

CCL INDUSTRIES INC.
2006 First Quarter
Consolidated Statements of Earnings and Retained Earnings

Unaudited

Three months ended March 31st

(in millions of Cdn dollars, except per share data)	2006	2005	% Change
Sales	\$ 313.2	\$ 265.7	17.9
Income before undernoted items	55.1	43.4	27.0
Depreciation and amortization	18.1	15.5	
Interest expense, net	5.6	5.3	
	31.4	22.6	38.9
Unusual items - net gain <i>(note 5)</i>	0.4	-	
Earnings before income taxes	31.8	22.6	40.7
Income taxes	10.7	6.5	
Net earnings from continuing operations	21.1	16.1	31.1
Net earnings from discontinued operations, net of tax <i>(note 4)</i>	-	3.6	
Net earnings	21.1	19.7	7.1
Retained earnings, beginning of period	413.0	272.7	
Net earnings	21.1	19.7	
	434.1	292.4	
Less dividends:			
Class A shares	0.2	0.2	
Class B shares	3.0	3.0	
	3.2	3.2	
Retained earnings, end of period	\$ 430.9	\$ 289.2	
Earnings per share			
Class B - Continuing operations	\$ 0.66	\$ 0.50	32.0
Discontinued operations	\$ -	\$ 0.11	
Class B - Net earnings	\$ 0.66	\$ 0.61	8.2
Class A *	\$ 0.65	\$ 0.60	
Diluted earnings per share			
Class B - Continuing operations	\$ 0.64	\$ 0.49	30.6
Discontinued operations	\$ -	\$ 0.11	
Class B - Net earnings	\$ 0.64	\$ 0.60	6.7
Class A *	\$ 0.63	\$ 0.59	

* Earnings per class A shares are \$0.01 lower than Class B shares for the first quarters for 2005 and 2006.

See notes to interim consolidated financial statements.

Certain 2005 figures have been restated *(note 4)* for discontinued operations.

CCL INDUSTRIES INC.
2006 First Quarter
Consolidated Balance Sheets

(in millions of Cdn dollars)	March 31st 2006 (Unaudited)	December 31st 2005	March 31st 2005 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 105.8	\$ 120.2	\$ 47.2
Accounts receivable - trade	181.9	162.2	236.1
Other receivables and prepaid expenses	22.4	20.7	36.6
Inventories	108.5	102.1	152.1
	<hr/> 418.6	<hr/> 405.2	<hr/> 472.0
Capital assets	564.9	534.7	540.7
Other assets	26.4	29.2	38.7
Intangible assets	28.1	27.9	38.9
Goodwill	405.6	371.9	321.6
Total assets	<hr/> \$ 1,443.6	<hr/> \$ 1,368.9	<hr/> \$ 1,411.9
Liabilities			
Current liabilities			
Bank advances	\$ 9.6	\$ 8.8	\$ 73.2
Accounts payable and accrued liabilities	232.7	239.9	300.0
Income and other taxes payable	20.6	24.3	10.5
Current portion of long-term debt	17.8	17.3	163.7
	<hr/> 280.7	<hr/> 290.3	<hr/> 547.4
Long-term debt	439.9	376.5	255.3
Other long-term items	51.9	51.8	54.3
Future income taxes	82.4	84.5	90.5
Total liabilities	<hr/> 854.9	<hr/> 803.1	<hr/> 947.5
Shareholders' equity			
Share capital <i>(note 2)</i>	189.5	188.7	189.3
Contributed surplus	2.6	2.0	0.3
Retained earnings	430.9	413.0	289.2
Foreign currency translation adjustment	(34.3)	(37.9)	(14.4)
Total shareholders' equity	<hr/> 588.7	<hr/> 565.8	<hr/> 464.4
Total liabilities and shareholders' equity	<hr/> \$ 1,443.6	<hr/> \$ 1,368.9	<hr/> \$ 1,411.9

See notes to interim consolidated financial statements.

Certain 2005 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2006 First Quarter
Consolidated Statements of Cash Flows

Unaudited	Three months ended March 31st	
(in millions of Cdn dollars)	2006	2005
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 21.1	\$ 19.7
Earnings from discontinued operations	-	(3.6)
Items not requiring cash:		
Depreciation and amortization	18.1	15.5
Stock-based compensation	0.5	0.1
Future income taxes	2.8	3.3
Unusual items <i>(note 5)</i>	1.2	-
	43.7	35.0
Net change in non-cash working capital	(39.7)	(24.5)
Cash provided by continuing operations	4.0	10.5
Cash provided by discontinued operations	-	7.0
Cash provided by operating activities	4.0	17.5
Financing activities		
Proceeds on issuance of long-term debt	200.8	32.3
Retirement of long-term debt	(140.5)	(1.7)
Increase in bank advances	0.6	35.1
Issue of shares	0.7	1.3
Dividends	(3.2)	(3.2)
Cash provided by financing activities	58.4	63.8
Investing activities		
Additions to capital assets	(42.5)	(44.1)
Proceeds on disposals	24.4	-
Business acquisitions <i>(note 3)</i>	(62.2)	(63.8)
Other	2.9	2.9
Cash used for investing activities	(77.4)	(105.0)
Effect of exchange rate changes on cash	0.6	(0.5)
Decrease in cash	(14.4)	(24.2)
Cash and cash equivalents at beginning of period	120.2	71.4
Cash and cash equivalents at end of period	\$ 105.8	\$ 47.2

Cash and cash equivalents are defined as cash and short-term investments.
See notes to interim consolidated financial statements.

Certain 2005 figures have been restated *(note 4)* for discontinued operations.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2006 AND 2005

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

(Unaudited)

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, 2005.

Comparative figures have been restated to reflect discontinued operations (note 4) and reclassified where necessary to correspond with the current period's presentation.

2. SHARE CAPITAL

Issued and outstanding

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2005</u>
Issued share capital	\$ 196.9	\$ 196.1	\$ 191.1
Less: Executive share purchase plan loans	(1.8)	(1.8)	(1.8)
Shares held in trust	(5.6)	(5.6)	-
Total	\$ 189.5	\$ 188.7	\$ 189.3

During 2005, the Company granted an award of 200,000 shares of the Company. These shares are restricted in nature; 120,000 shares will vest in 2007 dependent on performance conditions, and 80,000 shares will vest in 2009 dependent on continuing employment. The Company purchased these 200,000 shares in the open market and has placed them in trust until they vest. The fair value of this stock award is being amortized over the vesting period and recognized as compensation expense.

Actual number of shares:

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2005</u>
Class A	2,421,784	2,422,204	2,439,187
Class B	30,142,759	30,088,789	30,130,256
Subtotal	<u>32,564,543</u>	<u>32,510,993</u>	<u>32,569,443</u>
Less: Executive share purchase plan shares	(150,000)	(150,000)	(150,000)
Shares held in trust	(200,000)	(200,000)	-
Total	<u>32,214,543</u>	<u>32,160,993</u>	<u>32,419,443</u>

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2005</u>
Year-to-date weighted average number of shares	<u>32,183,601</u>	<u>32,171,433</u>	<u>32,348,460</u>
Year-to-date weighted average diluted number of shares	<u>33,250,268</u>	<u>33,010,605</u>	<u>33,177,107</u>

3. ACQUISITIONS

In January 2006, the Company purchased Prodesmaq, based in Vinhedo, Brazil. Prodesmaq operates two state-of-the-art plants and is Brazil's largest supplier of pressure-sensitive labels for many global companies in the home and personal care, healthcare and premium food and beverage markets. The purchase price was \$62.2 million, net of cash acquired. 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 2006.

Details of the transaction are as follows :

Current assets	\$ 11.0
Current liabilities	(2.1)
Non-current assets at assigned values	9.4
Future taxes	(0.5)
Goodwill and intangible assets	44.4
Net assets purchased	<u>\$ 62.2</u>
 Total consideration:	
Cash, less cash acquired of \$1.7 million	<u>\$ 62.2</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2006 AND 2005

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

(Unaudited)

3. ACQUISITIONS (CONT'D)

In January 2005, the Company purchased Steinbeis Packaging based in Holzkirchen, Germany, for \$64.1 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 completed the purchase of the Holzkirchen building and land right for \$4.0 million euros in March 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.

Details of the purchase price allocations, as finalized at December 31, 2005, are as follows :

Current assets	\$ 34.9
Current liabilities	(39.2)
Non-current assets at assigned values	44.8
Long-term liabilities	(7.6)
Future taxes	(4.6)
Intangible assets	3.7
Goodwill	32.1
Net assets purchased	\$ 64.1
Total consideration:	
Cash, less cash acquired of \$4.8 million	\$ 64.1

4. DISCONTINUED OPERATIONS

In May 2005, the Company sold its North American Custom Manufacturing Division for \$272.8 million in cash to KCP Income Fund, a Toronto based contract manufacturer of private label household products. The sale resulted in a gain of \$131.0 million (\$108.5 million after tax). The disposition is reported as discontinued operations and the results are as follows:

Three months ended March 31st	
	<u>2005</u>
Sales from discontinued operations	\$ 163.8
Income before undernoted items	9.5
Depreciation and amortization	3.4
Interest expense, net	0.7
Earnings before income taxes	5.4
Income taxes	1.8
Net earnings from discontinued operations	\$ 3.6

Interest expense reported above in discontinued operations included an allocation from the Company's total interest expense based on the ratio of net assets sold to total net assets. Income tax expense has been based on the effective income tax rate in the local country.

5. UNUSUAL ITEMS

Three months ended March 31			
	<u>Segment</u>	<u>2006</u>	<u>2005</u>
Container segment restructuring	Container	\$ (1.3)	\$ -
Gain on net assets sale of CCL Dispensing Systems, LLC	Tube	1.7	-
Gain		\$ 0.4	\$ -
Tax - unusual items		\$ (1.6)	\$ -

In 2006, the Company commenced a senior management restructuring of the Container segment and recorded a provision related to severances totalling \$1.3 million (\$0.9 million after tax). Further costs will be incurred in 2006 as the Company completes its evaluation.

In February 2006, the Company sold its CCL Dispensing Systems, LLC net assets for \$24.4 million cash and realized a gain of \$1.7 million (loss of \$1.3 million after tax).

In March 2006, the Company repaid US\$120 million in unsecured senior notes which resulted in a foreign exchange gain and a capital gain for tax purposes. This resulted in the utilization of a previously unrecognized tax benefit from a 2002 unusual item write-down, and generated an unusual tax recovery of \$1.0 million in the current quarter.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2006 AND 2005
(Tabular amounts in millions of Cdn dollars except share data)
(Unaudited)

6. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the first quarter is \$0.4 million (2005 - \$0.4 million).

7. SEGMENTED INFORMATION

Industry segments

In 2006, the Company has separated the Container segment into Container and Tube, to more closely represent the current management structure and give readers more relevant information. The new Container segment manufactures aluminum aerosol containers while the Tube segment manufactures plastic tubes.

	Three months ended March 31st			
	Sales		Operating income	
	2006	2005	2006	2005
		<u>Restated</u> <u>Note 4</u>		<u>Restated</u> <u>Note 4</u>
Label	\$ 205.1	\$ 157.3	\$ 29.2	\$ 19.1
Container	44.4	36.1	6.2	5.3
Tube	19.1	21.0	1.0	0.9
ColepCCL	44.6	51.3	4.1	5.4
Total operations	\$ 313.2	\$ 265.7	40.5	30.7
Corporate expense			(3.5)	(2.8)
			37.0	27.9
Interest expense, net			5.6	5.3
			31.4	22.6
Unusual items - net gain			0.4	-
Earnings before income taxes			31.8	22.6
Income taxes			10.7	6.5
Net earnings from continuing operations			21.1	16.1
Net earnings from discontinued operations, net of tax			-	3.6
Net earnings			\$ 21.1	\$ 19.7

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	March 31st	December 31st	March 31st	December 31st	Three months ended March 31st		Three months ended March 31st	
	2006	2005	2006	2005	2006	2005	2006	2005
					<u>Continuing operations</u>			
Label	\$ 862.0	\$ 756.2	\$ 320.3	\$ 276.7	\$ 11.7	\$ 9.0	\$ 28.8	\$ 33.6
Container	186.2	177.0	12.8	12.7	2.5	2.1	9.7	6.7
Tube	94.2	118.2	30.3	40.4	1.9	2.1	3.1	0.6
ColepCCL	165.6	163.3	42.2	42.1	1.8	2.1	0.9	0.6
Discontinued operations	-	-	-	-	-	-	-	2.6
Corporate	135.6	154.2	-	-	0.2	0.2	-	-
Total	\$ 1,443.6	\$ 1,368.9	\$ 405.6	\$ 371.9	\$ 18.1	\$ 15.5	\$ 42.5	\$ 44.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarters Ended March 31, 2006 and 2005

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, 2006 and 2005 and an update to the 2005 Annual MD&A document. The information in this interim MD&A is current to May 4, 2006 and should be read in conjunction with the Company's March 31, 2006 unaudited first quarter financial statements released on May 4, 2006 and the 2005 Annual MD&A document, which forms part of the CCL Industries Inc. 2005 Annual Report, dated February 16, 2006.

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. pound sterling, the Mexican peso, the Thailand baht, the Chinese renminbi, the Brazilian real and the Polish zloty. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the current approved strategy and actual results 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 and geopolitical 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's customers operate have continued to be generally favourable through the first quarter of 2006. CCL has experienced good growth in most of its product categories in line with its customers' performance. The economies in the countries where CCL operates continue to grow despite higher energy and commodity costs on consumers and throughout the supply chain. The U.S. Federal Reserve has continued to raise short-term interest rates in its attempt to soften the impact of potential inflation and to stem the weakening of the U.S. dollar. The European economy appears to be improving while Asian markets are still growing rapidly and Brazil's economic recovery is ongoing.

Most of CCL's global marketing customers continue to be experiencing higher sales volumes than last year, reflecting the positive world economy. As a result, CCL is also enjoying reasonable growth in most product categories and regions. Overall, customer demand for CCL's products was very strong in the first quarter, slightly softer fourth quarter in 2005. In general, new orders so far in the second quarter continue to show reasonable strength.

The impact of higher material prices on our customers' products and the supply chain's ability to access raw materials continues to be a major challenge. All CCL business units are direct or indirect users of hydrocarbon-based

commodities and energy. The costs of many raw materials used to manufacture CCL's products have again pushed through all-time high levels. Management generally has been able to control these costs and maintain profit margins with price increases to customers. Managing these record high input costs and the timing and size of negotiated customer selling price increases in response will continue to be a challenge throughout 2006.

The Label Division continues to enjoy good volume growth as our global customers are expanding product lines and the business is realizing the synergies of our international network in the marketplace. The significant additional new manufacturing capacity installed in the Container Division has had the expected effect of reducing customer order backlogs and improving service levels. At the same time, there has been reduced order intake in certain products such as beverage and in specific sizes of containers. The Tube Division continues to experience a steady turnaround in sales volumes with a good growth trend. ColepCCL, CCL's 40% owned joint venture, overall had a flat sales performance, excluding the negative effect of currency, versus last year's first quarter. Further details on divisional sales trends can be found later in this report.

Discontinued Operations

On May 17, 2005, CCL completed the sale of Custom to KCP Income Fund for \$273 million in cash, resulting in an after-tax gain of \$108.5 million. CCL has recorded this divestiture as a discontinued operation in the prior year and consequently, the sales and income contribution from Custom has been excluded from the disclosure of continuing operations.

Review of Consolidated Continuing Operations

Sales for the first quarter of 2006 of \$313.2 million were 18% ahead of the \$265.7 million recorded in the first quarter of 2005 for continuing operations. Financial comparisons to the prior year's results have continued to be negatively affected by the appreciation of the Canadian dollar relative to the U.S. dollar, the euro, and most other currencies. In addition, business acquisitions and a disposition have impacted the comparison to prior periods. Sales increased for the quarter by 29% due to acquisitions and organic growth, partially offset by a decrease of 11% due to foreign exchange and the disposition. On a comparative basis with last year's first quarter, sales volumes increased in all divisions with the exception of ColepCCL where volumes were similar to the prior year level.

The following acquisitions and divestiture affected financial comparisons in the first quarter. Further details on these transactions follow later in the Discussion of Divisional Business Segments section:

On January 31, 2005, the Label Division acquired Steinbeis Packaging, based in Holzkirchen, Germany for \$64 million.

Effective July 1, 2005, the Tube Division acquired the remaining 30% of CCL Dispensing Systems that it did not already own for \$3 million.

On August 2, 2005, the Label Division acquired the remaining 49% of the CCL-Pachem European joint venture for \$23 million including debt assumed and, in addition, purchased the assets of Merroc Ltd., a label converter located in Cumbernauld, Scotland for \$2 million.

On September 13, 2005, the Label Division acquired the business of Inprint Systems headquartered in Ashford, England for \$63 million.

On January 11, 2006, the Label Division acquired the label converting assets of Prodesmaq and its subsidiaries for \$62 million.

On February 7, 2006, the Company divested the assets of its CCL Dispensing business in Libertyville, IL for \$24 million.

Net earnings from continuing operations for the first quarter of 2006 were \$21.1 million, up by 31% from the \$16.1 million recorded in the first quarter of 2005. Net earnings were impacted by a net gain from unusual items of \$0.4 million before tax (but a loss of \$1.2 million after tax) in the first quarter of 2006. There were no unusual items in the first quarter of 2005 and net earnings from discontinued operations were \$3.6 million in last year's first quarter. Operating income from continuing operations improved by 32% from last year's first quarter due to a substantially stronger performance in the Label, Container and Tube Divisions but slightly lower income from the ColepCCL joint venture. These improvements were partly offset by the negative effect of currency translation and transactions due to the depreciation of the U.S. dollar and the euro relative to the Canadian dollar.

Net interest expense from continuing operations was \$5.6 million, \$0.3 million higher than last year's corresponding quarter due primarily to higher floating interest rates and interest allocated for discontinued operations in 2005. Since the sale of the North American Custom Manufacturing Division ("Custom") in mid-May of last year, all interest expense and the interest income received on the cash from the sale of Custom are included in continuing operations. Corporate expenses for the quarter were \$0.7 million higher than last year due primarily to higher public company costs. The overall effective income tax rate for continuing operations was 29% for the quarter, excluding the tax on unusual items, equivalent to the rate in the first quarter of 2005.

Earnings from continuing operations per Class B share were \$0.66 in the first quarter of 2006 compared to the \$0.50 earned in the same period last year, an increase of 32%. Unusual items in the first quarter of 2006 decreased earnings per Class B share by \$0.03. There were no unusual items in last year's first quarter. For comparative purposes, if the unusual items were excluded, net earnings from continuing operations increased by 38% in the first quarter 2006 versus 2005. Earnings per Class B share from discontinued operations in the first quarter of 2005 were \$0.11. 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. Management will continue to disclose the impact of significant 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 \$0.02 lower than basic earnings per Class B share in the first quarter of 2006.

There were three unusual and one-time items in the first quarter of 2006 for a total gain of \$0.4 million (but a loss of \$1.2 million after tax) as follows:

- Sale of CCL Dispensing – CCL acquired 70% of CCL Dispensing in 2001 and acquired the remaining 30% in 2005. This business was part of the Tube Division. Its net assets were sold for a pre-tax profit of \$11.9 million, excluding \$10.2 million of the segment's goodwill, which was allocated to this disposition, resulting in a pre-tax profit of \$1.7 million. Tax of \$3.0 million was incurred on the sale, resulting in an after-tax loss of \$1.3 million.
- Container Division Restructuring – During the latter part of the first quarter of 2006, the Company reorganized the management of this business and incurred severance and other related costs on this restructuring. The new management is reviewing all aspects of the business and anticipates that further restructuring costs will be incurred in the second quarter of 2006. This unusual expense was \$1.3 million (\$0.9 million after tax) for the current quarter.
- Unusual Tax Recovery – In March, with the repayment of the US\$ 120 million notes, certain foreign exchange gains were realized for tax purposes only. Tax payments are not required due to the ability of the Company to utilize previously unrecognized capital losses generated from a 2002 unusual item write-down. The utilization of these capital losses gave rise to a reduction in tax expense of \$1.0 million.

In summary, the unusual items in the first quarter of 2006 are as follows:

	<u>Gain/(Loss)</u>	<u>Tax Expense (Recovery)</u>	<u>After Tax Gain/(Loss)</u>
Sale of CCL Dispensing	\$1.7	\$3.0	\$(1.3)
Container Division Restructuring	(1.3)	(0.4)	(0.9)
Unusual Tax Recovery	-	(1.0)	1.0
	<u>\$0.4</u>	<u>\$1.6</u>	<u>\$(1.2)</u>

The earnings impact of these unusual items was a loss of \$0.03 per Class B share for the first quarter of 2006.

The following table is presented to provide context to the change in the Company's business as a result of the sale of Custom. CCL's strategy has been to replace the income previously generated by Custom. The progress of the replacement of the Custom income is of primary importance to our shareholders and the financial community. This progress is measured based on earnings per Class B share from the following table. The gain from the sale of the Custom business in 2005 is excluded for this purpose. If the net negative impact of unusual items was excluded from these results, there is major improvement over the prior year earnings performance.

(in Canadian dollars)

<u>Earnings per Class B shares</u>	<u>Three Months Ended March 31</u>	
	<u>2006</u>	<u>2005</u>
From continuing operations	\$ 0.66	\$ 0.50
From discontinued operations	\$ -	\$ 0.11
Net loss from unusual and one-time tax items included in continuing operations	\$(0.03)	\$ -

The sale of Custom required a restatement of results including allocating certain costs between continuing and discontinued operations. Interest expense was allocated based on the ratio of the net assets employed in the business (not the proceeds from the sale) to the total net assets of CCL. The income tax expense was based on Custom operating as an independent business in Canada and the United States and incurring income tax at the appropriate federal, provincial and state tax rates.

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-continuing operations					
2006	\$313.2				
2005	265.7	\$280.1	\$281.9	\$282.4	\$1,110.1
2004	240.7	232.0	220.0	221.2	913.9
Net earnings-continuing operations					
2006	21.1				
2005	16.1	5.1	15.3	13.5	50.0
2004	11.5	9.1	13.6	9.8	44.0
Net earnings					
2006	21.1				
2005	19.7	113.8	15.3	15.0	163.8
2004	14.8	11.9	18.6	13.9	59.2

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Net earnings per Class B share					
continuing operations					
Basic					
2006	\$0.66				
2005	0.50	\$0.16	\$0.48	\$0.43	\$1.57
2004	0.36	0.28	0.42	0.30	1.36
Diluted					
2006	0.64				
2005	0.49	0.16	0.46	0.41	1.52
2004	0.35	0.27	0.42	0.30	1.34
Net earnings per Class B share					
Basic					
2006	0.66				
2005	0.61	3.53	0.48	0.48	5.10
2004	0.46	0.37	0.58	0.43	1.84
Diluted					
2006	0.64				
2005	0.60	3.45	0.46	0.46	4.97
2004	0.45	0.36	0.57	0.43	1.81
Unusual items and one-time					
tax benefit and gains per Class B share					
2006	(0.03)				
2005	-	2.96	-	(0.02)	2.94
2004	-	-	0.13	(0.07)	0.06

The impact on net earnings per Class B share of unusual items and the gain on sale of Custom in 2005 are included in the table above. Net earnings per Class B share have fluctuated significantly due to these unusual items. Excluding unusual items, there has generally been an improvement in earnings over the last two years.

As only about 10% of CCL's sales are generated from Canadian manufacturing locations, the 90% of sales from international operations are recorded in foreign currencies and then translated into Canadian dollars for reporting purposes. The U.S. dollar is the functional currency for about 40% of the Company's total sales and it depreciated 6% on average compared to the Canadian dollar in the first quarter 2006 versus last year's first quarter. In addition, European currencies are now the measurement currencies for over 40% of CCL's sales and the primary European currency, the euro, has substantially weakened by 14% compared to the Canadian dollar versus the prior year quarter. Changes in foreign exchange rates have reduced earnings per share due to currency translation by \$0.06 in the first quarter compared to 2005.

Additionally, CCL has a hedging program to lock in a portion of its expected U.S. dollar revenues earned in Canada by the Container Division. These hedge transactions for continuing operations were at an average rate of \$1.23 (US\$ 5.3 million sold forward) for the first quarter of 2005 and was \$1.24 (US\$ 6.0 million sold forward) for the first quarter of 2006. The Container Division also took in an

additional US\$ 6.3 million at this year's average rate; 6% below the prior year rate. The change in the exchange rates on U.S. currency transactions reduced comparative income for continuing operations by \$0.4 million in the first quarter of 2006 and reduced comparative earnings per share by \$0.01 for the quarter. As at March 31, 2006, outstanding foreign exchange contracts for 2006 and 2007 had a positive fair value of \$0.7 million.

Net interest expense for continuing operations was \$5.6 million for the first quarter of 2006, up from \$5.3 million from the comparable period last year due to higher floating interest rates and interest allocated for discontinued operations for 2005. However, the depreciation of the U.S. dollar and the euro partially offset the increased interest expense as CCL's borrowings are primarily denominated in U.S. dollars and in the form of private placements from U.S. institutional investors with a portion swapped into euros. Net interest expense is net of interest earned on both short-term investments and interest rate swaps.

On March 7, 2006, the Company completed a private placement financing of Senior Unsecured Notes with U.S. institutional investors. The amount of the borrowing was US\$ 170 million with US\$ 60 million to be repaid in five years and US\$ 110 million to be repaid in ten years. Interest rates for the five-year and ten-year financing are 5.29% and 5.57%, respectively. The five-year component was effectively swapped into euro fixed rate debt at an interest rate of 3.82%. Further information on this hedging transaction follows later in this report. The proceeds from this financing were used to repay the US\$ 120 million Senior Unsecured Notes that matured on March 15, 2006 that had a ten-year term with the balance of the proceeds to be used for future business opportunities and general corporate purposes.

Interest Rate Swap Agreements ("IRSA") have had the effect of converting U.S. dollar fixed rate debt into U.S. dollar floating rate debt. Cross Currency Interest Rate Swap Agreements ("CCIRSA") have had the effect of converting U.S. dollar fixed rate debt into euro floating rate debt. In March 2006, the Company completed the amortization of a gain realized on the sale of an IRSA in 2001. In addition, the Company entered into two distinct CCIRSAs in March 2006 that, on a combined basis, had the effect of converting US\$ 60 million fixed rate debt into euro fixed rate debt for a notional amount of 50.0 million euros. The recent CCIRSAs reflect the terms of the Company's new U.S. dollar borrowings matching the five-year tranche and are ultimately a hedge against CCL's European investments and cash flow. The new CCIRSAs expire in 2011.

The unrealized loss on all of the above agreements as at March 31, 2006 amounted to approximately \$5.8 million. The effect of the IRSAs and CCIRSAs has been to reduce interest expense by \$0.5 million in the first quarter of 2006 compared to a reduction of \$1.0 million in the first quarter of 2005. 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 5.7 times in 2006 compared to 4.9 times in 2005 as at March 31.

The Company's financial position is solid. As of March 31, 2006, cash and cash equivalents amounted to \$106 million compared to \$47 million at March 31, 2005. Net debt amounted to \$362 million at March 31, 2006, \$83 million lower than the net debt of \$445 million at the end of March 2005. The decrease in net debt in this time-frame is primarily due to the Custom divestiture and operating cash inflows offset in part by the previously noted acquisitions and capital spending. Capital spending in the first quarter of \$42.5 million compared to \$44.1 million last year. The major capital expenditures in the first quarter were for further payments on two production lines for the Container Division, many new presses for the Label Division, and new plant installations and equipment in Poland and Thailand. This level of capital spending was higher than the \$18.1 million of depreciation and amortization in the first quarter of 2006. Non-cash working capital increased \$39.7 million in the first quarter of 2006 due to the typical seasonal build-up following the slow holiday period including acquisitions and abnormally large income tax payments. The increase in non-cash working capital in the first quarter of 2005 was \$24.5 million.

In June 2005, the Company announced its intention to acquire, via a Normal Course Issuer Bid ("Bid"), up to 10,000 Class A voting shares and 2,100,000 of its issued and outstanding Class B non-voting shares between June 16, 2005 and June 15, 2006. This Bid represents 0.4% of the issued and outstanding Class A shares and 9.8% of the public float of the Class B shares. As of today's date, no shares have been acquired under this Bid.

During the first quarters of 2006 and 2005, the Company generated cash from all operations of \$4.0 million and \$17.5 million, respectively. The reduction in cash flow is primarily due to \$15.2 million more cash expended on working capital in 2006 compared to 2005.

Net debt to total capitalization, defined as net debt divided by net debt plus shareholders' equity, at March 31, 2006 was 38%, down from 49% at the end of March 2005 primarily due to the Custom divestiture. Book value per share, defined as shareholders' equity divided by total period end shares, was \$18.30 at the end of the first quarter of 2006, 28% above \$14.31 a year ago. The increase is primarily the result of earnings retained in the Company, including the significant gain on the sale of Custom, offset in part by the reduction in shareholders' equity due to foreign currency translation adjustments.

Discussion of Divisional Business Segments

Label Division

Sales for the Label Division were very strong at \$205.1 million for the first quarter, up 30% from \$157.3 million in the same quarter last year. The sales increase was a result of acquisitions contributing 30% and organic growth 11% partially offset by negative foreign exchange of 11%.

Sales growth in the first quarter was predominantly due to the Steinbeis (owned by CCL for only two months in 2005), Inprint, Pachem and Prodesmaq

acquisitions, but the base business also experienced a continuation of the very positive volume trends in its businesses seen since late in 2004. North American personal care volume was well ahead of last year for the quarter, with continued growth from its global customers. Specialty products volume was also well ahead of last year's first quarter with good growth in agricultural chemical labels, while the promotional label market was flat but with a good current order level. The North American healthcare business again recorded strong sales growth, particularly in inserts, as the business has made meaningful advances with customers in the pharmaceutical industry.

In Europe, sales volume was much improved in personal care compared to last year, and there was good growth in food and beverage. Healthcare volume was down slightly although the business remains very profitable and the battery business continued to show strong performance. The Steinbeis, Merroc and Inprint acquisitions, along with the increased ownership of Pachem, have significantly improved CCL's European position in all categories.

Sales volume in Thailand was over 60% ahead of last year with further growth expected, and the plant in Hefei, China continues to progress. Product is now being shipped from CCL's new plant in Poznan, Poland. In addition, the Guangzhou, China operation commenced trading in the second quarter of 2006. The Prodesmaq acquisition in Brazil had a very strong sales performance as it is being integrated into the CCL Label network. The label business continues to benefit from its international presence dealing with large global customers. There are many new opportunities for growth in the developing countries and from new product introductions.

Operating income for the first quarter of 2006 was \$29.2 million, up 53% from the \$19.1 million in the first quarter of 2005 despite the continuing negative effect of currency translation. Drivers of this improvement were the performance of all the acquisitions and most product categories in each region. Key increases in operating income excluding acquisitions versus last year were earned in the Asian operations, in the healthcare and specialty businesses in North America, and in the personal care, food and beverage and battery businesses in Europe. Operating income as a percentage of sales at 14.2% exceeded our internal targets and the 12.1% return generated in last year's first quarter. The first quarter has generally been the strongest quarter for the Label Division.

On January 11, 2006, the Label Division acquired the label converting assets of Prodesmaq and its subsidiaries for approximately \$62 million in cash on a debt-free basis. Prodesmaq is Brazil's largest supplier of pressure-sensitive labels in the home and personal care, healthcare and premium food and beverage categories. In the 2005 year, Prodesmaq had sales of \$37 million and operated with exceptional profit margins.

CCL acquired Inprint Systems on September 13, 2005 for \$63 million in cash. Inprint, based in Ashford, England, primarily produces specialty healthcare labels and rounds out CCL's European presence in this business with plants in

England, the Netherlands, Italy and the United States. At the beginning of August 2005, the Label Division acquired the remaining 49% of the Austrian-based CCL-Pachem joint venture for \$23 million, paid in a combination of cash, 200,000 CCL Class B shares and debt assumed. At the same time, CCL also acquired the assets of Merroc Ltd. located in Cumbernauld, Scotland for \$2 million in cash. Merroc provides leading European paint manufacturers with pressure-sensitive colour chip labels.

The Steinbeis Packaging business was acquired by CCL on January 31, 2005 for \$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.

Incremental sales and operating income in the first quarter of 2006 for the above-noted acquisitions were \$47.6 million and \$9.3 million, respectively.

Sales backlogs for the label business are generally low due to short customer lead times, but indications are that customers' orders continue to be firm through the second quarter of 2006. There is seasonality in the overall label business with the first quarter generally stronger than the other three quarters. This seasonality is a result of summer vacations primarily in Europe, strong agchem label production before the spring planting season, and the increased battery label production in the late summer and fall for the Holiday season. Certain locations are particularly impacted by lengthy plant shutdowns at year-end. Raw material pricing and our ability to pass on cost increases and maintain profit margins continue to be a challenge.

The Label Division invested \$28.8 million in capital in the first quarter of 2006 compared to \$33.6 million in the same period last year. The capital was spent throughout the Division to maintain and expand its manufacturing base by adding presses in strategic locations, including the plant construction for the relocated Robbinsville, NJ operation. 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 \$11.7 million for the first quarter of 2006 and \$9.0 million in the comparable 2005 period.

Container Division

During the first quarter, the former Container Division was split into two management teams with new leadership for each business. The former aluminum container unit is now the Container Division and the former Plastic Packaging unit is now the Tube Division. Henceforth, the two new Divisions will be separate segments and CCL will be providing more detailed information on these businesses.

Sales in the first quarter were \$44.4 million, up 23% from \$36.1 million last year. Sales increased for the quarter by 26% due to organic growth, offset in part by a decrease of 3% due to foreign currency translation.

The Container Division continued to benefit in the first quarter from the strong demand for aluminum aerosol containers and other new applications for shaped-can technology. Personal care volume in the aerosol format continued to grow. The impact of added internal capacity and lower demand for smaller diameter and beverage products has resulted in the Division reducing its backlogs to more acceptable levels and also reducing the outsourcing of production to overseas suppliers in support of customer requirements. Mexican aerosol container sales volumes were substantially higher in the first quarter compared to last year.

Operating income for the Container Division before unusual items for the first quarter of 2006 was \$6.2 million, up 17% from \$5.3 million in the first quarter of 2005 despite the unfavourable foreign exchange impact. The improvement in operating income is due primarily to the higher sales volumes. Return on sales for the first quarter of 2006 was 14.0% compared to 14.7% in last year's first quarter.

The aluminum container plant in Penetanguishene, Ontario sells a large part of its production to the United States market in U.S. dollars. As previously discussed, the business hedges part of these sales in Canadian dollars by way of forward contracts. The change in the exchange rates on U.S. currency transactions reduced comparative income for the Container Division by \$0.4 million in the first quarter of 2006.

During the first quarter, the Container Division reorganized its operations by bringing in a new management team to improve operational effectiveness and to be more responsive to its customers. This restructuring includes a complete review of all operations and assets with a goal of improving financial returns and cash flow. It is expected that the restructuring review will be completed during the second quarter of 2006. During the first quarter, this restructuring resulted primarily in severance costs totalling \$1.3 million (\$0.9 million after tax). These costs are recorded as an unusual item.

The Container Division invested \$9.7 million in capital in the first quarter of 2006 compared to \$6.7 million in the same quarter last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization for the first quarters of 2006 and 2005 were \$2.5 million and \$2.1 million, respectively. The Division has successfully installed five new aluminum container lines in the last three years and has now installed a sixth new line which will be operational in the second quarter of 2006. A seventh new line is on order for 2007 although its destination has not yet been determined.

The Container Division continues to hedge some of its anticipated future aluminum purchases through futures contracts. The fair value of these futures at March 31, 2006 was a positive \$11.8 million. The cost of aluminum has

continued to rise to new record levels and the Division will be challenged to recover all of these cost increases by pricing changes since certain customer contracts are at fixed prices and the level of hedged aluminum purchases has not been completely matched with customer contracts.

Tube Division

Sales in the first quarter for the Tube Division were \$19.1 million, down 9% from \$21.0 million last year. Sales decreased for the quarter by 22% due to foreign currency translation and the divestiture of CCL Dispensing Systems. However, this reduction was partially offset by a 13% increase in tube sales due to organic growth. The demand for plastic tubes showed good improvement in the quarter and new orders to be manufactured for the busy summer season appear to be strong.

In early February 2006, the Company divested the assets of its CCL Dispensing business in Libertyville, IL for \$24 million in cash to AptarGroup, Inc. This business was deemed to be non-core as it is a small player in the global closures market. Operating income contribution from this business in 2005 was approximately \$1 million. The gain on the sale of this business was \$1.7 million (but a \$1.3 million loss after tax) after allocating \$10.2 million of goodwill from the Tube Division. The goodwill allocated to this divestiture originated primarily from the plastic tube acquisition in 1997.

Operating income for the Tube Division for the first quarter of 2006 was \$1.0 million, up 11% from \$0.9 million in the first quarter of 2005 despite the unfavourable foreign exchange impact and the \$0.4 million reduction in income from the disposed closure business. The return on sales of 5.2% in the first quarter compared to a 4.3% return in the prior year first quarter.

The Tube Division invested \$3.1 million in capital in the first quarter of 2006 compared to \$0.6 million in the same quarter last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization for the first quarters of 2006 and 2005 were \$1.9 million and \$2.1 million, respectively.

ColepCCL Joint Venture

The ColepCCL joint venture was created in mid-July 2004. For the first quarter of 2006, CCL's 40% proportionate share of the joint venture's sales was \$44.6 million. This sales level was 13% lower than the comparative sales last year of \$51.3 million due primarily to the 14% decline in the value of the euro for the comparable quarter. In local currency, sales were flat compared to the same quarter a year ago with increases in the metal packaging segment offset by reductions in the contract manufacturing business. New order levels are somewhat stronger and it is anticipated that sales will improve over the balance of the year.

Operating income in the first quarter of 2006 for ColepCCL was \$4.1 million, indicating a return on sales of 9.2%, and in the first quarter of 2005, operating income was \$5.4 million, with a return on sales of 10.5%. Operating income was below last year's level due to currency translation, the inability to fully pass through cost increases to customers and unfavourable product mix.

In June 2005, ColepCCL completed the closure of its plant in Madrid, Spain. Some of its production lines were moved to the U.K., Poland and Portugal. The land and building were up for sale and an agreement to purchase the property was reached with a developer with closing of the sale expected in the third quarter of 2006.

Liquidity and Capital Structure

The Company's debt structure is primarily comprised of three private debt placements completed in 1997, 1998 and 2006 totalling US\$ 345.5 million (Cdn.\$ 403.5 million) at March 31, 2006. The US\$ 120 million notes issued in 1996 were repaid on March 15, 2006. The Company's overall average interest rate is 5.5% after factoring in the related Interest Rate and Cross Currency Swap Agreements.

A new private placement totalling US\$ 170 million closed on March 7, 2006. The new series of notes has two tranches: US\$ 60 million for five years at 5.29% and US\$ 110 million for 10 years at 5.57%. The Company effectively converted the five-year notes into a five-year fixed rate euro debt by entering into two independent CCIRSAs with a financial institution. The intent of this transaction was to more effectively hedge CCL's assets and cash flows in Europe. This transaction reduced the effective rate on the five-year notes to 3.82%. The additional borrowed funds were used to repay the US\$ 120 million notes on March 15, 2006 with the balance to be used for general corporate purposes and for funding future growth opportunities.

The summary of net debt is as follows:

<u>\$ Millions</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>March 31, 2005</u>
Total debt	\$467.3	\$402.6	\$492.2
Cash on hand	<u>105.8</u>	<u>120.2</u>	<u>47.2</u>
Net debt	<u>\$361.5</u>	<u>\$282.4</u>	<u>\$445.0</u>

Net debt has increased from 2005 year-end, primarily due to the Prodesmaq acquisition, the seasonal working capital build-up and the extensive capital expenditure program, offset in part by earnings and the disposition of the dispensing closure business. The major reason for the reduction of net debt from a year ago was the disposition of Custom.

Working capital grew in its typical seasonal fashion including the impact of acquisitions in the first quarter by \$39.7 million compared to \$24.5 million last

year. Additional income tax payments in the first quarter of 2006 were partially responsible for this increase.

For the first quarter, capital spending of \$42.5 million was consistent with the \$44.1 million spent in the first quarter of 2005. Capital spending also exceeded this quarter's depreciation and amortization of \$18.1 million. This major capital expenditure program was to provide for increased capacity and geographic reach, to implement cost reduction programs and to maintain the existing business and asset base. Plans for capital spending in 2006 are expected to be approximately \$160 million as the Company continues to expand its business base into new markets, and invest in assets to add capacity and improve its competitiveness.

Dividends declared in each of the first quarters of 2006 and 2005 were \$3.2 million. The total number of shares outstanding as at March 31, 2006 and 2005 was 32.6 million due to the exercise of stock options and the issuance of shares for the Pachem acquisition, offsetting the shares repurchased under the prior Normal Course Issuer Bid. The Company has historically paid out dividends at a rate of 20-25% of normalized earnings. Since the Company's cash flow and financial position is strong, the Board of Directors approved an increase of the quarterly dividend rate of 10% up to \$0.0975 per Class A share and \$0.11 per Class B share to shareholders of record as of June 16, 2006 and payable on June 30, 2006. The annualized dividend rate will be \$0.39 per Class A share and \$0.44 per Class B share.

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, 2005 Annual Consolidated Financial Statements. The Company does not have any material related party transactions. There are no defined benefit plans funded with CCL stock.

Risks and Strategies

The 2005 Management's Discussion and Analysis in the Annual Report detailed the risks to the Company's business and the strategies that were planned for 2006 and beyond. There have been no material changes to those risks and strategies. CCL is now more exposed to the inherent risks associated with running a more internationally diverse specialty packaging business. The Company now has more dependence on the European, Latin American and Asian economies and their currencies. These non-Canadian risks were described in the 2005 Management's Discussion and Analysis.

Outlook

The Company continues to be focused on the growth prospects of its specialty packaging business and the prudent management and reinvestment of the cash generated from the disposition of Custom with a view to the continued improvement in shareholder value in 2006 and beyond. CCL will also be integrating and reorganizing the large number of recent acquisitions it has made

to improve profitability and simplify administration. The Company is continuing to investigate mid-sized potential acquisition candidates that meet its criteria of core products and customers, and the expectation of earnings accretion in the first year of ownership.

The organic growth in sales and income experienced in 2005 and early 2006 are anticipated to continue into the balance of 2006 as the Company is expected to generate additional returns from its recent significant capital investments and acquisitions. However, the seasonality of the business continues to evolve, particularly in the Label Division, with the first quarter being generally the strongest. There are challenges expected in the remainder of 2006 associated with managing the balance between cost increases due to the significant inflation and volatility of energy and packaging components, and the Company's ability to recover these cost increases through higher selling prices to its customers. The strength of the Canadian dollar relative to the currencies of CCL's foreign operations continues to negatively impact earnings compared to 2005 performance levels and is anticipated to do so throughout 2006.