

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

Unaudited	Three months ended September 30th			Nine months ended September 30th		
(in millions of Cdn dollars, except per share data)	2006	2005	% Change	2006	2005	% Change
Sales	\$ 293.5	\$ 281.9	4.1	\$ 903.3	\$ 827.7	9.1
Income before undernoted items	46.6	43.8	6.4	151.3	130.9	15.6
Depreciation and amortization	18.1	17.4		54.7	49.1	
Interest expense, net	5.3	4.4		16.2	15.0	
	23.2	22.0	5.5	80.4	66.8	20.4
Unusual items - net loss <i>(note 5)</i>	(3.7)	-		(4.3)	(15.5)	
Earnings before income taxes	19.5	22.0	(11.4)	76.1	51.3	48.3
Income taxes	5.9	6.7		23.8	14.8	
Net earnings from continuing operations	13.6	15.3	(11.1)	52.3	36.5	43.3
Net earnings from discontinued operations, net of tax <i>(note 4)</i>	-	-		-	5.3	
Gain on sale of discontinued operations, net of tax <i>(note 4)</i>	-	-		-	107.0	
Net earnings	13.6	15.3		52.3	148.8	
Retained earnings, beginning of period	445.0	389.1		413.0	272.7	
Net earnings	13.6	15.3		52.3	148.8	
Repurchase of shares	-	-		-	(10.7)	
	458.6	404.4		465.3	410.8	
Less dividends:						
Class A shares	0.3	0.2		0.7	0.6	
Class B shares	3.3	3.0		9.6	9.0	
	3.6	3.2		10.3	9.6	
Retained earnings, end of period	\$ 455.0	\$ 401.2		\$ 455.0	\$ 401.2	
Earnings per share						
Class B - Continuing operations	\$ 0.43	\$ 0.48	(10.4)	\$ 1.63	\$ 1.14	43.0
Discontinued operations	\$ -	\$ -		\$ -	\$ 0.17	
Gain on sale of discontinued operations	\$ -	\$ -		\$ -	\$ 3.31	
Class B - Net earnings	\$ 0.43	\$ 0.48	(10.4)	\$ 1.63	\$ 4.62	(64.7)
Class A	\$ 0.42	\$ 0.47		\$ 1.59	\$ 4.58	
Diluted earnings per share						
Class B - Continuing operations	\$ 0.41	\$ 0.46	(10.9)	\$ 1.58	\$ 1.11	42.3
Discontinued operations	\$ -	\$ -		\$ -	\$ 0.16	
Gain on sale of discontinued operations	\$ -	\$ -		\$ -	\$ 3.24	
Class B - Net earnings	\$ 0.41	\$ 0.46	(10.9)	\$ 1.58	\$ 4.51	(65.0)
Class A	\$ 0.40	\$ 0.45		\$ 1.54	\$ 4.47	

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
2006 Third Quarter
Consolidated Balance Sheets

(in millions of Cdn dollars)	September 30th 2006 (Unaudited)	December 31st 2005	September 30th 2005 (Unaudited)
Assets			
Current assets			
Cash and cash equivalents	\$ 102.7	\$ 120.2	\$ 119.3
Accounts receivable - trade	175.8	162.2	172.3
Other receivables and prepaid expenses	20.2	20.7	23.1
Inventories	98.2	102.1	100.4
	396.9	405.2	415.1
Capital assets	562.3	534.7	512.7
Other assets	26.4	29.2	29.8
Intangible assets	39.8	27.9	28.7
Goodwill	388.8	371.9	369.4
Total assets	\$ 1,414.2	\$ 1,368.9	\$ 1,355.7
Liabilities			
Current liabilities			
Bank advances	\$ 9.5	\$ 8.8	\$ 9.8
Accounts payable and accrued liabilities	219.5	240.3	227.6
Income and other taxes payable	27.1	24.3	27.8
Current portion of long-term debt	17.0	17.3	158.5
	273.1	290.7	423.7
Long-term debt	400.2	376.5	244.1
Other long-term items	51.7	51.4	51.6
Future income taxes	80.6	84.5	86.6
Total liabilities	805.6	803.1	806.0
Shareholders' equity			
Share capital <i>(note 2)</i>	190.1	188.7	188.0
Contributed surplus	3.7	2.0	1.5
Retained earnings	455.0	413.0	401.2
Foreign currency translation adjustment	(40.2)	(37.9)	(41.0)
Total shareholders' equity	608.6	565.8	549.7
Total liabilities and shareholders' equity	\$ 1,414.2	\$ 1,368.9	\$ 1,355.7

See notes to interim consolidated financial statements.

Certain 2005 figures have been restated for comparative purposes.

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

Unaudited (in millions of Cdn dollars) Cash provided by (used for)	Three months ended September 30th		Nine months ended September 30th	
	2006	2005	2006	2005
Operating activities				
Net earnings	\$ 13.6	\$ 15.3	\$ 52.3	\$ 148.8
Earnings from discontinued operations	-	-	-	(5.3)
Gain on sale of discontinued operations	-	-	-	(107.0)
Items not requiring cash:				
Depreciation and amortization	18.1	17.4	54.7	49.1
Stock-based compensation	0.6	1.2	1.7	1.3
Future income taxes	0.3	(1.0)	0.6	1.7
Unusual items (note 5)	3.6	-	6.6	15.4
	36.2	32.9	115.9	104.0
Net change in non-cash working capital	(4.0)	(9.7)	(34.6)	(37.9)
Cash provided by continuing operations	32.2	23.2	81.3	66.1
Cash provided by (used for) discontinued operations	-	(0.5)	-	3.2
Cash provided by operating activities	32.2	22.7	81.3	69.3
Financing activities				
Proceeds on issuance of long-term debt	0.1	5.5	202.4	41.0
Retirement of long-term debt	(24.4)	(14.0)	(170.9)	(16.7)
Increase (decrease) in bank advances	5.7	(0.4)	0.5	(26.2)
Issue of shares	0.2	0.3	1.1	3.9
Repurchase of shares	-	-	-	(14.1)
Purchase of shares held in trust (note 2)	-	(5.5)	-	(5.5)
Dividends	(3.6)	(3.2)	(10.3)	(9.6)
Cash provided by (used for) financing activities	(22.0)	(17.3)	22.8	(27.2)
Investing activities				
Additions to capital assets	(27.8)	(33.2)	(95.4)	(117.9)
Proceeds on disposal of capital assets	10.7	0.4	12.2	0.8
Proceeds on business dispositions (note 4 and 5)	-	-	24.4	272.8
Business acquisitions (note 3)	-	(75.3)	(62.2)	(139.4)
Other	(2.5)	(2.9)	1.4	(3.0)
Cash provided by (used for) investing activities	(19.6)	(111.0)	(119.6)	13.3
Effect of exchange rate changes on cash	0.4	(5.4)	(2.0)	(7.5)
Increase (decrease) in cash	(9.0)	(111.0)	(17.5)	47.9
Cash and cash equivalents at beginning of period	111.7	230.3	120.2	71.4
Cash and cash equivalents at end of period	\$ 102.7	\$ 119.3	\$ 102.7	\$ 119.3

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

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended September 30, 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 reclassified where necessary to correspond with the current period's presentation.

2. SHARE CAPITAL

Issued and outstanding

	September 30, 2006	December 31, 2005	September 30, 2005
Issued share capital	\$ 197.3	\$ 196.1	\$ 195.4
Less: Executive share purchase plan loans	(1.6)	(1.8)	(1.8)
Shares held in trust	(5.6)	(5.6)	(5.6)
Total	<u>\$ 190.1</u>	<u>\$ 188.7</u>	<u>\$ 188.0</u>

During 2005, the Company granted a stock award of 200,000 Class B 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:

	September 30, 2006	December 31, 2005	September 30, 2005
Class A	2,378,721	2,422,204	2,428,396
Class B	30,215,322	30,088,789	29,998,597
Subtotal	<u>32,594,043</u>	<u>32,510,993</u>	<u>32,426,993</u>
Less: Executive share purchase plan shares	(125,000)	(150,000)	(150,000)
Shares held in trust	(200,000)	(200,000)	(200,000)
Total	<u>32,269,043</u>	<u>32,160,993</u>	<u>32,076,993</u>

	September 30, 2006	December 31, 2005	September 30, 2005
Year-to-date weighted average number of shares	<u>32,228,668</u>	<u>32,171,433</u>	<u>32,199,702</u>
Year-to-date weighted average diluted number of shares	<u>33,254,709</u>	<u>33,010,605</u>	<u>33,032,306</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, therefore certain items disclosed below may change when the review is completed in the fourth quarter of 2006.

Details of the transaction are as follows :

Current assets	\$ 9.8
Current liabilities	(2.1)
Non-current assets at assigned values	9.3
Future taxes	(4.8)
Intangible assets	14.0
Goodwill	36.0
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 September 30, 2006 AND 2005

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

(Unaudited)

3. ACQUISITIONS (CONT'D)

In September 2005, the Company purchased Inprint Systems based in Ashford, England, for \$63.4 million, net of cash acquired. Inprint Systems, through its plants in the Netherlands, United Kingdom, Italy and the USA, manufactures specialty label products.

Details of the transaction are as follows :

Current assets	\$ 10.8
Current liabilities	(9.3)
Non-current assets at assigned values	22.9
Long-term liabilities	(1.3)
Future taxes	(0.9)
Intangibles	1.7
Goodwill	39.5
Net assets purchased	<u>\$ 63.4</u>
Total consideration:	
Cash, less cash acquired of \$3.5 million	<u>\$ 63.4</u>

In August 2005, the Company purchased the remaining 49% of its European joint venture, CCL-Pachem. CCL entered the joint venture with Pachem AG, based in Austria, in 2003, by purchasing a 51% interest. CCL-Pachem, through its plants in Austria, France and the United Kingdom, produces pressure-sensitive, shrink sleeve and in-mould labels for the global market. The Company paid cash of \$6.3 million, issued 200,000 restricted shares worth \$5.0 million and assumed debt of \$12.1 million as consideration. The restricted shares are price protected and cannot be sold until December 31, 2008.

Details of the transaction are as follows :

Current assets	\$ 9.2
Current liabilities	(11.9)
Non-current assets at assigned values	15.2
Goodwill	11.3
Long-term liabilities	(0.4)
Net assets purchased	<u>\$ 23.4</u>
Total consideration:	
Cash	\$ 6.3
Restricted shares	5.0
Assumed debt	12.1
	<u>\$ 23.4</u>

In August 2005, the Company purchased the assets of Merroc Ltd. a privately owned label converter based in Cumbernauld, Scotland.

Details of the transaction are as follows :

Current assets	\$ 0.2
Non-current assets at assigned values	2.0
Net assets purchased	<u>\$ 2.2</u>
Total consideration:	
Cash	<u>\$ 2.2</u>

In July 2005, the Company purchased the remaining 30% of its U.S. plastic closure joint venture, CCL Dispensing Systems, LLC for \$3.4 million cash.

Details of the transaction are as follows :

Current assets	\$ 1.8
Current liabilities	(4.3)
Non-current assets at assigned values	3.1
Goodwill	2.8
Net assets purchased	<u>\$ 3.4</u>
Total consideration:	
Cash	<u>\$ 3.4</u>

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended September 30, 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	<u>\$ 64.1</u>
Total consideration:	
Cash, less cash acquired of \$4.8 million	<u>\$ 64.1</u>

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 \$129.8 million (\$107.0 million after tax) for the period ended September 30, 2005. Closing adjustments in fourth quarter of 2005 resulted in a revised gain of \$131.0 million (\$108.5 million after tax) for the year ended December 31, 2005. The disposition is reported as discontinued operations and the results are as follows:

	Nine months ended September 30th <u>2005</u>
Sales from discontinued operations	\$ 246.8
Income before undernoted items	14.0
Depreciation and amortization	5.1
Interest expense, net	1.0
Earnings before income taxes	7.9
Income taxes	2.6
Net earnings from discontinued operations	\$ 5.3
Gain on sale of discontinued operations, net of tax of \$22.8 million	\$ 107.0

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

	Segment	Three months ended September 30th		Nine months ended September 30th	
		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Container segment restructuring	Container	\$ (0.2)	\$ -	\$ (2.4)	\$ -
Gain on net assets sale of CCL Dispensing Systems, LLC	Tube	-	-	1.6	-
Repatriation of capital	Corporate	(3.5)	-	(3.5)	-
Impairment of IntraPac L.P. investment	Corporate	-	-	-	(11.7)
Mexico Container business restructuring and asset write-down	Container	-	-	-	(3.8)
Loss		<u>\$ (3.7)</u>	<u>\$ -</u>	<u>\$ (4.3)</u>	<u>\$ (15.5)</u>
Tax recovery (expense) - unusual items		\$ 0.1	\$ -	\$ (2.3)	\$ 0.1

In 2006, the Company commenced a senior management restructuring of the Container segment and recorded a provision related mostly to severances totalling \$2.4 million (\$1.6 million after tax). Further costs will be incurred in fourth quarter of 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 \$1.6 million (loss of \$1.5 million after tax).

In July 2006, the Company repatriated capital from a foreign subsidiary, which resulted in a net foreign exchange loss of \$3.5 million. Gains and losses arise from the difference between the exchange rate in effect on the date the capital was returned to Canada compared to the historical rate in effect when the capital was invested. These gains or losses on foreign exchange do not give rise to any tax effect.

In June 2005, the Company provided for an impairment of its equity investment in IntraPac L.P. in the amount of \$11.7 million (\$11.6 million after tax).

In June 2005, the Company completed an evaluation of its plastic packaging business within the Container Division in Mexico and recorded a provision for impairment of related capital assets and inventory write-downs that amounted to \$3.8 million, with no tax benefit.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended September 30, 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 third quarter is nil (2005 - \$0.3 million) and year-to-date \$0.9 million (2005 - \$1.2 million). In addition, the gain on disposal of discontinued operations in 2005 included \$1.3 million of settlement losses.

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 provide more relevant information to the Company's stakeholders. The new Container segment manufactures aluminum aerosol containers, while the Tube segment manufactures plastic tubes.

	Three months ended September 30th				Nine months ended September 30th			
	Sales		Operating income		Sales		Operating income	
	2006	2005	2006	2005	2006	2005	2006	2005
Label	\$ 188.1	\$ 169.2	\$ 21.7	\$ 19.1	\$ 584.7	\$ 493.7	\$ 74.1	\$ 57.5
Container	41.5	45.4	1.9	5.4	134.2	126.3	13.8	16.7
Tube	17.0	20.8	1.4	1.5	53.8	62.0	3.9	3.5
ColepCCL	46.9	46.5	5.0	3.6	130.6	145.7	13.0	13.1
Total operations	\$ 293.5	\$ 281.9	30.0	29.6	\$ 903.3	\$ 827.7	104.8	90.8
Corporate expense			(1.5)	(3.2)			(8.2)	(9.0)
			28.5	26.4			96.6	81.8
Interest expense, net			5.3	4.4			16.2	15.0
			23.2	22.0			80.4	66.8
Unusual items - net loss			(3.7)	-			(4.3)	(15.5)
Earnings before income taxes			19.5	22.0			76.1	51.3
Income taxes			5.9	6.7			23.8	14.8
Net earnings from continuing operations			13.6	15.3			52.3	36.5
Net earnings from discontinued operations, net of tax			-	-			-	5.3
Gain on sale of discontinued operations, net of tax			-	-			-	107.0
Net earnings			\$ 13.6	\$ 15.3			\$ 52.3	\$ 148.8

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	September 30th	December 31st	September 30th	December 31st	Nine months ended September 30th		Nine months ended September 30th	
	2006	2005	2006	2005	2006	2005	2006	2005
					Continuing operations			
Label	\$ 852.9	\$ 756.2	\$ 305.2	\$ 276.7	\$ 35.7	\$ 29.1	\$ 69.3	\$ 74.8
Container	182.0	177.0	12.8	12.7	7.9	6.9	17.4	26.5
Tube	89.8	118.2	28.7	40.4	5.4	6.8	5.5	7.9
ColepCCL	157.8	163.3	42.1	42.1	5.3	5.8	2.8	4.1
Discontinued operations	-	-	-	-	-	-	-	4.5
Corporate	131.7	154.2	-	-	0.4	0.5	0.4	0.1
Total	\$ 1,414.2	\$ 1,368.9	\$ 388.8	\$ 371.9	\$ 54.7	\$ 49.1	\$ 95.4	\$ 117.9

8. SUBSEQUENT EVENT

In October 2006, the Company announced it had agreed to sell its Houten, Netherlands label business for \$3.5 million in cash. The sale will be completed in the fourth quarter of this year and a small gain on sale is expected.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three and Nine Months Ended September 30, 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 third quarters ended September 30, 2006 and 2005 and an update to the 2005 Annual MD&A document. The information in this interim MD&A is current to November 2, 2006 and should be read in conjunction with the Company's September 30, 2006 unaudited third quarter financial statements released on November 2, 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 global markets in which CCL's customers operate have been diverse through the third quarter of 2006 with certain markets continuing to show good growth while others are showing signs of softening conditions. In the U.S., overall manufacturing output fell in the third quarter, down 0.9% based on government statistics. Consumer non-durables, the Company's primary category, recorded reductions in manufacturing output in August and September. Despite these concerns, CCL has experienced good global growth in most of its product categories in line with the sales performance of its customers.

The economies in the countries where CCL operates continue to be affected by volatile energy and commodity costs and the impact of these changing costs throughout the supply chain. Energy costs have generally declined in the last quarter but certain commodities, such as aluminum continue to be priced at near-record levels. The U.S. Federal Reserve has recognized the signs of a slowdown and has stopped raising short-term interest rates, at least temporarily. The cumulative effect of higher interest rates has softened consumer spending and has been a significant factor in the decline in the U.S. housing market. The European economy has performed reasonably well with certain governments increasing interest rates to temper growth while the emerging market economies in Eastern Europe, Asia and Latin America continue to expand at a very good pace.

Most of CCL's global customers are enjoying higher sales volumes than last year, reflecting world economic growth. The exception is the U.S. markets that have lately been affected by reduced consumer spending. CCL experienced slower order intake for its U.S. personal care business late in the second quarter after a very strong first quarter. Although orders picked up through the summer months, volume has been spotty in this category. As a result, CCL had reasonable growth in most product lines and regions in the third quarter with the exception of its personal care business in the U.S., which was flat. In general, new orders to date in the fourth quarter continue to show modest strength with continuing softness in the personal care category.

The impact of generally higher material prices on our customers' products continues to be challenging. 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 been volatile and most are at substantially higher price levels than a year ago. Management has generally been able to control these costs and maintain profit margins with a combination of procurement leverage and price increases to customers. However, in certain businesses such as the Container Division, the size and the volatility of increased input costs combined with market softness have put a squeeze on profit margins. Managing these higher costs and the timing and size of negotiated customer selling price increases in response will continue to be a major challenge into 2007.

The long-term strengthening trend of the Canadian dollar continues to have a negative effect on CCL and its reported financial results. Compared to the third quarter of 2005, the U.S. dollar has depreciated on average by 7% (8% year-to-date) relative to the Canadian dollar, while the euro has also depreciated by 3% (9% year-to-date). In the last few months, the Canadian dollar has shown some softness in line with the U.S. slowdown and it is expected that fourth quarter results will be less affected comparatively than prior quarters.

The Label Division continues to enjoy generally good sales growth as our global customers have expanded their product lines and the business is realizing the synergies of our international network in the marketplace including our recent Brazilian acquisition. In the U.S. personal care business, new orders have been firm with the exception of slower order patterns that continued into the fourth quarter. 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. However, there has been reduced order intake primarily in beverage and only modest improvement in personal care for aerosol containers as higher aluminum costs have had an impact on customers' marketing plans. The Tube Division continues to experience a steady turnaround in sales with good market share growth due to improved service and quality despite softer personal care markets. ColepCCL, CCL's 40% owned joint venture, had higher sales levels overall than last year for the quarter in local currency, but this was partially offset by unfavourable currency translation. The increase in third quarter sales in local terms was an improvement from a softer

second quarter. Further details on divisional sales can be found later in this report.

Discontinued Operations

On May 17, 2005, CCL completed the sale of the North American Custom Manufacturing business ("Custom") for \$273 million in cash, resulting in an after-tax gain of \$108.5 million after final adjustments in December 2005. CCL recorded this divestiture as a discontinued operation and, consequently, the sales and income contribution from Custom in 2005 has been excluded from continuing operations.

Review of Consolidated Continuing Operations

Sales for the third quarter of 2006 of \$293.5 million were 4% ahead of the \$281.9 million recorded in the third quarter of 2005 for continuing operations, while sales for the first nine months of 2006 of \$903.3 million were 9% higher than last year's \$827.7 million. Financial comparisons to the prior year's results have continued to be negatively affected by the significant appreciation of the Canadian dollar relative to the U.S. dollar, the euro, and most other currencies. In addition, business acquisitions and a disposition (as described below) have impacted the comparison to prior periods. Sales increased for the quarter by 9% (18% year-to-date) due to acquisitions and organic growth, partially offset by a decrease of 5% (9% year-to-date) due to foreign exchange and the disposition. On a comparative basis with last year's third quarter, sales increased in the Label and Tube Divisions (excluding the disposition) and ColepCCL. Sales volumes for the Container Division were marginally lower than the prior year's level.

The following six acquisitions and one divestiture affected financial comparisons in the first three quarters of 2006 versus 2005:

- In January 2005, the Label Division acquired Steinbeis Packaging, based in Holzkirchen, Germany for \$64 million.
- In July 2005, the Tube Division acquired the remaining 30% of CCL Dispensing Systems that it did not already own for \$3 million.
- In August 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.
- In September 2005, the Label Division acquired the business of Inprint Systems headquartered in Ashford, England for \$63 million.
- In January 2006, the Label Division acquired the label converting assets of Prodesmaq and its subsidiaries in Vinhedo, Brazil for \$62 million.
- In February 2006, the Company divested the assets of its CCL Dispensing business in Libertyville, IL for \$24 million.

Net earnings from continuing operations for the third quarter of 2006 were \$13.6 million, down by 11% from the \$15.3 million recorded in the third quarter of 2005. Net earnings were impacted by a net loss from unusual and one-time items of \$3.7 million before tax (\$3.2 million after tax) in the third quarter of 2006. Details of these items follow later in this report. There were no unusual items in the third quarter of 2005. Operating income from continuing operations improved by 1% from last year's third quarter due to stronger performances in the Label Division and in ColepCCL, partially offset by substantially lower income from the Container Division in part due to the negative effect of the stronger Canadian dollar.

Net interest expense from continuing operations was \$5.3 million in the third quarter, up from \$4.4 million in last year's corresponding quarter due primarily to higher net debt levels associated with the above-noted acquisitions and higher floating interest rates. Since the sale of 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 \$1.7 million lower than last year due to lower pension expense and executive incentive compensation. The overall effective income tax rate for continuing operations was 27% for the quarter, excluding the tax on unusual and one-time items, versus 31% in the third quarter of 2005. The tax rate was lower in 2006 due to a favourable mix of taxable income earned in jurisdictions with relatively lower tax rates versus jurisdictions with relatively higher tax rates.

For the first nine months of 2006, net earnings from continuing operations were \$52.3 million, up 43% from \$36.5 million in the comparable 2005 period. Net earnings for the nine months of 2006 were affected by a loss from unusual and one-time items of \$4.3 million (\$5.2 million after tax). Unusual and one-time items decreased earnings in the first nine months of 2005 by \$15.5 million (\$11.1 million after tax). Net earnings from discontinued operations, including the gain on the sale of Custom for the first nine months of 2005 were \$112.3 million.

Earnings from continuing operations per Class B share were \$0.43 in the third quarter of 2006 compared to the \$0.48 earned in the same period last year, a decrease of 10%. Unusual and one-time items in the third quarter of 2006 decreased earnings per Class B share by \$0.10. There were no unusual and one-time items in the third quarter of 2005. For comparative purposes, if unusual and one-time items were excluded, net earnings from continuing operations increased by 10% in the third quarter 2006 versus 2005. The impact of the unusual and one-time items on a per share basis is measured by dividing the after-tax income of these items by the average number of shares outstanding in the relevant period. Management will continue to disclose the impact of significant unusual and one-time 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 as it provides a meaningful basis to evaluate historical and future financial performance. Diluted earnings per Class B share were \$0.02 lower than basic earnings per Class B share in the third quarter of 2006 and 2005.

For the first nine months of 2006, earnings from continuing operations per Class B share were \$1.63 compared to \$1.14 in the year earlier period, a 43% increase. Unusual and one-time items reduced earnings per Class B share by \$0.16 for the first nine months of 2006 versus a \$0.35 reduction in the prior year period. For comparative purposes, if the unusual and one-time items were excluded, net earnings from continuing operations per Class B share increased by 20% in the first nine months of 2006 versus 2005. Diluted earnings per Class B share from continuing operations were \$0.05 lower than basic earnings for the first nine months of 2006 and \$0.03 lower in the comparable 2005 period.

There were four unusual and one-time items in the first nine months of 2006 for a total net loss of \$4.3 million (\$5.2 million after tax) and a total net loss of \$3.7 million (\$3.2 million after tax) in the third quarter, as follows:

- Repatriation of Capital - During the third quarter, the Company repatriated capital from a foreign subsidiary related to the disposition of Custom in 2005. There was a foreign exchange loss on this repatriation of \$3.5 million with no tax benefit.
- Container Division Restructuring - During the latter part of the first quarter of 2006, the Company reorganized the management of the Container Division and incurred severance and other related costs on this restructuring. The new management continues to review all aspects of the business in light of existing market conditions and anticipates that further restructuring costs will be incurred in the remainder of 2006. This unusual expense was \$0.2 million (\$0.1 million after tax) for the current quarter and \$2.4 million (\$1.6 million after tax) on a year-to-date basis.
- 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 in February 2006 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 \$3.1 million was incurred on the sale, resulting in an after-tax loss of \$1.4 million. In the second quarter of 2006, a closing adjustment reduced the gain by \$0.1 million, increasing the after-tax loss year-to-date to \$1.5 million.
- Unusual Tax Recovery - In March, with the repayment of the US\$120 million senior unsecured notes, certain foreign exchange gains were realized for tax purposes only. In September, with the repayment of US\$9.4 million on senior unsecured notes, further foreign exchange gains were realized. 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 \$0.4 million in the third quarter and \$1.4 million year-to-date.

In summary, the unusual and one-time items in the third quarter of 2006 were as follows:

	<u>Gain (Loss)</u>	<u>Tax Recovery (Expense)</u>	<u>After Tax Gain (Loss)</u>
Repatriation of Capital	\$(3.5)	\$ -	\$(3.5)
Container Division Restructuring	(0.2)	0.1	(0.1)
One-time Tax Recovery	<u>-</u>	<u>0.4</u>	<u>0.4</u>
	<u>\$(3.7)</u>	<u>\$0.5</u>	<u>\$(3.2)</u>

For the first nine months of 2006, the unusual and one-time items were:

	<u>Gain (Loss)</u>	<u>Tax Recovery (Expense)</u>	<u>After Tax Gain (Loss)</u>
Repatriation of Capital	\$(3.5)	\$ -	\$(3.5)
Container Division Restructuring	(2.4)	0.8	(1.6)
Sale of CCL Dispensing	1.6	(3.1)	(1.5)
One-time Tax Recovery	<u>-</u>	<u>1.4</u>	<u>1.4</u>
	<u>\$(4.3)</u>	<u>\$(0.9)</u>	<u>\$(5.2)</u>

The earnings impact of these unusual and one-time items was a loss of \$0.10 per Class B share for the third quarter of 2006 and \$0.16 year-to-date.

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 and one-time items were excluded from these results, there is major improvement over the prior year's earnings performance on a year-to-date basis.

(in Canadian dollars)

<u>Earnings per Class B share</u>	<u>3rd Quarters</u>		<u>Year-to-date</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
From continuing operations	\$ 0.43	\$ 0.48	\$1.63	\$ 1.14
From discontinued operations	-	-	-	\$ 0.17
Net loss from unusual items and one-time tax benefit included in continuing operations *	\$ 0.10	-	\$0.16	\$ 0.35

* A non-GAAP measure referred to earlier, under Review of Consolidated Continuing Operations.

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 11 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	\$296.6	\$293.5		\$ 903.3
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	17.6	13.6		52.3
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	17.6	13.6		52.3
2005	19.7	113.8	15.3	15.0	163.8
2004	14.8	11.9	18.6	13.9	59.2
Net earnings per Class B share					
From continuing operations					
Basic					
2006	0.66	0.54	0.43		1.63
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	0.53	0.41		1.58
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	0.54	0.43		1.63
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	0.53	0.41		1.58
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 tax benefit, including one-time gain per Class B share, net gain (loss)					
2006	(0.03)	(0.03)	(0.10)		(0.16)
2005	-	2.96	-	(0.02)	2.94
2004	-	-	0.13	(0.07)	0.06

The financial performance of the business has generally improved on an annual and quarter by quarter basis over the last three years as can be seen from the above table. The seasonality of the business has evolved over the last few years such that the first quarter generates the highest sales and net earnings from continuing operations with the other quarters generally generating relatively lower sales and earnings. This seasonality is not totally visible in net earnings as the impact of unusual items in the quarters has caused net earnings to fluctuate

significantly during this timeframe. The second quarter of 2005 had exceptional net earnings due to the gain on the sale of Custom.

As approximately 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 7% on average compared to the Canadian dollar in the third quarter 2006 versus last year's third 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 also weakened by 3% compared to the Canadian dollar versus the prior year's quarter. All other countries, including Brazil, Mexico and CCL's Asian operations account for approximately 10% of total sales. Changes in foreign exchange rates have reduced earnings per share due to currency translation by \$0.02 in the third quarter compared to 2005, and \$0.13 on a year-to-date basis.

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 hedging transactions were at an average rate of \$1.23 (US\$6.8 million sold forward) for the third quarter of 2005 and were \$1.24 (US\$3.0 million sold forward) for the third quarter of 2006. The Container Division also collected an additional US\$8.1 million in the quarter at this year's quarterly average rate; 7% below the prior year's rate. The change in the exchange rates on U.S. currency transactions reduced comparative income for continuing operations by \$0.7 million in the third quarter of 2006 (\$1.8 million year-to-date) and reduced comparative earnings per share by \$0.03 for the quarter (\$0.06 year-to-date). In the third quarter, the Company sold forward 20.8 million Brazilian reais for delivery in 2007. As at September 30, 2006, outstanding foreign exchange contracts for 2006 and 2007 had a fair value of nil.

Net interest expense for continuing operations was \$5.3 million for the third quarter of 2006 and \$4.4 million in last year's third quarter. Higher net debt levels due primarily to acquisitions in the last year and higher floating interest rates were responsible for the increase. The Company'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.

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. There were no changes to these hedging instruments in the third quarter of 2006.

The unrealized loss on all of the above agreements as at September 30, 2006 amounted to \$9.5 million. The effect of the IRSAs and CCIRSA's has been to reduce interest expense by \$0.2 million in the third quarter of 2006 (\$1.0 million year-to-date) compared to a reduction of \$1.0 million in the third quarter of 2005 (\$2.8 million year-to-date). 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 5.6 times in 2005 as at September 30th.

The Company's financial position has a sound foundation. As at September 30, 2006, cash and cash equivalents amounted to \$103 million compared to \$119 million at September 30, 2005. Net debt was \$324 million at September 30, 2006, \$31 million higher than the net debt of \$293 million at the end of September 2005. The increase in net debt is primarily due to the previously noted acquisitions and capital spending, partially offset by operating cash inflows. Capital spending in the third quarter of \$27.8 million compared to \$33.2 million last year. The major capital expenditures in the third quarter were for further payments on production lines for the Container Division, many new presses and new plants in Memphis, TN and Robbinsville, NJ for the Label Division and new printing equipment for the Tube Division. This level of capital spending was higher than the \$18.1 million of depreciation and amortization in the third quarter of 2006 due to the Company's many growth opportunities.

In the third quarter of 2006, the Company generated \$10.7 million of proceeds on the disposal of capital assets primarily from the sale of ColepCCL's Madrid land and building. Non-cash working capital increased modestly by \$4.0 million in the third quarter of 2006 after the typical seasonal build-up in the strong first quarter following the slow holiday period. The increase in non-cash working capital in the third quarter of 2005 was \$9.7 million. On a year-to-date basis, non-cash working capital grew by \$34.6 million in 2006 versus \$37.9 million in 2005.

During the third quarters of 2006 and 2005, the Company generated cash from all operations of \$32.2 million and \$22.7 million, respectively. The increase in cash flow is primarily due to higher net earnings before unusual items, the additional deferral of income taxes of \$1.3 million, and the \$5.7 million reduction in 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 September 30, 2006 was 35%, the same level as at the end of September 2005 and 33% at the end of December 2005 primarily due to acquisitions and capital spending. Book value per share, defined as shareholders' equity divided by total period end shares, was \$18.90 at the end of the third quarter of 2006, 10% above the \$17.18 recorded a year ago. The increase is primarily the result of earnings retained in the Company.

Discussion of Divisional Business Segments

Label Division

Sales for the Label Division were \$188.1 million for the third quarter, up 11% from \$169.2 million in the same quarter last year. For the nine months to date, sales were \$584.7 million, up 18% from the \$493.7 million in the comparable prior year period. The sales increase in the third quarter was primarily a result of acquisitions and modest organic growth partially offset by negative foreign exchange of 4%.

Sales growth in the third quarter was predominantly due to the Inprint, Pachem and Prodesmaq acquisitions, but the base business also generally saw a modest continuation of the positive trends experienced since late in 2004. North American personal care orders showed some softness in third quarter and were slightly lower than last year for the quarter. Customers have reduced the level of new product introductions in recent months. Sales of specialty products were very strong and well ahead of last year's third quarter with good growth in agricultural chemical labels and promotional labels. The North American healthcare business continued to show strong sales growth, particularly in the insert market, as the business has continued to make steady progress with customers in the pharmaceutical industry.

In Europe, sales in local currency were modestly higher excluding the impact of acquisitions. The summer season in Europe is somewhat more difficult to analyze due to the extended vacations in many countries. There were continued improvements in the food and beverage business compared to last year while healthcare sales were flat and personal care sales were down marginally. Battery sales showed modest growth. The Merroc and Inprint acquisitions, along with the increased ownership of Pachem, have significantly improved CCL's European position in all categories.

Sales for the quarter in 2006 for Asia, in local currency, were substantially ahead of last year with further growth expected as CCL expands its customer base. The new plant in Guangzhou, China made its first commercial sales in the second quarter and started to ramp up production in the third quarter. The plant in Hefei, China focused primarily on battery and beverage labels, continues to progress. The Prodesmaq acquisition in Brazil once again enjoyed a very strong sales and income performance as it serves CCL's global customers in the South American market. The label business continues to take advantage of its international presence dealing with large global customers. There are many new opportunities for growth in the developing world, and from new product introductions and applications in each label business category.

Operating income for the third quarter of 2006 was \$21.7 million, up 14% from the \$19.1 million in the third quarter of 2005 despite the continuing negative effect of currency translation. Drivers of this improvement were the performance of all the acquisitions and growth in specific product categories in each region. Key increases in operating income, excluding acquisitions, versus last year, were earned in the healthcare and specialty businesses in North America, food and beverage in Europe and in the Latin American and Asian operations. Included in the results were costs associated with moving the Robbinsville, NJ facility and start-up losses in Poland and China for a total of approximately \$1 million. Year-to-date, operating income was \$74.1 million versus \$57.5 million last year, up 29%. Operating income as a percentage of sales at 11.5% in the third quarter met our internal targets and was above the 11.3% return generated in last year's third quarter.

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 2005, 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.

Incremental sales and operating income in the third quarter of 2006 for the above-noted acquisitions were \$21.1 million and \$4.7 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 fourth quarter of 2006 with the exception of the U.S. personal care business where there is reduced potential for improvement. 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 many factors including summer vacations particularly 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 also particularly impacted by lengthy plant shutdowns during summer vacations and in the last half of December.

The Label Division invested \$21.0 million in capital in the third quarter of 2006 compared to \$16.8 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, plant construction for the relocated Robbinsville, NJ operation, and payments on new plants to be constructed outside of Memphis, TN and in Mexico. 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 \$11.8 million for the third quarter of 2006 and \$10.6 million in the comparable 2005 period.

On October 16, 2006, CCL Label sold its Houten, the Netherlands business to the local management for cash consideration of approximately \$3.5 million. The business was generally focused on local customers outside of the Company's target markets in personal care, healthcare, battery, food and beverage serving global customers. Income contribution from this business was not material and the disposition will have no material effect on CCL's future consolidated results. There will be a small gain recorded on the sale in the fourth quarter of 2006. CCL maintains an active involvement in the Dutch market through its remaining operation in Oss, the Netherlands.

Container Division

Sales in the third quarter were \$41.5 million, down 9% from \$45.4 million last year and for the first nine months of 2006 sales were \$134.2 million, up 6% from the \$126.3 million last year. Sales decreased for the third quarter due to lower volumes offset in part by price increases. The impact of foreign currency translation decreased comparative sales by 4%.

The Container Division continued to experience a significant reduction in demand for beverage containers in the third quarter and only modest sales gains in aerosols, largely driven by price increases. The business has been dramatically affected by the huge increase in aluminum costs and the resultant impact that higher container costs have on marketers' plans for their products. Price increases have been implemented but overall have not offset the higher product costs. The impact of added internal capacity and the substantially lower demand has resulted in the Division continuing to reduce its order backlogs and improving customer service.

Operating income for the Container Division before unusual items for the third quarter of 2006 was \$1.9 million, down 65% from \$5.4 million in the third quarter of 2005 due to lower volume and margins, unfavourable foreign exchange, and higher aluminum costs despite higher selling prices. For the first nine months of 2006, operating income was \$13.8 million versus \$16.7 million last year, down 17%. Return on sales for the third quarter of 2006 was 4.6% compared to 11.9% in last year's third quarter.

The plant in Penetanguishene, ON sells almost all 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 \$0.7 million in the third quarter of 2006 and \$1.8 million year-to-date.

During the first quarter, the Container Division commenced reorganization of its operations by bringing in a new management team to improve operational effectiveness and to be more responsive to its customers. In light of the lower profitability of the business in the third quarter, this restructuring will include 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 balance of 2006. During the third quarter, the restructuring cost was \$0.2 million (\$0.1 million after tax) consisting primarily of severance expenses. These costs are recorded as an unusual item.

The Container Division invested \$4.3 million in capital in the third quarter of 2006 compared to \$11.6 million in the same quarter last year, to maintain and expand its manufacturing base and reduce its production costs. The most significant capital expenditures in the third quarter were the new production lines in Hermitage, PA. Depreciation and amortization for the third quarters of 2006 and 2005 were \$2.7 million and \$2.4 million, respectively. The Division has successfully installed six new aluminum container lines in the last three years and has a seventh new line for installation and start-up in 2007.

The Container Division continues to hedge some of its anticipated future aluminum purchases through futures contracts. The fair value of these futures at September 30, 2006 was a positive \$6.0 million. The cost of aluminum has continued to stay at substantially higher levels than a year ago. The Division will continue to be challenged to recover these cost increases by increasing its selling prices since certain customer contracts are at fixed prices and the level of hedged aluminum purchases have not been completely matched with customer contracts.

Tube Division

Sales in the third quarter for the Tube Division were \$17.0 million, down 18% from \$20.8 million last year. Sales decreased for the quarter by 25% due to foreign currency translation and the divestiture of CCL Dispensing Systems. However, excluding the foregoing, the Division enjoyed an increase in tube sales due to strong organic growth, and improved mix to more highly decorated tubes. If the effect of the currency translation and the divestiture were excluded, sales were up by 7% in the third quarter. The demand for plastic tubes showed good improvement in the quarter and new orders appear to be generally firm. Sales in the first nine months of 2006 were \$53.8 million, down 13% from the \$62.0 million recorded in 2005 due to currency translation and the divestiture. Excluding the effect of currency and the divestiture, year-to-date sales were up by 16%. The Division is developing many new customers and products in the high-end market for highly decorated complex tubes.

In early February 2006, the Company divested the assets of its CCL Dispensing business in Libertyville, IL for \$24 million in cash. This business was deemed to be non-core as it was 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 reported in first quarter 2006 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 third quarter of 2006 was \$1.4 million, down 7% from \$1.5 million in the third quarter of 2005. Income performance in the tube business was up year over year despite unfavourable currency and the \$0.3 million negative impact of the disposed closure business. Year-to-date operating income was \$3.9 million, up 11% from the \$3.5 million recorded in the same period last year. Excluding the impact of currency and the divestiture, operating income has improved significantly by 63% year-to-date. The return on sales of 8.2% in the third quarter compared to a 7.2% return in the prior year's third quarter.

The Tube Division invested \$1.5 million in capital in the third quarter of 2006 compared to \$3.1 million in the same quarter last year, to maintain and expand its manufacturing base and reduce its production costs. Depreciation and amortization for the third quarters of 2006 and 2005 were \$1.8 million and \$2.6 million, respectively.

ColepCCL Joint Venture

The ColepCCL joint venture was created in mid-July 2004. For the third quarter of 2006, CCL's 40% proportionate share of the joint venture's sales was \$46.9 million. This sales level was 1% higher than the comparative sales last year of \$46.5 million despite the 3% effect of unfavourable currency translation for the comparable quarter. In local currency, sales were up compared to the same quarter a year ago due to increases in the metal packaging segment partially offset by reductions in the contract manufacturing business. For the first nine months of 2006, sales were \$130.6 million, down 10% from last year's \$145.7 million. It is anticipated that sales will improve over the balance of the year.

Operating income in the third quarter of 2006 for ColepCCL was \$5.0 million, indicating a return on sales of 10.7%, and in the third quarter of 2005, operating income was \$3.6 million, with a return on sales of 7.7%. For the first nine months of 2006, operating income of \$13.0 million was 1% below the \$13.1 million recorded in the comparable 2005 period. Operating income was well above last year's level for the quarter despite currency translation, due to higher volume, improved product mix, and the reduced cost impact of the plant shutdown in Madrid, Spain in June 2005. The land and building in Madrid have been sold and ColepCCL received proceeds from the sale totalling approximately \$22 million in July 2006. CCL's share of the proceeds was approximately \$9 million.

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\$336.2 million (Cdn\$ 375.8 million) at September 30, 2006. The Company's current overall average interest rate is 5.8% after factoring in the related Interest Rate and Cross Currency Swap Agreements.

The most recent private placement for a total of US\$170 million closed on March 7, 2006 followed by the repayment of US\$120 million on 10-year notes that matured on March 15, 2006. The balance of the borrowed funds was to be used for general corporate purposes and for funding future growth opportunities. 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 CCIRSA's 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 summary of net debt is as follows:

<u>\$ Millions</u>	<u>September 30, 2006</u>	<u>December 31, 2005</u>	<u>September 30, 2005</u>
Total debt	\$426.7	\$402.6	\$412.4
Cash on hand	<u>102.7</u>	<u>120.2</u>	<u>119.3</u>
Net debt	<u>\$324.0</u>	<u>\$282.4</u>	<u>\$293.1</u>

Net debt has increased by \$41.6 million 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. Compared to a year ago, the increase in net debt of \$30.9 million is due primarily to the Prodesmaq acquisition.

Working capital grew in its typical seasonal fashion in the first nine months by \$34.6 million compared to \$37.9 million last year.

For the third quarter, capital spending of \$27.8 million was lower than the \$33.2 million spent in the third quarter of 2005. However, capital spending 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. Over the last four years, there has been a major recapitalization of the business including new plants and infrastructure. It is expected that capital spending over the next two years will be somewhat lower than the \$156 million spent in 2005. As previously discussed, the Company recorded \$10.7 million of proceeds on the disposition of capital assets in the quarter; primarily the sale of ColepCCL's land and building in Madrid, Spain.

Dividends declared in the third quarter of 2006 were \$3.6 million compared to the \$3.2 million in the third quarter of 2005 due to the 10% increase in the dividend rate effective June 2006. The total number of shares outstanding as at September 30, 2006 was 32.6 million compared to 32.4 million a year ago due to the exercise of stock options. 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 a continuation of the quarterly dividend at \$0.0975 per Class A share and \$0.11 per Class B share to shareholders of record as of December 12, 2006 and payable on January 2, 2007.

The Company has no material "off-balance sheet" financing obligations except for typical long-term operating lease agreements and has not experienced any material change in its contractual obligations and contingencies since year-end 2005. The nature of these commitments and contingencies 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. CCL will continue to integrate and reorganize the large number of recent acquisitions it has made to improve profitability and simplify administration. The Company is investigating 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 so far in 2006 are anticipated to continue and the Company is expecting to generate additional returns from its recent capital investments and acquisitions. However, as indicated earlier, there are concerns about the slowing of the U.S. economy and the apparent softness in consumer spending and its potential impact on personal care customers in the U.S. There continues to be a focus on managing the balance between cost increases due to the significant inflation and volatility of energy, aluminum and oil-based resins in our raw materials and the Company's ability to recover those cost increases through higher selling prices to its customers or the mitigation of these cost increases in the procurement supply chain. Higher aluminum costs combined with reduced volumes and competitive markets in the Container business are issues that are being assessed by the new management of the business and will result in further restructuring costs in the fourth quarter.

The seasonality of the business continues to evolve, particularly in the Label Division, with the first quarter being generally the strongest. 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 continue but with less effect going forward due to the strong euro. In addition, recent weakness in the Canadian dollar could further reduce the future impact of currency translation.