

CCL INDUSTRIES INC.
2008 First Quarter
Consolidated Statements of Earnings

Unaudited

Three months ended March 31

(in millions of Cdn dollars, except per share data)	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Sales	\$ 295.1	\$ 316.2	(6.7)
Costs and expenses			
Cost of goods sold	223.0	237.3	
Selling general and administrative	30.2	35.4	
Depreciation and amortization	1.6	1.8	
Interest expense, net	4.2	6.4	
	36.1	35.3	2.3
Restructuring and other items - net gain (loss) (note 6)	2.3	(0.3)	
Earnings before income taxes	38.4	35.0	9.7
Income taxes	10.9	8.7	
Net earnings from continuing operations	27.5	26.3	4.6
Net earnings from discontinued operations, net of tax (note 4)	-	3.7	
Net earnings	\$ 27.5	\$ 30.0	(8.3)
Basic earnings per Class B share			
Continuing operations	\$ 0.85	\$ 0.82	
Discontinued operations	-	0.11	
Net earnings	\$ 0.85	\$ 0.93	
Diluted earnings per Class B share			
Continuing operations	\$ 0.82	\$ 0.79	
Discontinued operations	-	0.11	
Net earnings	\$ 0.82	\$ 0.90	

See notes to interim consolidated financial statements.

Certain 2007 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2008 First Quarter
Consolidated Statements of Comprehensive Income

Unaudited

Three months ended March 31

(in millions of Cdn dollars)	<u>2008</u>	<u>2007</u>
Net earnings	\$ 27.5	\$ 30.0
Other comprehensive income, net of tax:		
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	49.6	(4.0)
Gains (losses) on hedges of net investment in self-sustaining foreign operations, net of tax recovery of \$3.4 million (2007 - expense of \$0.3 million)	(19.4)	0.9
Unrealized foreign currency translation, net of hedging activities	30.2	(3.1)
Gains (losses) on derivatives designated as cash flow hedges, net of tax expense of \$1.2 million (2007 - \$0.0 million)	3.7	(0.1)
Reclassification of losses on derivatives designated as cash flow hedges to earnings, net of tax recovery \$0.4 million (2007 - recovery of \$0.2 million)	(2.0)	(0.2)
Change in gains (losses) on derivatives designated as cash flow hedges	1.7	(0.3)
Other comprehensive income (loss)	31.9	(3.4)
Comprehensive income	\$ 59.4	\$ 26.6

See notes to interim consolidated financial statements.

Certain 2007 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2008 First Quarter
Consolidated Balance Sheets

Unaudited	March 31st	December 31st	March 31st
(in millions of Cdn dollars)	<u>2008</u>	<u>2007</u>	<u>2007</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 156.2	\$ 96.6	\$ 86.6
Accounts receivable - trade	170.8	127.1	215.0
Other receivables and prepaid expenses	24.6	97.7	29.4
Inventories	78.9	69.6	104.4
	<hr/>	<hr/>	<hr/>
	430.5	391.0	435.4
Property, plant and equipment	699.7	630.8	675.9
Other assets	31.9	33.4	23.6
Future income tax assets	31.3	32.1	33.6
Intangible assets	43.9	26.1	38.1
Goodwill	368.5	374.8	439.4
Total assets	<hr/> \$ 1,605.8	<hr/> \$ 1,488.2	<hr/> \$ 1,646.0
Liabilities			
Current liabilities			
Bank advances	\$ -	\$ -	\$ 6.1
Accounts payable and accrued liabilities	222.0	221.2	260.6
Income and other taxes payable	8.8	2.5	20.4
Current portion of long-term debt	21.6	21.2	17.4
	<hr/>	<hr/>	<hr/>
	252.4	244.9	304.5
Long-term debt	444.9	382.2	511.7
Other long-term items	55.4	48.8	54.4
Future income taxes	95.1	94.4	102.8
Total liabilities	<hr/> 847.8	<hr/> 770.3	<hr/> 973.4
Shareholders' equity			
Share capital (note 2)	186.7	190.5	186.6
Contributed surplus	4.9	6.7	5.3
Retained earnings	619.9	606.1	499.8
Accumulated other comprehensive loss (note 5)	(53.5)	(85.4)	(19.1)
	<hr/>	<hr/>	<hr/>
Total shareholders' equity	758.0	717.9	672.6
Subsequent events (note 11)			
Total liabilities and shareholders' equity	<hr/> \$ 1,605.8	<hr/> \$ 1,488.2	<hr/> \$ 1,646.0

See notes to interim consolidated financial statements.

Certain 2007 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.
2008 First Quarter
Consolidated Statements of Shareholders' Equity

Unaudited	Three months ended March 31	
(in millions of Cdn dollars)	<u>2008</u>	<u>2007</u>
Share capital (note 2)		
Class A shares, beginning of period	\$ 4.5	\$ 4.5
Class A shares, end of period	<u>4.5</u>	<u>4.5</u>
Class B shares, beginning of period	197.4	193.0
Stock options exercised, Class B	-	0.7
Normal course issuer bid (note 2)	(2.6)	-
Class B shares, end of period	<u>194.8</u>	<u>193.7</u>
Executive share purchase plan loans, beginning of period	(1.3)	(1.6)
Executive share purchase plan loans, end of period	<u>(1.3)</u>	<u>(1.6)</u>
Shares held in trust, beginning of period	(10.1)	(5.6)
Shares released from trust (note 2)	3.2	-
Shares purchased and held in trust	(4.4)	(4.4)
Shares held in trust, end of period	<u>(11.3)</u>	<u>(10.0)</u>
Share capital, end of period	<u>186.7</u>	<u>186.6</u>
Contributed surplus		
Contributed surplus, beginning of period	6.7	4.2
Stock option expense	0.9	0.3
Stock based compensation plan	(2.7)	0.8
Contributed surplus, end of period	<u>4.9</u>	<u>5.3</u>
Retained earnings, beginning of period	606.1	476.7
Transition adjustment on adoption of new accounting standards	-	(3.0)
Net earnings	27.5	30.0
Normal course issuer bid (note 2)	(9.2)	-
Dividends		
Class A	0.3	0.3
Class B	4.2	3.6
Total dividends, end of period	<u>4.5</u>	<u>3.9</u>
Retained earnings, end of period	<u>619.9</u>	<u>499.8</u>
Accumulated other comprehensive loss (note 5)		
Accumulated other comprehensive loss, beginning of period	(85.4)	(18.5)
Transition adjustment on adoption of new accounting standards	-	2.8
Other comprehensive income (loss)	31.9	(3.4)
Accumulated other comprehensive loss, end of period	<u>(53.5)</u>	<u>(19.1)</u>
Total shareholders' equity, end of period	<u><u>\$758.0</u></u>	<u><u>\$672.6</u></u>

CCL INDUSTRIES INC.
2008 First Quarter
Consolidated Statements of Cash Flows

Unaudited

Three months ended March 31

(in millions of Cdn dollars)	<u>2008</u>	<u>2007</u>
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 27.5	\$ 30.0
Earnings from discontinued operations, net of tax	-	(3.7)
Items not requiring cash:		
Depreciation and amortization	19.1	18.8
Executive compensation	0.9	1.1
Future income taxes	3.1	(0.7)
Restructuring and other items, net of tax (note 6)	-	(0.2)
Gain on sale of property, plant and equipment	(0.3)	-
	50.3	45.3
Net change in non-cash working capital	45.5	(45.8)
Cash provided by continuing operations	95.8	(0.5)
Cash provided by discontinued operations	-	5.7
Cash provided by operating activities	95.8	5.2
Financing activities		
Proceeds on issuance of long-term debt	42.1	103.7
Retirement of long-term debt	(1.1)	(2.2)
Decrease in bank advances	-	(6.3)
Issue of shares	-	0.7
Repurchase of shares	(11.8)	-
Purchase of shares held in trust (note 2)	(4.4)	(4.4)
Dividends	(4.6)	(3.8)
Cash provided by financing activities	20.2	87.7
Investing activities		
Additions to property, plant and equipment	(52.2)	(31.2)
Proceeds on disposal of property, plant and equipment	0.8	2.9
Business acquisitions (note 3)	(8.3)	(105.8)
Other	-	3.4
Cash used for investing activities	(59.7)	(130.7)
Effect of exchange rate changes on cash	3.3	(0.6)
Increase (decrease) in cash	59.6	(38.4)
Cash and cash equivalents at beginning of period	96.6	125.0
Cash and cash equivalents at end of period	\$ 156.2	\$ 86.6

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

Certain 2007 figures have been restated for comparative purposes.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2008 and 2007

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

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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, 2007.

b) Changes in accounting policies

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual consolidated statements, except that: effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures; Section 3031, Inventories; Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3031 addresses the measurement and disclosure of inventories. This standard provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing and expands the disclosure requirements to increase transparency.

The difference in the measurement of opening inventory may be applied to the opening inventory for the period, with an adjustment to opening retained earnings with no prior periods restated, or retrospectively with a restatement to prior periods in accordance with Section 1506, Accounting Changes. There was no difference to be accounted for by the Company.

Inventories are valued at the lower of cost and net realizable value on the first-in, first-out basis. The cost of work in process and finished goods includes materials, direct labor applied to the product and the applicable share of overhead. Net realizable value is based on selling price less estimated selling costs. Allowances are made for slow-moving inventory.

Section 3862 and Section 3863 revise and enhance the disclosure requirements of Handbook Section 3861, Financial Instruments – Disclosure and Presentation. These Sections require disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date and how the Company manages those risks.

c) Recently issued accounting standards

In November 2007, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and amended Section 1000, Financial Statement Concepts. The new standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Guidance is provided on the definition of an intangible asset and the recognition of internally generated intangible assets. The Company will comply with the requirements of the new standard when the standard becomes effective.

2. SHARE CAPITAL

Issued and outstanding

	March 31, 2008	December 31, 2007	March 31, 2007
Issued share capital	\$ 199.3	\$ 201.9	\$ 198.2
Less: Executive share purchase plan loans	(1.3)	(1.3)	(1.6)
Shares held in trust	(11.3)	(10.1)	(10.0)
Total	\$ 186.7	\$ 190.5	\$ 186.6

During 2008, 0.4 million shares were repurchased for \$11.8 million. The excess of the purchase price over the paid-up capital of \$2.6 million was charged to retained earnings.

During 2008, the Company granted awards totalling 145,000 Class B shares of the Company. These shares are restricted in nature and will vest at the end of 2010 dependent on the Company performance. The Company purchased these 145,000 shares in the open market and has placed them in a trust until they vest. The fair value of this stock award is being amortized over the vesting period and recognized as compensation expense.

During 2005, the Company granted an award totalling 200,000 Class B shares of the Company. These shares, which were restricted in nature, vest between 2008 and 2009. 120,000 became fully vested in 2008. The fair value of these shares had been amortized over the vesting period and recognized as compensation expense. The balance of the award will continue to be amortized over the remaining vesting period and recognized as executive compensation expense.

2. SHARE CAPITAL (CONT'D)

Actual number of shares:

	March 31, 2008	December 31, 2007	March 31, 2007
Class A	2,378,343	2,378,496	2,378,496
Class B	30,085,300	30,501,047	30,274,947
	<u>32,463,643</u>	<u>32,879,543</u>	<u>32,653,443</u>
Less: Executive share purchase plan shares - Class B	(100,000)	(100,000)	(125,000)
Shares held in trust - Class B	(345,000)	(320,000)	(320,000)
Total	<u>32,018,643</u>	<u>32,459,543</u>	<u>32,208,443</u>
Year-to-date weighted average number of shares	32,426,060	32,284,210	32,228,526
Year-to-date weighted average diluted number of shares	<u>33,452,211</u>	<u>33,492,937</u>	<u>33,437,378</u>

3. ACQUISITIONS

On January 31, 2008, the Company purchased CD-Design GmbH ("CD-Design"), based in Solingen, Germany. CD-Design converts pressure sensitive films and aluminum for leading original equipment manufacturers in Germany.

Under the terms of the purchase agreement, the Company agreed to pay additional purchase consideration not to exceed approximately \$4.5MM if CD-Design achieves predetermined levels of earnings for the year ended December 31, 2008. The additional consideration will be recognized as additional consideration if it is determined that the predetermined levels of earnings are achieved. 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 2008.

Details of the transaction are as follows:

Current assets	\$	7.1
Current liabilities		(3.2)
Non-current assets at assigned values		1.4
Future taxes		(0.5)
Goodwill and intangible assets		4.9
Net assets purchased	<u>\$</u>	<u>9.7</u>
Cash, less cash acquired of \$0.4 million	\$	8.3
Assumed debt		1.4
Total consideration	<u>\$</u>	<u>9.7</u>

In December 2007, the Company entered into the CCL-Kontur equity investment, a pressure sensitive label business that will service the territories of Russia and the Commonwealth of Independent States. CCL paid cash of \$8.8 million for its 50% share in December with an expectation to pay a further \$5.8 million in the second quarter of 2008 once the assets of the business have been legally transferred to CCL-Kontur by the Russian partner. The Russian partner has operating control of the business and, consequently, the investment is being carried at its equity value. The allocation of the investment to specific assets will be completed during the second quarter and the purchase equation will be finalized during 2008.

On January 26, 2007, the Company completed its purchase of the sleeve label business of Illinois Tool Works Inc. ("ITW"). ITW's sleeve label business, through its two locations in the United Kingdom and one location in each of Austria, Brazil and the United States, is a leading supplier of shrink sleeve and stretch sleeve labels for markets in Europe and the Americas. The purchase price was \$105.8 million, net of cash acquired. The Company established a \$95.0 million line of credit, of which \$75.0 million was drawn to facilitate the purchase.

Details of the transaction are as follows:

Current assets	\$	24.3
Current liabilities		(8.4)
Non-current assets at assigned values		35.2
Future taxes		(1.5)
Intangible assets		19.0
Goodwill		37.2
Net assets purchased	<u>\$</u>	<u>105.8</u>
Cash, less cash acquired of \$2.8 million	<u>\$</u>	<u>105.8</u>

4. DISCONTINUED OPERATIONS

In November 2007, the Company sold its interest in the ColepCCL joint venture to the majority joint venture partner for \$72.8 million (EUR 50.0 million) in cash and a short-term note for a further EUR 50.0 million (C\$74.4 million) that was paid on February 29, 2008. The sale resulted in a gain of \$43.5 million. The disposition is reported as discontinued operations and the results are as follows:

	<u>March 31, 2007</u>
Sales from discontinued operations	\$ 56.9
Cost of goods sold	46.2
Selling general and administrative	5.1
Depreciation and amortization	0.3
Interest, net	0.2
Earnings before income taxes	5.1
Income taxes	1.4
Net earnings from discontinued operations	<u>\$ 3.7</u>

	<u>March 31, 2007</u>
Current assets	\$ 75.8
Long-lived assets	102.4
Current liabilities	46.1
Long-term liabilities	28.3

5. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<u>March 31, 2008</u>	<u>December 31, 2007</u>	<u>March 31, 2007</u>
Unrealized foreign currency translation losses, net of tax expense of \$10.6 million (2007 - net of tax expense \$13.9 million; net of tax expense of \$7.5 million)	\$ (56.7)	\$ (87.3)	\$ (21.6)
Impact of new net investment hedge accounting standards on January 1, 2007, net of tax of \$0.0 million (2007 - net of tax expense \$0.1 million; net of tax expense \$0.1 million)	-	0.4	0.4
Impact of new cash flow hedge accounting standards on January 1, 2007, net of tax of \$0.0 million (2007 - net of tax expense \$1.3 million; net of tax expense \$1.3 million)	-	2.4	2.4
Change in gains (losses) in derivatives designated as cash flow hedges, net of tax expense of \$0.9 million (2007 - net of tax recovery of \$1.1 million; net of tax recovery of \$0.2 million)	3.2	(0.9)	(0.3)
	<u>\$ (53.5)</u>	<u>\$ (85.4)</u>	<u>\$ (19.1)</u>

6. RESTRUCTURING AND OTHER ITEMS

	<u>Segment</u>	<u>Three months ended</u> <u>March 31st</u>	
		<u>2008</u>	<u>2007</u>
Gain on note receivable	Corporate	\$ 2.3	\$ -
Container segment restructuring	Container	-	(1.0)
Sale of non-operational land	Corporate	-	0.7
Net gain (loss)		<u>\$ 2.3</u>	<u>\$ (0.3)</u>
Tax recovery (expense) on restructuring and other items		<u>\$ (0.7)</u>	<u>\$ 0.5</u>

In 2008, an unrealized exchange gain on a euro-denominated note receivable on the sale of ColepCCL of \$2.3 million was recognized (\$1.6 million after tax).

The Company, as part of its restructuring of the Container segment recorded provisions for additional costs of \$1.0 million (\$0.7 million after tax) in 2007.

In March 2007, the Company sold its non-operational land in Toronto, Canada for \$2.0 million cash and realized a gain of \$0.7 million (\$0.9 million after tax).

7. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the first quarter is \$0.4 million (2007 - \$0.4 million).

8. SEGMENTED INFORMATION

Industry segments

	Three months ended March 31			
	Sales		Operating income	
	2008	2007	2008	2007
Label	\$ 237.9	\$ 245.1	\$ 37.2	\$ 39.0
Container	41.5	52.9	5.4	6.0
Tube	15.7	18.2	0.1	1.4
Total operations	\$ 295.1	\$ 316.2	42.7	46.4
Corporate expense			(2.4)	(4.7)
Interest expense, net			4.2	6.4
Restructuring and other items - net gain (loss) (note 6)			2.3	(0.3)
Earnings before income taxes			38.4	35.0
Income taxes			10.9	8.7
Net earnings from continuing operations			27.5	26.3
Net earnings from discontinued operations			-	3.7
Net earnings			\$ 27.5	\$ 30.0

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	March 31st	December 31st	March 31st	December 31st	Three months ended March 31		Three months ended March 31	
	2008	2007	2008	2007	2008	2007	2008	2007
	<i>Continuing operations</i>							
Label	\$ 1,111.8	\$ 994.4	\$ 329.7	\$ 336.6	\$ 14.9	\$ 13.7	\$ 46.3	\$ 26.9
Container	177.2	166.8	12.7	12.7	2.4	2.9	4.5	0.5
Tube	86.6	82.4	26.4	25.5	1.7	1.8	1.3	0.3
ColepCCL	-	-	-	-	-	-	-	3.5
Corporate	230.2	244.6	(0.3)	-	0.1	0.4	0.1	-
Total	\$ 1,605.8	\$ 1,488.2	\$ 368.5	\$ 374.8	\$ 19.1	\$ 18.8	\$ 52.2	\$ 31.2

9. CAPITAL MANAGEMENT POLICY

The Company's objective is to maintain a strong capital base throughout the economic cycle so as to maintain investor, creditor and market confidence and to sustain the future development of the business. This capital structure supports the Company's objective to provide an attractive financial return to its shareholders equal to its leading specialty packaging peers (between 12% and 14% recently).

The Company defines capital as total shareholders' equity and measures the return on capital (or return on equity) by annual net income before restructuring and other items and favourable tax adjustments by the average of the beginning and end of year shareholders' equity. In both 2006 and 2007, the return on capital was 13% and was well within the range of its leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage. The Company believes that an optimum level of net debt (defined as current debt, including cash advances, plus long term debt, less cash and cash equivalents) to total book capitalization (defined as net debt plus shareholders' equity) is a maximum of 45%. This ratio was 29% at the end of the first quarter of 2008, 30% at the end of 2007 and 33% at the end of 2006 and therefore the Company has further capacity to invest in the business with additional debt without exceeding the optimum level.

9. CAPITAL MANAGEMENT POLICY (CON'T)

The Company has provided a growing level of dividends to its shareholders over the last few years generally related to its growth in earnings. The dividends are declared bearing in mind the Company's current earnings, cash flow and financial leverage. The Company filed a normal course issuer bid commencing March 4, 2008 allowing the repurchase of up to 2.5 million Class B shares and 13,000 Class A shares in the next twelve months. All purchases are to be made on the open market. The number of shares and the price of such purchases will be determined by management when it believes that such purchases will enhance shareholder value.

Other than the filing of the normal course issuer bid, there were no changes in the Company's approach to capital management during the year. The Company, and its subsidiaries, is subject to externally imposed capital requirements under its senior note agreement and its revolving bank debt; however, the Company is allowed further significant borrowings under the terms of these agreements at this time.

10. FINANCIAL INSTRUMENTS

The Company has exposure to the following forms of risk from its use of financial instruments: credit risk, market risk, and liquidity risk.

CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. As at March 31, 2008, the Company does not have any exposure to credit risk arising from derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Cash and cash equivalents	\$ 156.2	\$ 96.6
Accounts receivable	170.8	127.1
Other accounts receivable	10.4	12.5
Total	\$ 337.4	\$ 236.2

The aging of accounts receivable at the reporting date was:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
0- 30 days	\$ 115.9	\$ 78.0
31- 60 days	42.0	34.3
61- 90 days	10.6	11.7
over 90 days	7.2	7.3
Total	\$ 175.7	\$ 131.3

Reconciliation of allowance for credit losses

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Opening balance	\$ 4.2	\$ 4.2
Increase during the period	0.7	-
Total	\$ 4.9	\$ 4.2

10. FINANCIAL INSTRUMENTS - (CONT'D)

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments.

Foreign Exchange Risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, euros, U.K. pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency further minimizing the foreign exchange impact on the operating results.

The Company does not utilize derivative financial instruments for speculative purposes.

A 5 percent strengthening of the Canadian dollar against the following currencies at March 31, 2008 would have increased (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a 5 percent weakening of the Canadian dollar against the above currencies at March 31, 2008 would have had the equal but opposite effect). The analysis is performed on the same basis for 2007.

	March 31, 2008	March 31, 2007
US dollar	\$ 25.4	\$ 28.0
Euro	\$ 2.3	\$ 0.2
U.K. pounds	\$ 10.6	\$ 8.8
Mexican peso	\$ 3.0	\$ 1.9
Danish krone	\$ 3.1	\$ 3.6
Brazilian real	\$ 2.2	\$ 1.8

Interest Rate Risk

The Company is exposed to market risks related to interest rate fluctuations on its debt. To mitigate this risk, the company maintains a combination of fixed and floating rate debt.

For the first quarter of 2008, a 100 basis point increase (decrease) in the interest rate would have resulted in \$0.4 decrease (increase) in the earnings from operations of the Company and no impact on other comprehensive income. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due. The Company believes that future cash flows generated by operations and access to additional liquidity through capital and banking markets will be adequate to meet its financial obligations.

The financial obligations of the Company include accounts payable, long-term debts and other-long term items. The contractual maturity of accounts payable are six months or less. Long-term debts have varying maturities extending to 2018.

The table below analyzes the Company's financial liabilities which will be settled into relevant maturity groupings based on the remaining periods.

FAIR VALUES

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying value of cash and cash equivalents, accounts receivable, accounts payable approximates their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of the Company's derivative financial instruments used to manage exposure to increases in procurement costs arising from certain commodities are estimated based upon fair value estimates of the futures contract. Fair value of the futures contract reflects the cash flows due to or from the Company if settlement had taken place on March 31, 2008.

11. SUBSEQUENT EVENT

On April 1, 2008, the Company completed the purchase of Clear Image Pty Ltd. based in Australia. Clear Image supplies pressure sensitive labels to the Australian wine industry with plants in Sydney, New South Wales and Barossa Valley, South Australia. Clear Image also exports labels to wine producers in the United States. The Company paid \$34.2 million in a combination of cash, restricted stock and assumed debt to acquire the business.

On April 4, 2008, the Company signed a binding agreement to divest the assets of its ABS "Bag-on-Valve" product line to AptarGroup, Inc for \$9.4 million in cash. The product line is sold by CCL Container, in conjunction with aluminum aerosol containers for applications requiring separation between the propellant and the contents. CCL Container will retain the aluminum aerosol can business sold to customers using the 'Bag-on-Valve' system and AptarGroup will separately market these specialized dispensing systems to the customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarters Ended March 31, 2008 and 2007

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, 2008 and 2007 and an update to the 2007 Annual MD&A document. The information in this interim MD&A is current to May 8, 2008 and should be read in conjunction with the Company's March 31, 2008 unaudited first quarter financial statements released on May 8, 2008 and the 2007 Annual MD&A document, which forms part of the CCL Industries Inc. 2007 Annual Report, dated February 28, 2008.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and in accordance with the requirements of Section 1751, Interim Financial Statements, of the CICA Handbook. Unless otherwise noted, both the financial statements and this interim MD&A are expressed in Canadian dollars as the reporting currency. The measurement currencies of CCL's operations are 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, the Japanese yen, the Russian rouble and the Polish zloty. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy and results of the Company.

Management's Discussion and Analysis contains forward-looking statements, as defined in the Securities Act (Ontario), (hereinafter referred to as "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 geo-political conditions; currency exchange rates; and CCL's ability to attract and retain qualified employees and, accordingly, the Company's results could differ materially from those anticipated in these forward-looking statements.

1. Overview

CCL's global customers are generally experiencing levels of business activity in line with the underlying macro economic data in each geographic region in the world. The significant slow down in the U.S. economy bordering on a recession has resulted in reduced order intake from some of our North American consumer product customers continuing the trend that began in late 2007. In Europe, the economic situation remains stable and CCL's customers are reporting good sales growth although the U.K. is showing signs of economic softness. Economic activity is strong in Asia and Latin America and CCL's customers are experiencing significant sales growth in these regions.

Expectations are for stable markets in Europe as it continues to enjoy the benefit of the growing economies of Eastern Europe, with some concerns about a softening in the U.K. economy. The Latin American and Asian regions continue to grow significantly. The big concern is the U.S. economy and its impact on retailers and our customers and fears of this softness spreading to the rest of the world. This has been reflected in recent comments from some of our customers and suppliers about current and future prospects in the North American region. CCL continues to see flat markets overall from its North American customers as

our increasing growth in the healthcare business largely offsets declines in consumer markets.

2. Discontinued Operations

In November 2007, CCL completed the sale of its ColepCCL joint venture to its majority partner for cash proceeds of \$147 million in cash with half paid upon closing and the balance paid at the end of February 2008. The disposition resulted in a gain on sale of \$43.5 million after tax. CCL recorded this divestiture as a discontinued operation in 2007 and consequently, the sales and income contribution from ColepCCL has been excluded from the disclosure of continuing operations.

3. Review of Consolidated Continuing Operations

Sales for the first quarter of 2008 from continuing operations were \$295.1 million versus the \$316.2 million recorded in the first quarter of 2007. Sales increased for the quarter by 1% due to organic growth and acquisitions, while foreign exchange accounted for a reduction of 8%. This year's first quarter sales growth excluding the currency impact is compared to a record first quarter in 2007 that was very strong in all markets. The first quarter of 2008 also included the Easter holiday period (it was in the second quarter of 2007) and this had a negative impact on comparative sales. In addition, financial comparisons to the prior year's results have been negatively affected by the significant depreciation of the U.S. dollar (14%) and to a lesser degree, the pound Sterling (13%), the euro (2%) and most other currencies relative to the Canadian dollar compared to rates in the first quarter of 2007. Also, business acquisitions in the Label Division have positively impacted the comparison to prior periods. On a comparative basis with last year's first quarter, sales were lower in all reporting segments due primarily to currency translation.

The following acquisitions and divestitures affected financial comparisons in the first quarter. Further details on these transactions follow later in the Business Segment Review section:

- In late January 2007, CCL acquired the shrink sleeve and stretch sleeve business of Illinois Tool Works, Inc. ("ITW") located in the United Kingdom, Austria, Brazil and the United States for \$106 million. The purchase equation for this acquisition was completed in the first quarter of 2008.
- In December 2007, CCL entered into the 50% owned CCL-Kontur equity investment located in Moscow and St. Petersburg, Russia, servicing the personal care and beverage markets in the region for \$9 million with a further \$6 million invested in April 2008 following the assets being legally transferred. The net income from this investment for the first quarter of 2008 was nominal.

- In January 2008, CD-Design in Germany was acquired for \$10 million including assumed debt as CCL's first entry into the durable label business as it services the European automotive original equipment manufacturing market in Europe. A further payment of a maximum of \$5 million is contingent upon its 2008 financial performance.

Net earnings from continuing operations for the first quarter of 2008 were \$27.5 million, up 5% from the \$26.3 million recorded in the first quarter of 2007 due to lower interest expense, the positive impact of a realized exchange gain on the ColepCCL receivable, partially offset by unfavourable currency translation. Operating income was down by \$3.7 million or 8% from last year's record first quarter level due to currency translation. Excluding currency effects, operating income from Label was higher than 2007, Container was virtually flat and Tube was below prior year. In the first quarter of 2008, net earnings were favourably impacted by a net gain from the realization of the exchange gain on the collection of the receivable from the sale of ColepCCL of \$2.3 million before tax (\$1.6 million after tax). In the first quarter of 2007, a gain on the sale of a redundant property and favourable tax adjustments (a tax settlement in a subsidiary) were partially offset by restructuring and other items, thereby increasing net earnings by \$1.6 million.

Net interest expense was \$4.2 million, \$2.2 million lower than last year's corresponding quarter due primarily to the interest income on the additional cash on hand and the impact of currency translation. Corporate expense of \$2.4 million for the quarter was below the \$4.7 million in last year's first quarter due to lower variable executive compensation and reduced employee medical costs. The overall effective income tax rate was 28% for the first quarter of 2008 compared to 25% in the first quarter of 2007. The tax rate in the first quarter of 2007 was positively affected by a tax settlement in a subsidiary that reduced the tax rate from 29% to 25%.

Basic earnings per Class B share were \$0.85 in the first quarter of 2008 compared to \$0.93 earned in the same period last year, a decrease of 9%. Restructuring and other items in the first quarter of 2008 increased basic earnings per Class B share by \$0.05. Restructuring and other items and favourable tax adjustments (a non-GAAP measure - refer to definition in Section 14) had a positive effect on basic earnings per share in the first quarter of 2007 of \$0.05. In addition, basic earnings per share from discontinued operations in the first quarter of 2007 were \$0.11. The negative impact of currency translation and transactions on basic earnings per Class B share was \$0.11 in the first quarter of 2008 versus the first quarter of 2007.

Diluted earnings for continuing operations and for net earnings per Class B share were \$0.03 lower than basic earnings per Class B share in the first quarter of 2008 and \$0.03 lower in the first quarter of 2007.

The following table is presented to provide context to the change in the Company's financial performance. There is an improvement over the prior year's earnings performance from continuing operations.

(in Canadian dollars)

<u>Basic Earnings per Class B shares</u>	<u>Three Months Ended March 31</u>	
	<u>2008</u>	<u>2007</u>
From continuing operations	\$ 0.85	\$ 0.82
From discontinued operations	nil	\$ 0.11
Net gain from restructuring and other items and favourable tax adjustments included above	\$ 0.05	\$ 0.05

The following is selected financial information for the nine most recently completed quarters. In November 2007, the ColepCCL joint venture was sold and was treated as Discontinued Operations.

(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					
2008	\$295.1				
2007	316.2	\$303.5	\$274.9	\$249.7	\$1,144.3
2006	268.6	257.5	246.6	256.8	1,029.5
Net earnings-continuing operations					
2008	27.5				
2007	26.3	25.9	20.8	20.4	93.4
2006	18.1	15.1	10.0	21.7	64.9
Net earnings					
2008	27.5				
2007	30.0	28.8	23.8	65.3	147.9
2006	21.1	17.6	13.6	25.1	77.4

	<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					
2008	\$0.85				
2007	0.82	\$0.80	\$0.64	\$0.64	\$2.90
2006	0.57	0.46	0.32	0.67	2.02
Diluted					
2008	0.82				
2007	0.79	0.77	0.61	0.62	2.79
2006	0.55	0.45	0.30	0.65	1.95
Net earnings per Class B share					
Basic					
2008	0.85				
2007	0.93	0.89	0.74	2.03	4.59
2006	0.66	0.54	0.43	0.78	2.41
Diluted					
2008	0.82				
2007	0.90	0.86	0.71	1.95	4.42
2006	0.64	0.53	0.41	0.75	2.33
Restructuring and other items and favourable tax adjustments and gain on discontinued operations on basic earnings per Class B share					
2008	0.05				
2007	0.05	0.11	0.12	1.49	1.77
2006	(0.03)	(0.03)	(0.10)	0.20	0.04

The impact on basic net earnings per Class B share of the gain on the sale of ColepCCL in November 2007 is included in the table above. Net earnings per Class B share have generally increased over time but have also fluctuated significantly due to changes in foreign exchange rates, restructuring costs and other items and favourable tax adjustments.

In addition, the seasonality of the business has evolved over the last few years with the first quarter generally being the strongest due to the number of work days and various customer related activities. Also, there are many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for CCL in the first half of the year. The last two quarters of the year are negatively affected from a sales perspective by summer vacation in the Northern Hemisphere, Thanksgiving, and the holiday season shutdowns at the end of the fourth quarter.

4. Business Segment Review

Label Division (\$ Millions)

	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>+/- %</u>
Sales	\$237.9	\$245.1	-3%
Operating Income ⁽¹⁾	\$ 37.2	\$ 39.0	-5%
Return on Sales ⁽¹⁾	15.6%	15.9%	
Capital Spending	\$ <u>46.3</u>	\$ <u>26.9</u>	
Depreciation and Amortization	\$ 15.0	\$ 13.7	

⁽¹⁾ A non-GAAP measure (refer to definition in Section 14).

Sales for the Label Division were \$237.9 million for the first quarter, down 3% from \$245.1 million in the same quarter last year. The change in sales was a result of acquisitions and organic growth contributing 5%, but this was more than offset by the negative foreign currency impact of 8%.

Sales growth in the first quarter was due in part to the ITW acquisition (owned by CCL for just over two months in the first quarter of 2007) and the CD-Design acquisition acquired at the beginning of February 2008. However, the overall base business also generally experienced a continuation of the trend of higher sales and operating income.

North American sales in the Label Division were flat compared to last year, excluding negative currency effects. Healthcare, now the largest product group in North America, continued to grow organically at nearly double digits. Home and personal care volume was soft for the quarter compared to last year, particularly in high-end personal care. The battery business was slow and also impacted by the movement of production to Asian manufacturers. Specialty products sales were down slightly compared to last year's strong first quarter, with good promotional label results offset by a slightly weaker ag-chem market related to weaker U.S. consumer demand. Overall, excluding currency translation, profitability was flat with last year's record performance in North America.

In Europe, sales showed good growth despite negative currency effects and the unfavourable impact of Easter in this year's first quarter. Healthcare and specialty businesses were strong, up double digits, excluding currency. Home and Personal care volume was flat as orders slowed in the quarter. The battery business had lower sales in local currency due to the impact of manufacturing moving to China. The beverage business was seasonally slow and below last year's levels. The shrink and stretch sleeve business was seasonally slow but orders are picking up. For the two months, CD-Design performed to management's expectations.

In emerging markets consisting of Latin America, Eastern Europe and Asia, sales were up substantially overall in the first quarter versus last year, even though

Latin America was negatively affected by Easter. Sales were down slightly in Brazil, mainly in sleeves, but the core was solid. In Mexico, the move to a new facility caused sales to be slightly down. Poland showed good sales improvement. Sales were flat in Thailand compared to a very strong first quarter last year, while China had significant sales growth. Plans are in place to expand an existing plant in China and to build new plants in the north of China and Vietnam. The Company continues to investigate growth opportunities in new emerging markets such as India, South Africa and the Middle East.

The new 50% equity investment in Russia reported nominal net earnings for its first quarter since CCL's involvement, as it is now moving towards servicing CCL's global customers.

Operating income for the first quarter of 2008 was \$37.2 million, down 5% from \$39.0 million in the first quarter of 2007. Gains in local operating income overall were more than offset by negative currency translation. Increases in income in healthcare and geographic improvement outside of North America were partially offset by reductions primarily in the North American home and personal care business. The Division incurred \$0.5 million of moving costs in the first quarter of 2008 as it relocates a number of operations to new facilities. Operating income as a percentage of sales at 15.6% exceeded our internal targets and was slightly below the 15.9% return generated in last year's first quarter. The first quarter has generally become the strongest quarter for the Label Division usually due to the activity levels of many customers at the beginning of the year, seasonal products such as agricultural chemicals and minimal vacation and holiday shutdowns.

Sales backlogs for the label business are generally low due to short customer lead times, but indications are that customers' orders continue to be generally firm through the second quarter of 2008 with the exception of the uncertain U.S. economy. Cost inflation is challenging due to the weak U.S. dollar but the Division continues to leverage its procurement practices and increase prices where possible.

Effective April 1, 2008, CCL acquired Clear Image Labels Pty. Ltd., a privately owned label company based in Australia, for approximately \$34 million in a combination of cash, restricted stock and assumed debt. Clear Image is a leading wine label business with two operations in Australia servicing the domestic and U.S. markets. The acquisition is anticipated to be immediately accretive to earnings.

The Label Division invested \$46.3 million in capital in the first quarter of 2008 compared to \$26.9 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 and included the plant construction for the soon to be relocated Paris, France operation and plant extensions in Germany and Austria. 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 \$15.0 million for the first quarter of 2008 and \$13.7 million in the comparable 2007 period.

Container Division (\$ Millions)

	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>+/- %</u>
Sales	\$41.5	\$52.9	-22%
Operating Income ⁽¹⁾	\$ 5.4	\$ 6.0	-10%
Return on Sales ⁽¹⁾	13.0%	11.3%	
Capital Spending	\$ 4.5	\$ 0.5	
Depreciation and Amortization	\$ 2.4	\$ 2.9	

⁽¹⁾ A non-GAAP measure. Refer to definition in Section 14.

Sales in the first quarter were \$41.5 million, down 22% from \$52.9 million last year. Sales decreased for the quarter due to significant unfavourable currency translation and lower sales volume partially offset by price increases.

The Container Division experienced an overall decrease in sales volume primarily due to the impact of the loss of a relatively high volume but low margin aerosol section of business last year. However, management has been able to attract new volumes at higher margins and has benefited from the recent strong demand from new customers for aluminum beverage bottles. Despite significant price increases in the last year related to higher aluminum costs, the aluminum container continues to be in demand as alternative technologies also faced significant rises in their raw material input costs. Mexican aerosol container sales volumes were flat with last year's performance as capacity has been sold out pending new equipment and the start-up of the new plant in Guanajuato at the end of the year.

Operating income for the Container Division the first quarter of 2008 was \$5.4 million, down 10% from \$6.0 million in the first quarter of 2007. Excluding unfavourable currency, profitability was ahead of last year on lower volume due to the replacement of lower margin products with higher margin beverage products and our ability to pass on price increases to customers. Return on sales improved in the first quarter of 2008 to 13.0% compared to 11.3% in last year's first quarter.

The aluminum container plant in Penetanguishene, Ontario, sells the vast majority of its production to the United States market in U.S. dollars. The business had previously hedged a part of the Canadian dollar value of these U.S. dollar sales by way of forward contracts. This practice was terminated in 2007 as the Company expects the impact of hedging not to be material over time. The unfavourable change in the exchange rates on U.S. currency transactions reduced income for the Container Division by \$1.5 million in the first quarter of 2008 compared to first quarter 2007.

On April 7, 2008, the Company announced the sale of inventory and equipment related to the ABS 'Bag-on-Valve' product line located within its Penetanguishene, Ontario, plant for approximately \$9 million payable in cash. There will be a short-term transition period during which the business will be located to one of the purchaser's facilities. The Company anticipates a small gain on disposal after incurring restructuring costs associated with the transaction. The sale is anticipated to have no material impact on future earnings.

The Container Division invested \$4.5 million in capital in the first quarter of 2008 compared to \$0.5 million in the same quarter last year. The majority of this year's capital spending was on the new plant construction in Guanajuato, Mexico. Depreciation and amortization for the first quarters of 2008 and 2007 were \$2.4 million and \$2.9 million, respectively.

The Container Division continues to hedge some of its anticipated future aluminum purchases through futures contracts and has hedged 27% of its 2008 requirements. The cost of aluminum persists in remaining at near record levels and the Division continues to be challenged to recover these higher costs by increasing prices to its customers.

Tube Division (\$ Millions)

	<u>Q1 2008</u>	<u>Q1 2007</u>	<u>+/- %</u>
Sales	\$15.7	\$18.2	-14%
Operating Income ⁽¹⁾	\$ 0.1	\$ 1.4	-93%
Return on Sales ⁽¹⁾	0.6%	7.7%	
Capital Spending	\$ 1.3	\$ 0.3	
Depreciation and Amortization	\$ 1.7	\$ 1.8	

⁽¹⁾ A non-GAAP measure. Refer to definition in Section 14.

Sales in the first quarter for the Tube Division were \$15.7 million, down 14% from \$18.2 million last year. Sales decreased for the quarter totally due to the impact of currency translation. Sales of plastic tubes were flat for the quarter despite the slowing economy as the Division added new customers and products and benefited from strong seasonal sunscreen sales. Further volume increases are expected to kick in over the next two quarters as new products come off stability testing and go into production. However, there are concerns that the slowing U.S. economy will impact demand for high-end tubes with existing customers.

Operating income for the Tube Division for the first quarter of 2008 was \$0.1 million, down substantially from \$1.4 million in the first quarter of 2007. However, this is the first quarter since the first quarter of 2007 that the Division has not recorded declining sales and the first quarter since the second quarter of 2007 that it has recorded a profit. The profit decrease from last year's level was due to a number of short-term operational issues at the Los Angeles facility early in the quarter, which have been resolved. As a result, the return on sales was 0.6% in the first quarter compared to a 7.7% return in the prior year's first quarter. Plans

to move into a new but much smaller facility in Los Angeles in late 2008 are well underway and are critical to the improvement of divisional profitability.

The Tube Division invested \$1.3 million in capital in the first quarter of 2008 compared to \$0.3 million in the same quarter last year. Depreciation and amortization for the first quarters of 2008 and 2007 were \$1.7 million and \$1.8 million, respectively.

5. Currency Translation and Currency Transaction Hedging

As only about 11% of CCL's sales are generated from Canadian manufacturing locations, the remaining 89% 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 approximately 38% of the Company's total sales and it depreciated by a substantial 14% on average compared to the Canadian dollar in the first quarter of 2008 versus last year's first quarter. In addition, European currencies are now the measurement currencies for approximately 41% of CCL's sales and the primary European currencies, the euro and the U.K. Sterling Pound, have also depreciated by 2% and 13%, respectively, compared to the Canadian dollar versus the prior year's quarter. Changes in foreign exchange rates have had a major impact on profitability and decreased earnings per share due to currency translation by \$0.08 in the first quarter of 2008 compared to last year's quarter.

The Company has not hedged any foreign currency transactions since June 2007. The Container Division sells products from its Canadian plant into the U.S. market in U.S. dollars, as previously discussed. The significant change in the exchange rates on U.S. currency transactions reduced comparative income for continuing operations by \$1.5 million in the first quarter of 2008 and reduced comparative earnings per share by \$0.03 for the quarter.

6. Liquidity and Capital Resources

The Company's capital structure is as follows:

<u>\$ Millions</u>	<u>March 31, 2008</u>	<u>December 31, 2007</u>	<u>March 31, 2007</u>
Total debt	\$466.5	\$403.4	\$535.2
Cash and cash equivalents	<u>156.2</u>	<u>96.6</u>	<u>86.6</u>
Net debt ⁽¹⁾	<u>\$310.3</u>	<u>\$306.8</u>	<u>\$448.6</u>
Shareholders' equity	<u>\$758.0</u>	<u>\$717.9</u>	<u>\$672.6</u>
Net debt: total book capitalization ⁽²⁾	29.0%	29.9%	40.0%
Book value per Class B share	\$23.67	\$22.12	\$20.86

(1) Net debt is a non-GAAP measure (refer to definition in Section 14).

(2) Net debt: total book capitalization is a non-GAAP measure. Refer to definition in Section 14.

The Company's financial position is solid. As of March 31, 2008, cash and cash equivalents amounted to \$156 million compared to \$87 million at March 31, 2007. Net debt was \$310 million at March 31, 2008, \$139 million lower than the net debt of \$449 million at the end of March 2007. The decrease in net debt in this time frame is primarily due to the sale of the ColepCCL joint venture in late 2007 with half of the proceeds being received in February 2008.

Net debt to total book capitalization at March 31, 2008 was 29%, down from 40% at the end of March 2007 due to the ColepCCL sale and down slightly from the 30% at the end of 2007 as a result of collecting the balance of the ColepCCL sale proceeds partially offset by the CD-Design acquisition. Book value per share, a non-GAAP measure, defined later in Section 14, was \$23.67 at the end of the first quarter of 2008, 13% above \$20.86 a year ago. The increase is primarily the result of earnings retained in the Company and the increase in shareholders' equity due to the changes in accumulated other comprehensive income (mainly due to currency translation).

The Company's debt structure is primarily comprised of three private debt placements completed in 1997, 1998 and 2006 for a total of US\$ 326.8 million (Cdn\$ 335.5 million) and a five-year revolving line of credit of \$95 million at March 31, 2008. This was unchanged from December 31, 2007. The Company's overall average interest rate is 5.5% after factoring in the related Interest Rate Swap Agreements ("IRSAs") and Cross Currency Swap Agreements ("CCIRSAs") compared to 5.8% at December 31, 2007. The IRSAs and CCIRSAs are discussed later in this report.

In January 2007, the Company established a five-year revolving line of credit with a Canadian chartered bank for \$95 million to facilitate the purchase of the ITW sleeve label business. As at the end of March 2008, \$86 million of this line was used. This line of credit was extended in January for a further year and expires in January 2013 if the Company chooses not to request an annual extension at the end of 2008.

The Company believes that it has sufficient cash on hand and the ability to generate cash flow from operations to fund its expected financial obligations during the balance of 2008.

7. Cash Flow

During the first quarters of 2008 and 2007, the Company generated cash from operating activities of \$95.8 million and \$5.2 million, respectively. The increase in cash flow compared to last year's first quarter was primarily due to working capital reductions, mainly the collection of the ColepCCL receivable in February. The reduction in cash flow compared to other quarters of the year is primarily due to the seasonal build-up of working capital during the first quarter of both years.

Capital spending in the first quarter of \$52.2 million compared to \$31.2 million last year. The major capital expenditures in the first quarter were for many new presses and plant expansions for the Label Division and a new plant for the Container Division. This level of capital spending was higher than the \$19.1 million of depreciation and amortization in the first quarter of 2008 and the \$18.8 million in the first quarter of 2007. Plans for capital spending in 2008 are expected to be in the \$180 million range assuming a positive economic environment for the year. The Company is continuing 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 2008 and 2007 were \$4.5 million and \$3.8 million, respectively. The total number of shares outstanding as at March 31, 2008 and 2007 was 32.0 million and 32.2 million, respectively. The Company has historically paid out dividends at a rate of 20-25% of net earnings. Since the Company's cash flow and financial position are strong, the Board of Directors approved a continuation of the higher dividend declared last quarter of \$0.1275 per Class A share and \$0.14 per Class B share to shareholders of record as of June 16, 2008 and payable on June 30, 2008. The annualized dividend rate is \$0.51 per Class A share and \$0.56 per Class B share.

The Company's share repurchase program under a normal course issuer bid ("bid") became effective March 4, 2008 indicating the intention to acquire under the bid up to 13,000 Class A voting shares and 2,500,000 of its issued and outstanding Class B non-voting shares in the following 12-month period. In March 2008, the Company repurchased 415,900 shares under the bid at an average price of \$28.37 for a total cost of \$11.8 million.

8. Interest Rate and Foreign Exchange Management

The Company has utilized IRSAs to allocate notional debt between fixed and floating rates since the underlying debt is fixed rate debt with U.S. financial institutions. Since the Company has developed into a global business with a significant asset base in Europe in the last few years, it has utilized CCIRSAs to effectively convert notional U.S. dollar fixed rate debt into fixed and floating rate euro debt to hedge its euro-based assets and cash flows.

The effect of the IRSAs and CCIRSAs has been to increase interest expense by \$0.1 million in the first quarter of 2008 compared to a reduction of \$0.3 million in the first quarter of 2007. Interest coverage (refer to definition in Section 14) improved to 6.4 times in 2008 compared to 6.1 times as at March 31, 2007.

9. New Accounting Standards

A. Changes in Accounting Policies

The unaudited interim consolidated financial statements are based upon accounting principles consistent with those used and described in the annual

consolidated statements, except that: effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, "Capital Disclosures"; Section 3031, "Inventories"; Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation".

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The Company's Capital Management Policy is as follows:

The Company's objective is to maintain a strong capital base throughout the economic cycle so as to maintain investor, creditor and market confidence and to sustain the future development of the business. This capital structure supports the Company's objective to provide an attractive financial return to its shareholders equal to its leading specialty packaging peers (between 12% and 14% recently).

The Company defines capital as total shareholders' equity and measures the return on capital (or return on equity) by annual net income before restructuring and other items and favourable tax adjustments by the average of the beginning and end of year shareholders' equity. In both 2006 and 2007, the return on capital was 13% and was well within the range of its leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage. The Company believes that an optimum level of net debt (refer to definition in Section 14) to total book capitalization (refer to definition in Section 14) is a maximum of 45%. This ratio was 29% at the end of the first quarter of 2008, 30% at the end of 2007 and 33% at the end of 2006 and therefore, the Company has further capacity to invest in the business with additional debt without exceeding the optimum level.

The Company has provided a growing level of dividends to its shareholders over the last few years generally related to its growth in earnings. The dividends are declared bearing in mind the Company's current earnings, cash flow and financial leverage. The Company filed a normal course issuer bid commencing March 4, 2008 allowing the repurchase of up to 2.5 million Class B shares and 13,000 Class A shares in the next twelve months. All purchases are to be made on the open market. The number of shares and the price of such purchases will be determined by management when it believes that such purchases will enhance shareholder value.

Other than the filing of the normal course issuer bid, there were no changes in the Company's approach to capital management during the year. The Company and its subsidiaries is subject to externally imposed capital requirements under its senior note agreement and its revolving bank debt; however, the Company is

allowed further significant borrowings under the terms of these agreements at this time.

Section 3031 addresses the measurement and disclosure of inventories. This standard provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing and expands the disclosure requirements to increase transparency.

The difference in the measurement of opening inventory may be applied to the opening inventory for the period, with an adjustment to opening retained earnings with no prior periods restated or retrospectively with a restatement to prior periods in accordance with Section 1506, "Accounting Changes". There was no difference to be accounted for by the Company.

Inventories are valued at the lower of cost and net realizable value on the first-in, first-out basis. The cost of work in process and finished goods includes materials, direct labour applied to the product and the applicable share of overhead. Net realizable value is based on selling price less estimated selling costs. Allowances are made for slow-moving inventory.

Section 3862 and Section 3863 revise and enhance the disclosure requirements of Handbook Section 3861, Financial Instruments – Disclosure and Presentation. These Sections require disclosure of information with regards to the significance of financial instruments for the Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date and how the Company manages those risks.

The Company has exposure to the following forms of risk from its use of financial instruments: credit risk, market risk and liquidity risk.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties

are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. As at March 31, 2008, the Company does not have any exposure to credit risk arising from derivative financial instruments.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holding of financial instruments.

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company partially manages these exposures by contracting primarily in Canadian dollars, Euros, U.K. Pounds and U.S. dollars. Additionally, each subsidiary's sales and expenses are primarily denominated in its local currency, further minimizing the foreign exchange impact on the operating results.

The Company does not utilize derivative financial instruments for speculative purposes.

Interest rate risk is the risk that the Company is exposed to market risks related to interest rate fluctuations on its debt. To mitigate this risk, the Company maintains a combination of fixed and floating rate debt.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when they are due. The Company believes that future cash flows generated by operations and access to additional liquidity through capital and banking markets will be adequate to meet its financial obligations.

B. Recently Issued Accounting Standards

In November 2007, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and amended Section 1000, Financial Statement Concepts. The new standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. Guidance is provided on the definition of an intangible asset and the recognition of internally generated intangible assets. The Company will comply with the requirements of the new standard when the standard becomes effective.

10. Commitments and Contingencies

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, 2007 Annual Consolidated Financial Statements. The Company does not have any material related party transactions. There are no defined benefit plans funded with CCL stock.

The Company has had no material changes in contractual obligations in the first quarter of 2008 and has not made any material changes in critical accounting estimates in the first quarter of 2008.

11. Controls and Procedures

Disclosure Controls and Procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Vice Chairman and Chief Executive Officer (“CEO”) and the Executive Vice President and Chief Financial Officer (“CFO”) on a timely basis so that appropriate decisions can be made regarding public disclosure.

At the end of 2007, the CEO and CFO evaluated the effectiveness, design and operation of CCL’s disclosure controls and procedures, including a review of the activities of the Disclosure Committee. This Committee reviews all external reports and documents of CCL. As of March 31, 2008, based on this evaluation of the disclosure controls and procedures, the CEO and CFO have concluded that CCL’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109 (“MI 52-109”) are effective to ensure that information required to be disclosed in reports and documents that CCL files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified.

MI 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the internal controls over financial reporting for the issuer, that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

As at the end of 2007, the CEO and the CFO certified that they were in compliance with the regulations of MI 52-109 except for the Company’s investment in the ColepCCL joint venture. The ColepCCL joint venture was sold in November 2007.

As at March 31, 2008, the CEO and CFO certified that they are responsible for establishing and maintaining controls over financial reporting for CCL Industries Inc., that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting with Canadian GAAP and that the Company has had no change in its internal controls that has materially affected or is likely to materially affect its internal controls over financial reporting.

12. Risks and Strategies

The 2007 Management's Discussion and Analysis in the Annual Report detailed risks to the Company's business and the strategies that were planned for 2008 and beyond. There have been no material changes to those risks and strategies. With the sale of the ColepCCL joint venture, CCL is no longer exposed to the inherent risks associated with owning a minority investment in a European contract manufacturing business. However, the Company remains significantly dependent on the European and emerging market economies and their currencies. These non-Canadian risks were described in the 2007 Management's Discussion and Analysis.

13. Outlook

The Company continues to focus on the growth prospects of its specialty packaging businesses and staying within its core competencies. The Company will continue to prudently manage and reinvest its cash on hand and improve its cash flow generation with a view to sustaining and enhancing shareholder value in 2008 and beyond. CCL is continuing 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 recent pull back in equity valuations and the current liquidity crisis may in time provide more reasonable pricing of potential business acquisitions. The Company will continue to buy back its stock if it believes that it will add to shareholder value assuming that it has the financial resources to do so.

The significant organic growth in sales and income experienced in 2006 and most of 2007 appears to be slowing down due to the soft U.S. economy and its impact on consumer spending. However, CCL continues to invest in its businesses to maintain its premier position as the largest global supplier of pressure sensitive labels and a leading specialty packager. The Company intends to expand its product offerings geographically and enter into new regions based on its customers' need for its services and products. This growth can be generated organically or by way of acquisition.

There are challenges expected in the remainder of 2008 associated with the cost of aluminum in the Container Division, the return to more normal profitability in the Tube business and the Company's ability to maintain margins in all Divisions. In addition, the Label Division is relocating its operations in Mexico and Paris to

new facilities this year and will be incurring additional direct and indirect costs associated with these moves. The Container business will also be completing a new plant in Mexico and the Tube business will be relocating its Los Angeles operation to a new facility. There will be direct and indirect costs associated with these moves. The strength of the Canadian dollar relative to the U.S. dollar and the European currencies negatively impacted earnings for the first quarter of 2008 compared to 2007. Based on current exchange rates, further comparative translation and transaction losses would occur in CCL's U.S. operations for the second and third quarters of 2008 but at a lower level than the first quarter of 2008. However, based on current rates, the euro would provide a positive comparative translation gain beginning in the second quarter of 2008.

14. Key Performance Indicators and Non-GAAP Measures

CCL measures the success of its business using a number of key performance indicators, many of which are in accordance with Canadian GAAP as described throughout this report. The following performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative or replacement of any other measure of performance under Canadian GAAP. These non-GAAP measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers.

Book Value per Share - A measure of the book shareholders' equity per the combined Class A and Class B shares. It is calculated by dividing shareholders' equity by the actual number of Class A and Class B shares outstanding, excluding amounts and shares related to shares held in trust and the executive share purchase plan.

Interest Coverage - A measure indicating the relative amount of operating income earned by the Company compared to the amount of interest expense incurred by the Company. It is calculated as operating income including discontinued operations before restructuring and other items plus net interest expense divided by net interest expense calculated on a 12-month rolling basis.

Net Debt - A measure indicating the financial indebtedness of the Company assuming that all cash on hand is used to repay a portion of the outstanding debt. It is defined as current debt including cash advances plus long-term debt less cash and cash equivalents.

Net Debt to Total Book Capitalization - A measure indicating the financial leverage of the Company. It measures the relative use of debt versus equity in the book capital of the Company. Net debt to total book capitalization is defined as Net Debt (see above) divided by Net Debt plus shareholders' equity, expressed as a percentage.

Operating Income - A measure indicating profitability of the Company's business units defined as operating income before corporate expenses, interest, restructuring and other items and tax.

Restructuring and other items and favourable tax adjustments – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items and favourable tax adjustments 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 these 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 these items.

Return on Sales - A measure indicating relative profitability of sales to customers. It is defined as operating income divided by sales, expressed as a percentage.