

May 1, 2003

Dear Shareholder:

Enclosed is information on your Company's First Quarter 2003 results. Your Board of Directors is pleased to see the continued improvement in earnings per share. Earnings per Class B share before unusual items in the quarter of \$0.47 compared to \$0.42 in 2002. CCL's balance sheet has been further strengthened as we are now holding \$114.5 million in cash and cash equivalents as at March 31, 2003 compared to \$103.7 million a year earlier.

Your Board of Directors has approved a dividend payment on June 30, 2003 of \$0.09 per Class B Non-Voting Share and \$0.0775 per Class A Voting Share.

We encourage all shareholders to access our web site [www.cclind.com](http://www.cclind.com) on a regular basis for investor and company news including scheduled dates for future earnings releases. If you would like to have future Press Releases e-mailed to you at the time they are issued, please complete the Information Request Form under the Investor Relations Section on our Web Site. You may also request a direct mailing of all Press Releases by writing to us, attention Christene Duncan.

We usually hold conference calls with our stakeholders following the release of our results. Presentation material used during these calls is posted on our web site and an audio recording of the calls is also available. Instructions for accessing these services are set out at the end of each earnings release.

Yours truly,

Jon K. Grant  
Chairman of the Board

**Investor Update**

1. 2003 First Quarter Results and Dividend Release
2. Consolidated Statements of Earnings and Retained Earnings
3. Consolidated Balance Sheets
4. Consolidated Statements of Cash Flows
5. Notes to Interim Consolidated Financial Statements
6. Management's Discussion and Analysis

News Release

Stock Symbol: TSE - CCL.A and CCL.B

For Immediate Release – Thursday, May 1, 2003

**CCL Releases First Quarter 2003 Results and Declares Dividend**

**Results Summary**

**For the First Quarters Ended March 31<sup>st</sup>**

<b><u>(in millions except per share data)</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>% Change</u></b>
Net sales	<u>\$426.8</u>	<u>\$427.8</u>	(0.2)
Earnings before unusual items, interest, income taxes, depreciation and Amortization (EBITDA)	<u>\$45.9</u>	<u>\$47.1</u>	(2.5)
Earnings before unusual items and income taxes	<u>\$21.5</u>	<u>\$19.5</u>	10.3
Unusual items – net (loss) gain	<u>\$(2.4)</u>	<u>\$1.6</u>	
Net earnings	<u>\$14.1</u>	<u>\$14.8</u>	(4.7)
Per Class B share			
Earnings before unusual items	<u>\$0.47</u>	<u>\$0.42</u>	11.9
Unusual items – net (loss) gain	<u>\$(0.04)</u>	<u>\$0.01</u>	
Net earnings	<u>\$0.43</u>	<u>\$0.43</u>	-
Cash flow per Class B share			
Before unusual items	<u>\$1.03</u>	<u>\$0.95</u>	8.4
Number of shares outstanding (in 000's)			
Weighted average for the period	<u>32,858</u>	<u>34,160</u>	(3.8)
Actual at period end	<u>32,216</u>	<u>34,181</u>	(5.7)

**Toronto, May 1, 2003** -- CCL Industries Inc., a world leader in developing manufacturing, packaging and labelling solutions for the consumer products industry, announced today its financial results for the first quarter ended March 31, 2003. Sales for the first quarter of 2003 of \$426.8 million compared to \$427.8 million in 2002. Earnings, before unusual items and income taxes increased by 10% to \$21.5 million compared to \$19.5 million in the first quarter of 2002 and earnings per Class B share, before unusual items, of \$0.47 in the first quarter of 2003 increased by 12% over the \$0.42 recorded in 2002.

The Canadian dollar has strengthened against the United States dollar over the past year. The value of the United States dollar in the first quarter of 2003 dropped over 5% compared to the first quarter of 2002. Over 60% of CCL's sales come from the United States and this drop has had a significant impact on reported sales and earnings.

If the negative currency translation effect and divestitures in 2002 were excluded, sales would have increased by 5% and earnings per Class B share, before unusual items, would have been approximately \$0.02 higher in the first quarter of 2003.

Earnings before unusual items, interest, income taxes, depreciation and amortization (EBITDA) were \$45.9 million for the first quarter of 2003 compared to \$47.1 million a year ago. Cash flow per Class B share before unusual items, (defined as net earnings before unusual items, plus depreciation and amortization), for the period amounted to \$1.03 compared to \$0.95 a year earlier.

The unusual item in the first quarter of 2003, representing a loss of \$2.4 million before tax (\$1.5 million after tax) or \$0.04 per Class B share, arose from restructuring costs related to the sale of the non-core "series 400" product line of plastic closures which were manufactured in the Los Angeles facility. This loss had been anticipated and disclosed in our year-end report. The unusual gain in the first quarter of 2002 of \$1.6 million consisted of a foreign exchange gain on capital repatriated from foreign subsidiaries net of a loss before tax of \$0.2 million on the disposal of a non-core business unit. This disposal also created additional tax expense resulting in an overall net gain of \$0.01 per Class B share for the quarter.

Net interest expense for the quarter was \$6.1 million compared to \$8.5 million in the first quarter of 2002. Interest expense is net of interest earned on both short-term investments and interest rate swaps. The lower interest expense was due to the lower net debt level as a result of the significant amount of cash generated over the past year, higher interest rate swap income and favourable currency translation.

The Company's financial position remains strong. As at March 31, 2003, cash and cash equivalents amounted to \$114.5 million compared to \$156.1 million as at December 31, 2002 and \$103.7 million as at March 31, 2002. Net debt amounted to \$370.1 million as at March 31, 2003 compared to \$366.3 million as at December 31, 2002 and \$438.1 million a year ago. Operations generated \$36.8 million in cash during the first quarter of 2003 of which \$28.1 million was expended on the anticipated seasonal build-up in working capital to support the business. In addition, \$27.2 million

was spent on capital assets, \$2.8 million on dividends to shareholders and \$17.1 million on share repurchases net of issuances.

Net debt to total capitalization and book value per share were 47.6% and \$12.62 as at March 31, 2003 compared to 45.6% and \$13.10 as at December 31, 2002 and 49.3% and \$13.16 respectively, as at March 31, 2002, on a comparable basis. Book value per share was affected mainly by the devaluation of the United States dollar relative to the Canadian dollar over the past year since the Company has a majority of non-Canadian net assets. The currency translation adjustment, related to all non-Canadian net assets and which is reflected in shareholder's equity, was reduced to \$22.7 million as at March 31, 2003 compared to \$45.4 million as at December 31, 2002 and \$38.0 million as at March 31, 2002.

Donald G. Lang, President and Chief Executive Officer said, "the strong consumer demand experienced throughout 2002 in North America continued to benefit our first quarter of 2003 and the Company's order bank in North America remains generally strong through the second quarter. Unfortunately, the economic slowdown in Europe that became evident in the last half of 2002 continues to affect both the contribution from and the outlook of the U.K. and German Custom Manufacturing operations. On the other hand, earnings in the first quarter, before unusual items, benefited from the restructuring efforts carried out over the past two years, lower interest expense and a lesser number of shares outstanding in 2003 compared to 2002."

Mr. Lang continued, "our outlook remains positive, but cautious, for the balance of 2003. World events, an unclear pattern of consumer confidence and recovery within both the North American and European economies remain uncertain. However, we are optimistic that CCL will have earnings per share growth in 2003 despite unfavourable currency translation as a result of the continuing strong customer demand in North America, our lower cost structure, and the reduction in interest expense and shares outstanding."

Mr. Lang concluded, "I am pleased to inform you that your Board of Directors has approved the payment of a dividend of \$0.0775 on the Class A Voting and \$0.09 on the Class B non-voting Shares payable June 30, 2003 to shareholders of record at the close of business on June 16, 2003. This dividend reflects the strong cash flow being generated by your Company."

CCL Industries Inc. (TSX CCL.A and CCL.B) provides state-of-the-art packaging solutions, including specialty aluminum and plastic packaging and innovative product labelling, to some of the world's largest producers of consumer brands, helping them to get their products to market quickly and cost-effectively. CCL develops solutions for producers of leading consumer brands in personal care, cosmetic, pharmaceutical, household and specialty food products. With headquarters in Toronto, Canada, CCL employs 7,000 people and operates 35 production facilities in North and Central America and Europe.

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      Senior Vice President      416-756-8517  
and Chief Financial Officer

**Note:** CCL will hold a conference call at 10:00 a.m. EST on Friday, May 2, 2003 to discuss these results. To access this call, please dial 1-800-404-8949 or 416-641-6449.

Post-View service will be available from Friday, May 2, 2003 at 12:00 p.m. EST until Sunday, June 1, 2003 at 12:00 p.m.  
Dial: 1-800-558-5253 Access Code: 21138738.

For more details on CCL, visit our web site - [www.cclind.com](http://www.cclind.com)

Financial Tables follow ...

**CCL INDUSTRIES INC.**  
**2003 First Quarter**  
**Consolidated Statements of Earnings and Retained Earnings**

Unaudited	First quarter ended March 31st		
(in millions of dollars, except per share data)	2003	2002	% Change
<b>Sales</b>	\$ 426.8	\$ 427.8	(0.2)
<b>Earnings before unusual items, interest, income taxes, depreciation and amortization (EBITDA - see below)</b>	45.9	47.1	(2.5)
Depreciation, and amortization of other assets	18.3	19.1	
Interest expense (net)	6.1	8.5	
<b>Earnings before unusual items and income taxes</b>	21.5	19.5	10.3
Unusual items - net (loss) gain (note 3)	(2.4)	1.6	
<b>Earnings before income taxes</b>	19.1	21.1	(9.5)
Income taxes	5.0	6.3	
<b>Net earnings</b>	\$ 14.1	\$ 14.8	(4.7)
<b>Retained earnings, beginning of period</b>	199.4	328.2	
Cumulative effect of change in accounting policy	-	(123.4)	
<b>Retained earnings, beginning of period, restated</b>	199.4	204.8	
Net earnings	14.1	14.8	
Purchase of shares (note 4)	(11.4)	-	
	202.1	219.6	
Less dividends:			
Class A shares	0.2	0.2	
Class B shares	2.6	2.5	
	2.8	2.7	
<b>Retained earnings, end of period</b>	\$ 199.3	\$ 216.9	
<b>Earnings per share</b>			
Class B	\$ 0.43	\$ 0.43	-
Class A	\$ 0.42	\$ 0.42	-
<b>Diluted earnings per share</b>			
Class B	\$ 0.42	\$ 0.43	(2.3)
Class A	\$ 0.41	\$ 0.42	(2.4)

EBITDA does not have any standardized meaning prescribed by generally accepted accounting principles, therefore, may not be comparable to similar measures presented by other issuers.

See notes to interim consolidated financial statements.

**CCL INDUSTRIES INC.**  
**2003 First Quarter**  
**Consolidated Balance Sheets**

Unaudited	March 31st	March 31st	Dec 31st
(in millions of dollars, except book value per share data)	<u>2003</u>	<u>2002</u>	<u>2002</u>
	restited note 2		
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 114.5	\$ 103.7	\$ 156.1
Accounts receivable - trade	216.4	224.6	209.0
Other receivables and prepaid expenses	30.9	27.1	27.3
Income and other taxes recoverable	2.6	-	-
Inventories	124.2	164.1	136.9
	<u>488.6</u>	<u>519.5</u>	<u>529.3</u>
Capital assets	480.2	503.0	507.9
Other assets	26.7	59.5	30.4
Goodwill (note 2)	259.5	276.1	275.1
<b>Total assets</b>	<b>\$ 1,255.0</b>	<b>\$ 1,358.1</b>	<b>\$ 1,342.7</b>
<b>Liabilities</b>			
Current liabilities			
Bank advances	\$ -	\$ 5.5	\$ 0.4
Accounts payable and accrued liabilities	257.1	255.3	275.2
Income and other taxes payable	-	4.1	0.2
Current portion of long-term debt	15.5	16.5	16.3
	<u>272.6</u>	<u>281.4</u>	<u>292.1</u>
Long-term debt	469.1	519.8	505.7
Other long-term items	31.2	34.4	32.6
Future income taxes (note 2)	75.5	72.6	75.3
<b>Total liabilities</b>	<b>848.4</b>	<b>908.2</b>	<b>905.7</b>
<b>Shareholders' equity</b>			
Share capital (note 4)	186.5	195.0	192.2
Executive share purchase plan loans (note 4)	(1.9)	-	-
Retained earnings (note 2)	199.3	216.9	199.4
Foreign currency translation adjustment	22.7	38.0	45.4
<b>Total shareholders' equity</b>	<b>406.6</b>	<b>449.9</b>	<b>437.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,255.0</b>	<b>\$ 1,358.1</b>	<b>\$ 1,342.7</b>
Net debt	\$ 370.1	\$ 438.1	\$ 366.3
Net debt to equity	91.0%	97.4%	83.8%
Net debt to total capitalization	47.6%	49.3%	45.6%
Book value per share	\$ 12.62	\$ 13.16	\$ 13.10

Net debt is defined as bank advances and long-term debt net of cash and cash equivalents.

See notes to interim consolidated financial statements.

**CCL INDUSTRIES INC.**  
**2003 First Quarter**  
**Consolidated Statements of Cash Flows**

Unaudited	First quarter ended March 31st	
(in millions of dollars)	<u>2003</u>	<u>2002</u>
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net earnings	\$ 14.1	\$ 14.8
Items not requiring cash:		
Depreciation, and amortization of other assets	18.3	19.1
Future income taxes	2.5	1.5
Unusual items	1.9	(1.6)
	36.8	33.8
Net change in non-cash working capital	(28.1)	(23.0)
Cash provided by operating activities	8.7	10.8
<b>Financing activities</b>		
Retirement of long-term debt	(1.2)	(0.2)
Decrease in bank advances	(0.4)	(7.6)
Issue of shares	0.1	0.4
Repurchase of shares	(17.2)	-
Dividends	(2.8)	(2.7)
Cash used for financing activities	(21.5)	(10.1)
<b>Investing activities</b>		
Additions to capital assets	(27.2)	(10.6)
Proceeds on disposals	1.2	17.7
Business acquisitions	-	(18.0)
Other	(0.6)	0.9
Cash used for investing activities	(26.6)	(10.0)
Effect of exchange rate changes on cash	(2.2)	0.1
Decrease in cash	(41.6)	(9.2)
Cash and cash equivalents at beginning of period	156.1	112.9
Cash and cash equivalents at end of period	\$ 114.5	\$ 103.7

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

See notes to interim consolidated financial statements.

**CCL INDUSTRIES INC.**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**PERIODS ENDED MARCH 31, 2003 AND 2002**  
**(Tabular amounts in millions except share data)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The disclosures contained in these unaudited interim consolidated financial statements do not include all of the requirements of generally accepted accounting principles for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2002.

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated statements, except that starting January 1, 2003, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Emerging Issue Committee (EIC) 132 abstract on Share Purchase Financing as described in note 4.

**2. GOODWILL**

Effective January 2002, the Company adopted the CICA's Handbook Section 3062, "Goodwill and other intangibles assets" retroactively without restatement of prior periods. In the third quarter of 2002, the Company recorded an impairment loss of \$125.0 million (\$123.4 million after tax) as a result of completing the initial impairment test under the new standard. As a result the comparative figures for the first quarter of 2002 have been restated to recognize this charge to opening retained earnings and the corresponding reduction in goodwill and future income taxes.

**3. UNUSUAL ITEMS**

In February 2003, the Company sold its non-core "series 400" product line of plastic closures which were manufactured in the Los Angeles facility. Restructuring costs of \$2.4 million (\$1.5 million after tax) related to the shutdown plans were incurred in the first quarter of 2003. In December 2002, a provision of \$2.4 million (\$1.5 million after tax) for inventory and capital asset write-down related to this disposal had been recorded.

In the first quarter of 2002, the Company recorded a loss of \$0.2 million (\$1.4 million after tax) in connection with the disposal of its K-G Packaging business, and a gain of \$1.8 million (\$1.8 million after tax) as a result of the repatriation of capital from a foreign subsidiary.

**CCL INDUSTRIES INC.**

**NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**PERIODS ENDED MARCH 31, 2003 AND 2002**  
**(Tabular amounts in millions except share data)**

**4. SHARE CAPITAL**

**Issued and outstanding**

Actual number of shares:

	<u>March 31, 2003</u>	<u>March 31, 2002</u>	<u>December 31, 2002</u>
Class A	2,446,899	2,460,939	2,447,419
Class B	29,919,244	31,720,004	30,905,424
Less: Employee Share Purchase Plan loans	(150,000)	-	-
Total	32,216,143	34,180,943	33,352,843

Weighted average number of shares:

	<u>March 31, 2003</u>	<u>March 31, 2002</u>	<u>December 31, 2002</u>
Total	32,857,927	34,159,776	33,941,905

During the quarter, 1.0 million shares were repurchased for \$17.2 million. The excess of the purchase price over the paid up capital of \$11.4 million was charged to retained earnings.

**Executive Share Purchase Plan loans**

Effective January 1, 2003, the Executive Share Purchase Plan loans have been deducted from shareholders' equity based on the recent EIC Abstract on share purchase financing. This accounting change cannot be applied retroactively. These loans are non-interest bearing and are secured by 150,000 Class B shares of the Company (quoted value at March 31, 2003 of \$17.55). The loans have a ten-year term and are only repayable if the directors or officers elect to sell their Class B shares, or if they leave the Company.

**5. GUARANTEES**

In connection with the divestiture of certain operations in prior periods, the Company has indemnified the purchasers against claims from the past conduct of the business and also provided certain guarantees in relation to the obligations of the purchasers. It is not possible to quantify the maximum potential liability in relation to the indemnities. The maximum exposure under these guarantees, if the purchaser were to default on their obligations, is approximately \$2 million. The Company has fully provided for these guarantees. The Company has recourse to the purchaser in the event they are required to make payment under the guarantees.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31, 2003 AND 2002  
(Tabular amounts in millions except share data)

6. SEGMENTED INFORMATION

Industry segments

	First quarter ended March 31st					
	Sales		EBITDA		Operating income	
	2003	2002	2003	2002	2003	2002
<b>Custom Manufacturing</b>	\$ 229.3	\$ 235.2	\$ 16.6	\$ 18.8	\$ 11.5	\$ 13.6
Return on sales			7.2%	8.0%	5.0%	5.8%
Growth	(2.5)%		(11.7)%		(15.4)%	
<b>Container</b>	88.7	84.2	16.5	15.6	9.4	7.8
Return on sales			18.6%	18.5%	10.6%	9.3%
Growth	5.3%		5.8%		20.5%	
<b>Label</b>	108.8	108.4	15.0	14.7	9.2	8.8
Return on sales			13.8%	13.6%	8.5%	8.1%
Growth	0.4%		2.0%		4.5%	
<b>Total operations</b>	\$ 426.8	\$ 427.8	48.1	49.1	30.1	30.2
Return on sales			11.3%	11.5%	7.1%	7.1%
Growth	(0.2)%		(2.0)%		(0.3)%	
<b>Corporate expense</b>			(2.2)	(2.0)	(2.5)	(2.2)
			\$ 45.9	\$ 47.1	27.6	28.0
Interest expense (net)					6.1	8.5
<b>Earnings before unusual items and income taxes</b>					21.5	19.5
Unusual items - net (loss) gain (note 3)					(2.4)	1.6
Earnings before income taxes					19.1	21.1
Income taxes					5.0	6.3
<b>Net earnings</b>					\$ 14.1	\$ 14.8

	<u>Identifiable Assets</u>		<u>Goodwill</u>		<u>Depreciation &amp; Amortization</u>		<u>Capital Expenditures</u>	
	<u>March 31st</u>	<u>Dec 31st</u>	<u>March 31st</u>	<u>Dec 31st</u>	<u>Three months ended March 31st</u>		<u>Three months ended March 31st</u>	
	2003	2002	2003	2002	2003	2002	2003	2002
<b>Custom Manufacturing</b>	\$ 345.0	\$ 378.7	\$ 38.3	\$ 40.5	\$ 5.1	\$ 5.2	\$ 3.2	\$ 5.3
<b>Container</b>	386.5	404.6	60.2	63.9	7.1	7.8	10.0	2.4
<b>Label</b>	396.1	404.0	161.0	170.7	5.9	5.9	14.0	2.8
<b>Corporate</b>	127.4	155.4	-	-	0.2	0.2	-	0.1
<b>Total</b>	\$ 1,255.0	\$ 1,342.7	\$ 259.5	\$ 275.1	\$ 18.3	\$ 19.1	\$ 27.2	\$ 10.6

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **First Quarters ended March 31, 2003 and 2002**

#### **Overview of Consolidated Operations**

The reasonably solid demand by our customers experienced throughout 2002 in North America continued to benefit the first quarter of 2003. The Company's order book in North America remains generally strong. Unfortunately, the economic slowdown in Europe that became evident in the last half of 2002, continues to affect both the contribution from and the outlook of the U.K. and German Custom Manufacturing operations. Earnings per Class B share before unusual items of \$0.47 for the quarter benefited from the higher unit sales volumes, the positive effect of the prior year's restructuring programs, lower interest expense and the lower number of shares outstanding in 2003 compared to 2002. These results were despite the strengthening of the Canadian dollar by over 5% against the United States dollar, which had a negative effect on currency translation, and impacted earnings by approximately \$0.02 per share compared to last year. Earnings per Class B share before unusual items in the first quarter of 2002 amounted to \$0.42.

Consolidated sales of \$426.8 million in the first quarter of 2003 were flat compared to the prior year. If the effect of foreign exchange and sales from divestitures in 2002 were excluded, sales would have increased by 5% in the first quarter of 2003 compared to the first quarter of 2002.

Earnings before unusual items and income taxes amounted to \$21.5 million in the first quarter of 2003 compared to \$19.5 million in the same quarter of 2002. Cash flow per Class B share before unusual items (defined as net earnings before unusual items, plus depreciation and amortization) increased to \$1.03 in the first quarter of 2003 compared to \$0.95 in the same quarter of 2002.

The unusual item in the first quarter of 2003, as anticipated in our year-end report, representing a loss before tax of \$2.4 million (\$1.5 million after tax) or \$0.04 per Class B share, arose from restructuring costs related to the sale of the non-core "series 400" product line of plastic closures which was manufactured in our Los Angeles facility. The unusual gain in the first quarter of 2002 of \$1.6 million consisted of a foreign exchange gain on capital repatriated from foreign subsidiaries net of a loss before tax of \$0.2 million on the disposal of a non-core business unit. This disposal also created additional tax expense resulting in an overall net gain of \$0.01 per Class B share. Net earnings per Class B share in the first quarter were \$0.43 in both 2003 and 2002.

The Company's financial position remains strong. As at March 31, 2003, cash and cash equivalents amounted to \$114.5 million compared to \$156.1 million as at December 31, 2002 and \$103.7 million as at March 31, 2002. Net debt amounted to \$370.1 million as at March 31, 2003 compared to \$366.3 million as at December 31, 2002 and \$438.1 million a year ago. Operations generated \$36.8 million in cash during the first quarter of 2003, of which \$28.1 million was expended on the anticipated seasonal build-up in working capital

to support the business. In addition, \$27.2 million was spent on capital assets, \$2.8 million on dividends to shareholders and \$17.1 million on share repurchases, net of issuances. In the 2002 and 2001 calendar years, capital spending was very tightly controlled and was less than the \$75 million average depreciation and amortization of other assets in these years. The plan in 2003 is to spend in excess of depreciation and amortization on new capital in order to take advantage of new market opportunities and to improve operating efficiencies.

Net debt to total capitalization and book value per share were 47.6% and \$12.62, respectively, as at March 31, 2003, compared to 45.6% and \$13.10 as at December 31, 2002 and 49.3% and \$13.16 as at March 31, 2002, on a comparable basis. Book value per share was affected by the devaluation of the United States dollar relative to the Canadian dollar over the past year since the Company has a majority of non-Canadian net assets. The currency translation adjustment, related to all non-Canadian net assets and which is reflected in shareholders' equity, was reduced to \$22.7 million as at March 31, 2003 compared to \$45.4 million as at December 31, 2002 and \$38.0 million as at March 31, 2002. In addition, effective January 1, 2003, the rules covering the treatment of Executive Share Purchase Plan loans changed. These loans, which amounted to \$1.9 million and are secured by the related 150,000 Class B shares, were previously carried both as an asset and issued shares. Under the new accounting rules, which cannot be applied retroactively, these loans are now disclosed as a reduction in equity and in the number of shares issued. The effect of this change and the comparability of the above ratios are not material.

Net interest expense for the quarter was \$6.1 million compared to \$8.5 million in the first quarter of 2002. Interest expense is net of interest earned on both short-term investments and interest rate swaps. The Company is amortizing a gain realized on the sale of an Interest Rate Swap Agreement in 2001. In June and December 2002, the Company entered into two additional Interest Rate Swap Agreements with a Canadian financial institution, the effect of which was to convert US\$120 million of notional fixed rate debt into floating rate debt. The unrealized gain on these agreements, as at March 31, 2003, amounted to \$5.1 million. The effect on interest earned on these three Swaps was to reduce interest expense by \$1.4 million in the first quarter of 2003 compared to \$0.8 million in the same quarter of 2002. Interest coverage (defined as operating income before unusual items, goodwill amortization and interest expense divided by interest expense, calculated on a 12-month rolling basis) was much improved to 3.79 times in 2003 versus 2.84 times in 2002.

The tax rate before unusual items of 27.5% in the first quarter of 2003 compares to 26.0% in the first quarter of 2002. These effective rates are lower than the combined Canadian federal and provincial tax rate of 32.5% for the year 2003 and 33.3% for 2002, due to the benefit of lower tax rates in foreign subsidiaries net of income and expense items not subject to tax. Approximately 80% of CCL's sales are derived 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, the impact of tax losses not previously recognized, and the impact of income and expense items not subject to tax.

In the third and fourth quarters of 2002, the Company provided for, as unusual items, its total investment of \$37.3 million in Miza Pharmaceuticals. During the first quarter of 2003, the Administrators sold the U.K. and Irish assets separately. The amount and timing of a partial recovery, if any, of this investment remains uncertain.

The Company's three-year global property and casualty insurance policies expired on April 30, 2003. The cost of the new coverage, while significantly higher than the expired coverage, is in line with the Company's operating plan and expectations.

The outlook remains positive, but cautious, for the balance of 2003. World events, an unclear pattern of consumer confidence and recovery within both the North American and European economies combined with the unfavourable currency translation due to the weak U.S. dollar remain uncertain. However, management is optimistic that the Company will have earnings per share growth in 2003 as a result of continuing strong demand in North America, lower interest expense and the lesser number of shares outstanding in 2003, in addition to the continuing benefits from the restructuring efforts carried out over the past two years.

### **Discussion of divisional business segments**

#### **Custom Manufacturing - Operating income in the first quarter \$11.5 million in 2003 vs. \$13.6 million in 2002 (down 15%).**

First quarter 2003 sales and income contribution of the Division, compared to the first quarter of 2002, was negatively affected by the softness in demand in Europe, which became evident in the last half of 2002. Sales of the ongoing business excluding the effect of foreign exchange and sales related to the disposition of a non-core unit in the first quarter of 2002, increased 3% in the first quarter in 2003 compared to the same quarter in 2002. Demand in North America continues to be stable; however, the economic slowdown in both the U.K. and German operations, continues.

Operating income was down in the quarter in both North America and Europe compared to 2002. Both the number of units shipped and sales in the first quarter increased in North America, however, operating income was lower due to the production of lower margin products and the negative effect of currency translation. The contribution from the U.K. and German facilities was down due to a 20% sales volume reduction compared to the first quarter of 2002.

During the quarter, management announced the decision to consolidate production of selected product lines from the Grimsby, U.K. plant into the Scunthorpe, U.K. plant by the end of the year and to either sell the remaining business or close the facility at Grimsby.

Modest one-time costs will be incurred during this transition.

The Division invested \$3.2 million in capital assets in 2003 compared to \$5.3 million in 2002, to reduce costs, while maintaining and expanding its manufacturing base. Depreciation and amortization of other assets amounted to \$5.1 million in 2003 compared to \$5.2 million in 2002.

**Container - Operating income in the first quarter \$9.4 million in 2003 vs. \$7.8 million in 2002 (up 21%).**

Sales for this Division increased over 5% in the first quarter of 2003 compared to 2002. If the effect of foreign currency translation was excluded, sales and operating income increased 12% and 28%, respectively, in the quarter. All business units within this Division contributed to the improved operating income, in spite of lower sales in the Aluminum Tube and Mexican business units. The increase in sales was due to strong demand for aluminum beverage bottles and plastic tubes.

Both the Plastic Packaging and the Aluminum Tube business units within the Container Division continued to demonstrate operational improvements in the first quarter. These two business units had experienced significant operational issues over the past two years.

On March 5, 2003, the Company announced the sale of its non-core "series 400" closure business. As a result, the downsized Los Angeles plant and the new Wilkes-Barre, PA facility will now focus strictly on plastic tube manufacturing. These two plants currently have very strong order books.

The Division invested \$10.0 million in capital assets in 2003 compared to \$2.4 million in 2002 to maintain and expand its manufacturing base and to reduce its production costs. Depreciation and amortization of other assets in 2003 amounted to \$7.1 million compared to \$7.8 million in 2002. This Division is in the process of installing two new aluminum can lines, at an estimated outlay of \$27 million in 2003 and 2004, to support demand for the growing niche beverage and specialty shaped container market of which \$4.0 million was spent in the first quarter of 2003. The first line is scheduled for commercial production in late 2003 and the second for early 2004.

**Label - Operating income in the first quarter \$9.2 million in 2003 vs. \$8.8 million in 2002 (up 5%).**

Sales from continuing operations, which included the European plants acquired in early February 2002, were flat in the first quarter compared to 2002. If the effect of foreign currency translation was excluded, sales and operating income increased 4% and 8%, respectively, in the quarter.

Demand remained generally strong in this Division; however, the Mexican plant and one U.S. plant had lower than expected performance due to both decreased volume and a mix of lower margin products. This Division is in the process of relocating its Monrovia, CA

facility to Upland, CA, and commissioning a major new gravure printing press in Sioux Falls, SD. Management estimates that the expense associated with these initiatives during 2003 will be in the range of \$3 million of which approximately \$0.8 million was incurred in the first quarter. The European plants acquired on February 1, 2002 made a solid improvement in sales and operating income in the first quarter of 2003 compared to 2002.

The Division continues to work on expansion with emphasis on higher margin product lines and high growth geographies. In December 2002, the Division announced its intent to form a 51% controlled European joint venture with Pachem AG, headquartered in Hohenems, Austria, and expand its technology and know-how base in the decoration of food, beverage and battery containers. Negotiations on this venture are continuing. In addition, in January 2003, the Division commenced the establishment of a start-up operation in Thailand to supply global customers in the personal care and health care markets. This initial investment, which includes two new printing presses and leasehold improvements will amount to approximately \$6 million, is supported by a contract from a major international customer.

In the first quarter of 2003, the Division spent \$14.0 million in capital assets to maintain and expand its manufacturing base compared to \$2.8 million in the same period in 2002. Depreciation and amortization of other assets amounted to \$5.9 million in the first quarters of 2003 and 2002. Over the next few years, the Division has a plan to replace and/or upgrade its printing and associated manufacturing base as part of a strategy to broaden the Division's capability and at the same time improve operating efficiencies and reduce spoiled product and inventory.

The Division is also in the process of selling its existing plant in Leeds, U.K. to a property developer at a significant gain, and relocating in 2004 to a new facility in the area.

### **Liquidity and Capital Structure**

The Company's current debt structure comprises primarily three private debt placements issued in 1996, 1997 and 1998, totaling US\$323.6 million (Cdn\$475.0 million) at March 31, 2003, with an average interest rate of 5.9% factoring in the related Interest Rate Swap Agreements. A scheduled repayment of US\$9.4 million (Cdn\$13.8 million) on one of these notes is due September 16, 2003. During the first quarter of 2003, the note holders of the above debt agreed to change the loan covenants in the Company's favour to reflect recent changes in the accounting rules for goodwill impairment. The net debt analysis is as follows:

<u>\$ Millions</u>	<u>March 31</u> <u>2003</u>	<u>December 31</u> <u>2002</u>	<u>March 31</u> <u>2002</u>
Total debt	\$484.6	\$522.4	\$541.8
Cash on hand	<u>(114.5)</u>	<u>(156.1)</u>	<u>(103.7)</u>
<b>Net debt</b>	<b><u>\$370.1</u></b>	<b><u>\$366.3</u></b>	<b><u>\$438.1</u></b>

A summary of cash flow during the first quarters of 2003 and 2002 is as follows:

	<u>First Quarter</u>	
	<u>2003</u>	<u>2002</u>
<u>Cash inflows</u>		
Cash provided by operating activities (before change in non-cash working capital)	\$36.8	\$33.8
Proceeds on disposals	1.2	17.7
Other (net)	<u>(0.6)</u>	<u>0.9</u>
	<u>37.4</u>	<u>52.4</u>
<u>Cash outflows</u>		
Net increase in non-cash working capital	28.1	23.0
Additions to capital assets	27.2	10.6
Business acquisitions including debt assumed	-	18.6
Dividends to shareholders	2.8	2.7
Repurchase of shares, net of issuance	<u>17.1</u>	<u>(0.4)</u>
	<u>75.2</u>	<u>54.5</u>
Net cash outflow	37.8	2.1
Translation of foreign denominated debt, mainly U.S. dollars	<u>(34.0)</u>	<u>0.3</u>
Increase in net debt	<u>\$3.8</u>	<u>\$2.4</u>

Non-cash working capital traditionally increases during the first few months of each year, to accommodate increased customer activity following the slower year-end period, before reducing to its lowest point at year-end. The cash outflow associated with non-cash working capital for the first quarter of 2003 was \$28.1 million as expected.

In the first quarter of 2002, the Company sold the balance of the K-G Packaging business unit for proceeds of \$17.7 million and acquired the European label plants for \$18.6 million, including debt assumed.

Capital spending was \$27.2 million in the first quarter of 2003 compared to \$10.6 million for the same period in 2002. Capital spending was incurred in all divisions with a view to increasing capacity based on customers' requirements, implementing cost reduction

programs, and maintaining the existing business base. For the full year of 2003, it is anticipated that capital spending will be higher than 2002 as a result of additional opportunities to expand beverage can capacity in the Container Division and to upgrade the printing capability in the Label Division. Depreciation and amortization of other assets amounted to \$18.3 million in the first quarter compared to \$19.1 million a year earlier.

Total dividends for the quarter were \$2.8 million compared to \$2.7 million last year. The quarterly dividend rate was increased by 12.5% in the third quarter of 2002 reflecting the strong cash flow being generated by the business. The current annualized dividend rate is \$0.31 per Class A share and \$0.36 per Class B share. The Company has historically paid out dividends at a rate of 20-25% of normalized earnings.

The Company has a Normal Course Issuer Bid (NCIB) in place, which is governed by the rules of the Toronto Stock Exchange. CCL's current NCIB commenced on August 7, 2002 and terminates on August 6, 2003. It permits for the repurchase of up to 20,000 Class A shares and 2.1 million Class B shares. During the first quarter of 2003, the Company repurchased 992,300 Class B shares at an average price of \$17.31 per share. As at March 31, 2003, the Company may repurchase up to an additional 20,000 Class A and 583,300 Class B shares under the current NCIB.

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 13 of the December 31, 2002 Annual Consolidated Financial Statements. Additionally, the vast majority of the Company's post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock.

## **Risks and Strategy**

There have not been any significant changes during 2003 in either the risks to the business or the strategies from those discussed in the 2002 Management's Discussion and Analysis document in the Annual Report.

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 of the first quarters ended March 31, 2003 and 2002 and an update to the 2002 Annual MD&A document. This interim MD&A should be read in conjunction with the Company's March 31, 2003 first quarter unaudited financial statements released on May 1, 2003 and the 2002 Annual MD&A document, which forms part of the CCL INDUSTRIES INC. 2002 Annual Report, dated February 13, 2003.

The above financial statements have been prepared in accordance with Canadian generally accepted principles and in accordance with the requirements of section 1751 of the CICA Handbook. Unless otherwise noted, both these financial statements and this interim MD&A are expressed in Canadian dollars. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy of the Company.