

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

(in millions of Cdn dollars, except per share data)	Fourth quarters ended December 31st			Years ended December 31st		
	2004	2003	% Change	2004	2003	% Change
	Unaudited	Unaudited				
Sales	\$ 372.7	\$ 346.7	7.5	\$ 1,518.5	\$ 1,518.4	0.0
Income before undernoted items	41.6	37.2	11.8	169.4	168.8	0.4
Depreciation and amortization	13.9	15.4		68.4	67.4	
Interest expense, net	5.2	5.3		21.5	23.0	
	22.5	16.5	36.4	79.5	78.4	1.4
Unusual items - net gain (loss) <i>(note 4)</i>	(2.3)	4.3		(0.9)	(6.6)	
Earnings before income taxes	20.2	20.8	(2.9)	78.6	71.8	9.5
Income taxes	6.3	3.4		19.4	18.8	
Net earnings	\$ 13.9	\$ 17.4	(20.1)	59.2	53.0	11.7
Retained earnings, beginning of period	262.0	212.6		227.1	199.4	
Net earnings	13.9	17.4		59.2	53.0	
Repurchase of shares	-	-		(1.1)	(13.8)	
	275.9	230.0		285.2	238.6	
Less dividends:						
Class A shares	0.2	0.2		0.8	0.8	
Class B shares	3.0	2.7		11.7	10.7	
	3.2	2.9		12.5	11.5	
Retained earnings, end of period	\$ 272.7	\$ 227.1		\$ 272.7	\$ 227.1	
Earnings per share						
Class B	\$ 0.43	\$ 0.54	(20.4)	\$ 1.84	\$ 1.64	12.2
Class A	\$ 0.42	\$ 0.53	(20.8)	\$ 1.79	\$ 1.59	12.6
Diluted earnings per share						
Class B	\$ 0.43	\$ 0.53	(18.9)	\$ 1.81	\$ 1.61	12.4
Class A	\$ 0.42	\$ 0.52	(19.2)	\$ 1.76	\$ 1.56	12.8

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2004 Fourth Quarter
Consolidated Balance Sheets

	December 31st	December 31st
(in millions of Cdn dollars)	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$ 71.4	\$ 81.8
Accounts receivable - trade	194.3	167.0
Other receivables and prepaid expenses	29.5	30.0
Inventories	125.3	114.1
	<hr/> 420.5	<hr/> 392.9
Capital assets	471.8	442.8
Other assets	38.8	39.1
Intangible assets	27.5	19.1
Goodwill	315.5	298.0
Total assets	\$ 1,274.1	\$ 1,191.9
Liabilities		
Current liabilities		
Bank advances	\$ 39.4	\$ 7.5
Accounts payable and accrued liabilities	283.3	253.9
Income and other taxes payable	8.1	0.3
Current portion of long-term debt	19.3	14.8
	<hr/> 350.1	<hr/> 276.5
Long-term debt	367.7	404.5
Other long-term items	20.4	25.0
Future income taxes	86.9	67.0
Total liabilities	825.1	773.0
Shareholders' equity		
Share capital <i>(note 2)</i>	189.8	188.0
Executive share purchase plan loans	(1.8)	(1.8)
Contributed surplus	0.2	-
Retained earnings	272.7	227.1
Foreign currency translation adjustment	(11.9)	5.6
Total shareholders' equity	449.0	418.9
Total liabilities and shareholders' equity	\$ 1,274.1	\$ 1,191.9

See notes to interim consolidated financial statements.

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

(in millions of Cdn dollars) Cash provided by (used for)	Fourth quarters ended December 31st		Years ended December 31st	
	2004	2003	2004	2003
	Unaudited	Unaudited		
Operating activities				
Net earnings	\$ 13.9	\$ 17.4	\$ 59.2	\$ 53.0
Items not requiring cash:				
Depreciation and amortization	13.9	15.4	68.4	67.4
Stock-based compensation	-	-	0.2	-
Future income taxes	4.5	(3.8)	8.1	8.0
Unusual items	1.9	(5.0)	(2.0)	4.3
	34.2	24.0	133.9	132.7
Net change in non-cash working capital	27.8	20.2	1.1	(3.2)
Cash provided by operating activities	62.0	44.2	135.0	129.5
Financing activities				
Proceeds and issuance of long-term debt	9.4	-	9.4	-
Retirement of long-term debt	(5.6)	3.9	(20.0)	(13.8)
Increase (decrease) in bank advances	(1.3)	(6.3)	5.0	(1.7)
Issue of shares	0.2	0.2	2.3	2.7
Repurchase of shares	-	-	(1.7)	(20.7)
Dividends	(3.2)	(2.9)	(12.5)	(11.5)
Cash used for financing activities	(0.5)	(5.1)	(17.5)	(45.0)
Investing activities				
Additions to capital assets	(29.3)	(31.0)	(111.7)	(112.2)
Proceeds on disposals	(0.7)	(3.2)	17.0	77.2
Business acquisitions <i>(note 3)</i>	(2.6)	(81.2)	(26.9)	(104.5)
Other	(0.3)	3.4	(2.5)	(2.5)
Cash used for investing activities	(32.9)	(112.0)	(124.1)	(142.0)
Effect of exchange rate changes on cash	(2.5)	2.1	(3.8)	(16.8)
Increase (decrease) in cash	26.1	(70.8)	(10.4)	(74.3)
Cash and cash equivalents at beginning of period	45.3	152.6	81.8	156.1
Cash and cash equivalents at end of period	\$ 71.4	\$ 81.8	\$ 71.4	\$ 81.8

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 DECEMBER 31, 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 in 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>December 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Class A	2,439,187	2,442,424
Class B	30,021,756	29,917,419
Less: Executive Share Purchase Plan shares	(150,000)	(150,000)
Total	<u>32,310,943</u>	<u>32,209,843</u>

	<u>December 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Year-to-date weighted average number of shares	<u>32,290,097</u>	<u>32,348,626</u>
Year-to-date weighted average diluted number of shares	<u>32,848,536</u>	<u>32,993,625</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2004 AND 2003

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

3. ACQUISITIONS

In July 2004, the Company entered into 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 each of its plant in the U.K. and Germany, and cash of \$22.6 million for its 40% interest in the joint venture. RAR contributed each of its plant located in Portugal and Poland, and its two in Spain for its 60% interest in the joint venture. This new European entity, ColepCCL, Embalagens e Enchimentos S.A., is a contract manufacturer servicing the personal care, cosmetic, over-the-counter medication 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 cost of the acquisition includes \$3.9 million accrued in relation to the closure of one of the Spanish plants that is scheduled to occur in the first half of 2005.

Details of the transaction are as follows :

Current assets	\$ 46.9
Current liabilities	(28.0)
Non-current assets at assigned values	45.7
Future income taxes	(5.4)
Intangible assets, primarily customer contracts and relationships	10.8
Goodwill	37.5
Net assets purchased	<u>\$ 107.5</u>
Cash, including net cash disposed \$1.3 million	\$ 23.9
Net book value of net assets contributed (60%)	49.9
Assumed debt	33.7
Total consideration	<u>\$ 107.5</u>

In July 2004, the Company purchased Graphiques Apex Inc., based in Boucherville, Quebec, a manufacturer of instructional leaflets for leading companies in the pharmaceutical industry, for \$3.2 million.

Details of the transaction are as follows :

Current assets	\$ 1.5
Current liabilities	(1.0)
Non-current assets at assigned values	1.3
Goodwill	2.2
Net assets purchased	<u>\$ 4.0</u>
Cash	\$ 2.9
Note payable	0.3
Assumed debt	0.8
Total consideration	<u>\$ 4.0</u>

In October 2003, the Company purchased the shares of Avery Dennison's European label converting business for \$83.6 million. Manufacturing facilities are located in Broendby and Randers in Denmark and in Chilly-Mazarin in France.

Working capital, non-cash	\$ 4.3
Non-current assets at assigned values	25.6
Intangible assets, primarily customer contracts and relationships	19.6
Goodwill	41.7
Future income taxes	(7.6)
Net assets purchased for cash	<u>\$ 83.6</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2004 AND 2003

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

3. ACQUISITIONS (Con't)

In July 2003, the Company entered into a 51% 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 \$17.3 million, which included \$8.8 million of pro-rata 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; Rhyl, U.K. and Avelin, France; and is accounted for using proportionate consolidation.

Working capital, non-cash	\$ 1.6
Non-current assets at assigned values	8.1
Goodwill	7.6
Net assets purchased	<u>\$ 17.3</u>
Cash	\$ 8.5
Long-term debt assumed	<u>\$ 8.8</u>
Total consideration	<u>\$ 17.3</u>

In June 2003, the Company purchased Lucas-Insertco, which manufactures consumer instructional leaflets for the pharmaceutical industry, for \$18.1 million. Manufacturing facilities are located in Baltimore, Maryland and San German, Puerto Rico.

Working capital, non-cash	\$ 1.2
Non-current assets at assigned values	4.3
Goodwill	12.7
Future income taxes	(0.1)
Net assets purchased	<u>\$ 18.1</u>
Cash	\$ 15.2
Promissory note	\$ 0.3
Assumed debt	<u>\$ 2.6</u>
Total consideration	<u>\$ 18.1</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2004 AND 2003

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

4. UNUSUAL ITEMS

	<u>Division</u>	<u>Fourth quarters ended December 31,</u>		<u>Years ended December 31</u>	
		<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Repatriation of capital	Corporate	\$ (1.0)	\$ -	\$ (1.0)	\$ 0.6
Sale of Leeds property	Label	(1.3)	-	7.4	-
Plastic Packaging business restructuring and asset write-down	Container	-	-	(9.6)	-
Label Division asset write-down	Label	-	-	(2.1)	-
Sale of Winnipeg business	Label	-	-	4.4	-
Disposal of non-core business units	Container	-	4.5	-	(3.1)
Disposal of Grimsby U.K.plant and related restructuring	Custom Manufacturing	-	(0.2)	-	(1.7)
"Series 400" closure restructuring	Container	-	-	-	(2.4)
Gain (loss)		<u>\$ (2.3)</u>	<u>\$ 4.3</u>	<u>\$ (0.9)</u>	<u>\$ (6.6)</u>
Tax recovery (expense) on unusual items		<u>\$ 0.4</u>	<u>\$ 0.1</u>	<u>\$ 2.9</u>	<u>\$ 1.6</u>

In November 2004, the Company repatriated capital from certain foreign subsidiaries, which resulted in a net foreign exchange loss of \$1.0 million (2003 third quarter gain of \$0.6 million). Gains and losses arise from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested. These gains or losses on foreign exchange did not give rise to any tax effect.

In September 2004, the Company sold its Leeds, U.K. property for \$11.1 million cash and realized a gain of \$7.4 million (\$5.9 million after tax) net of \$1.3 million (\$0.9 million after tax) in moving costs incurred in the fourth quarter to relocate the Leeds plant.

In September 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).

In September 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 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.

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 \$71.5 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), and was adjusted by a gain of \$4.5 million (\$4.5 million after tax) in the fourth quarter. The Company has significant influence over IntraPac L.P.; therefore, this investment is accounted for using the equity method.

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 Company's nearby Scunthorpe plant, resulted in a loss of \$0.2 million (\$0.1 million after tax) in the fourth quarter of 2003 and \$1.7 million (\$1.2 million after tax) for the year including provisions to reflect the estimated net realizable value of assets for the year ended December 31, 2003.

In March 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.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2004 AND 2003

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

5. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the fourth quarter is \$0.4 million (2003 - \$1.2 million) and for the twelve months ended December 31, 2004, the net benefit cost is \$1.4 million (2003 - \$1.4 million).

6. SEGMENTED INFORMATION

Industry segments

	Fourth quarters ended December 31st				Years ended December 31st			
	Sales		Operating income		Sales		Operating income	
	2004	2003	2004	2003	2004	2003	2004	2003
Custom Manufacturing	\$ 199.6	\$ 185.3	\$ 9.7	\$ 11.3	\$ 800.3	\$ 801.0	\$ 37.2	\$ 44.1
Container	53.3	47.9	4.2	4.0	212.7	294.8	17.2	31.3
Label	119.8	113.5	15.9	9.2	505.5	422.6	55.0	35.1
Total operations	\$ 372.7	\$ 346.7	29.8	24.5	\$ 1,518.5	\$ 1,518.4	109.4	110.5
Corporate expense			(2.1)	(2.7)			(8.4)	(9.1)
			27.7	21.8			101.0	101.4
Interest expense, net			5.2	5.3			21.5	23.0
			22.5	16.5			79.5	78.4
Unusual items - net gain (loss)			(2.3)	4.3			(0.9)	(6.6)
Earnings before income taxes			20.2	20.8			78.6	71.8
Income taxes			6.3	3.4			19.4	18.8
Net earnings			\$ 13.9	\$ 17.4			\$ 59.2	\$ 53.0

	<u>Identifiable Assets</u>		<u>Goodwill</u>		<u>Depreciation & Amortization</u>		<u>Capital Expenditures</u>	
	December 31	December 31	December 31	December 31	Years ended December 31st		Years ended December 31st	
	2004	2003	2004	2003	2004	2003	2004	2003
Custom Manufacturing	\$ 411.9	\$ 314.4	\$ 65.9	\$ 35.6	\$ 21.0	\$ 19.2	\$ 19.8	\$ 29.1
Container	261.7	249.6	51.5	54.6	17.7	22.2	44.9	34.2
Label	512.6	520.9	198.1	207.8	28.6	24.9	46.7	48.8
Corporate	87.9	107.0	-	-	1.1	1.1	0.3	0.1
Total	\$ 1,274.1	\$ 1,191.9	\$ 315.5	\$ 298.0	\$ 68.4	\$ 67.4	\$ 111.7	\$ 112.2

7. Subsequent event

In January 2005, the company completed its purchase of Steinbeis Packaging, based in Holzkirchen, Germany. Steinbeis supplies battery labels on a global basis and produces premium decorative label solutions for the European consumer products market. The purchase price of approximately \$80 million will be financed by cash on hand and bank debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fourth Quarters ended December 31, 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 fourth quarters ended December 31, 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 December 31, 2004 unaudited fourth quarter financial statements released on February 17, 2005 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, CCL's financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The measurement currencies of CCL's operations are primarily the Canadian dollar, the U.S. dollar, the Euro, the Danish krone, the U.K. pound Sterling and the Mexican peso. 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 economies of North America and Western Europe continued to be reasonably strong in the fourth quarter of 2004 although there are concerns about the trend of increasing short-term interest rates in the United States combined with dramatically higher energy and commodity costs. With worldwide demand being affected by economic growth in China, there are signs of shortages of raw materials in many industries. The consumer has continued to spend, which has been reflected in the modest growth in consumer non-durable products in the western world.

More specifically to CCL, many of our international marketing customers in the personal care industry have been enjoying higher volumes than last year, however, these overall improvements have been customer and product specific. Our pharmaceutical customers generally are beginning to show signs of growth after a soft couple of years and this trend looks like it will carry into 2005.

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 in North America, we are continuing to attract and run new volumes in our facilities to replace volume lost in 2003 due to competitive activity. The Label business is experiencing strong growth as

customers are expanding product lines and realizing the benefits of our international network to roll out products on a worldwide basis. Further details on divisional volume trends can be found later in this report.

Review of Consolidated Operations

Sales for the fourth quarter of 2004 of \$372.7 million were 8% ahead of the \$346.7 million recorded in 2003, while sales for the full year of 2004 of \$1,518.5 million were virtually identical to 2003's sales level of \$1,518.4 million. Financial comparisons to the 2003 results have been negatively affected by currency translation due to the appreciation of the Canadian dollar relative to the U.S. dollar partially offset by the appreciation of the Euro. 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 13% for the quarter and 10% year-to-date due to internal growth and acquisitions. On a comparative volume basis, sales increased in all divisions.

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 medication 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 approximately Cdn \$23 million cash to acquire a 40% investment in the joint venture named ColepCCL. CCL is proportionately consolidating its interest in the joint venture. In July 2004, the Label Division acquired Graphiques Apex Inc. located in Boucherville, Québec, and divested its non-core Winnipeg Label business. All of the above affected financial comparisons in the third and fourth quarters and for the year.

Net earnings for the fourth quarter of 2004 of \$13.9 million were down 20% from the \$17.4 million recorded in the fourth quarter of 2003. Net earnings were impacted by a net loss from unusual items of \$2.3 million before tax (\$1.9 million after tax) in the fourth quarter of 2004 versus a net gain from unusual items of \$4.3 million before tax (\$4.4 million after tax) in the fourth quarter of 2003. Overall, operating income improved from last year's fourth quarter due to a substantially stronger performance in the Label Division, reduced losses in the Plastic Packaging segment of the Container Division, and higher income from the new ColepCCL joint venture in Europe in 2004 than our former European Custom Manufacturing business in 2003. These improvements in operating income were partly offset by lower comparative results for the North American Custom Manufacturing Division and the Aluminum Container business due primarily to the negative effect of the lower value of the U.S. dollar relative to the Canadian dollar.

For the full year of 2004, net earnings were \$59.2 million, up 12% from the \$53.0 million earned in 2003. For the full year, net earnings were positively affected by

a net loss from unusual items in 2004 of \$0.9 million before tax (however, due to the non-taxable nature of certain gains, an overall gain of \$2.0 million after tax) compared to a net loss from unusual items of \$6.6 million before tax (\$5.0 million after tax) for 2003. Net earnings were also positively affected by the significantly improved income in the Label Division, partially offset by the lower operating income delivered by the Custom Manufacturing and Container Divisions due principally to the unfavourable currency exchange rates, and a small loss for 2004 in the Plastic Packaging unit of the Container Division after a modest profit in 2003.

Net interest expense and corporate costs for the quarter and year-to-date were lower than last year. The overall effective income tax rate increased to 31.0% in the fourth quarter of 2004 and was 24.6% for the year compared to a rate of 15.9% in the fourth quarter and 26.1% for the 2003 year. The fluctuations are due primarily to the treatment of certain unusual items.

Earnings per Class B share were \$0.43 in the fourth quarter of 2004 compared to the \$0.54 earned in the same period last year, a decrease of 20%. Unusual items in 2004 decreased the fourth quarter's earnings per Class B share by \$0.07, while in the fourth quarter of 2003, the unusual items increased earnings per Class B share by \$0.13. 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 full year 2004, earnings per Class B share were \$1.84 compared to \$1.64, a 12% increase from 2003. Unusual items increased earnings per Class B share by \$0.06 in the full year 2004 and reduced earnings per Class B share by \$0.16 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 equivalent to the basic earnings for the quarter and \$0.03 lower for the year in 2004. In 2003, diluted earnings per Class B share for the fourth quarter were \$0.01 lower than the basic earnings and were \$0.03 lower for the year.

The following is selected financial information for the eight 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	372.7	1,518.5
2003	426.8	390.4	354.5	346.7	1,518.4
Net earnings					
2004	14.8	11.9	18.6	13.9	59.2
2003	14.1	14.7	6.8	17.4	53.0
Net earnings per Class B share					
Basic					
2004	0.46	0.37	0.58	0.43	1.84
2003	0.43	0.46	0.21	0.54	1.64
Diluted					
2004	0.45	0.36	0.57	0.43	1.81
2003	0.42	0.45	0.21	0.53	1.61

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 has depreciated significantly against the Canadian dollar. The United States dollar is the base currency for approximately 52% of CCL's total sales and has depreciated on average by 7% compared to the Canadian dollar in the fourth quarter versus last year, and 7% on average for the full year on a comparative basis. However, European exchange 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 \$0.02 in the fourth quarter compared to 2003 and \$0.05 for the full year versus 2003.

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 for 2003 but, due to the decline in the U.S. dollar over the last year, the average rate on the 2004 hedges was \$1.35. The change in the rates on all U.S. dollar currency transactions of the Canadian operations reduced comparative income by \$3.4 million in the fourth quarter of 2004 and \$8.8 million for the year, and reduced comparative earnings per share by \$0.10 for the quarter and \$0.27 for the year.

Net interest expense was \$5.2 million for the fourth quarter of 2004 and \$21.5 million for the full year, down from \$5.3 million and \$23.0 million from the comparable periods last year. The depreciation of the U.S. dollar has had the effect of reducing reported interest expense as 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 December 31, 2004 amounted to approximately \$0.9 million. The effect of these IRSAs has been to reduce interest expense by \$1.3 million in the fourth quarter of 2004 compared to a reduction of \$1.5 million in the fourth quarter of 2003. For the first full year, the impact was a reduction of \$6.6 million in 2004 and \$5.9 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 4.7 times in 2004 compared to 4.4 times in 2003.

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

	<u>Loss</u>	<u>Tax Recovery</u>	<u>Net Loss</u>
Relocation of the Leeds, U.K. facility to a new facility in Wakefield, U.K.	\$ (1.3)	\$ 0.4	\$ (0.9)
Foreign exchange loss on capital repatriated from foreign subsidiaries	\$ (1.0)	\$ -	\$ (1.0)
Total unusual items	\$ (2.3)	\$ 0.4	\$ (1.9)

The Label Division sold its Leeds, U.K. plant to property developers in the third quarter and recorded a gain of \$8.7 million (\$6.9 million after tax). The plant has been relocated to a new facility built in nearby Wakefield and the final moving costs were incurred in the fourth quarter. During the fourth quarter, the Company brought back to Canada excess cash from its foreign subsidiaries and recorded an exchange loss on this capital repatriation.

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

	<u>Gain/ (Loss)</u>	<u>Tax Recovery</u>	<u>Net Gain(Loss)</u>
Gain on disposal of four non-core Container business units sold in the third quarter of 2003 representing the final accounting adjustments	\$ 4.5	\$ -	\$ 4.5
Final costs on disposition of the Grimsby, U.K. plant	\$ (0.2)	\$ 0.1	\$ (0.1)
Total unusual items	\$ 4.3	\$ 0.1	\$ 4.4

The effective income tax rate was 31.0% in the fourth quarter of this year compared to 15.9% in last year's fourth quarter. This full year's effective tax rate is lower than the combined Canadian federal and provincial tax rates of 34.1% for the year 2004 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 fourth quarter of 2004 was higher than in 2003 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 December 31, 2004, cash and cash equivalents amounted to \$71.4 million compared to \$81.8 million as at December 31, 2003. Capital spending in the fourth quarter was \$29.3 million, with major spending on new Label plants and equipment and Container aerosol lines. As is usual in CCL's business, working capital decreased in its traditional seasonal pattern in the fourth quarter of 2004 consistent with the seasonal increase earlier in the year. Net debt amounted to \$355.0 million at December 31, 2004, \$10.0 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 \$23 million of cash contributed to create the ColepCCL joint venture.

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. No repurchases have been made since the third quarter of 2004.

During the full years of 2004 and 2003, the Company generated cash from operations of \$135.0 million and \$129.5 million respectively, an increase of 4% in 2004. Working capital provided \$1.1 million of this cash in 2004 versus consumption of \$3.2 million last year. Working capital was reduced by \$27.8 million in the fourth quarter of 2004 compared to the \$20.2 million reduction in the fourth quarter of 2003, indicative of the Company's focus on this important asset. In addition, \$29.3 million was spent on capital additions in the fourth quarter and \$111.7 million year-to-date as CCL continues to reinvest in its businesses to take advantage of current and future expected organic growth. This level of capital spending was similar to the \$112.2 million spent in 2003 but still higher than the \$68.4 million of depreciation and amortization in 2004. Plans for capital spending in 2005 are expected to be slightly above \$100 million as the Company continues to expand its business base internationally and invest in equipment to improve efficiencies and competitiveness.

Net debt to total capitalization defined as net debt divided by net debt plus shareholders' equity, at December 31, 2004 was 44.2%, down modestly from the 45.2% at the end of 2003. Book value per share defined as shareholders' equity

divided by total period end shares, was \$13.95 at the end of the fourth quarter of 2004, 7% higher than the 2003 year end level of \$13.06. The increase is primarily the result of current year earnings retained in the Company.

Discussion of Divisional Business Segments

Custom Manufacturing

Sales in Custom Manufacturing were \$199.6 million in the fourth quarter of 2004, up 8% from the \$185.3 million in the same quarter of 2003. Excluding the effect of foreign currency translation, sales would have been 12% higher in the fourth quarter versus last year. For the full year, sales were \$800.3 million in 2004 and \$801.0 million in 2003, down marginally. Excluding currency translation, sales would have been up 4% for the year. 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 last half of 2004. In addition, a major customer, Unilever, has exited aerosol filling in the United States and has permanently outsourced a large part of this business to CCL. Manufacturing of this product began near the end of 2004. As this new business is ramped up in the last half of 2004 and into 2005, it is anticipated that overall sales volume will be at a higher level than it had been prior to the lost volume.

Since its formation in July 2004, 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 January 2005, ColepCCL announced it would be closing its Madrid, Spain operation by mid-year 2005 and moving the business to other ColepCCL plants. Provisions for employee redundancies were made at the time of the acquisition, however, moving and other relocation costs will be expensed as incurred in 2005.

Operating income for the fourth quarter of 2004 was \$9.7 million, down 14% from the \$11.3 million in the comparable period of 2003. Excluding the effect of currency translation and transaction hedging, operating income would have been up by 4% for the quarter compared to last year. For the full year, operating income was \$37.2 million, down 16% from \$44.1 million last year. Excluding currency translation and hedging, operating income for all of 2004 would have been down by 2% versus last year.

Income contribution has been positively affected by stronger demand with unit volume in North America, up 10% in the quarter versus last year. However, income has been impacted by unfavourable product mix and the effect of the lower value of the U.S. dollar. European income for the quarter was higher due to the strong contribution of the ColepCCL joint venture as compared to the income from the Division's former German and U.K. operations 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 fourth 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 2004 were transacted at only \$1.34. The change in rates on all U.S. dollar currency transactions reduced the Division's income by \$1.9 million in the quarter and \$5.3 million year-to-date compared to 2003. The Division has sold forward \$27.5 million U.S. dollars in 2005 at a rate of \$1.23.

In order to take advantage of customer and market opportunities, to reduce operating costs and to maintain existing business, the Division spent \$19.8 million to purchase capital assets in 2004 compared to \$29.1 million in 2003. This compares to depreciation and amortization of \$21.0 million in 2004 and \$19.2 million in 2003.

Container

Sales in the fourth quarter this year were \$53.3 million, up 11% from \$47.9 million last year and for the full year of 2004, were \$212.7 million, a drop of 28% from the \$294.8 million recorded in 2003. If the effect of foreign currency translation and dispositions were excluded, sales in the fourth quarter of 2004 would have increased by 18% compared to the fourth quarter of 2003 and 4% 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. Personal care volume was very strong in the quarter as our customers ramped up many new products while the beverage business benefited from the new aluminum beer bottle promoted by Pittsburgh Brewing and other bottle applications. Mexican aerosol sales strengthened on exports to other markets in the fourth quarter after a relatively weak year up to that point. 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 although there is now a lesser reliance on outsourcing to mitigate this shortfall. In the Plastic Packaging business, demand for plastic tubes has shown improvement in the fourth quarter versus last year as the new management has restored some credibility with the customer base. Plastic closure sales were significantly lower than planned in the fourth quarter due to a major customer no longer outsourcing custom molding to CCL, soft press top closure sales, lower demand for tube closures and delays in profitable new product introductions.

Operating income for the fourth quarter of 2004 was \$4.2 million, up 5% from the \$4.0 million earned in the fourth quarter of 2003. Excluding the effect of dispositions, currency translation and transaction hedging as described below,

operating income would have been up by 50% for the fourth quarter compared to last year due to the substantial reduction in operating losses in Plastic Packaging partially offset by lower income in the Aluminum Container business primarily due to currency issues. For the full year of 2004, operating income was \$17.2 million versus \$31.3 million last year, down 45%. Excluding dispositions, currency translation and hedging, operating income would have been down by 1% for the comparable annual period due to lower income in Plastic Packaging.

In August 2003, the Division sold four non-core business units. For the eight months of 2003 that these businesses were owned by CCL, sales for these units were \$77.8 million, and operating income was \$9.6 million. In the first quarter of 2003, the Plastic Packaging operation 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 full year of 2004 were transacted at only \$1.35. The change in rates on all U.S. dollar currency transactions further reduced the Division's income by \$1.5 million for the quarter and \$3.5 million for the full year compared to 2003. The Division has sold forward \$24 million U.S. dollars in 2005 at a rate of \$1.23.

Income for the Division in the quarter has been positively affected by the higher sales volumes in the Aluminum Container business and improvements in Mexico but has been impacted by currency issues, a bad debt loss, outsourcing costs, and the ramp up of new equipment including training costs for new people in Penetanguishene, Ontario due to the addition of new production lines. Plastic Packaging is showing signs of profitability improvement under new management. The business has been restructured by eliminating inefficient equipment, reducing management levels, and focusing on quality and customer service improvements. So far, nearly \$3 million of annual overhead has been removed from the business and operations have been reorganized on a decentralized basis. In the fourth quarter, the Plastic Packaging business operated at a small loss due to obsolete inventory adjustments, high scrap rates and the lower volumes in the closure business. It is anticipated that operations will become profitable progressively over the upcoming quarters as productivity and quality improvements are realized including the impact of new efficient tube decorating equipment and as new volume continues to return as customers' confidence is restored.

The Container Division invested \$44.9 million in capital expenditures in 2004 compared to \$34.2 million last year, to maintain and expand its manufacturing base and reduce its production costs. The Division has now successfully installed three aluminum container lines in the last two years and expanded the Penetanguishene, Ontario plant. New tube finishing and printing capabilities have been added in Plastic Packaging. In addition, a fourth new line is expected

to be installed in mid-2005 to increase capacity and satisfy the growth of new products and customers. Depreciation and amortization amounted to \$17.7 million in 2004 compared to \$22.2 million in 2003.

Label

Sales for the Label Division of \$119.8 million for the fourth quarter were up 6% from \$113.5 million in the same quarter last year. For the year 2004, sales of \$505.5 million were up 20% over the \$422.6 million registered in 2003. If the effect of foreign currency translation and the Winnipeg disposition were excluded, sales would have been up 13% in the fourth quarter of 2004 compared to the same period in 2003 and 27% for the full year. Sales growth in the fourth quarter was driven primarily by major volume gains with global customers that are launching many new products in the personal care market in North America and Europe. The North American Healthcare business was very strong in Canada including the Graphiques Apex acquisition and is improving in the United States. The Specialty business, consisting of mainly promotional and agricultural labels, experienced good volume growth and the results of the 2003 European acquisitions and the new operations in Thailand were strong.

Operating income for the fourth quarter of 2004 was \$15.9 million, up 73% from \$9.2 million in the fourth quarter of 2003. Excluding the effect of foreign currency translation and the disposition, operating income in the fourth quarter of 2004 would have been up by 90% over last year. For the full year, operating income in 2004 was \$55.0 million, 57% higher than the \$35.1 million recorded in 2003. Excluding the effect of foreign currency translation and the disposition, operating income would have been up by 69% over the comparable annual periods. This improvement was driven primarily by substantial improvement in volumes, margins and cost controls in most of the Division's operations and the incremental effect of 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 Boucherville, Québec to expand its healthcare offerings. Sales and operating income from the acquisitions amounted to \$127.7 million and \$19.2 million in 2004, respectively, as compared to 2003 with sales of \$41.1 million and operating income of \$5.3 million. Also, in July 2004, the non-core Winnipeg business was sold. Sales and operating income for this disposition in the fourth 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 fourth quarter and for the year. It is

anticipated that production capacity will continue to be added due to strong customer demand in the Asian market.

Sales backlogs for the label business are generally short but indications are that customers' orders will be reasonably firm for the first quarter of 2005.

On July 9, 2004, CCL announced the contemplated merger of its European and Asian Label businesses with Steinbeis Holding's packaging business. However, during negotiations, it was agreed that an outright purchase of the business would better enable synergies to be developed on a global basis. CCL acquired the Steinbeis Packing business on January 31, 2005 for approximately \$80 million in cash. The transaction was paid for partly with cash on hand and by way of a bank line of credit. 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 are located in Germany, France, the United States and China and complement CCL's plants in the U.S., Canada, Mexico, Puerto Rico, U.K., France, Denmark, The Netherlands, Poland and Thailand and the CCL-Pachem joint venture plants in Austria, France and the U.K. Annual sales of Steinbeis are approximately \$140 million. The Steinbeis transaction is expected to be accretive to earnings in 2005.

The Label Division invested \$46.7 million in capital in 2004 compared to \$48.8 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 items being the purchase of the land and the construction of buildings in Poland and Wakefield, U.K. to replace the Leeds, U.K. plant which was 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 was \$28.6 million in 2004 and \$24.9 million in the 2003 year.

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\$ 366.5 million) at December 31, 2004, with an average interest rate of 5.6% 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>December 31, 2004</u>	<u>December 31, 2003</u>
Total debt	\$426.4	\$426.8
Cash on hand	<u>71.4</u>	<u>81.8</u>
Net debt	<u>\$355.0</u>	<u>\$345.0</u>

Dividends declared in the fourth 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 total number of shares outstanding at year-end 2004 of 32.5 million is slightly higher than the 32.4 million outstanding at the end of 2003 due to the exercise of stock options partially offset by the shares repurchased under the Normal Course Issuer Bid. 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, the Board approved a continuation of the quarterly dividend rate of \$0.0875 per Class A share and \$0.10 per Class B share payable at the end of March 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 14 of the December 31, 2004 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.