

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

Unaudited	Third quarters ended September 30th			Nine months ended September 30th		
(in millions of Cdn dollars, except per share data)	2004	2003	% Change	2004	2003	% Change
Sales	\$ 378.3	\$ 354.5	6.7	\$ 1,145.8	\$ 1,171.7	(2.2)
Income before undernoted items:	45.4	41.1	10.5	127.8	131.6	(2.9)
Depreciation and amortization	20.3	16.6		54.5	52.0	
Interest expense, net	5.4	5.6		16.3	17.7	
	19.7	18.9	4.2	57.0	61.9	(7.9)
Unusual items - net gain (loss) <i>(note 4)</i>	1.4	(7.2)		1.4	(10.9)	
Earnings before income taxes	21.1	11.7	80.3	58.4	51.0	14.5
Income taxes	2.5	4.9		13.1	15.4	
Net earnings	\$ 18.6	\$ 6.8	173.5	45.3	35.6	27.2
Retained earnings, beginning of period	247.7	208.7		227.1	199.4	
Net earnings	18.6	6.8		45.3	35.6	
Repurchase of shares	(1.1)	-		(1.1)	(13.8)	
	265.2	215.5		271.3	221.2	
Less dividends:						
Class A shares	0.2	0.2		0.6	0.6	
Class B shares	3.0	2.7		8.7	8.0	
	3.2	2.9		9.3	8.6	
Retained earnings, end of period	\$ 262.0	\$ 212.6		\$ 262.0	\$ 212.6	
Earnings per share						
Class B	\$ 0.58	\$ 0.21	176.2	\$ 1.41	\$ 1.10	28.2
Class A	\$ 0.57	\$ 0.20	185.0	\$ 1.37	\$ 1.06	29.2
Diluted earnings per share						
Class B	\$ 0.57	\$ 0.21	171.4	\$ 1.38	\$ 1.08	27.8
Class A	\$ 0.56	\$ 0.20	180.0	\$ 1.34	\$ 1.04	28.8

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2004 Third Quarter
Consolidated Balance Sheets

(in millions of Cdn dollars)	September 30th	September 30th	December 31
	2004	2003	2003
	unaudited	unaudited	
Assets			
Current assets			
Cash and cash equivalents	\$ 45.3	\$ 152.6	\$ 81.8
Accounts receivable - trade	212.9	173.4	167.0
Other receivables and prepaid expenses	24.5	31.9	30.0
Income and other taxes recoverable	-	1.8	-
Inventories	122.1	109.2	114.1
	404.8	468.9	392.9
Capital assets	461.2	410.2	442.8
Other assets	59.6	44.2	58.2
Goodwill	335.7	263.6	298.0
Total assets	\$ 1,261.3	\$ 1,186.9	\$ 1,191.9
Liabilities			
Current liabilities			
Bank advances	\$ 40.1	\$ 13.8	\$ 7.5
Accounts payable and accrued liabilities	276.3	238.1	253.9
Income and other taxes payable	3.8	-	0.3
Current portion of long-term debt	14.2	14.3	14.8
	334.4	266.2	276.5
Long-term debt	387.3	417.9	404.5
Other long-term items	21.8	26.8	25.0
Future income taxes	72.9	70.9	67.0
Total liabilities	816.4	781.8	773.0
Shareholders' equity			
Share capital (note 2)	189.5	187.8	188.0
Executive share purchase plan loans	(1.8)	(1.8)	(1.8)
Contributed surplus	0.2	-	-
Retained earnings	262.0	212.6	227.1
Foreign currency translation adjustment	(5.0)	6.5	5.6
Total shareholders' equity	444.9	405.1	418.9
Total liabilities and shareholders' equity	\$ 1,261.3	\$ 1,186.9	\$ 1,191.9

See notes to interim consolidated financial statements.

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

Unaudited (in millions of Cdn dollars) Cash provided by (used for)	Third quarters ended September 30th		Nine months ended September 30th	
	2004	2003	2004	2003
Operating activities				
Net earnings	\$ 18.6	\$ 6.8	\$ 45.3	\$ 35.6
Items not requiring cash:				
Depreciation and amortization	20.3	16.6	54.5	52.0
Stock-based compensation	0.1	-	0.2	-
Future income taxes	0.7	4.6	3.6	11.8
Unusual items	(3.9)	6.5	(3.9)	9.3
	35.8	34.5	99.7	108.7
Net change in non-cash working capital	(12.0)	4.4	(26.7)	(23.4)
Cash provided by operating activities	23.8	38.9	73.0	85.3
Financing activities				
Retirement of long-term debt	(12.6)	(15.6)	(14.4)	(17.7)
Increase in bank advances	3.7	5.1	6.3	4.6
Issue of shares	0.9	1.1	2.1	2.5
Repurchase of shares	(1.7)	-	(1.7)	(20.7)
Dividends	(3.2)	(2.9)	(9.3)	(8.6)
Cash used for financing activities	(12.9)	(12.3)	(17.0)	(39.9)
Investing activities				
Additions to capital assets	(33.4)	(25.2)	(82.4)	(81.2)
Proceeds on disposals	17.7	75.9	17.7	80.4
Business acquisitions <i>(note 3)</i>	(24.3)	(7.9)	(24.3)	(23.3)
Other	(2.6)	(5.8)	(2.2)	(5.9)
Cash provided by (used for) investing activities	(42.6)	37.0	(91.2)	(30.0)
Effect of exchange rate changes on cash	(2.3)	(3.2)	(1.3)	(18.9)
Increase (decrease) in cash	(34.0)	60.4	(36.5)	(3.5)
Cash and cash equivalents at beginning of period	79.3	92.2	81.8	156.1
Cash and cash equivalents at end of period	\$ 45.3	\$ 152.6	\$ 45.3	\$ 152.6

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 SEPTEMBER 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>September 30,</u> <u>2004</u>	<u>September 30,</u> <u>2003</u>	<u>December 31, 2003</u>
Class A	2,439,592	2,444,469	2,442,424
Class B	30,000,151	29,895,574	29,917,419
Less: Executive Share Purchase Plan shares	(150,000)	(150,000)	(150,000)
Total	32,289,743	32,190,043	32,209,843
	<u>September 30,</u> <u>2004</u>	<u>September 30,</u> <u>2003</u>	<u>December 31, 2003</u>
Year-to-date weighted average number of shares	32,287,305	32,400,165	32,348,626
Impact of stock options	522,398	598,861	595,297
Impact of Executive Share Purchase Plan shares	50,366	49,591	49,702
Year-to-date diluted number of shares	32,860,069	33,048,617	32,993,625

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

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

3. ACQUISITIONS

On July 12, 2004, the Company completed its joint venture with RAR - Sociedade de Controle (Holding), S.A., (RAR), based in Portugal. This transaction merged CCL's Custom Manufacturing European operations with COLEP - Embalagens, Produtos, Enchimentos e Equipamentos, S.A., a wholly owned subsidiary of RAR. CCL contributed its two plants in the U.K. and Germany, and cash of \$20.5 million for its 40% interest in the joint venture. RAR contributed its four plants located in Portugal, Poland and two in Spain for its 60% interest in the joint venture. The new entity, ColepCCL, Embalagens e Enchimentos S.A., is a contract manufacturer in Europe servicing the personal care, cosmetic, over-the-counter medicated and household care products industries, in addition, it is a manufacturer of metal packaging. As a joint venture, the investment is accounted for using proportionate consolidation and the gain on transfer of net assets to the joint venture is deferred. The Company is reviewing the valuation of the net assets acquired, including intangible assets, therefore, certain items disclosed below may change when the review is completed.

Details of the transaction are as follows :

Cash, including net cash disposed \$1.3 million	\$ 21.8
Net book value of net assets contributed (60%)	62.7
Assumed debt	22.3
Total consideration	\$ 106.8
Current assets	\$ 46.9
Current liabilities	(32.4)
Non-current assets at assigned values	45.1
Future taxes	(2.5)
Goodwill and intangible assets	49.7
Net assets purchased	\$ 106.8

On July 2, 2004, the Company purchased Graphiques Apex Inc., based in Montreal, Quebec, a manufacturer of instructional leaflets for leading companies in the pharmaceutical industry, for \$3.1 million.

Details of the transaction are as follows :

Cash	\$ 2.5
Note payable	0.6
Assumed debt	0.8
Total consideration	\$ 3.9
Current assets	\$ 1.5
Current liabilities	(0.8)
Non-current assets at assigned values	1.3
Goodwill	1.9
Net assets purchased	\$ 3.9

In June 2003, the Company purchased Lucas-Insertco, which manufactures consumer instructional leaflets for the pharmaceutical industry, for \$18.0 million, which includes \$2.6 million of debt assumed. Manufacturing facilities are located in Baltimore, Maryland and San German, Puerto Rico.

In July 2003, the Company entered into a 51 per cent controlled European joint venture with Pachem AG, a provider of state-of-the-art pressure sensitive, shrink sleeve and in-mold labels. Consideration for CCL's share was \$17.5 million, which included \$8.8 million of pro-rated debt assumed. As part of the consideration, the Company contributed its Avelin, France facility. Additional consideration of up to approximately \$3 million will be payable in the future, provided the joint venture meets specified EBITDA and debt reduction targets. The joint venture, named CCL-Pachem Label GmbH has manufacturing facilities located in Hohonems, Austria; RhyI, U.K. and Avelin, France; and is accounted for using proportionate consolidation.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

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

4. UNUSUAL ITEMS

	<u>Division</u>	<u>Third quarters ended</u>		<u>Nine months ended</u>	
		<u>September 30,</u>		<u>September 30</u>	
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Sale of Winnipeg business	Label	\$ 4.4	\$ -	\$ 4.4	\$ -
Sale of Leeds property	Label	8.7	-	8.7	-
Plastic Packaging business restructuring and asset write-down	Container	(9.6)	-	(9.6)	-
Label Division asset write-down	Label	(2.1)	-	(2.1)	-
Disposal of Grimsby U.K. and related restructuring	Custom Manufacturing	-	(0.2)	-	(1.5)
Disposal of non-core business units	Container	-	(7.6)	-	(7.6)
"Series 400" closure restructuring	Container	-	-	-	(2.4)
Repatriation of capital		-	0.6	-	0.6
Gain (loss)		\$ 1.4	\$ (7.2)	\$ 1.4	\$ (10.9)
Tax recovery on unusual items		\$ (2.5)	\$ (0.3)	\$ (2.5)	\$ (1.6)

On July 2, 2004, the Company sold its label manufacturing business in Winnipeg, Manitoba to a privately held company for \$7.2 million. The gain on this disposition was \$4.4 million and did not give rise to any tax effect due to the utilization of capital losses carried forward.

On September 20, 2004, the Company sold its Leeds, U.K. property for \$11.1 million cash and realized a gain of \$8.7 million (\$6.8 million after tax).

On September 30, 2004 the Company recorded provisions for restructuring and capital assets and inventory write-downs within its Plastic Packaging business which is under new management that amounted to \$9.6 million (\$6.0 million after tax). Capital asset write-downs related to assets no longer in use and assets to be sold within six months at their fair value of \$1.2 million.

On September 30, 2004 the Company recorded capital asset write-downs within its Label Division for \$2.1 million (\$1.3 million after tax) relating to assets no longer in use.

In July 2003, the Company sold its Grimsby U.K. facility and the related liquid business. Disposition costs, including those related to consolidating the aerosol business currently manufactured in Grimsby to the nearby Scunthorpe plant, resulted in a loss of \$0.2 million (\$0.1 million after tax) in the third quarter of 2003 and \$1.5 million (\$1.0 million after tax including provisions to reflect the estimated net realizable value of assets) for the nine-month period ended September 30, 2003.

In August 2003, the Company sold four non-core business units in its Container Division to IntraPac L.P., a private Ontario Limited Partnership. Proceeds received were \$74.8 million in cash and \$12.5 million in equity of IntraPac L.P. CCL is entitled to additional consideration should future performance exceed specified benchmarks. The loss on sale recorded in the third quarter was \$7.6 million (\$7.4 million after tax).

In the first quarter of 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 third quarter of 2003, the Company repatriated capital from a foreign subsidiary, which resulted in a net foreign exchange gain of \$0.6 million. The gain arises from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested. This gain on foreign exchange did not give rise to any tax effect.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30, 2004 AND 2003

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

5. EMPLOYEE FUTURE BENEFITS

The expense for the net benefit cost in the third quarter is \$0.4 million (2003 - \$0.2 million) and for the nine months ended September 30, 2004, the net benefit cost is \$1.0 million (2003 - \$0.7 million).

6. SEGMENTED INFORMATION

Industry segments

	Third quarters ended September 30th				Nine months ended September 30th			
	Sales		Operating income		Sales		Operating income	
	2004	2003	2004	2003	2004	2003	2004	2003
Custom Manufacturing	\$ 205.1	\$ 183.6	\$ 12.1	\$ 10.0	\$ 600.7	\$ 615.7	\$ 27.5	\$ 32.8
Container	54.0	70.1	4.0	7.5	159.4	246.9	13.0	27.3
Label	119.2	100.8	10.5	8.5	385.7	309.1	39.1	25.9
Total operations	\$ 378.3	\$ 354.5	26.6	26.0	\$ 1,145.8	\$ 1,171.7	79.6	86.0
Corporate expense			(1.5)	(1.5)			(6.3)	(6.4)
			25.1	24.5			73.3	79.6
Interest expense, net			5.4	5.6			16.3	17.7
			19.7	18.9			57.0	61.9
Unusual items - net gain (loss)			1.4	(7.2)			1.4	(10.9)
Earnings before income taxes			21.1	11.7			58.4	51.0
Income taxes			2.5	4.9			13.1	15.4
Net earnings			\$ 18.6	\$ 6.8			\$ 45.3	\$ 35.6

	<u>Identifiable Assets</u>		<u>Goodwill</u>		<u>Depreciation & Amortization</u>		<u>Capital Expenditures</u>	
	<u>September 30th</u>	<u>December 31</u>	<u>September 30th</u>	<u>December 31</u>	<u>Nine months ended September 30th</u>		<u>Nine months ended September 30th</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Custom Manufacturing	\$ 418.8	\$ 323.1	\$ 76.3	\$ 35.6	\$ 16.9	\$ 14.9	\$ 14.0	\$ 17.5
Container	265.4	250.9	53.4	54.6	13.6	18.3	31.2	31.9
Label	513.7	505.7	203.2	207.8	23.2	17.9	36.9	31.8
Corporate	63.4	112.2	2.8	-	0.8	0.9	0.3	-
Total	\$ 1,261.3	\$ 1,191.9	\$ 335.7	\$ 298.0	\$ 54.5	\$ 52.0	\$ 82.4	\$ 81.2

Certain 2003 figures have been restated for comparative purposes

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarters ended September 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 third quarters ended September 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 September 30, 2004 unaudited third quarter financial statements released on October 28, 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 accounting 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 gradual improvement in the economies of North America and Western Europe continued into the third quarter of 2004 but has been somewhat tempered by the trend of increasing short-term interest rates combined with dramatically higher energy and commodity costs. However, the consumer has continued to spend which has been reflected in the modest growth in consumer non-durable products.

More specifically to CCL, many of our international marketing customers in the personal care industry have been purchasing somewhat higher volumes than last year; however, these improvements have been inconsistent depending on the customer and product. Continuing the trend established earlier this year, our pharmaceutical customers generally continue to operate at lower than historical levels.

In certain segments such as aluminum container products, demand for new and existing products continues to surpass our current capacity to produce and, in the Custom Manufacturing Division, we are continuing to attract new volumes to our facilities to replace volume lost last year due, primarily, to competitive activity. Further details on divisional volume trends can be found later in this report.

Review of Consolidated Operations

Sales for the third quarter of 2004 of \$378.3 million were 7% ahead of the \$354.5 million recorded in 2003 while sales for the first nine months of 2004 of \$1.146 billion were 2% below last year's \$1.172 billion. Financial comparisons to the 2003 results have been negatively 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 17% for the quarter and 10% year-to-date due totally to acquisitions. On a comparative volume basis, sales increased in the quarter in the Custom Manufacturing Division and the Aluminum Container business, but were about flat in the Label Division and the Plastic Packaging unit of the Container Division.

On July 12, 2004, CCL completed the merger of its European Custom Manufacturing operations with COLEP Europe to create the largest contract manufacturing company in Europe of personal care, cosmetic and over-the-counter medicated and household care products. COLEP contributed its four contract manufacturing plants including its metal packaging business to the joint venture and CCL contributed its two European plants and Cdn \$20.5 million to acquire a 40% investment in the joint venture named ColepCCL. CCL is proportionately consolidating its interest in the joint venture. Also in July 2004, the Label Division acquired Graphiques Apex Inc. located in Montréal, Québec and divested its non-core Winnipeg Label business. All of the above affected financial comparisons in the third quarter. Further information on these strategic activities is reported in the divisional analysis that follows.

Net earnings for the third quarter of 2004 of \$18.6 million were up 174% from the \$6.8 million recorded in the third quarter of 2003. Net earnings were impacted by a net gain from unusual items of \$1.4 million before tax (\$3.9 million after tax) in the third quarter of 2004 versus a net loss from unusual items of \$7.2 million before tax (\$6.9 million after tax) in the third quarter of 2003. Overall, operating income improved from last year's third quarter due to a stronger performance in the Custom Manufacturing business including the new ColepCCL joint venture, the Label Division and the Aluminum Container business, offset in part by the negative effect from changes in currency exchange rates and reduced income in the Plastic Packaging unit of the Container Division.

For the first nine months of 2004, net earnings were \$45.3 million, up 27% from the \$35.6 million earned in the comparable 2003 period. On a year-to-date basis, net earnings were positively affected by a net gain from unusual items in 2004 of \$1.4 million before tax (\$3.9 million after tax) compared to a net loss from unusual items of \$10.9 million before tax (\$9.3 million after tax) for the same period in 2003. Net earnings were also positively affected by the improved income in the Label Division, partially offset by currency exchange and the lower operating income delivered by the Custom Manufacturing and Container Divisions, primarily Plastic Packaging. Net interest expense for the quarter and year-to-date was lower than last year. The overall effective income tax rate

declined to 12% in the third quarter of 2004 and was 22% for the year compared to a rate of 42% in the third quarter and 30% for the year-to-date of 2003.

Earnings per Class B share were \$0.58 in the third quarter of 2004 compared to the \$0.21 earned in the same period last year, an increase of 176%. Unusual items in 2004 increased the third quarter's earnings per Class B share by \$0.13 while in the third quarter of 2003 the unusual items decreased earnings per Class B share by \$0.22. The impact of the unusual items on a per share basis is measured by dividing the after-tax income of the unusual items by the average number of shares outstanding in the relevant period. For the first nine months of 2004, earnings per Class B share were \$1.41 compared to \$1.10, a 28% increase from the earlier period. Unusual items increased earnings per Class B share by \$0.13 in the first nine months of 2004 and reduced earnings per Class B share by \$0.29 in the comparable 2003 period. 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. Management evaluates the operating income of its divisions before the effect of unusual items. Diluted earnings per Class B share were \$0.01 lower than basic earnings for the quarter and \$0.03 lower for the year-to-date in 2004. In 2003, diluted Earnings per Class B share for the third quarter were unchanged from basic earnings but were \$0.02 lower for the nine-month period.

The following is selected financial information for the eleven most recently completed quarters:

(in millions of Canadian dollars, except per share amounts)

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales					
2004	390.1	377.4	378.3		1,145.8
2003	426.8	390.4	354.5	346.7	1,518.4
2002	427.8	426.6	424.4	406.1	1,684.9
Net earnings (loss)					
2004	14.8	11.9	18.6		45.3
2003	14.1	14.7	6.8	17.4	53.0
2002	14.8	13.3	(15.7)	9.4	21.8
Net earnings (loss) per Class B share					
Basic					
2004	0.46	0.37	0.58		1.41
2003	0.43	0.46	0.21	0.54	1.64
2002	0.43	0.39	(0.45)	0.28	0.65
Diluted					
2004	0.45	0.36	0.57		1.38
2003	0.42	0.45	0.21	0.53	1.61
2002	0.43	0.38	(0.45)	0.28	0.64

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 significantly against the Canadian dollar. The United States dollar is the base currency for approximately 53% of CCL's total sales and has depreciated on average by 5% compared to the Canadian dollar in the third quarter versus last year, and 7% on average for the first nine months on a comparative basis. However, European rates have

strengthened versus the Canadian dollar and have partially 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 third 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 nine months 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 nine months of 2004. The change in the rates on these currency transactions reduced income by \$2.0 million in the third quarter of 2004 and \$5.4 million year-to-date, and reduced earnings per share by \$0.07 for the quarter and \$0.17 year-to-date.

Net interest expense was \$5.4 million for the third quarter of 2004 and \$16.3 million for the first nine months, down from \$5.6 million and \$17.7 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 primarily 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 also amortizing a gain realized on the sale of an IRSA in 2001.

The unrealized gain on these agreements as at September 30, 2004 amounted to approximately \$2.6 million. The effect of these four IRSAs has been to reduce interest expense by \$1.6 million in the third quarter of 2004 compared to a reduction of \$1.4 million in the third quarter of 2003. For the first nine months, the impact was a reduction of \$5.3 million in 2004 and \$4.3 million in 2003. Interest coverage (defined as operating income before unusual items and net interest expense divided by net interest expense calculated on a 12-month rolling basis) improved to 4.4 times in 2004 compared to 4.2 times in 2003.

The unusual items in the third quarter of 2004 and their net earnings effect were as follows:

	<u>Gain/ (Loss)</u>	<u>Tax Expense (Recovery)</u>	<u>Net Earnings</u>
Gain on sale of Leeds, U.K. property	\$ 8.7	\$ 1.8	\$ 6.9
Gain on sale of Label Winnipeg	\$ 4.4	\$ -	\$ 4.4
Plastic Packaging restructuring costs and asset write-down	\$ (9.6)	\$ (3.6)	\$ (6.0)
Label asset write-down	\$ <u>(2.1)</u>	\$ <u>(0.7)</u>	\$ <u>(1.4)</u>
Total unusual items	\$ <u>1.4</u>	\$ <u>(2.5)</u>	\$ <u>3.9</u>

The Label Division sold its Leeds, U.K. plant to property developers and will be relocating by the end of the year to a new facility built nearby. The costs of the move will be recorded as an unusual item in the fourth quarter when incurred. The Label Division also sold its non-core Winnipeg Label operation for a gain. This gain is not subject to income tax due to the utilization of unused capital losses carried-forward. The Plastic Packaging business was restructured under new management in the third quarter. The restructuring included the write-down of certain fixed assets held for sale or no longer in use, the write-down of slow moving and obsolete inventory and severance costs related to salaried staff reductions. Management plans to improve the business by producing plastic tubes on only its most efficient production lines with a view to improved quality, productivity and profitability. Over the last three years, the Label Division has been recapitalized with new state-of-the-art presses and production capabilities. During the third quarter, management undertook a comprehensive analysis of its capital assets and accordingly, has written-down assets held for sale or that are no longer being used, giving rise to the unusual loss.

The unusual items in the third quarter of 2003 and their net earnings effect were as follows:

	<u>Gain/ (Loss)</u>	<u>Tax Recovery</u>	<u>Net Gain(Loss)</u>
Loss on disposal of four non-core Container business units	\$ (7.6)	\$ (0.2)	\$ (7.4)
Loss on disposal of Grimsby, U.K. plant and related costs	\$ (0.2)	\$ (0.1)	\$ (0.1)
Gain on capital repatriation	\$ <u>0.6</u>	\$ <u>-</u>	\$ <u>0.6</u>
Total unusual items	\$ <u>(7.2)</u>	\$ <u>(0.3)</u>	\$ <u>(6.9)</u>

The income tax rate was 12% in the third quarter of this year compared to 42% in last year's third quarter. This year's effective tax rate is lower than the combined Canadian federal and provincial tax rates of 34.2% for the year 2004 and 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. The tax rate in the third quarter of 2004 was lower mainly due to the effect of unusual items subject to varying rates of income tax.

The Company's financial position is solid. At the end of September 30, 2004, cash and cash equivalents amounted to \$45.3 million compared to \$81.8 million as at December 31, 2003 and \$152.6 million as at September 30, 2003. The major cash expenditure in the third quarter was the \$20.5 million of cash contributed to the ColepCCL joint venture. As is usual in CCL's business, working capital increased in its traditional seasonal pattern in the first nine months of 2004 consistent with the increase in 2003. Net debt amounted to \$396.3 million at September 30, 2004, \$102.9 million higher than the \$293.4 million level of a year ago and \$51.3 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 ColepCCL joint venture and 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, 2,200 Class A shares and 98,500 Class B shares have been acquired under the Bid for a total cost of \$1.7 million at an average price of \$17.01 per share.

During the first nine months of 2004 and 2003, the Company generated cash from operations of \$99.7 million and \$108.7 million respectively, before the change in non-cash working capital. The expected seasonal build-up of working capital consumed \$26.7 million of this cash in 2004 versus \$23.4 million last year. In addition, \$33.4 million was spent on capital additions in the third quarter and \$82.4 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 slightly over \$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 \$74 million of estimated depreciation and amortization in 2004.

Net debt to total capitalization defined as net debt divided by net debt plus shareholders' equity, at September 30, 2004 was 47.1%, up from 42.0% a year ago and modestly above the 45.2% at the end of 2003. Book value per share defined as shareholders' equity divided by total period end shares, was \$13.78 at the end of the third quarter of 2004, 10% higher than the \$12.58 at the end of the third 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

Sales in Custom Manufacturing were \$205.1 million in the third quarter of 2004, up 12% from \$183.6 million in the same quarter of 2003. Excluding the effect of foreign currency translation, sales would have been 15% higher in the third quarter versus last year. For the first nine months, sales were \$600.7 million in 2004 and \$615.7 million in 2003, down 2%. Excluding currency translation, sales would have been up 1% for this time period. In the third quarter of 2003, CCL exited the liquid filling business in Grimsby, U.K., which accounted 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 had not been replaced in the first half of 2004. However, new contracts have been signed with customers and new business has been added in the third quarter which has more than offset these volume losses.

In the third quarter, the ColepCCL joint venture has generated more sales for CCL's proportionate share than the sales last year of CCL's two former European operations. 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.

Operating income for the third quarter of 2004 was \$12.1 million, up 21% from the \$10.0 million in the comparable period of 2003. Excluding the effect of currency translation and transaction hedging, operating income would have been up by 34% for the quarter compared to last year. For the nine months to date, operating income was \$27.5 million, down 16% from \$32.8 million last year. Excluding currency translation and hedging, operating income would have been down by 4% versus last year for the nine months.

Income contribution has been positively affected by stronger demand and lower operating costs partially offset by unfavourable product mix and the impact of the lower value of the U.S. dollar. European income was higher due to the strong contribution of the ColepCCL operation as compared to the income from the Division's former German and U.K. plants last year. The Rexdale, Ontario operation sells a large part of its production to the United States market and has generated higher volume in the third quarter despite being 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 nine months of 2004 were transacted at only \$1.34, which reduced the Division's income by \$1.1 million in the quarter and \$3.4 million year-to-date 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 \$14.0 million to purchase capital assets in the first nine months compared to \$17.5 million in 2003. This compares to depreciation and amortization of \$16.9 million in the first nine months of 2004 and \$14.9 million in 2003.

Container

Sales in the third quarter this year were \$54.0 million, down 23% from \$70.1 million last year and for the first nine months of 2004, were \$159.4 million, a drop of 35% from the \$246.9 million recorded in 2003. If the effect of foreign currency translation and dispositions were excluded, sales in the third quarter of 2004 would have increased by 8% compared to the third quarter of 2003 and 1% 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. Beverage volume was below expectations in the quarter, but was replaced with other new products and growth in the personal care business. The backlog for aluminum container products continues to remain high 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 relative to historical levels 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 which are being addressed by new management. Plastic closure sales were lower than planned due to soft markets and delays in profitable new product introductions.

Operating income for the third quarter of 2004 was \$4.0 million, down 47% from the \$7.5 million earned in the third quarter of 2003. Excluding the effect of dispositions, currency translation and transaction hedging as described below, operating income would have been up by 9% for the third quarter compared to last year due to the improvement in Aluminum Container, partially offset by lower income in Plastic Packaging. For the nine months to date, operating income was \$13.0 million versus \$27.3 million last year, down 52%. Excluding dispositions, currency translation and hedging, operating income would have been down by 12% for the comparable nine-month periods due to lower income in Plastic Packaging.

In August 2003, the Division sold four non-core business units. In the third quarter of 2003, these business units contributed \$17.7 million and \$2.9 million of sales and operating income, respectively. For the first nine months of 2003, sales for these units were \$77.8 million, and operating income was \$9.6 million. In the first quarter of 2003, the Division also sold its Series 400 closure business.

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 nine months of 2004 were transacted at only \$1.35, which further reduced the Division's income by \$0.9 million for the quarter and \$2.0 million for the first nine months compared to last year.

Income for the Division has been positively affected by the higher sales volumes in the Aluminum Container business but has been modestly impacted by unplanned equipment repairs, the ramp up of new equipment and continued weakness in Mexico. Plastic Packaging continues to be negatively affected by high scrap rates and productivity issues. However, new management under the direction of Geoffrey Martin, President of the Label Division, has restructured the business by eliminating inefficient equipment, reducing management levels and focusing on improving quality and customer service. So far, more than \$2 million of annual overhead has been removed from the business and operations have been reorganized on a decentralized basis. In the third quarter, the Plastic Packaging business operated at a small loss. It is anticipated that operations will become profitable progressively over the upcoming quarters as productivity and quality improvements are realized and as new volume is expected to return as customers' confidence is restored.

The Container Division has invested \$31.2 million in capital so far in 2004 compared to \$31.9 million last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization amounted to \$13.6 million in 2004 compared to \$18.3 million in 2003. The Division has now successfully installed two aluminum container lines with a third line expected to be up and running by the end of 2004. In addition, delivery of a fourth new line is expected to be installed in mid-2005, to increase capacity and satisfy the growth of new products and customers.

Label

Sales for the Label Division of \$119.2 million for the third quarter were up 18% from \$100.8 million in the same quarter last year. For the first nine months of 2004, sales of \$385.7 million were up 25% over the \$309.1 million registered in 2003. If the effect of foreign currency translation and the Winnipeg disposition were excluded, sales would have been up 24% in the third quarter of 2004 compared to the same period in 2003 and 32% on a year-to-date basis. Sales growth in the third quarter was driven primarily by acquisitions, since volume in the personal care market in North America and Europe was up only marginally 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, experienced good volume growth and the results of the 2003 European acquisitions and the new operations in Thailand and in Montréal were strong.

Operating income for the third quarter of 2004 was \$10.5 million, up 24% from \$8.5 million in the third quarter of 2003. Excluding the effect of foreign currency translation and the disposition, operating income in the third quarter of 2004 would have been up by 34% over last year. For the nine months to date, operating income in 2004 was \$39.1 million, 51% higher than the \$25.9 million recorded in 2003. Excluding the effect of foreign currency translation and the disposition, operating income would have been up by 62% over the comparable nine-month periods. This improvement was driven primarily by acquisitions completed in 2003 as described below.

Over the past two years, the Label 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 51% owned by CCL, was created in Europe; and in October 2003, CCL acquired the Avery Dennison European label converting business. In July 2004, the division acquired Graphiques Apex Inc. in Montréal, Canada to expand its healthcare offerings. Sales and operating income from all of these acquisitions in the third quarter amounted to \$32.6 million and \$4.4 million respectively, and for the first nine months of 2004, sales were \$97.3 million and operating income was \$13.5 million. Also, in July 2004, the non-core Winnipeg business was sold. Sales and operating income for this disposition in the third quarter of 2003 were \$2.5 million and \$0.4 million, respectively.

The new operation in Thailand commenced in January 2004, providing product to an important personal care customer. Operating results are well ahead of plan as the business generated income in the third quarter. It is anticipated that production capacity will be added due to strong customer demand in that market.

Sales backlogs for the label business are generally short but indications are that customers' orders will be reasonably firm for the next 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. It is anticipated that this merger will be completed in early 2005, 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 \$36.9 million in capital in the first nine months of 2004 compared to \$31.8 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 vacated in late 2004. 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 \$23.2 million for the first nine months and \$17.9 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\$304.9 million (Cdn\$384.7 million) at September 30, 2004, with an average interest rate of 5.4% factoring in the related Interest Rate Swap Agreements. A scheduled annual repayment of US\$9.4 million (Cdn\$12.2 million) on one of these notes was made in September 2004. The reported amounts outstanding for debt and cash have been significantly reduced since the prior year due to the effect of currency translation, as the majority of debt and cash are denominated in U.S. dollars. The net debt analysis is as follows:

<u>\$ Millions</u>	<u>September 30, 2004</u>	<u>December 31, 2003</u>	<u>September 30, 2003</u>
Total debt	\$441.6	\$426.8	\$446.0
Cash on hand	<u>45.3</u>	<u>81.8</u>	<u>152.6</u>
Net debt	<u>\$396.3</u>	<u>\$345.0</u>	<u>\$293.4</u>

Non-cash working capital traditionally increases during the first nine months 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. This increase in working capital of \$26.7 million in the first nine months of 2004 compared to an increase of \$23.4 million in the comparable 2003 period.

Capital spending was \$33.4 million in the third quarter and \$82.4 million year-to-date which is higher than the \$25.2 million spent in the same quarter last year and the \$81.2 million of capital expended in the first nine months 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 third 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 that 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 beginning of January 2005.

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.