

CCL INDUSTRIES INC.
2005 First Quarter
Consolidated Statements of Earnings and Retained Earnings

Unaudited

First quarters ended March 31st

(in millions of Cdn dollars, except per share data)	First quarters ended March 31st		
	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Sales	\$ 429.5	\$ 390.1	10.1
Income before undernoted items	52.9	43.3	22.2
Depreciation and amortization	18.9	16.9	
Interest expense, net	6.0	5.3	
Earnings before income taxes	28.0	21.1	32.7
Income taxes	8.3	6.3	
Net earnings	19.7	14.8	33.1
Retained earnings, beginning of period	272.7	227.1	
Net earnings	19.7	14.8	
	292.4	241.9	
Less dividends:			
Class A shares	0.2	0.2	
Class B shares	3.0	2.7	
	3.2	2.9	
Retained earnings, end of period	\$ 289.2	\$ 239.0	
Earnings per share			
Class B	\$ 0.61	\$ 0.46	32.6
Class A	\$ 0.60	\$ 0.45	33.3
Diluted earnings per share			
Class B	\$ 0.60	\$ 0.45	33.3
Class A	\$ 0.59	\$ 0.44	34.1

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2005 First Quarter
Consolidated Balance Sheets

Unaudited (in millions of Cdn dollars)	March 31st 2005	March 31st 2004	December 31st 2004
Assets			
Current assets			
Cash and cash equivalents	\$ 47.2	\$ 60.2	\$ 71.4
Accounts receivable - trade	236.1	197.7	194.3
Other receivables and prepaid expenses	36.6	27.0	29.5
Inventories	152.1	115.0	125.3
	<hr/> 472.0	<hr/> 399.9	<hr/> 420.5
Capital assets	540.7	454.1	471.8
Other assets	38.7	39.3	38.8
Intangible assets	38.9	18.7	27.5
Goodwill	321.6	299.8	315.5
Total assets	<hr/> \$ 1,411.9	<hr/> \$ 1,211.8	<hr/> \$ 1,274.1
Liabilities			
Current liabilities			
Bank advances	\$ 73.2	\$ 5.0	\$ 39.4
Accounts payable and accrued liabilities	310.1	241.3	271.4
Income and other taxes payable	10.5	5.7	8.1
Current portion of long-term debt	163.7	14.9	19.3
	<hr/> 557.5	<hr/> 266.9	<hr/> 338.2
Long-term debt	255.3	407.7	367.7
Other long-term items	44.2	34.5	32.3
Future income taxes	90.5	69.3	86.9
Total liabilities	<hr/> 947.5	<hr/> 778.4	<hr/> 825.1
Shareholders' equity			
Share capital <i>(note 2)</i>	191.1	188.8	189.8
Executive share purchase plan loans	(1.8)	(1.8)	(1.8)
Contributed surplus	0.3	0.1	0.2
Retained earnings	289.2	239.0	272.7
Foreign currency translation adjustment	(14.4)	7.3	(11.9)
Total shareholders' equity	<hr/> 464.4	<hr/> 433.4	<hr/> 449.0
Total liabilities and shareholders' equity	<hr/> \$ 1,411.9	<hr/> \$ 1,211.8	<hr/> \$ 1,274.1

See notes to interim consolidated financial statements.

Certain 2004 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2005 First Quarter
Consolidated Statements of Cash Flows

Unaudited

First quarters ended March 31st

(in millions of Cdn dollars)	2005		2004	
Cash provided by (used for)				
Operating activities				
Net earnings	\$	19.7	\$	14.8
Items not requiring cash:				
Depreciation and amortization		18.9		16.9
Stock-based compensation		0.1		0.1
Future income taxes		3.3		1.8
		42.0		33.6
Net change in non-cash working capital		(24.5)		(24.9)
Cash provided by operating activities		17.5		8.7
Financing activities				
Proceeds and issuance of long-term debt		32.3		-
Retirement of long-term debt		(1.7)		(1.4)
Increase (decrease) in bank advances		35.1		(2.6)
Issue of shares		1.3		0.7
Dividends		(3.2)		(2.9)
Cash provided by (used for) financing activities		63.8		(6.2)
Investing activities				
Additions to capital assets		(44.1)		(23.3)
Business acquisitions <i>(note 3)</i>		(63.8)		-
Other		2.9		(1.3)
Cash used for investing activities		(105.0)		(24.6)
Effect of exchange rate changes on cash		(0.5)		0.5
Decrease in cash		(24.2)		(21.6)
Cash and cash equivalents at beginning of period		71.4		81.8
Cash and cash equivalents at end of period	\$	47.2	\$	60.2

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

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31, 2005 AND 2004

(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, 2004.

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, 2005, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to Emerging Issues Committee (EIC) - 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" related to recording of vendor rebates by a purchaser. The Committee reached a consensus that the customer should measure the rebate based on the estimated amount of the rebate that is expected to be received for the underlying transactions that have occurred and that result in progress by the customer toward achieving the specified requirement to receive the rebate. This change to EIC - 144 did not have a material impact on the Company.

Accounting Guideline - 15, "Consolidation of Variable Interest Entities", is effective for periods beginning on or after November 1, 2004. The Guideline did not have any effect on the Company as it is not party to any variable interest entities.

Comparative figures have been reclassified where necessary to correspond with the current period's presentation.

2. SHARE CAPITAL

Issued and outstanding

Actual number of shares:

	March 31, 2005	March 31, 2004	December 31, 2004
Class A	2,439,187	2,442,424	2,439,187
Class B	30,130,256	29,980,819	30,021,756
Less: Executive Share Purchase Plan shares	(150,000)	(150,000)	(150,000)
Total	32,419,443	32,273,243	32,310,943

	March 31, 2005	March 31, 2004	December 31, 2004
Year-to-date weighted average number of shares	32,348,460	32,238,010	32,290,097
Year-to-date weighted average diluted number of shares	33,177,107	32,854,203	32,848,536

3. ACQUISITIONS

On January 31, 2005, the Company purchased Steinbeis Packaging based in Holzkirchen, Germany, for \$63.8 million, net of cash acquired. The purchase price was financed by cash on hand and bridge bank financing denominated in Euros. In addition, the Company intends to exercise its option to purchase the Holzkirchen building and land right for 4.0 million Euros in January 2006. Steinbeis Packaging, through its plants in the U.S., France, Germany and China, supplies battery labels on a global basis and provides premium decorative label solutions for the European consumer products market. 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 in the second quarter of 2005.

Current assets	\$ 34.8
Current liabilities	(25.8)
Non-current assets at assigned values	45.6
Long-term liabilities	(9.8)
Goodwill and intangible assets	19.0
Net assets purchased	\$ 63.8
Total consideration:	
Cash, less cash acquired \$4.7 million	\$ 63.8

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31, 2005 AND 2004
(Tabular amounts in millions of Cdn dollars except share data)

4. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the first quarter is \$0.4 million (2004 - \$0.2 million).

5. SEGMENTED INFORMATION

Industry segments

	First quarters ended March 31st			
	Sales		Operating income	
	2005	2004	2005	2004
Custom Manufacturing	\$ 215.1	\$ 203.3	\$ 11.8	\$ 8.5
Container	57.1	50.2	6.2	4.0
Label	157.3	136.6	19.1	16.2
Total operations	\$ 429.5	\$ 390.1	37.1	28.7
Corporate expense			(3.1)	(2.3)
			34.0	26.4
Interest expense, net			6.0	5.3
Earnings before income taxes			28.0	21.1
Income taxes			8.3	6.3
Net earnings			\$ 19.7	\$ 14.8

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	March 31st	December 31st	March 31st	December 31st	First quarters ended March 31st		First quarters ended March 31st	
	2005	2004	2005	2004	2005	2004	2005	2004
Custom Manufacturing	\$ 422.5	\$ 411.9	\$ 65.9	\$ 65.9	\$ 5.5	\$ 4.9	\$ 3.2	\$ 4.2
Container	274.1	261.7	51.8	51.5	4.2	4.3	7.3	12.1
Label	643.7	512.6	203.9	198.1	9.0	7.4	33.6	6.8
Corporate	71.6	87.9	-	-	0.2	0.3	-	0.2
Total	\$ 1,411.9	\$ 1,274.1	\$ 321.6	\$ 315.5	\$ 18.9	\$ 16.9	\$ 44.1	\$ 23.3

6. Subsequent event

In April 2005, the Company announced it had agreed to sell its North American Custom Manufacturing Division, for US\$215 million (approximately \$265 million) in cash, to KCP Income Fund, a Toronto based contract manufacturer of private label household products. The net book value of the disposed assets are approximately US\$104 million (\$126 million). The sale will be completed in the second quarter of this year pending regulatory approval and other typical conditions on a transactions of this nature. The disposition will be reported as discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarters ended March 31, 2005 and 2004

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 first quarters ended March 31, 2005 and 2004 and an update to the 2004 Annual MD&A document. The information in this interim MD&A is current to May 5, 2005 and should be read in conjunction with the Company's March 31, 2005 unaudited first quarter financial statements released on May 5, 2005 and the 2004 Annual MD&A document, which forms part of the CCL INDUSTRIES INC. 2004 Annual Report, dated February 10, 2005.

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 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. pounds sterling, the Mexican peso, the Thailand baht and the Chinese renminbi. 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 markets in which CCL operates have continued to be surprisingly strong in the first quarter of 2005 despite the impact of much higher energy and commodity costs. In addition, short-term interest rates in the United States have been systematically increasing as the Federal Reserve has been attempting to soften the potential impact of excessive inflation and the devaluation of the U.S. dollar. Worldwide demand for commodities continues to be affected by China's fast growing economy and has resulted in shortages and large cost increases for raw materials in many industries. The growth in consumer non-durable products sales in the western world is reflective of the continuation of the consumer to spend even in the face of higher energy costs.

Many of CCL's international marketing customers in the personal care industry have been continuing to benefit from higher sales volumes than last year, particularly in a number of specific product categories. Our pharmaceutical customers are generally experiencing modest growth. Overall, customer demand for CCL's products appears to be firm into the second quarter of 2005.

The demand for new and existing products in CCL's aluminum container business continues to surpass our current ability to supply even after the addition of meaningful new capacity in the last two years. The Plastic Packaging segment of the Container Division continues to show a steady turnaround in sales volumes and profitability. The Custom Manufacturing Division in North

America continues to attract and run new volumes in our facilities to replace volume lost in 2003 due, primarily, to competitive activity and has experienced significant volume growth in both aerosol and liquid filling compared to the same period a year ago. The Label business continues to enjoy good volume growth as customers are expanding product lines and realizing the benefits of our international network as they roll out products on a worldwide basis. Further details on divisional volume trends can be found later in this report.

CCL announced on April 20, 2005, the sale of the North American Custom Manufacturing business with closing anticipated on May 17, 2005. This transaction will significantly change CCL's business profile and financial position. Further information on this disposition is disclosed later in this report under the Subsequent Event section.

Review of Consolidated Operations

Sales for the first quarter of 2005 of \$429.5 million were 10% ahead of the \$390.1 million recorded in 2004. Financial comparisons to the 2004 results have continued to be negatively affected by the appreciation of the Canadian dollar relative to the U.S. dollar and, now, also to 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 16% for the quarter due to overall sales growth and acquisitions. On a comparative volume basis, sales increased in the quarter in the Custom Manufacturing Division, the Label Division, the Aluminum Container business and ColepCCL. The volume of Plastic Packaging unit of the Container Division was slightly below a year ago but better than any of the last three quarters continuing the improvement trend.

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 \$24 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 Boucherville, Québec and divested its non-core Winnipeg label business.

On January 31, 2005, CCL acquired Steinbeis Packaging, based in Holzkirchen, Germany for approximately Cdn \$64 million. Steinbeis supplies battery labels on a global basis and produces premium decorative label solutions for the European consumer products market.

All of the above affected financial comparisons in this quarter to the first quarter of 2004.

Net earnings for the first quarter of 2005 of \$19.7 million were up 33% from the \$14.8 million recorded in the first quarter of 2004. There were no unusual items in the first quarter of either year. Operating income improved from last year's first quarter due to a substantially stronger performance in the Label Division, the Container Division (in both the aluminum and the plastic packaging segments), modest growth in the North American Custom Manufacturing business and higher income from the new ColepCCL joint venture than our former European Custom Manufacturing business in 2004. These improvements in operating income were partly offset by the negative effect of the lower value of the U.S. dollar and the Euro relative to the Canadian dollar, additional interest expense due to the acquisition debt and higher corporate costs.

Earnings per Class B share were \$0.61 in the first quarter of 2005 compared to the \$0.46 earned in the same period last year, an increase of 33%. Unusual items had no effect on either year. Management will continue 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 the basic earnings for the quarter in both the current and prior year.

The following is selected financial information for the nine 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					
2005	429.5				
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					
2005	19.7				
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					
2005	0.61				
2004	0.46	0.37	0.58	0.43	1.84
2003	0.43	0.46	0.21	0.54	1.64
Diluted					
2005	0.60				
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, in particular, has depreciated over 20% against the Canadian dollar. The United States dollar is the functional currency for over 50% of CCL's total sales and it has depreciated on average by 7% compared to the

Canadian dollar in the first quarter 2005 versus last year's first quarter. In addition, the Euro exchange rate has also weakened by 2% versus the Canadian dollar. 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 in the first quarter compared to 2004.

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 \$1.34 for the first quarter of 2004 but, due to the decline in the U.S. dollar over the last year, the average rate on the 2005 hedges was \$1.27. The change in the rates on these currency transactions reduced comparative income by \$1.1 million in the first quarter of 2005 and reduced comparative earnings per share by \$0.03 for the quarter.

Net interest expense was \$6.0 million for the first quarter of 2005, up from \$5.3 million from the comparable period last year. Higher net debt due primarily to acquisitions and higher floating interest rates account for the increase. 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 loss on these agreements as at March 31, 2005 amounted to approximately \$1.0 million. The effect of these four IRSAs has been to reduce interest expense by \$1.0 million in the first quarter of 2005 compared to a reduction of \$1.8 million in the first quarter of 2004. 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 4.9 times in 2005 compared to 4.5 times in 2004.

The income tax rate was approximately 30% in the first quarter of this year compared to 30% in last year's first quarter. This effective tax rate is lower than the combined Canadian federal and provincial tax rates of 34.2% for the year 2005 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 Company's financial position is in good condition. At the end of March 31, 2005, cash and cash equivalents amounted to \$47.2 million compared to \$60.2 million as at March 31, 2004 and \$71.4 million at December 31, 2004. The major cash expenditure in the first quarter was the acquisition of Steinbeis Packaging for approximately \$64 million. As is usual in CCL's business, working capital increased in its traditional seasonal pattern in the first quarter of both 2005 and 2004 after the typically lower levels at the end of each year. Net debt amounted to \$445 million at March 31, 2005, \$90 million higher than the net debt of \$355 million at the end of 2004 and \$78 million higher than the \$367 million on March

31, 2004. The increase in net debt since December 31, 2004 is primarily due to the Steinbeis acquisition and the seasonal working capital increase. The increase in net debt from a year ago is due primarily to the Steinbeis acquisition combined with the \$24 million of cash invested in July 2004 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. No repurchases have been made since the third quarter of 2004. 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 quarters of 2005 and 2004, the Company generated cash from operations of \$17.5 million and \$8.7 million respectively. Working capital consumed \$24.5 million of cash in the first quarter of 2005 versus \$24.9 million in last year's first quarter. In addition, \$44.1 million was spent on capital additions in the first quarter as CCL continues to reinvest in its businesses to take advantage of current and future expected organic growth. This level of capital spending was higher than the \$23.3 million spent in 2004 and higher than the \$18.9 million of depreciation and amortization in the first quarter of 2005. Plans for capital spending in 2005 are expected to be near \$100 million as the Company continues to expand its business base into new markets and invest in assets to improve efficiencies and competitiveness.

Net debt to total capitalization defined as net debt divided by net debt plus shareholders' equity, at March 31, 2005 was 48.9%, up from the 44.2% at the end of 2004 and 45.9% a year ago due primarily to the Steinbeis acquisition. Book value per share defined as shareholders' equity divided by total period end shares, was \$14.31 at the end of the first quarter of 2005, 7% higher than the year ago level of \$13.42 and 3% above the \$13.89 at year end 2004. The increase is primarily the result of earnings retained in the Company.

Discussion of Divisional Business Segments

Custom Manufacturing

Sales in Custom Manufacturing were \$215.1 million in the first quarter of 2005, up 6% from the \$203.3 million registered in the same quarter of 2004. Excluding the effect of foreign currency translation, sales would have been 10% higher in the first quarter versus last year. During the second half of 2003, the Division experienced reduced demand in its personal care markets and lost certain business due to competitive pricing, which had not been replaced in the first half of 2004. However, new contracts have been signed with customers in 2004 and early 2005 and this new business has now more than replaced the business lost in 2003. In addition, a major customer exited aerosol filling in the U.S.A. last

year and has outsourced a large part of this business to CCL commencing in early 2005.

The ColepCCL joint venture was created in July 2004. This joint venture generated sales for CCL's proportionate share in the first quarter of 2005 approximately 5% lower than the comparative sales last year of CCL's two former European operations. However, the ColepCCL joint venture has a substantially higher return on sales than the former CCL operations.

Operating income in the first quarter of 2005 for the Division, including the contribution from ColepCCL, was \$11.8 million, up 39% from \$8.5 million in the comparable period of 2004. Excluding the effect of currency translation and transaction hedging, operating income would have been up by 46% for the quarter compared to last year.

Income contribution has been positively affected by stronger demand with unit volume in North America up 15% in the quarter versus last year. However, income has been impacted by unfavourable product mix, lower profit margins and the impact of the lower value of the U.S. dollar. The Rexdale, Ontario operation sells a large part of its production to the United States market and has generated higher volume in the first quarter despite being negatively affected competitively by the rising Canadian dollar. During 2004, this operation hedged its profit margins by selling forward the U.S. dollar into Canadian dollars at the rate of \$1.34, generating additional income. However, as the U.S. dollar weakened, the forward contracts for 2005 were transacted at only \$1.30, which reduced the Division's income by \$0.4 million in the quarter compared to 2004.

European income for the quarter was more than double last year's level due to the strong contribution of the ColepCCL joint venture as compared to the income from the Division's former German and U.K. plants last year. Sales for ColepCCL in the first quarter of 2005 were \$51.3 million and operating income was \$5.5 million. In the first quarter of 2004, the former CCL European Custom Manufacturing facilities generated sales of \$53.9 million and operating income of \$2.6 million.

In order to take advantage of customer and market opportunities, to reduce operating costs and to maintain existing business, the Division spent \$3.2 million to purchase capital assets in the first quarter of 2005 compared to \$4.2 million in the comparable 2004 period. This compares to first quarter depreciation and amortization of \$5.5 million in 2005 and \$4.9 million in 2004.

Container

Sales in the first quarter this year were \$57.1 million, up 14% from \$50.2 million last year. If the effect of foreign currency translation were excluded, sales in the first quarter of 2005 would have increased by 21% compared to the first quarter of 2004.

The Container Division continues to benefit from the strong demand for aluminum aerosol containers, the growth in usage of aluminum bottles and other new applications for this technology. Personal care volume in the aerosol format continued to be very strong in the quarter as our customers are ramping up many new products. The beverage business benefited from the new aluminum beer bottle promoted by Pittsburgh Brewing and now Molson for its Kick product. Mexican aerosol sales also strengthened in the first quarter compared to a weak first quarter in 2004. The backlog for aluminum container products remains very high even as new capacity has been added to meet this demand and to improve service levels. In the meantime, certain production requirements are being outsourced to satisfy customer requirements. In the Plastic Packaging business, sales were flat in the first quarter of last year despite unfavourable currency translation. The demand for plastic tubes has continued to show improvement in the first quarter compared to the volumes of each of the last three quarters of 2004 as new management has improved credibility with the customer base. Plastic closure sales were somewhat lower than planned after a weak January but custom moulding sales have been up significantly due to new outsourced product opportunities from other plastic moulders.

Operating income for the first quarter of 2005 was \$6.2 million, up 55% from the \$4.0 million earned in the first quarter of 2004. Excluding the effect of currency translation and transaction hedging as described below, operating income would have been up by 77% for the first quarter compared to last year due to the higher volumes and improved operational performance in the Aluminum Container business despite the adverse currency impact. In addition, the operating income of Plastic Packaging was double the prior year's first quarter level reflecting overhead reductions and improvements in manufacturing.

The aluminum container plant in Penetanguishene, Ontario sells a large part of its production to the United States market. During 2004, this operation hedged its profit margins by selling forward the U.S. dollar into Canadian dollars at the rate of \$1.34. However, as the U.S. dollar has weakened, the contracts for 2005 were transacted at only \$1.23, which further reduced the Division's comparable income by \$0.7 million for the quarter.

The Container Division has invested \$7.3 million in capital in the first quarter of 2005 compared to \$12.1 million last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization amounted to \$4.2 million in the first quarter of 2005 compared to \$4.3 million in the first quarter of 2004. The Division has successfully installed three new aluminum container lines in the last two years and is now installing a fourth new line which is expected to be operational in early third quarter 2005. A fifth new line is on order for installation early in 2006 and is destined for the Hermitage, Pennsylvania plant.

Label

Sales for the Label Division of \$157.3 million for the first quarter were up 15% from \$136.6 million in the same quarter last year. If the effects of unfavourable

currency translation and the Winnipeg disposition were excluded, sales would have been up 24% in the first quarter of 2005 compared to the same period in 2004. Sales growth in the first quarter was predominantly due to the Steinbeis acquisition but the business also experienced a continuation of the positive volume trends seen in the fourth quarter of last year. North American personal care volume was well ahead of last year for the quarter, with major improvements in Mexico. Specialty products were also much improved over last year's first quarter in both agchem and promotional labels. The North American healthcare business recorded sales that were ahead of last year due primarily to the Graphiques Apex acquisition. European sales were ahead of last year in healthcare, specialty and food and beverage, and Thailand enjoyed dramatic growth from last year's start-up position. Sales from the Steinbeis Packaging battery and personal care business for the two months of ownership were as expected.

Operating income for the first quarter of 2005 was \$19.1 million, up 18% from \$16.2 million in the first quarter of 2004 and return on sales at 12.1% exceeded internal targets. Excluding the effect of foreign currency translation and the Winnipeg disposition, operating income in the first quarter of 2005 would have been up by 29% over last year. This improvement was driven primarily by improvements in volumes and margins in most of the Division's operations and the incremental effect of acquisitions completed in the last three years.

In July 2004, the Division acquired Graphiques Apex Inc. in Boucherville, Québec to expand its healthcare offerings and at the end of January 2005 acquired the German-based Steinbeis Packaging business. Sales and operating income from these acquisitions in first quarter 2005 amounted to \$22.4 million and \$0.9 million respectively. Also, in July 2004, the non-core Winnipeg business was sold. Sales and operating income for this disposition in the first quarter of 2004 were \$2.4 million and \$0.3 million, respectively.

Sales backlogs for the label business are generally short but indications are that customers' orders will be reasonably firm for the second quarter of 2005. However, it is important to note that there is now much more seasonality in the overall label business with the first and fourth quarters being generally stronger than the second and third quarters. This seasonality is due to the slowdown because of summer vacations in Europe, strong agchem label production before the spring planting season, and then increased battery label production in the late summer and fall for the Christmas season.

CCL acquired the Steinbeis Packaging business on January 31, 2005 for approximately \$64 million in cash. The transaction was paid for with cash on hand and a bridge bank line of credit. Steinbeis Packaging, based in Germany, supplies battery labels on a global basis and provides premium product decorating solutions for the European consumer products market. Steinbeis' plants are located in Germany, France, the United States and China and complement CCL's existing plants.

The Label Division invested \$33.6 million in capital in 2005 compared to \$6.8 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 related to the construction of new plants in Poland and China. The Division expects to continue to spend capital to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment to improve efficiencies over the next few years. Depreciation and amortization for the Label Division were \$9.0 million for the first quarter of 2005 and \$7.4 million in the comparable 2004 period.

Subsequent Event

On April 20, 2005, CCL announced the sale of the North American Custom Manufacturing business for gross proceeds of \$215 million U.S. (approximately \$265 million Canadian) to KCP Income Fund. The sale is expected to close on May 17, 2005 and is subject to regulatory approval and typical standard financing conditions for a transaction of this nature. This disposition will be reported as a discontinued operation. Sales and Operating Income for this business in the first quarter of 2005 were \$163.8 million and \$6.3 million, respectively, compared to sales of \$149.4 million and Operating Income of \$5.9 million in the first quarter of 2004.

The Company divested this business to transform into a specialty packaging company focusing on the significant growth opportunities available in the international label converting business, the aluminum container and plastic tube businesses and the ColepCCL joint venture. CCL intends to use the proceeds to make accretive acquisitions, reduce debt and potentially repurchase shares. On a pro-forma basis, after the sale of the business, net debt to capitalization would be approximately 28% as compared to 49% as at March 31, 2005.

For the year ended December 31, 2004, the North American Custom Manufacturing business generated sales of \$604.6 million and operating income of \$26.6 million. In the short term, this income will not be replaced since the proceeds will be invested in secure deposits with yields in the 2% to 4% range dependent on currency and duration. It is anticipated that the growth in CCL's existing specialty packaging businesses combined with accretive acquisitions will more than offset this income reduction over the next two years.

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\$368.8 million) at March 31, 2005, with an average interest rate of 5.9%, factoring in the related Interest Rate Swap Agreements. A scheduled annual repayment of US\$9.4 million (Cdn\$11.3 million) on one of these notes is due in September 2005. In addition, the US\$120 million notes issued in 1996 are due to be repaid in March 2006 and are now presented as a current liability. Repayment of these notes is expected to come primarily from the proceeds of the expected sale of the North American Custom Manufacturing business in mid-May 2005 as described above. Net debt has increased from year-end 2004 and

from the year ago period due primarily to the Steinbeis acquisition. This acquisition debt is anticipated to be paid upon the disposition of Custom Manufacturing North America. The net debt analysis is as follows:

<u>\$ Millions</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>	<u>March 31, 2004</u>
Total debt	\$492.2	\$426.4	\$427.6
Cash on hand	<u>47.2</u>	<u>71.4</u>	<u>60.2</u>
Net debt	<u>\$445.0</u>	<u>\$355.0</u>	<u>\$367.4</u>

Non-cash working capital traditionally increases during the first part 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 in the first quarter of \$24.5 million in 2005 compared to an increase of \$24.9 million in the comparable 2004 period.

Capital spending was \$44.1 million in the first quarter of 2005; \$20.8 million higher than the \$23.3 million spent in the same quarter last year. 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 in 2005 and is expected to be just above the \$100 million mark after taking into account the disposition of Custom Manufacturing North America in May.

Dividends declared in the first quarters of 2005 and 2004, 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 March 31, 2005 of 32.6 million is slightly higher than the 32.4 million outstanding a year ago 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 June 2005.

Effective January 1, 2005, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the Emerging Issues Committee rules with respect to the recording of vendor rebates by a purchaser. The adoption of this change did not have a material impact on the Company. A new CICA guideline on the consolidation of variable interest entities had no impact on the Company since it is not a party to any variable interest entities.

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

The 2004 Management's Discussion and Analysis in the Annual Report detailed the risks to the Company's business and the strategies that were planned for 2005 and beyond. The disposition of the North American Custom Manufacturing business has eliminated or reduced certain risks applicable to that business segment. CCL will have: less dependence on the North American manufacturing sector and its ability to compete internationally; less reliance on the long-term currency effects of the U.S. dollar relative to the Canadian dollar; less refinancing risk on the maturity of its \$120 million U.S. senior notes in March 2006 and less overall dependence on a concentrated number of consumer products companies. CCL will now be more dependent on the inherent risks associated with running a more internationally diverse specialty packaging business without the diversification effect of the divested business. These risks were described in the 2004 Management's Discussion and Analysis.

In 2005, the Company will be more focused on the growth prospects of its specialty packaging business and the prudent management of the cash generated from the disposition with a view to improving shareholder value.