

July 30, 2004

Dear Shareholder:

Enclosed are CCL's Second Quarter 2004 financial results and related public disclosures describing your Company's recent business activities.

Over the last few years, CCL has been identifying its core businesses for the future and shedding businesses that did not fit into its primary competencies. This focus has allowed your Company to find important new opportunities, many of which have been outside of North America. As a result, your Board of Directors is pleased that new partnerships have been formed with high quality international companies to allow CCL to expand quickly into these geographies.

The Custom Manufacturing joint venture with COLEP, completed earlier this month, and the contemplated Steinbeis Label merger also announced in July are important steps designed to provide growth in CCL's core businesses in high growth areas such as Eastern Europe and Asia, while dramatically increasing market share in the rest of Europe. These transactions are strategic initiatives that are part of the exciting future that we see for your Company.

In recognition of the continued stable cash flow generated by your Company, the Board of Directors is pleased to approve a quarterly dividend payable on September 30, 2004. This dividend continues at the same level as the prior quarter, which reflected an 11% increase. The dividend is \$0.10 per Class B non-voting share and \$0.0875 per Class A voting share.

Conference calls with our stakeholders are always held following the release of our quarterly results. These calls are made to ensure that all stakeholders can gain further insight into our business in keeping with good corporate governance practices. Presentation material used during the conference 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 this earnings release.

We encourage all shareholders to access our web site 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.

Yours truly,

Jon K. Grant
Chairman of the Board

Investor Update

1. 2004 Second 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. Second Quarter Management's Discussion and Analysis
7. Normal Course Issuer Bid dated May 21, 2004
8. CCL Industries Realigns its Canadian Label Business dated July 5, 2004
9. CCL Industries announces the planned merger of its European and Asian Label Businesses with Steinbeis Holding dated July 9, 2004
10. CCL Completes European Joint Venture with COLEP dated July 12, 2004

News Release**Stock Symbol: TSX – CCL.A and CCL.B****For Immediate Release – Friday, July 30, 2004****CCL Releases Second Quarter 2004 Results and Declares Dividend****Results Summary**

	For Periods Ended June 30th					
	Second Quarters			Six Months		
<u>(in millions of Cdn dollars except per share data)</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Sales	\$ <u>377.4</u>	\$ <u>390.4</u>	(3.3)	\$ <u>767.5</u>	\$ <u>817.2</u>	(6.1)
Unusual items - net	\$ <u>-</u>	\$ <u>(1.3)</u>		\$ <u>-</u>	\$ <u>(3.7)</u>	
Net earnings	\$ <u>11.9</u>	\$ <u>14.7</u>	(19.0)	\$ <u>26.7</u>	\$ <u>28.8</u>	(7.3)
Per Class B share						
Net earnings	\$ <u>0.37</u>	\$ <u>0.46</u>	(19.6)	\$ <u>0.83</u>	\$ <u>0.89</u>	(6.7)
Unusual items included in net earnings - net loss	\$ <u>-</u>	\$ <u>(0.03)</u>		\$ <u>-</u>	\$ <u>(0.07)</u>	
Number of shares outstanding (in 000s)						
Weighted average for the period	<u>32,267</u>	<u>32,534</u>	(0.8)			
Actual at period-end	<u>32,473</u>	<u>32,257</u>				

Toronto, July 30, 2004 - 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 second quarter ended June 30, 2004 and the declaration of its quarterly dividend.

Sales for the second quarter of 2004 of \$377.4 million were 3% below the \$390.4 million recorded in 2003 while sales for the first six months of 2004 of \$767.5 million were 6% below last year's \$817.2 million. Financial comparisons to prior year's results have been affected by the appreciation of the Canadian dollar relative to the U.S. dollar. In addition, business acquisitions net of dispositions have impacted the comparison to prior periods. Excluding the effect of changing foreign currency translation rates and business dispositions, sales increased by 6% for both the quarter and year-to-date due completely to the acquisitions.

Net earnings for the second quarter of \$11.9 million were down 19% from the \$14.7 million recorded in the second quarter of 2003. There were no unusual items in the second quarter of 2004. Net earnings were impacted by an unusual loss of \$1.3 million before tax (\$0.9 million after tax) in the second quarter of 2003. For the first half of 2004, net earnings were \$26.7 million,

down 7% from the \$28.8 million earned in the first half of 2003. There were no unusual items in the first half of 2004, but, net earnings were impacted by an unusual loss of \$3.7 million before tax (\$2.4 million after tax) in the comparable 2003 period.

Earnings per Class B share were \$0.37 in the second quarter of 2004 compared to the \$0.46 earned in the same period last year, a decrease of 20%. The unusual item in 2003 lowered that quarter's reported earnings per Class B share by \$0.03. For the first half of 2004, earnings per Class B share were \$0.83 compared to \$0.89, a 7% decrease from the earlier period. Unusual items in the first half of 2003 lowered earnings for Class B shares by \$0.07.

The United States dollar, the base currency of approximately 54% of CCL's sales, has depreciated on average by 3% against the Canadian dollar in the second quarter and 8% for the first half of 2004 versus the comparable periods last year, whereas European currencies have appreciated so far this year. This has had two effects on earnings: first, the impact of currency translation on reported results for all currencies reduced comparative earnings by \$0.03 per share for the first six months but was immaterial in the second quarter; secondly, the Company's Canadian plants hedged their sales to U.S. customers by selling forward U.S. dollars at much higher exchange rates in 2003. Since the U.S. dollar has weakened, the change in the exchange rates has reduced comparative earnings by \$0.05 per share in the second quarter and \$0.10 per share for the first half.

Donald G. Lang, President and Chief Executive Officer said, "We are disappointed with our performance in the second quarter. As we had expected, we continue to be affected by unfavourable currency exchange. At the same time, our personal care and pharmaceutical customers have not generally created the type of growth in sales volumes that we had planned except in specific markets and products. Additionally, our Plastic Packaging operation is running at slightly below break-even due to operational issues and lower volumes."

Mr. Lang continued, "Consequently, we have assigned Geoffrey Martin, President of our Label Division, to turn around the Plastic business in addition to his role in the Label Division. Geoff has previous experience managing injection molding operations and with his extensive knowledge of printing technologies, which is the key to manufacturing plastic tubes, will be invaluable in improving this operation. As demonstrated by his three years with CCL,

Geoff has been instrumental in the turnaround of our Label business and has set a compelling growth strategy. In his first few weeks at Plastic Packaging, over \$2 million of annual overhead has been reduced and each of the three plants are now run on a decentralized basis, similar to CCL Label, which should improve accountability and performance.”

“In our other businesses, the Custom Manufacturing Division continues to book new orders to replace business lost last year to competitive pricing. We are optimistic that shortfalls in the first half of 2004 will be made up in the last half of the year. Our Aluminum Container business continues to enjoy strong customer demand for aerosol products and beverage containers. In order to support this organic growth, the Board of Directors today approved the purchase of another new aluminum aerosol line for \$13 million which should come on stream in mid-2005. The Container Division’s fourth new line in two years is equivalent to a 40% increase in capacity. Overall, our Label Division continues to perform well although our demand from personal care and pharmaceutical customers has been weaker than anticipated.”

Mr. Lang added, “We are extremely pleased to be adding two new partners to CCL’s business portfolio. Our ColepCCL joint venture was completed a few weeks ago and already we have seen many new opportunities for complimentary volume growth and other synergies. Also, our recently announced contemplated merger of our European and Asian Label operations with Steinbeis Packaging in the same geographies, will complement both partners and allow a larger combined operation to access market opportunities in an efficient way.”

Mr. Lang concluded, “Our outlook for the balance of the year is cautious as we continue to manage the necessary changes in the Plastic business which should restore profitability in the near future. We are positive about expected volume and profit growth in aluminum Container and Custom Manufacturing, including the ColepCCL joint venture. Our Label business is well positioned. Cash flow remains strong, consequently, your Board of Directors has approved a dividend at the same level as last quarter, which had been increased by 11%. This dividend will be payable on September 30, 2004 to shareholders of record at the close of business on September 15, 2004 and will be for \$0.0875 on the Class A voting shares and \$0.10 on the Class B non-voting shares.”

The Company’s financial position continues to be solid. At the end of June 2004, cash and cash equivalents amounted to \$79.3 million while the current

portion of long-term debt was a modest \$15.1 million. Net debt amounted to \$360.3 million at June 30, 2004, \$5.7 million higher than the \$354.6 million level a year ago. Net debt to total capitalization at the end of the second quarter of 2004 was 44.7%, down from 47.0% a year ago and modestly below the 45.2% at the end of 2003. Book value per share was \$13.77 at June 30, 2004, up over 10% from the \$12.47 recorded a year earlier.

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 directly employs 5,600 people and directly operates 35 production facilities in North and Central America, Europe and Asia.

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 and Chief Financial Officer	416-756-8517
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Note: CCL will hold a conference call at 10:00 a.m. EST today, Friday, July 30, 2004 to discuss these results.

To access this call, please dial 1-800-633-8714 or 416-641-6652.

Post-View service will be available today, Friday, July 30, 2004 at 12:00 p.m. EST until Monday, August 30, 2004 at 12:00 p.m. EST

Dial: 1-800-558-5253; Access Code: 21200520.

For more details on CCL, visit our web site - www.cclind.com

Financial Tables follow ...

CCL INDUSTRIES INC.
2004 Second Quarter
Consolidated Statements of Earnings and Retained Earnings

Unaudited	Second quarters ended June 30th			Six months ended June 30th		
(in millions of Cdn dollars, except per share data)	2004	2003	% Change	2004	2003	% Change
Sales	\$ 377.4	\$ 390.4	(3.3)	\$ 767.5	\$ 817.2	(6.1)
Income from operations before undernoted items:	39.1	44.6	(12.3)	82.4	90.5	(9.0)
Depreciation, and amortization of other assets	17.3	17.1		34.2	35.4	
Interest expense, net	5.6	6.0		10.9	12.1	
	16.2	21.5	(24.7)	37.3	43.0	(13.3)
Unusual items - net loss	-	(1.3)		-	(3.7)	
Earnings before income taxes	16.2	20.2	(19.8)	37.3	39.3	(5.1)
Income taxes	4.3	5.5		10.6	10.5	
Net earnings	\$ 11.9	\$ 14.7	(19.0)	26.7	28.8	(7.3)
Retained earnings, beginning of period	239.0	199.3		227.1	199.4	
Net earnings	11.9	14.7		26.7	28.8	
Repurchase of shares	-	(2.4)		-	(13.8)	
	250.9	211.6		253.8	214.4	
Less dividends:						
Class A shares	0.2	0.2		0.4	0.4	
Class B shares	3.0	2.7		5.7	5.3	
	3.2	2.9		6.1	5.7	
Retained earnings, end of period	\$ 247.7	\$ 208.7		\$ 247.7	\$ 208.7	
Earnings per share						
Class B	\$ 0.37	\$ 0.46	(19.6)	\$ 0.83	\$ 0.89	(6.7)
Class A	\$ 0.35	\$ 0.44	(20.5)	\$ 0.80	\$ 0.86	(7.0)
Diluted earnings per share						
Class B	\$ 0.36	\$ 0.45	(20.0)	\$ 0.81	\$ 0.87	(6.9)
Class A	\$ 0.34	\$ 0.43	(20.9)	\$ 0.78	\$ 0.84	(7.1)

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2004 Second Quarter
Consolidated Balance Sheets

(in millions of Cdn dollars, except book value per share data)	June 30th	June 30th	Dec 31st
	2004	2003	2003
	unaudited	unaudited	
Assets			
Current assets			
Cash and cash equivalents	\$ 79.3	\$ 92.2	\$ 81.8
Accounts receivable - trade	197.2	204.3	167.0
Other receivables and prepaid expenses	28.4	30.1	30.0
Inventories	116.6	118.6	114.1
	421.5	445.2	392.9
Capital assets	468.5	464.4	442.8
Other assets	56.7	24.1	58.2
Goodwill	301.2	255.1	298.0
Total assets	\$ 1,247.9	\$ 1,188.8	\$ 1,191.9
Liabilities			
Current liabilities			
Bank advances	\$ 10.3	\$ -	\$ 7.5
Accounts payable and accrued liabilities	264.5	246.0	253.9
Income and other taxes payable	4.2	0.4	0.3
Current portion of long-term debt	15.1	15.3	14.8
	294.1	261.7	276.5
Long-term debt	414.2	431.5	404.5
Other long-term items	23.2	27.8	25.0
Future income taxes	71.3	67.4	67.0
Total liabilities	802.8	788.4	773.0
Shareholders' equity			
Share capital (note 2)	189.2	186.7	188.0
Executive share purchase plan loans	(1.8)	(1.8)	(1.8)
Contributed surplus	0.1	-	-
Retained earnings	247.7	208.7	227.1
Foreign currency translation adjustment	9.9	6.8	5.6
Total shareholders' equity	445.1	400.4	418.9
Total liabilities and shareholders' equity	\$ 1,247.9	\$ 1,188.8	\$ 1,191.9

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2004 Second Quarter
Consolidated Statements of Cash Flows

Unaudited	Second quarters ended June 30th		Six months ended June 30th	
(in millions of Cdn dollars)	2004	2003	2004	2003
Cash provided by (used for)				
Operating activities				
Net earnings	\$ 11.9	\$ 14.7	\$ 26.7	\$ 28.8
Items not requiring cash:				
Depreciation, and amortization of other assets	17.3	17.1	34.2	35.4
Stock-based compensation	-	-	0.1	-
Future income taxes	1.1	4.7	2.9	7.2
Unusual items	-	0.9	-	2.8
	30.3	37.4	63.9	74.2
Net change in non-cash working capital	10.2	(5.8)	(14.7)	(27.8)
Cash provided by operating activities	40.5	31.6	49.2	46.4
Financing activities				
Retirement of long-term debt	(0.4)	(0.9)	(1.8)	(2.1)
Increase (decrease) in bank advances	5.2	(0.1)	2.6	(0.5)
Issue of shares	0.5	1.3	1.2	1.4
Repurchase of shares	-	(3.5)	-	(20.7)
Dividends	(3.2)	(2.9)	(6.1)	(5.7)
Cash provided by (used for) financing activities	2.1	(6.1)	(4.1)	(27.6)
Investing activities				
Additions to capital assets	(25.7)	(28.8)	(49.0)	(56.0)
Proceeds on disposals	-	3.3	-	4.5
Business acquisitions	-	(15.4)	-	(15.4)
Other	1.7	0.5	0.4	(0.1)
Cash used for investing activities	(24.0)	(40.4)	(48.6)	(67.0)
Effect of exchange rate changes on cash	0.5	(7.4)	1.0	(15.7)
Increase (decrease) in cash	19.1	(22.3)	(2.5)	(63.9)
Cash and cash equivalents at beginning of period	60.2	114.5	81.8	156.1
Cash and cash equivalents at end of period	\$ 79.3	\$ 92.2	\$ 79.3	\$ 92.2

Certain 2003 quarterly figures have been reclassified for comparative purposes

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 JUNE 30, 2004 AND 2003

(Tabular amounts in millions of Cdn dollars 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, 2003.

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, 2004, the Company adopted (1) the new Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 13 on "Hedging Relationships" and (2) the new CICA handbook section 3110 "Asset Retirement Obligations" which was established for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs; this standard requires an entity to record the fair value of a liability for an asset retirement obligation during the period which it is incurred and when a reasonable estimate of fair value can be made. Neither this new guideline nor the new standard have a material impact on the Company.

2. SHARE CAPITAL

Issued and outstanding

Actual number of shares:

	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>December 31,</u> <u>2003</u>
Class A	2,442,092	2,446,373	2,442,424
Class B	30,030,751	29,810,570	29,917,419
Less: Executive Share Purchase Plan shares	(150,000)	(150,000)	(150,000)
Total	32,322,843	32,106,943	32,209,843
	<u>June 30,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>December 31,</u> <u>2003</u>
Year-to-date weighted average number of shares	32,266,893	32,534,185	32,348,626
Impact of stock options	561,692	574,227	595,297
Impact of Executive Share Purchase Plan shares	51,108	-	49,702
Year-to-date diluted number of shares	32,879,693	33,108,412	32,993,625

3. EMPLOYEE FUTURE BENEFITS

The expense for the net benefit cost in the second quarter is \$0.2 million (2003 - \$0.2 million) and for the six months ended June 30, 2004, the net benefit cost is \$0.4 million (2003 - \$0.4 million).

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2004 AND 2003

(Tabular amounts in millions of Cdn dollars except share data)

4. SEGMENTED INFORMATION

Industry segments

	Second quarters ended June 30th				Six months ended June 30th			
	Sales		Operating income		Sales		Operating income	
	2004	2003	2004	2003	2004	2003	2004	2003
Custom Manufacturing	\$ 192.3	\$ 202.8	\$ 6.9	\$ 11.3	\$ 395.6	\$ 432.1	\$ 15.4	\$ 22.8
Container	55.2	88.1	5.0	10.4	105.4	176.8	9.0	19.8
Label	129.9	99.5	12.4	8.2	266.5	208.3	28.6	17.4
Total operations	\$ 377.4	\$ 390.4	24.3	29.9	\$ 767.5	\$ 817.2	53.0	60.0
Corporate expense			(2.5)	(2.4)			(4.8)	(4.9)
			21.8	27.5			48.2	55.1
Interest expense, net			5.6	6.0			10.9	12.1
			16.2	21.5			37.3	43.0
Unusual items - net loss			-	(1.3)			-	(3.7)
Earnings before income taxes			16.2	20.2			37.3	39.3
Income taxes			4.3	5.5			10.6	10.5
Net earnings			\$ 11.9	\$ 14.7			\$ 26.7	\$ 28.8

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	June 30th	Dec 31st	June 30th	Dec 31st	Six months ended June 30th		Six months ended June 30th	
	2004	2003	2004	2003	2004	2003	2004	2003
Custom Manufacturing	\$ 339.2	\$ 348.5	\$ 36.2	\$ 35.6	\$ 9.8	\$ 10.2	\$ 7.9	\$ 8.9
Container	272.9	382.3	55.8	54.6	8.9	13.5	17.1	22.5
Label	524.4	392.2	209.2	207.8	14.9	11.2	23.8	24.6
Corporate	111.4	132.0	-	-	0.6	0.5	0.2	-
Total	\$ 1,247.9	\$ 1,255.0	\$ 301.2	\$ 298.0	\$ 34.2	\$ 35.4	\$ 49.0	\$ 56.0

Certain 2003 quarterly figures have been restated for comparative purposes

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2004 AND 2003

(Tabular amounts in millions of Cdn dollars except share data)

5. SUBSEQUENT EVENTS

On July 2, 2004, the Company sold its label manufacturing plant in Winnipeg, Manitoba to a privately held company for \$7 million. The gain on this disposition is anticipated to be in excess of \$3 million and will be recorded in the third quarter.

On July 2, 2004, the company purchased Graphiques Apex Inc, a Montreal based manufacturer of instructional leaflets for leading companies in the pharmaceutical industry for \$3.7 million including assumed debt.

On July 9, 2004, the Company announced its intention to merge its European and Asian label operations with Steinbeis Packaging, the label operations of Steinbeis Holding. Steinbeis Packaging supplies battery labels on a global basis and provides premium product decoration solutions for the European consumer products market. CCL will hold a significant controlling interest in the new company and contribute its label operations in the U.K., France, Thailand and The Netherlands as well as its new greenfield site currently being established in Poland. CCL-Pachem, CCL's 51 per cent controlled joint venture with plants in Austria, France and the U.K., will become a wholly-owned subsidiary of the joint venture. Steinbeis will contribute the value of its operations in Germany, France, the U.S.A. and China to the new venture. However, the Steinbeis battery label plant in the U.S.A. will subsequently become a wholly-owned subsidiary of CCL Label Inc. in the United States. The merger is subject to the approval of both Boards of Directors, certain regulatory approvals, legal and financial due diligence and the execution of definitive agreements. Closing is anticipated at the end of 2004.

On July 12, 2004, the Company completed its joint venture with RAR - Sociedade de Controle (Holding), S.A., based in Portugal. This transaction will merge with CCL's Custom Manufacturing European operations with COLEP Europe. CCL's contributed its two plants in the U.K. and Germany, and cash of approximately \$20 million for its 40% interest in the joint venture. It is expected that there will be no accounting gain or loss on the contribution to the joint venture.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarters ended June 30, 2004 and 2003

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 second quarters ended June 30, 2004 and 2003 and an update to the 2003 Annual MD&A document. This interim MD&A should be read in conjunction with the Company's June 30, 2004 unaudited second quarter financial statements released on July 29, 2004 and the 2003 Annual MD&A document, which forms part of the CCL INDUSTRIES INC. 2003 Annual Report, dated February 13, 2004.

The 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.

Management's Discussion and Analysis contains 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 conditions; currency exchange rates; and CCL's ability to attract and retain qualified employees and, as such, the Company's results could differ materially from those anticipated in these forward-looking statements.

Overview of Business Conditions

The improvement in the economies of North America and Western Europe continued into the second quarter of 2004. The U.S. consumer non-durable products index showed an increase in manufacturing production of 5.4% in the second quarter of 2004; however, none of the growth occurred in June. This compares to a more stagnant growth of only 0.1% for all of last year. In Europe, there also appears to have been a modest improvement in demand for these products with Eastern Europe and Asia enjoying significantly higher rates of manufacturing.

More specifically to CCL, many of our international marketing customers in the personal care industry have generally not been taking higher volumes than last year contrary to the broad consumer non-durable statistics. In addition, our pharmaceutical customers generally continue to operate at lower than historical levels. It is important to note that for CCL, demand issues are business, customer, location and product specific, and are further described in the divisional results.

In certain segments such as aluminum aerosol products, demand for new products continues to surpass our current capacity to produce and, in the

Custom Manufacturing Division, we are continuing to attract new products to our facilities to replace volume lost last year due to competitive activity.

Review of Consolidated Operations

Sales for the second quarter of 2004 of \$377.4 million were 3% below the \$390.4 million recorded in 2003 while sales for the first six months of 2004 of \$767.5 million were 6% below last year's \$817.2 million. Financial comparisons to prior year's results have been affected by the appreciation of the Canadian dollar relative to the U.S. dollar. In addition, business acquisitions net of dispositions have impacted the comparison to prior periods. Excluding the effect of changing foreign currency translation rates and business dispositions, sales increased by 6% for both the quarter and year-to-date due totally to acquisitions. On a comparative volume basis, sales increased in the Label Division and the Aluminum Container business, but decreased in the Custom Manufacturing Division and the Plastic Packaging unit of the Container Division.

Net earnings for the second quarter of \$11.9 million were down 19% from the \$14.7 million recorded in the second quarter of 2003. There were no unusual items in the second quarter of 2004. Net earnings were impacted by an unusual loss of \$1.3 million before tax (\$0.9 million after tax) in the second quarter of 2003. In addition to the negative effect from changes in currency exchange rates, operating income was lower in the Custom Manufacturing and Plastic Packaging unit of the Container Division, but was partially offset by a somewhat stronger performance in the Label Division and the Aluminum Container business. For the first six months of 2004, net earnings were \$26.7 million, down 7% from the \$28.8 million earned in 2003 due to the negative impact of currency exchange and the lower operating income delivered by Custom and Container, primarily Plastic Packaging, offset in part by improvements in Label. Net interest expense for the quarter and year-to-date was meaningfully lower than last year. The overall effective income tax rate declined to 26.6% in the second quarter of 2004 and was 28.5% for the year against a rate of approximately 27% in 2003 for both time periods.

Earnings per Class B share were \$0.37 in the second quarter of 2004 compared to the \$0.46 earned in the same period last year, a decrease of 20%. The unusual item in 2003 lowered that quarter's reported earnings per Class B share by \$0.03. For the first half of 2004, earnings per Class B share were \$0.83 compared to \$0.89, a 7% decrease from the earlier period. Unusual items in 2003 lowered earnings per Class B share by \$0.07 in the first six months. There were no unusual items this year. CCL has continued to disclose the impact of unusual items on its results because the timing and extent of such items do not reflect or relate to the Company's ongoing operating performance. Diluted earnings per Class B share were \$0.01 lower for the quarter and \$0.02 lower for the year-to-date in both 2004 and 2003.

Approximately 80% of CCL's sales are generated in foreign currencies and are then translated into Canadian dollars for reporting purposes. Since January 2003, the U.S. dollar, in particular, has depreciated against the Canadian dollar. The U.S. currency is the base currency for approximately 54% of CCL's total sales and has depreciated on average by 3% compared to the Canadian dollar in the second quarter versus last year, and 8% on average for the first half on a comparative basis. However, European rates have strengthened versus the Canadian dollar and have somewhat reduced the impact of the U.S. dollar's depreciation. Changes in foreign exchange rates, primarily the depreciation of the U.S. dollar, have reduced earnings per share due to currency translation by \$0.03 year-to-date compared to 2003, but did not have a material effect on the second quarter results.

Additionally, CCL has a hedging program to lock in a portion of its expected U.S. dollar revenues earned in Canada. These hedge transactions were at an average rate of \$1.59 in the first half of 2003 but, due to the decline in the U.S. dollar over the last year, the average rate on these hedges was \$1.34 in the first half of 2004. The change in the rates on these currency transactions reduced income by \$1.6 million in the second quarter of 2004 and \$3.4 million year-to-date, and reduced earnings per share by \$0.05 for the quarter and \$0.10 year-to-date.

Net interest expense was \$5.6 million for the second quarter of 2004 and \$10.9 million for the first half, down from \$6.0 million and \$12.1 million from the comparable periods last year. The depreciation of the U.S. dollar has had the effect of reducing reported interest expense since CCL's borrowings are almost all denominated in U.S. dollars in the form of private placements from U.S. institutional investors. Net interest expense is net of interest earned on both short-term investments and Interest Rate Swaps. The Interest Rate Swap Agreements ("IRSA") have had the effect of converting U.S. dollar fixed rate debt into U.S. dollar floating rate debt. The Company is amortizing a gain realized on the sale of an IRSA in 2001.

The unrealized gain on these agreements as at June 30, 2004 amounted to approximately \$2.4 million. The effect of these four IRSAs has been to reduce interest expense by \$1.9 million in the second quarter of 2004 compared to a reduction of \$1.5 million in the second quarter of 2003. For the first six months, the impact was a reduction of \$3.7 million in 2004 and \$2.9 million in 2003. Interest coverage (defined as operating income before unusual items and interest expense divided by interest expense calculated on a 12-month rolling basis) improved to 4.3 times in 2004 compared to 4.0 times in 2003.

The income tax rate was 26.6% in the second quarter of this year compared to 27.3% in last year's second quarter. These effective tax rates are lower than the combined Canadian federal and provincial tax rates of 34.2% for the year 2004 and 32.5% for 2003 due to the benefit of lower tax rates in foreign subsidiaries net of income and expense items not subject to tax expense or tax recovery. Over the last year, the Company has used up tax loss carry-forwards in certain subsidiaries and has seen a change in mix to jurisdictions with marginally higher tax rates.

There were no unusual items in the first or second quarter of 2004. The unusual item of \$1.3 million before tax or \$0.03 per Class B share in the second quarter of 2003 arose from the asset write-down associated with the sale of the Grimsby, U.K. Custom Manufacturing operation completed in July 2003. On a year-to-date basis in 2003, restructuring costs of \$3.7 million were incurred which included the above-noted Grimsby costs and first quarter 2003 expenses related to the sale of the non-core "Series 400" product line of plastic closures which was manufactured in the Los Angeles Plastic Packaging facility.

The Company's financial position is solid. As at June 30, 2004, cash and cash equivalents amounted to \$79.3 million compared to \$81.8 million as at December 31, 2003 and \$92.2 million as at June 30, 2003. This level of cash has been maintained since last year despite the significant capital spending program and the acquisitions completed in 2003. Approximately \$20 million of this cash was used to fund the ColepCCL joint venture completed in July and referred to later in this document. As is usual in CCL's business, working capital increased in its traditional seasonal pattern in the first half of 2004 but to a lower level than last year for the quarter and the half-year, due to the somewhat lower sales level and improved working capital management. Net debt amounted to \$360.3 million at June 30, 2004, \$5.7 million higher than the \$354.6 million level of a year ago and \$15.3 million higher than the net debt of \$345.0 million at the end of 2003. The increase in net debt since December 31, 2003 is primarily due to the normal seasonal growth in working capital.

In May 2004, the Company announced its intention to acquire, via a Normal Course Issuer Bid ("Bid), up to 10,000 Class A voting shares and 1,975,000 of its issued and outstanding Class B non-voting shares between May 25, 2004 and May 24, 2005. This Bid represents 0.4% of the Class A and 9.8% of the Class B public float of the shares of each Class. As of today's date, no shares have been acquired under the Bid.

During the first half of 2004 and 2003, the Company generated cash from operations of \$63.9 million and \$74.2 million respectively before the change in non-cash working capital. The expected seasonal build-up of working capital consumed \$14.7 million of this cash in 2004 versus \$27.8 million last year with

the relative improvement totally in the second quarter. In addition, \$25.7 million was spent on capital additions in the second quarter and \$49.0 million year-to-date as CCL continues to reinvest in its businesses to take advantage of current and future expected organic growth. The Company anticipates nearly \$100 million in capital spending for the full year to improve operating efficiencies and to access new market opportunities. This level of capital spending is expected to be slightly lower than the \$112 million spent in 2003 but still higher than the \$70 million of estimated depreciation and amortization in 2004.

Net debt to total capitalization at June 30, 2004 was 44.7%, down from 47.0% a year ago and modestly below 45.2% at the end of 2003. Book value per share was \$13.77 at the end of the second quarter of 2004, 10% higher than the \$12.47 at the end of the second quarter of 2003 and 6% above the year-end 2003 level at \$13.00. The increase is primarily the result of earnings retained in the Company.

Discussion of Divisional Business Segments

Custom Manufacturing

Operating income for the second quarter of 2004 was \$6.9 million, down 39% from the \$11.3 million in the comparable period of 2003. Excluding the effect of currency translation and currency hedging, operating income would have been down by 30% for the quarter compared to last year. For the six months to date, operating income was \$15.4 million, down 33% from \$22.8 million last year. Excluding currency translation and hedging, operating income would have been down by 22% versus last year for the first half.

Sales in Custom Manufacturing were \$192.3 million in the second quarter of 2004, down 5% from \$202.8 million in the same quarter of 2003. The effect of foreign currency translation was immaterial in the second quarter versus last year. For the first six months, sales were \$395.6 million in 2004 and \$432.1 million in 2003, down 8%. Excluding currency translation, sales would have been down 5% for this time period. In the third quarter of 2003, CCL exited the liquid filling business in Grimsby, U.K., which accounts for a small part of this decrease. In addition, the Division experienced reduced demand in its personal care markets and lost certain business due to competitive pricing during the second half of 2003, which has not been replaced in the first half of 2004. However, new contracts have been signed with customers and new business is being negotiated which could offset these volume losses in 2004 as the year progresses. In addition, a major customer, Unilever, has exited aerosol filling in the U.S.A. and has permanently outsourced a large part of this business to CCL. Manufacturing of this product should begin near the end of 2004.

Income contribution continued to be negatively affected by softness in demand, increased margin pressures, unfavourable product mix and the impact of the lower value of the U.S. dollar. European results were down slightly year over year in the second quarter, primarily in Germany, but are well ahead of last year for the first six months. In addition, the Rexdale, Ontario operation sells a large part of its production to the United States market and has been negatively affected competitively by the rising Canadian dollar. During 2003, this operation hedged its profit margins by selling forward the U.S. dollar into Canadian dollars at the rate of \$1.59, generating additional income. However, as the U.S. dollar weakened, the forward contracts for the first half of 2004 were transacted at only \$1.34, which further reduced the Division's income by \$1.1 million in the quarter and \$2.3 million for the year compared to 2003.

In order to take advantage of customer and market opportunities, to reduce operating costs and to maintain existing business, the Division spent \$7.9 million to purchase capital assets in the first six months compared to \$8.9 million in 2003. This compares to depreciation and amortization of \$9.8 million in the first half of 2004 and \$10.2 million in 2003.

On July 12, 2004, the Company completed its joint venture agreement with RAR - Sociedade de Controle (Holding), S.A., based in Portugal, which merged the Custom Manufacturing European's businesses located in the U.K. and Germany with COLEP Europe. CCL also contributed approximately \$20 million cash, which will result in a 40% ownership of the joint venture. COLEP contributed its custom manufacturing and metal packaging businesses which operate out of two plants in Spain and plants in Portugal and Poland.

The new entity will be the largest European contract manufacturer of personal care, cosmetic, over-the-counter medicated and household care products, with combined sales in 2003 of over Cdn \$460 million and is expected to be accretive to CCL's earnings. COLEP's increasing strength as a contract manufacturer in Europe makes this alliance of significant benefit to current and potential CCL and COLEP customers. The new venture has the added benefit of COLEP's existing Poland facility which will allow access to the rapidly growing Eastern European market and will provide increased outsourcing and full service options including metal packaging to our international customer base.

Container

Operating income for the second quarter of 2004 was \$5.0 million, down 52% from the \$10.4 million earned in the second quarter of 2003. Excluding the effect of dispositions, currency translation and currency hedging as described below, operating income would have been down by 15% for the second quarter compared to last year due to a weakness in Plastic Packaging with a modest improvement in Aluminum Container. For the six months to date, operating

income was \$9.0 million versus \$19.8 million last year, down 55%. Excluding dispositions, currency translation and hedging, operating income would have been down by 21% for the comparable six-month periods primarily in Plastic Packaging.

In August 2003, the Division sold four non-core business units. In the second quarter of 2003, these business units contributed \$30.1 million and \$3.8 million of sales and operating income respectively. For the first six months of 2003, sales for these units were \$60.1 million, and operating income was \$6.7 million. In the first quarter of 2003, the Division also sold its Series 400 closure business.

Sales in the second quarter this year were \$55.2 million, down 37% from \$88.1 million last year and for the first half of 2004, were \$105.4 million, a drop of 40% from the \$176.8 million recorded in 2003. If the effect of foreign currency translation and dispositions were excluded, sales in the second quarter of 2004 would have decreased by 2% compared to the second quarter of 2003 and 3% year-to-date.

The Container Division continues to benefit from the strong demand for aluminum aerosol containers, the growth of aluminum bottles and other new applications for this technology. The backlog for aluminum container products continues to grow even as new capacity is added to meet this demand and to improve service levels. In the meantime, certain production requirements are being outsourced to satisfy this short-term situation. In the Plastic Packaging business, demand for plastic tubes continues to be soft due to the increase in imports primarily from Europe and added industry capacity in North America, as well as lost volume due to operational issues. Plastic closure sales were as planned despite delays in profitable new product introductions. On a comparative basis, tube sales were strong in the second quarter of 2003.

In addition, the Penetanguishene, Ontario plant sells a large part of its production to the United States market. During 2003, this operation hedged its profit margins by selling forward the U.S. dollar into Canadian dollars at the rate of \$1.59. However, as the U.S. dollar has weakened, the contracts for the first half of 2004 were transacted at only \$1.34, which further reduced the Division's income by \$0.5 million for the quarter and \$1.1 million for the first six months compared to last year.

Income for the Division has been modestly impacted by unplanned equipment repairs and a slower than planned ramping up of new capacity in the Aluminum Container business which has created additional costs and reduced expected output. Plastic Packaging continued to be negatively affected by high scrap rates and poor productivity. In May 2004, Gene Dorsch, President of Plastic Packaging retired and was replaced by Geoffrey Martin, President of the Label

Division. Mr. Martin has experience in injection molding prior to joining CCL in 2001, and has a solid record of turning around under-performing businesses. Plastic Packaging services a similar customer base as the Label Division and employs printing equipment made, in some cases, by the same manufacturers as Label printing equipment. Quality printing of plastic tubes in many cases is the key differentiator between competitors which should further enhance the probabilities of Mr. Martin successfully reconfiguring the business. So far, more than \$2 million of annual overhead has been removed from the business and operations have been reorganized on a decentralized basis. Costs incurred for severance in the second quarter were approximately \$350,000, and the Plastic Packaging business operated at a small loss.

The Container Division has invested \$17.1 million in capital so far in 2004 compared to \$22.5 million last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization amounted to \$8.9 million in 2004 compared to \$13.5 million in 2003. The Division has now successfully installed two aluminum container lines with a third line expected to be up and running in the fall of 2004. In addition, approval for a fourth new line was given by the Board of Directors today, for installation in mid-2005, to increase capacity and satisfy the growth of new customers and products.

Label

Operating income for the second quarter of 2004 was \$12.4 million, up 51% from \$8.2 million in the second quarter of 2003. Excluding the effect of foreign currency translation, operating income in the second quarter of 2004 would have been up by 55% over last year. For the six months to date, operating income in 2004 was \$28.6 million, 64% higher than the \$17.4 million recorded in 2003. Excluding the effect of foreign currency translation, operating income would have been up by 75% over the comparable six-month periods. This improvement was driven primarily by acquisitions completed in 2003 as described below.

Sales for the Label Division of \$129.9 million for the second quarter were up 31% from \$99.5 million in the same quarter last year. For the first six months of 2004, sales of \$266.5 million were up 28% over the \$208.3 million registered in 2003. If the effect of foreign currency translation were excluded, sales would have been up 33% in the second quarter of 2004 compared to the same period in 2003 and 34% on a year-to-date basis. Sales growth in the second quarter was driven by acquisitions, since volume in the personal care market in North America and Europe was flat compared to last year. The North American Healthcare business continues to be soft as new business is taking time to develop. The Specialty business, consisting of mainly promotional and agro-chemical labels saw good volume growth and the results of the 2003 European acquisitions in total were strong.

During 2003, the Division completed a number of acquisitions to expand its business, emphasizing higher margin product lines and geographic expansion. In June 2003, the Division acquired Lucas-Insertco in the U.S. and Puerto Rico; in July 2003, CCL-Pachem, a joint venture owned 51% by CCL, was created in Europe; and in October 2003, CCL acquired the Avery Dennison European label converting business. Sales and operating income from these acquisitions in the second quarter amounted to \$31.3 million and \$3.8 million respectively, and for the first half of 2004, sales were \$64.7 million and operating income was \$9.1 million.

The new operation in Thailand commenced in January 2004, providing product to its primary personal care customers. Operating results are ahead of plan as the business virtually broke even in the second quarter. It is anticipated that production capacity will be added as the year goes on due to strong customer demand in that market.

Sales backlogs for this business are generally short but indications are that customers' orders will be reasonably firm. However, it will be challenging to duplicate the strong first half results due primarily to seasonality.

On July 5, 2004, it was announced that the Label Division had sold its non-core, regional operation in Winnipeg for \$7 million and purchased Graphiques Apex Inc. of Boucherville, Québec, a privately held manufacturer of instructional leaflets for leading companies in the pharmaceutical industry for approximately \$4 million. These transactions position the Canadian label business primarily as a full service supplier to the healthcare sector in Ontario and Québec. The gain on the sale of the Winnipeg plant will be in excess of \$3 million and will be recorded as an unusual item in the third quarter.

On July 9, 2004, CCL announced the contemplated merger of its European and Asian Label businesses with Steinbeis Holding's packaging business. CCL will hold a significant controlling interest in this new company which is expected to be formed by the end of 2004, subject to the approval of both Boards of Directors and typical closing approvals and agreements. Steinbeis Packaging, based in Germany, supplies battery labels on a global basis and provides premium product decoration solutions for the European consumer products market. Steinbeis' plants, to be contributed to the contemplated merger, are located in Germany, France and China and complement CCL's plants in the U.K., France, Denmark, The Netherlands and Thailand. CCL-Pachem, with plants in Austria, France and the U.K. will become a wholly-owned subsidiary of the venture with its founders taking leading roles in the new company. In addition, Steinbeis will transfer its battery label business in the U.S.A. to CCL Label as part of the consideration for the transaction. Annual sales of Steinbeis are approximately

\$150 million. These transactions are expected to be accretive to earnings in 2005.

The Label Division invested \$23.8 million in capital in the first half of 2004 compared to \$24.6 million in the same period last year. The capital was spent throughout the Division to maintain and expand its manufacturing base with the most significant item being the purchase of the land and the construction of a building in Wakefield, U.K. to replace the Leeds, U.K. plant which is expected to be sold in early 2005 for a significant gain. The Division expects to continue to spend capital to increase its capabilities and replace or upgrade existing plants and equipment to improve efficiencies over the next few years. Depreciation and amortization for the Label Division were \$14.9 million for the first half and \$11.2 million in the comparable 2003 period.

Liquidity and Capital Structure

The Company's debt structure is primarily comprised of three private debt placements completed in 1996, 1997 and 1998 totaling US\$314.3 million (Cdn\$419.2 million) at June 30, 2004, with an average interest rate of 5.2% factoring in the related Interest Rate Swap Agreements. A scheduled annual repayment of US\$9.4 million (Cdn\$12.5 million) on one of these notes is to be made in September 2004. The reported amounts outstanding for debt and cash have been significantly reduced since the prior year, as the majority of debt and cash are denominated in U.S. dollars. The net debt analysis is as follows:

<u>\$ Millions</u>	<u>June 30, 2004</u>	<u>December 31, 2003</u>	<u>June 30, 2003</u>
Total debt	\$439.6	\$426.8	\$446.8
Cash on hand	<u>79.3</u>	<u>81.8</u>	<u>92.2</u>
Net debt	<u>\$360.3</u>	<u>\$345.0</u>	<u>\$354.6</u>

Non-cash working capital traditionally increases during the first half of each year to accommodate increased customer activity following the slower year-end period before reducing to its lowest point at the next year-end. Non-cash working capital grew by \$24.9 million in the first quarter of this year but declined by \$10.2 million in the second quarter reflecting softer volume and effective working capital management programs. This increase in working capital of \$14.7 million in the first half of 2004 compared to an increase of \$27.8 million in the first half of 2003.

Capital spending was \$25.7 million in the second quarter and \$49.0 million year-to-date which is slightly lower than the \$28.8 million spent in the same quarter last year and the \$56.0 million of capital expended in the first half of 2003. Overall, the level of capital spending exceeded depreciation and amortization to provide for increased capacity as previously described, to implement cost

reduction programs, and to maintain the existing business and asset base. It is expected that capital spending will continue at about this pace for the balance of the year and will finish near the \$100 million mark.

Dividends declared in the second quarters of 2004 and 2003, were \$3.2 million and \$2.9 million, respectively. There was an increase in the dividend rate of 11% announced in May 2004 which accounted for the increased outflow. The number of shares outstanding is virtually unchanged year over year. The current annualized dividend rate is \$0.35 per Class A share and \$0.40 per Class B share. The Company has historically paid out dividends at a rate of 20-25% of normalized earnings. Since the Company's cash flow is strong and there is a good level of cash on hand, the Board approved a continuation of the higher quarterly dividend rate of \$0.0875 per Class A share and \$0.10 per Class B share payable at the end of September 2004.

Effective January 1, 2004, the Company has adopted the new accounting guideline of the Canadian Institute of Chartered Accountants ("CICA") with respect to hedging relationships and the new accounting standard of the CICA relating to asset retirement obligations. The adoption of the new guideline and standard had no material impact on the Company.

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, 2003 Annual Consolidated Financial Statements. The Company does not have any material related party transactions. 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 Strategies

There have not been any significant changes during 2004 in the risks to the business or the strategies from those discussed earlier in this document or in the 2003 Management's Discussion and Analysis in the Annual Report.