeable negative impact on the comparison quarter of 2007.

During 2008, the Company will continue to integrate and reorganize the large number of our recent acquisitions and business units to improve accountability and profitability and to simplify administration. The Company has completed two acquisitions since December 2007 and is continuing to investigate mid-sized potential acquisition candidates that meet its criteria of core products and customers and new markets, with the expectation of earnings accretion in the first year of ownership. In addition, existing emerging markets such as China, Southeast Asia, Eastern Europe and Latin America, and new emerging markets for CCL, such as India, are potential areas of expansion that would continue to meet the demands of our global customers.

The organic growth in sales and income experienced in 2007 is anticipated to continue into 2008 as the Company is focused now, with the divestiture of ColepCCL, on growing strictly as a specialty packaging business. There are challenges expected in 2008 as the Company continues to maintain and grow its sales volumes and profit margins in a climate of economic uncertainty. As previously discussed, the financial performance of the Tube Division will be critical given the relatively high level of its carrying value of goodwill. The recent strength in the Canadian dollar relative to the currencies of CCL's foreign operations, if unchanged from current levels, will have a significant negative impact on earnings on a comparative basis with 2007, particularly in the first half of 2008. Interest costs should be lower in 2008 due to the current lower net debt levels and further cash to be received from the sale of ColepCCL. Tax rates generally are

lower in 2008 as a few countries, particularly in Europe, have announced or enacted reduced income tax rates for 2008 and later years. The timing and size of these reductions may have a positive effect on earnings performance in 2008 and beyond.