

**CCL INDUSTRIES INC.**  
**2008 Third Quarter**  
**Consolidated Balance Sheets**

<b>Unaudited</b>	<b>September 30th</b>	<b>December 31st</b>	<b>September 30th</b>
<b>(in millions of Cdn dollars)</b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2007</u></b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 206.1	\$ 96.6	\$ 75.8
Accounts receivable - trade	156.7	127.1	195.0
Other receivables and prepaid expenses	18.3	97.7	27.6
Inventories	83.9	69.6	95.9
	<hr/> 465.0	<hr/> 391.0	<hr/> 394.3
Property, plant and equipment	757.5	630.8	651.9
Other assets (note 4)	39.5	33.4	27.5
Future income tax assets	35.1	32.1	33.6
Intangible assets	44.5	26.1	34.8
Goodwill	389.9	374.8	416.6
<b>Total assets</b>	<b>\$ 1,731.5</b>	<b>\$ 1,488.2</b>	<b>\$ 1,558.7</b>
<b>Liabilities</b>			
Current liabilities			
Bank advances	\$ -	\$ -	\$ 10.9
Accounts payable and accrued liabilities	211.2	221.2	248.5
Income and other taxes payable	2.2	2.5	9.7
Current portion of long-term debt	22.1	21.2	15.5
	<hr/> 235.5	<hr/> 244.9	<hr/> 284.6
Long-term debt (note 12)	566.1	382.2	454.3
Other long-term items	56.7	48.8	48.4
Future income taxes	101.8	94.4	102.4
<b>Total liabilities</b>	<b>960.1</b>	<b>770.3</b>	<b>889.7</b>
<b>Shareholders' equity</b>			
Share capital (note 2)	189.0	190.5	188.8
Contributed surplus	6.2	6.7	7.1
Retained earnings	652.1	606.1	544.6
Accumulated other comprehensive loss (note 6)	(75.9)	(85.4)	(71.5)
<b>Total shareholders' equity</b>	<b>771.4</b>	<b>717.9</b>	<b>669.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,731.5</b>	<b>\$ 1,488.2</b>	<b>\$ 1,558.7</b>

See notes to interim consolidated financial statements.

Certain figures have been reclassified for comparative purposes.

**CCL INDUSTRIES INC.**  
**2008 Third Quarter**  
**Consolidated Statements of Earnings**

Unaudited

Three months ended September 30th

Nine months ended September 30th

(in millions of Cdn dollars, except per share data)	Three months ended September 30th			Nine months ended September 30th		
	<u>2008</u>	<u>2007</u>	<u>% Change</u>	<u>2008</u>	<u>2007</u>	<u>% Change</u>
<b>Sales</b>	<b>\$ 289.8</b>	<b>\$ 274.9</b>	<b>5.4</b>	<b>\$ 897.7</b>	<b>\$ 894.6</b>	<b>0.3</b>
<b>Costs and expenses</b>						
Cost of goods sold	225.2	212.8		684.4	682.2	
Selling, general and administrative	31.3	32.2		97.8	100.9	
Depreciation and amortization	2.0	1.7		5.3	4.8	
Interest expense, net	6.1	5.8		16.2	18.4	
	<b>25.2</b>	<b>22.4</b>	<b>12.5</b>	<b>94.0</b>	<b>88.3</b>	<b>6.5</b>
Restructuring and other items - net gain (note 7)	1.7	1.2		3.5	0.9	
<b>Earnings before income taxes</b>	<b>26.9</b>	<b>23.6</b>	<b>14.0</b>	<b>97.5</b>	<b>89.2</b>	<b>9.3</b>
Income taxes	4.8	2.8		23.8	16.2	
<b>Net earnings from continuing operations</b>	<b>22.1</b>	<b>20.8</b>	<b>6.3</b>	<b>73.7</b>	<b>73.0</b>	<b>1.0</b>
Net earnings from discontinued operations, net of tax (note 5)	-	3.0		-	9.6	
<b>Net earnings</b>	<b>\$ 22.1</b>	<b>\$ 23.8</b>	<b>(7.1)</b>	<b>\$ 73.7</b>	<b>\$ 82.6</b>	<b>(10.8)</b>
<b>Basic earnings per Class B share</b>						
Continuing operations	<b>\$ 0.70</b>	<b>\$ 0.64</b>		<b>\$ 2.30</b>	<b>\$ 2.26</b>	
Discontinued operations	-	<b>0.10</b>		-	<b>0.30</b>	
<b>Net earnings</b>	<b>\$ 0.70</b>	<b>\$ 0.74</b>		<b>\$ 2.30</b>	<b>\$ 2.56</b>	
<b>Diluted earnings per Class B share</b>						
Continuing operations	<b>\$ 0.68</b>	<b>\$ 0.61</b>		<b>\$ 2.23</b>	<b>\$ 2.18</b>	
Discontinued operations	-	<b>0.10</b>		-	<b>0.29</b>	
<b>Net earnings</b>	<b>\$ 0.68</b>	<b>\$ 0.71</b>		<b>\$ 2.23</b>	<b>\$ 2.47</b>	

See notes to interim consolidated financial statements.

Certain figures have been reclassified for comparative purposes.

**CCL INDUSTRIES INC.**  
**2008 Third Quarter**  
**Consolidated Statements of Comprehensive Income**

<b>Unaudited</b>	<b>Three months ended September 30th</b>		<b>Nine months ended September 30th</b>	
<b>(in millions of Cdn dollars)</b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Net earnings	\$ 22.1	\$ 23.8	\$ 73.7	\$ 82.6
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	(17.5)	(35.9)	32.1	(95.2)
Gains (losses) on hedges of net investment in self-sustaining foreign operations, net of tax recovery (expense) of \$1.2 million and \$4.1 million for the three-month and nine-month periods ending September 30, 2008 (2007 - (\$2.0) million; (\$6.6) million)	(4.0)	14.8	(20.2)	40.1
Unrealized foreign currency translation, net of hedging activities	(21.5)	(21.1)	11.9	(55.1)
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery (expense) of \$0.8 million and (\$0.2) million for the three-month and nine-month periods ending September 30, 2008 (2007 - \$0.5 million; \$1.3 million)	(0.4)	(3.1)	2.1	(7.1)
Reclassification of gains (losses) on derivatives designated as cash flow hedges to earnings, net of tax recovery (expense) of \$0.4 million and \$1.0 million for the three-month and nine-month periods ending September 30, 2008 (2007 - (\$0.2) million; (\$0.5) million)	(2.3)	3.0	(4.5)	6.4
Change in losses on derivatives designated as cash flow hedges	(2.7)	(0.1)	(2.4)	(0.7)
Other comprehensive income (loss)	(24.2)	(21.2)	9.5	(55.8)
<b>Comprehensive income (loss)</b>	<b>\$ (2.1)</b>	<b>\$ 2.6</b>	<b>\$ 83.2</b>	<b>\$ 26.8</b>

See notes to interim consolidated financial statements.

Certain figures have been reclassified for comparative purposes.

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

<b>Unaudited</b> <b>(in millions of Cdn dollars)</b>	<b>Nine months ended</b> <b>September 30th</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Share capital (note 2)</b>		
Class A shares, beginning of period	\$ 4.5	\$ 4.5
Class A shares, end of period	4.5	4.5
Class B shares, beginning of period	197.4	193.0
Shares issued	0.9	-
Stock options exercised, Class B	2.7	2.7
Normal course issuer bid	(3.9)	-
Class B shares, end of period	197.1	195.7
Executive share purchase plan loans, beginning of period	(1.3)	(1.6)
Repayment of executive share purchase plan loans	-	0.3
Executive share purchase plan loans, end of period	(1.3)	(1.3)
Shares held in trust, beginning of period	(10.1)	(5.6)
Shares released from trust	3.2	-
Shares purchased and held in trust	(4.4)	(4.5)
Shares held in trust, end of period	(11.3)	(10.1)
<b>Share capital, end of period</b>	<b>189.0</b>	<b>188.8</b>
<b>Contributed surplus</b>		
Contributed surplus, beginning of period	6.7	4.2
Stock option expense	0.9	0.7
Stock based compensation plan	(1.4)	2.2
<b>Contributed surplus, end of period</b>	<b>6.2</b>	<b>7.1</b>
<b>Retained earnings, beginning of period</b>	<b>606.1</b>	<b>476.6</b>
Transition adjustment on adoption of new accounting standards	-	(3.0)
Net earnings	73.7	82.6
Normal course issuer bid	(14.2)	-
<b>Dividends</b>		
Class A	0.9	0.8
Class B	12.6	10.8
<b>Total dividends, end of period</b>	<b>13.5</b>	<b>11.6</b>
<b>Retained earnings, end of period</b>	<b>652.1</b>	<b>544.6</b>
<b>Accumulated other comprehensive loss (note 6)</b>		
Accumulated other comprehensive loss, beginning of period	(85.4)	(18.5)
Transition adjustment on adoption of new accounting standards	-	2.7
Other comprehensive income (loss)	9.5	(55.8)
<b>Accumulated other comprehensive loss, end of period</b>	<b>(75.9)</b>	<b>(71.5)</b>
<b>Total shareholders' equity, end of period</b>	<b>\$ 771.4</b>	<b>\$ 669.0</b>

**CCL INDUSTRIES INC.**  
**2008 Third Quarter**  
**Consolidated Statements of Cash Flows**

<b>Unaudited</b>	Three months ended September 30th		Nine months ended September 30th	
(in millions of Cdn dollars)	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Net earnings	\$ 22.1	\$ 23.8	\$ 73.7	\$ 82.6
Earnings from discontinued operations, net of tax	-	(3.0)	-	(9.6)
Items not requiring cash:				
Depreciation and amortization	21.5	19.1	61.3	57.5
Executive compensation	0.7	0.8	2.7	2.9
Future income taxes	2.4	(1.8)	6.4	(2.9)
Restructuring and other items, net of tax (note 7)	(1.7)	-	(3.5)	(0.2)
Gain on sale of property, plant and equipment	(0.1)	-	(1.0)	-
	44.9	38.9	139.6	130.3
Net change in non-cash working capital	6.4	10.3	44.8	(31.0)
Cash provided by continuing operations	51.3	49.2	184.4	99.3
Cash provided by discontinued operations	-	4.9	-	15.1
Cash provided by operating activities	51.3	54.1	184.4	114.4
<b>Financing activities</b>				
Proceeds on issuance of long-term debt	141.8	1.5	182.2	105.6
Retirement of long-term debt	(20.8)	(13.8)	(28.4)	(17.1)
Increase (decrease) in bank advances	-	0.4	-	(9.5)
Issue of shares	2.1	1.0	2.2	2.7
Repurchase of shares (note 2)	-	-	(18.1)	-
Purchase of shares held in trust (note 2)	-	-	(4.4)	(4.5)
Dividends	(4.4)	(3.9)	(13.5)	(11.6)
Cash provided by (used for) financing activities	118.7	(14.8)	120.0	65.6
<b>Investing activities</b>				
Additions to property, plant and equipment	(54.6)	(43.2)	(157.7)	(113.4)
Proceeds on disposal of property, plant and equipment	0.5	0.7	3.8	5.3
Proceeds on product line dispositions (note 7)	1.0	-	9.4	-
Business acquisitions (note 3)	-	-	(35.2)	(105.6)
Long-term investment (note 4)	-	-	(6.3)	-
Other	-	(4.4)	-	(5.5)
Cash used for investing activities	(53.1)	(46.9)	(186.0)	(219.2)
Effect of exchange rate changes on cash	(15.2)	(3.5)	(8.9)	(10.0)
Increase (decrease) in cash	101.7	(11.1)	109.5	(49.2)
Cash and cash equivalents at beginning of period	104.4	86.9	96.6	125.0
Cash and cash equivalents at end of period	\$ 206.1	\$ 75.8	\$ 206.1	\$ 75.8

Cash and cash equivalents are defined as cash and short-term investments.  
See notes to interim consolidated financial statements.  
Certain figures have been reclassified for comparative purposes.

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended September 30, 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 Handbook 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. There have been no material write-downs or write-ups in inventory during the nine months ended September 30, 2008.

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, that replaced 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.

The Canadian Accounting Standards Board confirmed in February 2008 that all publicly accountable enterprises will be required to report under International Financial Reporting Standards ("IFRS") for fiscal periods beginning on or after January 1, 2011.

2. SHARE CAPITAL

Issued and outstanding

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
Issued share capital	\$ 201.6	\$ 201.9	\$ 200.2
Less: Executive share purchase plan loans	(1.3)	(1.3)	(1.3)
Shares held in trust	(11.3)	(10.1)	(10.1)
Total	<u>\$ 189.0</u>	<u>\$ 190.5</u>	<u>\$ 188.8</u>

During 2008, 618,000 Class B shares were repurchased for \$18.1 million. The excess of the purchase price over the paid-up capital of \$3.9 million was charged to retained earnings.

During 2008, the Company issued 29,753 restricted shares as part of the consideration for the purchase of Clear Image Labels Pty. Ltd. These restricted shares are price protected and cannot be sold or transferred until December 31, 2009 (note 3).

## 2. SHARE CAPITAL (CONT'D)

During 2008, the Company granted awards totaling 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's 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 totaling 200,000 Class B shares of the Company. These shares are restricted in nature. In 2008, 120,000 became fully vested and were released from the trust that held the shares. 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, ending December 31, 2009 and recognized as executive compensation expense.

Actual number of shares:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>	<u>September 30, 2007</u>
Class A	2,374,043	2,378,496	2,378,496
Class B	30,042,353	30,501,047	30,407,297
	<u>32,416,396</u>	<u>32,879,543</u>	<u>32,785,793</u>
Less: Executive share purchase plan shares - Class B	(100,000)	(100,000)	(100,000)
Shares held in trust - Class B	(345,000)	(320,000)	(320,000)
Total	<u>31,971,396</u>	<u>32,459,543</u>	<u>32,365,793</u>
Year-to-date weighted average number of shares	<u>32,116,020</u>	<u>32,284,210</u>	<u>32,250,329</u>
Year-to-date weighted average diluted number of shares	<u>33,086,510</u>	<u>33,492,937</u>	<u>33,498,920</u>

## 3. ACQUISITIONS

On April 1, 2008, the Company completed the purchase of Clear Image Labels Pty. Ltd. ("Clear Image") 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 \$33.4 million in a combination of cash, restricted stock and assumed debt to acquire the business. During 2008, the Company issued 29,753 restricted shares as part of the consideration for the purchase of Clear Image. These restricted shares are price protected and cannot be sold or transferred until December 31, 2009. 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.

Details of the transaction are as follows:

Current assets	\$	4.9
Current liabilities		(4.2)
Non-current assets at assigned values		10.6
Future taxes		(0.7)
Goodwill and intangibles		<u>22.8</u>
Net assets purchased	\$	<u>33.4</u>
Cash	\$	26.9
Assumed debt		5.6
Restricted shares		<u>0.9</u>
Total consideration	\$	<u>33.4</u>

### 3. ACQUISITIONS (CONT'D)

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 \$4.5 million 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.

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>\$ 9.7</u>

Cash, less cash acquired of \$0.4 million	\$ 8.3
Assumed debt	1.4
Total consideration	<u>\$ 9.7</u>

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>\$ 105.8</u>

Cash, less cash acquired of \$2.8 million	<u>\$ 105.8</u>
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### 4. OTHER ASSETS

In December 2007, the Company established CCL-Kontur, 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 2007 and a further \$6.3 million paid in the second quarter of 2008 as the assets of the business have been legally transferred to CCL-Kontour by the Russian partner. The Russian partner has operating control of the business and, consequently, the investment is being carried at its equity value.

### 5. 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 \$74.4 million (EUR 50.0 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>Three months ended</u> <u>September 30, 2007</u>	<u>Nine months ended</u> <u>September 30, 2007</u>
Sales from discontinued operations	\$ 57.0	\$ 167.6
Cost of goods sold	46.1	136.2
Selling general and administrative	5.9	16.1
Depreciation and amortization	0.4	1.0
Interest, net	0.4	0.9
Earnings before income taxes	<u>4.2</u>	<u>13.4</u>
Income taxes	1.2	3.8
Net earnings from discontinued operations	<u>\$ 3.0</u>	<u>\$ 9.6</u>

September 30, 2007

Current assets	\$ 79.5
Long-lived assets	100.3
Current liabilities	50.3
Long-term liabilities	24.9

## 6. ACCUMULATED OTHER COMPREHENSIVE LOSS

	September 30, 2008	December 31, 2007	September 30, 2007
Unrealized foreign currency translation losses, net of tax expense of \$9.9 million (2007 - net of tax expense of \$13.9 million; net of tax expense of \$13.9 million)	\$ (75.0)	\$ (87.3)	\$ (73.6)
Impact of new net investment hedge accounting standards on January 1, 2007, net of tax of \$0.0 million (2007 - net of tax expense of \$0.1 million; net of tax expense of \$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 of \$1.3 million; net of tax expense of \$1.3 million)	-	2.4	2.4
Losses on derivatives designated as cash flow hedges, net of tax recovery of \$0.7 million (2007 - net of tax recovery of \$1.1 million; net of tax recovery of \$0.8 million)	(0.9)	(0.9)	(0.7)
	<u>\$ (75.9)</u>	<u>\$ (85.4)</u>	<u>\$ (71.5)</u>

## 7. RESTRUCTURING AND OTHER ITEMS

	Segment	Three months ended September 30th		Nine months ended September 30th	
		2008	2007	2008	2007
Sale of ABS product line	Container	\$ -	\$ -	\$ 3.1	\$ -
Restructuring of Rhyl, Wales label business	Label	-	-	(3.6)	-
Gain on note receivable	Corporate	-	-	2.3	-
Repatriation of capital	Corporate	1.7	-	1.7	-
Container segment restructuring	Container	-	1.2	-	0.2
Sale of non-operational land	Corporate	-	-	-	0.7
Net gain		<u>\$ 1.7</u>	<u>1.2</u>	<u>\$ 3.5</u>	<u>0.9</u>
Tax recovery (expense) on restructuring and other items		\$ -	\$ (0.4)	\$ -	\$ 0.1

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 was sold by CCL Container, in conjunction with aluminum aerosol containers for applications requiring separation between the propellant and the contents. CCL Container retains the aluminum aerosol can business and will continue to sell to its existing customers and AptarGroup will separately market these specialized dispensing systems to the customers. The Company recognized a gain on the sale of \$3.1 million (\$2.8 million after tax).

In 2008, the Company, as part of its restructuring of the Rhyl plant located in Wales recorded provisions for costs of \$3.6 million (\$2.6 million after tax).

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).

In the third quarter of 2008, the Company repatriated capital from a foreign subsidiary that was generated from the sale of its interest in the ColepCCL joint venture. The repatriation resulted in a net foreign exchange gain of \$1.7 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. This exchange gain did not give rise to any tax effect.

For the nine months ended September 30, 2007, \$1.0 million (\$0.7 million after tax) of costs were incurred relating to the Container segment restructuring. Additionally, in the third quarter 2007, a reduction in the severance provision was realized resulting in an income adjustment of \$1.2 million (\$0.8 million after tax).

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).

## 8. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit plans in the third quarter is \$0.3 million (2007 - \$0.4 million) and \$1.0 million year to date (2007 - \$1.2 million).

9. SEGMENTED INFORMATION

Industry segments

	Three months ended September 30th				Nine months ended September 30th			
	Sales		Operating income		Sales		Operating income	
	2008	2007	2008	2007	2008	2007	2008	2007
Label	\$ 237.1	\$ 222.9	\$ 30.1	\$ 29.7	\$ 733.4	\$ 706.4	\$ 107.0	\$ 101.3
Container	36.9	40.2	2.8	2.9	117.6	142.4	11.0	14.9
Tube	15.8	11.8	0.2	(0.4)	46.7	45.8	0.6	1.2
<b>Total operations</b>	<b>\$ 289.8</b>	<b>\$ 274.9</b>	<b>33.1</b>	<b>32.2</b>	<b>\$ 897.7</b>	<b>\$ 894.6</b>	<b>118.6</b>	<b>117.4</b>
Corporate expense			(1.8)	(4.0)			(8.4)	(10.7)
			31.3	28.2			110.2	106.7
Interest expense, net			6.1	5.8			16.2	18.4
			25.2	22.4			94.0	88.3
Restructuring and other items - net gain (note 7)			1.7	1.2			3.5	0.9
Earnings before income taxes			26.9	23.6			97.5	89.2
Income taxes			4.8	2.8			23.8	16.2
Net earnings from continuing operations			22.1	20.8			73.7	73.0
Net earnings from discontinued operations			-	3.0			-	9.6
<b>Net earnings</b>			<b>\$ 22.1</b>	<b>\$ 23.8</b>			<b>\$ 73.7</b>	<b>\$ 82.6</b>

	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	
	2008	2007	2008	2007	2008	2007	2008	2007
					<u>Continuing operations</u>			
Label	\$ 1,157.1	\$ 994.4	\$ 349.8	\$ 336.6	\$ 48.1	\$ 43.5	\$ 117.4	\$ 89.1
Container	191.7	166.8	12.7	12.7	7.6	8.5	30.1	7.3
Tube	94.0	82.4	27.4	25.5	5.2	5.2	9.7	6.7
ColepCCL	-	-	-	-	-	-	-	10.2
Corporate	288.7	244.6	-	-	0.4	0.3	0.5	0.1
<b>Total</b>	<b>\$ 1,731.5</b>	<b>\$ 1,488.2</b>	<b>\$ 389.9</b>	<b>\$ 374.8</b>	<b>\$ 61.3</b>	<b>\$ 57.5</b>	<b>\$ 157.7</b>	<b>\$ 113.4</b>

## 10. 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 bank 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 33% at the end of the third 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 following 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 are subject to externally imposed capital requirements under the Company's senior note agreements and revolving bank debt; however, the Company is allowed further significant borrowings under the terms of these agreements at this time.

## 11. 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 September 30, 2008, the Company does not have any material exposure to credit risk arising from derivative financial instruments.

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

	September 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 206.1	\$ 96.6
Accounts receivable	156.7	127.1
Other accounts receivable	8.0	12.5
<b>Total</b>	<b>\$ 370.8</b>	<b>\$ 236.2</b>

The aging of accounts receivable at the reporting date was:

	September 30, 2008	December 31, 2007
0- 30 days	\$ 100.0	\$ 78.0
31- 60 days	35.9	34.3
61- 90 days	13.9	11.7
over 90 days	10.8	7.3
<b>Total</b>	<b>\$ 160.6</b>	<b>\$ 131.3</b>

Reconciliation of allowance for credit losses

	September 30, 2008	December 31, 2007
Opening balance	\$ 4.2	\$ 4.2
Decrease during the period	(0.3)	-
<b>Total</b>	<b>\$ 3.9</b>	<b>\$ 4.2</b>

## 11. 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 five percent strengthening of the Canadian dollar against the following currencies at September 30 would have increased (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a five percent weakening of the Canadian dollar against the above currencies at September 30 would have had the equal but opposite effect). The analysis is performed on the same basis for 2007.

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	<u>September 30, 2008</u>	<u>September 30, 2007</u>
US dollar	\$ 19.3	\$ 22.7
UK Pounds	\$ 9.9	\$ 9.0
Mexican Peso	\$ 3.1	\$ 2.1
Danish Krone	\$ 2.8	\$ 2.6
Euro	\$ 2.3	\$ 1.0
Brazilian Real	\$ 1.9	\$ 1.7

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#### 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 three-month and nine-month periods ending September 30, 2008, a 100 basis point increase (decrease) in the interest rate would have resulted in \$0.3 million and \$1.1 million 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.

### 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 contracts. Fair value of the futures contracts reflects the cash flows due to or from the Company if settlement had taken place on September 30, 2008.

## 12. LONG TERM DEBT

During the current quarter, CCL completed a private placement financing of Senior Unsecured Notes with U.S. institutional investors. The amount of the borrowing totals US\$130 million with US\$52 million to be repaid in 2013 (five-year) and US\$78 million to be repaid in 2018 (ten-year). Interest rates for the five-year and ten-year financings are 5.86% and 6.62%, respectively.

These loans have been designated as a hedge of net investments in self-sustaining foreign operations. The portion of the foreign exchange gain or loss on these loans that is determined to be effective, is included in comprehensive income and the ineffective portion recognized in earnings.

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **Third Quarters Ended September 30, 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 third quarters ended September 30, 2008 and 2007 and an update to the 2007 Annual MD&A document. The information in this interim MD&A is current to November 5, 2008 and should be read in conjunction with the Company's September 30, 2008 unaudited third quarter financial statements released on November 5, 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 primarily the U.S. dollar, the euro, the U.K. pound sterling, the Australian dollar, the Brazilian real, the Canadian dollar, the Chinese renminbi, the Danish krone, the Japanese yen, the Mexican peso, the Polish zloty, the Russian rouble and the Thailand baht. 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 evolving global financial crisis and its impact on the world economy and capital markets; 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. Accordingly, the Company's results could differ materially from those anticipated in these forward-looking statements.

### **1. Overview**

Global economic and financial markets have been disrupted in the last few months by the liquidity crisis. Despite these shocks, CCL continues to experience strong performance globally in its healthcare and specialty businesses as an offset to the challenges in its consumer categories such as home and personal care products that are affected by retail spending. This has been particularly evident in the U.S. market and, over the last quarter, spread to many parts of Europe and even some emerging markets. The U.K. is experiencing a significant slowdown at least as difficult as the U.S. and many parts of continental Europe are now also affected by the crisis. Economic activity continues to be reasonably strong in Asia and Brazil but markets such as Mexico, which is connected to the fortunes of the U.S.; and Russia with its heavy dependence on high oil and gas prices are also being affected. However, in general terms CCL's customers are still showing good growth in emerging markets.

Clearly, the global economy is in the middle of a very uncertain period with consumer spending retrenching, particularly in North America and Europe. Inflation has become less of a concern with the recent meaningful reductions in energy and other commodity costs; however, the recent volatility of exchange rate movements is bringing new challenges. The fear of a global recession and unsettled financial markets are weighing heavily on CCL's customers and 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, with half paid upon closing and the balance paid at the end of February 2008. The disposition resulted in a gain on the 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 have been excluded from the disclosure of continuing operations.

## **3. Review of Consolidated Continuing Operations**

The following acquisitions and divestitures affected financial comparisons to 2007 results in the third quarter and the year-to-date periods. 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.
- 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 after the assets were legally transferred to CCL-Kontur by the Russian partner. The net income from this investment for the first nine months 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 to a maximum of \$5 million is contingent upon its 2008 financial performance.
- In April 2008, Clear Image Labels Pty. Ltd., a privately owned pressure sensitive label company based in Australia was acquired for \$33 million in a combination of cash, restricted stock and assumed debt. Clear Image is a leading Australian wine label business with two operations in Australia servicing both the domestic and U.S. markets.

- In April 2008, the Company sold the inventory and equipment related to the Container Division's ABS 'Bag-on-Valve' product line located within its Penetanguishene, Ontario, plant for \$9 million payable in cash.

All of the above transactions, with the exception of the ITW acquisition, impacted financial comparisons for the third quarter of 2008 compared with the same period in 2007.

Sales for the third quarter of 2008 from continuing operations were \$289.8 million, up 5% from the \$274.9 million recorded in the third quarter of 2007, while sales for the first nine months of 2008 of \$897.7 million were marginally up over last year's \$894.6 million. Sales increased for the quarter by 3% due to organic growth and acquisitions, while foreign exchange accounted for an increase of 2%. Financial comparisons to the prior year's third quarter results have been positively affected by the significant appreciation of the euro (9%) versus the Canadian dollar partially offset by the depreciation in the U.K. pound (7%). The U.S. dollar was flat in the third quarter compared to the same period last year. Also, business acquisitions in the Label Division have positively impacted financial performance versus the prior year. On a comparative basis with last year's third quarter, sales were higher in the Label and Tube Divisions partially offset by lower sales in the Container Division due to lower volume and the ABS disposition. Year-to-date, sales were flat compared to last year as a result of organic growth and acquisitions of 3% offset by the negative foreign exchange effect of 3%.

Net earnings from continuing operations for the third quarter of 2008 were \$22.1 million, up 6% from the \$20.8 million recorded in the third quarter of 2007 due primarily to improved operational performance. Operating income (see non-GAAP measures in Section 14 later in this report) was up by \$0.9 million or 3% from last year's third quarter. Operating income from Label and Tube was higher than the third quarter of 2007 while Container was marginally lower. In the third quarter of 2008, net earnings were impacted by a gain from the repatriation of capital from Europe that arose from the disposal of the Company's investment in ColepCCL late last year of \$1.7 million with no tax effect. In the third quarter of 2007, corporate income tax rates were reduced in Germany and the utilization of a previous tax loss was recognized in Mexico, together totalling \$2.9 million and this resulted in a decrease in income tax expense. Additionally, the Container Division had a positive net recovery of restructuring and other items of \$1.2 million before tax (\$0.8 million after tax). Net earnings in the third quarter of 2007 from discontinued operations were \$3.0 million.

For the first nine months of 2008, net earnings from continuing operations were \$73.7 million, up 1% from \$73.0 million in the comparable 2007 period. Net earnings for the first nine months of 2008 were affected by the gain on the repatriation of capital from ColepCCL noted above of \$1.7 million with no tax effect, a gain on a note receivable of \$2.3 million (\$1.6 million after tax), the gain on the ABS product line of \$3.1 million (\$2.8 million after tax) and the loss from the shutdown of the Rhyl, Wales location of \$3.6 million (\$2.6 million after tax).

This small home and personal care operation has been consolidated into the plant near Leeds, U.K. Net earnings increased by \$3.5 million from the foregoing items. Net earnings for the nine months of 2007 were affected by Container restructuring and other costs for a positive net recovery of \$0.2 million and a gain on the sale of a property of \$0.7 million for a net gain of \$0.9 million before tax (net gain of \$1.0 million after tax). Including the positive effect of favourable tax adjustments of \$7.9 million, net earnings in 2007 increased by \$8.9 million due to the foregoing items.

Net interest expense was \$6.1 million in the third quarter of 2008, \$0.3 million higher than last year's corresponding quarter of \$5.8 million due primarily to the \$0.4 million in costs to complete the private placement of debt in September. Corporate expense of \$1.8 million for the quarter was lower than the \$4.0 million in last year's third quarter due to a reduction in self-insurance claims reserves, lower variable executive compensation and foreign exchange gains.

The overall effective income tax rate was 18% for the third quarter of 2008 compared to 12% in the third quarter of 2007. The tax rate in the third quarter of 2008 was favourably affected by the non-taxable repatriation of capital which reduced the rate by 1% down from 19%. Overall, there was a change in the mix of taxable income in the third quarter with an increase in lower taxed jurisdictions such as Mexico and Thailand and a decrease in the higher taxed jurisdictions, particularly the U.S. The tax rate in the third quarter of 2007 was positively affected by lower tax rates in Germany and the utilization of the tax benefit of previous tax losses in Mexico. The impact of these items reduced the tax rate in the third quarter of 2007 from 24% to 12%.

EBITDA (see non-GAAP measures in Section 14 below) from continuing operations was \$52.8 million for the third quarter of 2008, up 12% from \$47.3 million in the third quarter of 2007. Year-to-date EBITDA was \$171.5 million in the third quarter of 2008, up 4% from \$164.2 million in the comparable 2007 period.

Basic earnings per Class B share from continuing operations were \$0.70 in the third quarter of 2008 compared to \$0.64 earned in the same period last year, an increase of 9%. Restructuring and other items in the third quarter of 2008 increased basic earnings per Class B share by \$0.05. Favourable tax adjustments had a positive effect on earnings per share in the third quarter of 2007 of \$0.09 and a recovery of restructuring and other items (a non-GAAP measure; see Section 14) increased earnings per share by a further \$0.03. Consequently, restructuring and other items and favourable tax adjustments in the third quarter of 2007 increased earnings per share by \$0.12. In addition, basic earnings per share from discontinued operations in the third quarter of 2007 were \$0.10. The positive impact of currency translation and transactions on basic earnings per Class B share from continuing operations was \$0.04 in the third quarter of 2008 relative to the comparable prior year quarter.

For the first nine months of 2008, earnings per Class B share from continuing operations were \$2.30 compared to \$2.26 in the prior year period, a 2% increase. Restructuring and other items and favourable tax adjustments increased earnings per Class B share by \$0.11 for the first nine months of 2008 versus a \$0.28 increase in the same period last year. The negative impact of currency translation and transactions on basic earnings per Class B share from continuing operations was \$0.11 in the first nine months of 2008 versus the same period last year.

Diluted earnings from continuing operations and net earnings per Class B share were \$0.68 in the third quarter of 2008 and \$0.61 in the third quarter of 2007. Diluted earnings from discontinued operations in the third quarter of 2007 were \$0.10.

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, excluding the effect of restructuring and other items and favourable tax adjustments.

**(in Canadian dollars)**

<b><u>Basic Earnings per Class B shares</u></b>	<b>3rd Quarter</b>		<b>Year-to-Date</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
From continuing operations	\$ 0.70	\$ 0.64	\$ 2.30	\$ 2.26
From discontinued operations	Nil	\$ 0.10	Nil	\$ 0.30
Net gain from restructuring and other items and favourable tax adjustments included above	\$ 0.05	\$ 0.12	\$ 0.11	\$ 0.28

The following is selected financial information for the eleven most recently completed quarters. In November 2007, the ColepCCL joint venture was sold and is 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>
<b>Sales-continuing operations</b>					
2008	\$295.1	\$312.8	\$289.8		
2007	316.2	303.5	274.9	\$249.7	\$1,144.3
2006	268.6	257.5	246.6	256.8	1,029.5
<b>Net earnings-continuing operations</b>					
2008	27.5	24.1	22.1		
2007	26.3	25.9	20.8	20.4	93.4
2006	18.1	15.1	10.0	21.7	64.9
<b>Net earnings</b>					
2008	27.5	24.1	22.1		
2007	30.0	28.8	23.8	65.3	147.9
2006	21.1	17.6	13.6	25.1	77.4
<b>Net earnings per Class B share - continuing operations</b>					
<b>Basic</b>					
2008	\$0.85	\$0.75	\$0.70		
2007	0.82	0.80	0.64	\$0.64	\$2.90
2006	0.57	0.46	0.32	0.67	2.02
<b>Diluted</b>					
2008	0.82	0.73	0.68		
2007	0.79	0.77	0.61	0.62	2.79
2006	0.55	0.45	0.30	0.65	1.95
<b>Net earnings per Class B share</b>					
<b>Basic</b>					
2008	0.85	0.75	0.70		
2007	0.93	0.89	0.74	2.03	4.59
2006	0.66	0.54	0.43	0.78	2.41
<b>Diluted</b>					
2008	0.82	0.73	0.68		
2007	0.90	0.86	0.71	1.95	4.42
2006	0.64	0.53	0.41	0.75	2.33
<b>Effect of restructuring and other items, favourable tax adjustments and gain on discontinued operations on basic earnings per Class B share</b>					
2008	0.05	0.01	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 due to improved operational performance 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 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 third quarter of the year is negatively affected from a sales and income perspective by summer vacations in the Northern Hemisphere and the fourth quarter is negatively affected by Thanksgiving in Canada and the U.S. and the holiday season shutdowns at the end of the year.

#### **4. Business Segment Review**

##### **Label Division**

(\$ millions)

	Third Quarter			Year-To-Date		
	<u>2008</u>	<u>2007</u>	<u>+/-</u>	<u>2008</u>	<u>2007</u>	<u>+/-</u>
Sales	\$237.1	\$222.9	+6%	\$733.4	\$706.4	+4%
Operating Income <sup>(1)</sup>	\$ 30.1	\$ 29.7	+1%	\$107.0	\$ 101.3	+6%
Return on Sales <sup>(1)</sup>	12.7%	13.3%		14.6%	14.3%	
Capital Spending	\$ 28.9	\$ 30.0		\$117.4	\$ 89.1	
Depreciation and Amortization	\$ 16.9	\$ 14.6		\$ 48.1	\$ 43.5	

<sup>(1)</sup> A non-GAAP measure (refer to definition in Section 14).

Sales for the Label Division were \$237.1 million for the third quarter, up 6% from \$222.9 million in the same quarter last year. The change in sales was the result of acquisitions and organic growth of 3% and positive foreign currency translation of 3%.

Sales growth in the third quarter was due in part to the CD-Design acquisition completed at the beginning of February 2008 and the Clear Image acquisition effective the beginning of April 2008. The overall base business experienced a very slight reduction in sales primarily due to the North American home and personal care category.

North American sales in the Label Division were slightly lower compared to last year. Healthcare and Specialty, now CCL's largest product group in North America, continued to grow organically at mid single digit rates. Home and personal care sales and battery label sales were soft for the quarter compared to last year, particularly in high-end personal care and showing no signs of improvement so far in the fourth quarter. Specialty products sales were up high single digits compared to last year's third quarter, with strong fast-food promotion sales partially offset by a softer ag-chem market related to the weak U.S. housing market affecting the lawn and garden sector. Shrink sleeve sales grew significantly from a small base. Overall, North American profitability was flat with last year as cost inflation and soft markets were offset by improved mix and operational improvements. Order intake for North America has been reasonable with continued strong healthcare business offsetting softer consumer related products. However, with U.S. consumer demand for the Christmas season being difficult to predict, label sales for the balance of the quarter are uncertain.

In Europe, sales were soft compared to a very strong third quarter of 2007 with the impact of the global financial crisis affecting some product categories. The healthcare and specialty business was very strong, up double-digits, excluding

currency and continues to look firm for the balance of the year. Home and personal care volume and battery label sales were down overall versus last year similar to the U.S. experience. Beverage sales were down significantly from last year's levels as the business had the benefit of many new, large product launches in the beer segment in Russia during the third quarter of 2007. Many international beer producers also reported very significant reductions in their rate of growth in Russia this summer and are forecasting a difficult second half of 2008. Shrink and stretch sleeve sales were up modestly with U.K. softness more than offset by growth in central Europe. The recently acquired CD-Design performed above management's expectations in the quarter. Profitability overall in Europe was down due to the extraordinarily strong beer sales and related profits in the third quarter of 2007.

In emerging markets consisting of Latin America, Eastern Europe, Asia and Australia, sales were up in local currencies overall in the third quarter versus last year, excluding the April 2008 acquisition of Clear Image in Australia. In Latin America, sales were up significantly in Brazil but in Mexico, the move to a new facility resulted in sales being flat with last year. In Eastern Europe, our equity investment in Russia reported nominal net earnings but Poland continues to show good sales improvement. Sales in Asia in home and personal care were up significantly with strong growth in China partially offset by slightly weaker sales in Thailand compared to a strong third quarter last year. Battery label sales doubled from last year's level and Beverage sales in China and other Asian countries are also growing. The Clear Image acquisition in Australia performed above expectations in the wine label business. The Company continues to grow in emerging markets with plans to expand an existing plant in China and to build new plants in the north of China, Vietnam, India, Japan and a second facility in Thailand.

Overall in emerging markets, the outlook continues to be positive but with signs those countries dependent on high commodity prices are also experiencing slowing consumer sentiment.

Operating income for the third quarter of 2008 was \$30.1 million, up 1% from \$29.7 million in the third quarter of 2007. Overall, operating income was flat compared to an exceptional third quarter last year. Increases in income in healthcare and geographic improvement generally outside of North America were offset by reductions primarily in the North American and European home and personal care businesses and in the European beverage business. The Division incurred \$1.3 million of moving costs in the third quarter of 2008 as it is relocating a number of operations to new facilities. Return on sales at 12.7% was ahead of our internal targets and slightly below the 13.3% return generated in last year's record third quarter.

Sales and operating income from the Clear Image and CD-Design acquisitions in the third quarter were \$12.3 million and \$1.4 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 generally firm so far in the fourth quarter of 2008. However, the impact of the financial crisis on the world economy as the Christmas season approaches is uncertain.

The Label Division invested \$117.4 million in capital in the first nine months of 2008 compared to \$89.1 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. In the third quarter, capital was spent on the expansion of the plant in Meerane, Germany, and a new plant in Montréal. The Division expects to continue to spend capital to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label Division was \$48.1 million for the first nine months of 2008 and \$43.5 million in the comparable 2007 period.

### **Container Division**

(\$ millions)

	Third Quarter			Year-To-Date		
	<u>2008</u>	<u>2007</u>	<u>+/-</u>	<u>2008</u>	<u>2007</u>	<u>+/-</u>
Sales	\$36.9	\$40.2	-8%	\$117.6	\$142.4	-17%
Operating Income <sup>(1)</sup>	\$ 2.8	\$ 2.9	-3%	\$11.0	\$ 14.9	-26%
Return on Sales <sup>(1)</sup>	7.6%	7.2%		9.4%	10.5%	
Capital Spending	\$18.7	\$ 4.8		\$30.1	\$ 7.3	
Depreciation and Amortization	\$ 2.7	\$ 2.8		\$ 7.6	\$ 8.5	

<sup>(1)</sup> A non-GAAP measure (refer to definition in Section 14).

Sales in the third quarter were \$36.9 million, down 8% from \$40.2 million in the same period last year. Sales decreased for the quarter due to reduced volume of can sales to U.S. customers and the sale of the ABS "bag on valve" business earlier this year.

The Container Division experienced an overall decrease in sales volume primarily due to the slow personal care market in the U.S. offset in part by the growth of new beverage business. Mexican aerosol container sales volumes were up substantially over last year with improved profitability. The new plant in Guanajuato, Mexico, will be up and running at the end of the year to satisfy the trend of many major customers continuing to move their aerosol filling operations to Mexico for requirements in both the U.S. and Latin American markets. In addition, there are opportunities to build the beverage bottle business in Mexico and Central America.

Operating income for the Container Division in the third quarter of 2008 was \$2.8 million, down 3% from \$2.9 million in the third quarter of 2007. This decline in profitability was due to a combination of lower sales volume and slightly unfavourable currency translation. The Division successfully passed on to customers the higher aluminum costs experienced so far in 2008. The recent steep falls in aluminum costs in the fourth quarter will be largely offset by hedges connected to customer pricing or agreements with customers to pass on actual aluminum costs. With the Canadian dollar weakening and with reduced

operating costs, profitability in the Penetanguishene, Ontario, operation should benefit. This business incurred a loss in the third quarter. Return on sales was up marginally in the third quarter of 2008 to 7.6% compared to 7.2% in last year's third 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 slight change in the exchange rates on U.S. currency transactions had no effect on income for the Container Division in the third quarter of 2008 compared to third quarter 2007. For the first nine months of 2008, comparative income was negatively affected by \$2.3 million (\$0.05 per share).

The Container Division invested \$30.1 million in capital in the first nine months of 2008 compared to \$7.3 million in the same period last year. The majority of the third quarter's capital spending was on the new plant construction and a new high speed production line in Guanajuato, Mexico. Depreciation and amortization for the first nine months of 2008 and 2007 were \$7.6 million and \$8.5 million, respectively.

The Container Division continues to hedge some of its anticipated future aluminum purchases in line with its customer sales contracts through the futures market and has hedged 47% of its 2008 requirements and 43% of its 2009 estimated requirements.

Order intake for the Division continues to be softer than planned in the U.S. home and personal care market offset by stronger but more volatile demand for beverage bottles and growth in Mexico.

## **Tube Division**

(\$ millions)

	Third Quarter			Year-To-Date		
	2008	2007	+/-	2008	2007	+/-
Sales	\$15.8	\$11.8	+34%	\$46.7	\$ 45.8	+2%
Operating Income <sup>(1)</sup>	\$ 0.2	\$ ( 0.4)	nm	\$ 0.6	\$ 1.2	-50%
Return on Sales <sup>(1)</sup>	1.3%	(3.4)%		1.3%	2.6%	
Capital Spending	\$ 6.9	\$ 5.4		\$ 9.7	\$ 6.7	
Depreciation and Amortization	\$ 1.8	\$ 1.6		\$ 5.2	\$ 5.2	

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

Sales in the third quarter for the Tube Division were \$15.8 million, up 34% from \$11.8 million last year with currency translation having a modest negative effect. Tube sales were up over the weak third quarter of last year as new business has been added despite the slowing economy's negative effect on high-end personal care products.

Operating income for the Tube Division for the third quarter of 2008 was \$0.2 million, up from a loss of \$0.4 million in the third quarter of 2007. This is the third consecutive quarter since the third quarter of 2007 that it has recorded a profit. The return on sales was 1.3% in the third quarter compared to a negative 3.4% return in the prior year's third quarter. The move into a new but much smaller facility in Los Angeles is in progress and is critical to the improvement of divisional profitability in 2009. The Division incurred \$0.1 million in moving costs during the quarter.

The Tube Division invested \$9.7 million in capital in the first nine months of 2008 compared to \$6.7 million in the same period last year. Capital spending in the third quarter consisted of a new integrated tube line and the leasehold improvements associated with the move to the new leased building in Los Angeles. Depreciation and amortization for the nine months of 2008 and 2007 were \$5.2 million in each year.

## **5. Currency Translation and Currency Transaction Hedging**

As only about 10% of CCL's sales are generated from Canadian manufacturing locations, the remaining 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 approximately 35% of the Company's total sales and it depreciated by less than 1% on average compared to the Canadian dollar in the third quarter of 2008 versus last year's third quarter and depreciated 8% on a year-to-date basis. European currencies are now approximately 43% of CCL's sales and the primary European currency, the euro, appreciated by 9% compared to the Canadian dollar versus the prior year's quarter while conversely, the U.K. pound declined by 7%. Fluctuations in foreign exchange rates can have a material effect on the Company's profitability. In this quarter, the positive value of the euro and other currencies more than offset the negative value of the U.S. dollar and the U.K. pound. The positive impact on earnings per share due to currency translation was \$0.04 compared to last year's

third quarter. Year-to-date, earnings per share have been negatively affected by \$0.06 due to currency translation compared to last year's nine-month period.

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 nominal change in the exchange rates on U.S. currency transactions had no effect on comparative income for continuing operations in the third quarter of 2008. Currency transactions reduced comparative income from operations for the first nine months of 2008 by \$2.3 million or \$0.05 per share.

With the recent pronounced increase in value of the U.S. dollar, it is anticipated that the Company will benefit significantly from currency translation and transactions relative to prior periods, particularly from its U.S. operations and to a lesser extent, its European operations. There is some economic uncertainty in the currency markets in Latin America and other emerging countries such as China and Russia.

## **6. Liquidity and Capital Resources**

The Company's capital structure is as follows:

<b><u>\$ Millions</u></b>	<b><u>September 30, 2008</u></b>	<b><u>December 31, 2007</u></b>	<b><u>September 30, 2007</u></b>
Total debt	\$588.2	\$403.4	\$480.7
Cash and cash equivalents	<u>206.1</u>	<u>96.6</u>	<u>75.8</u>
Net debt <sup>(1)</sup>	<u>\$382.1</u>	<u>\$306.8</u>	<u>\$404.9</u>
Shareholders' equity	<u>\$771.4</u>	<u>\$717.9</u>	<u>\$669.0</u>
Net debt: total book capitalization <sup>(2)</sup>	33.1%	29.9%	37.7%
Book value per Class B share <sup>(3)</sup>	\$24.13	\$22.12	\$20.67

(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).

(3) Book value per Class B share is a non-GAAP measure (refer to definition in Section 14).

The Company's financial position remains solid. As of September 30, 2008, cash and cash equivalents amounted to \$206 million compared to \$97 million at December 31, 2007 and \$76 million at September 30, 2007. Net debt was \$382 million at September 30, 2008, \$75 million higher than the net debt of \$307 million at the end of December 2007. The increase in net debt in this time frame is primarily due to the acquisitions of CD-Design and Clear Image and the extensive capital spending program.

Net debt to total book capitalization at September 30, 2008 was 33.1%, down from 37.7% at the end of September 2007 due to the ColepCCL sale and up slightly from the 29.9% at the end of 2007 as a result of the CD-Design and Clear Image acquisitions and seasonal working capital increases partially offset by the collection of the balance of the ColepCCL sale proceeds in February. Book value per share, a non-GAAP measure, defined later in Section 14, was \$24.13 at the end of the third quarter of 2008, 17% above \$20.67 a year ago and 9% above the \$22.12 at December 31, 2007. The increase is primarily the result of the retained earnings generated this year.

Prior to its most recent financing, the Company's debt structure was primarily comprised of three private debt placements completed in 1997, 1998 and 2006 with a total value of US\$ 317.5 million (Cdn\$ 337.8 million) as at September 30, 2008 and a five-year revolving extendible line of credit of \$95 million commencing in January 2007. This was unchanged from December 31, 2007 except for the annual payment on one of the senior notes of US\$ 9.4 million in September.

In September 2008, the Company completed a private debt placement with U.S. institutional investors as it was concerned about having access to liquidity in light of the development of the credit crunch. The Company raised US\$130 million consisting of US\$52 million of five-year term debt at 5.86% and US\$78 million of ten-year term debt at 6.62%. In January 2007, the Company established a five-year revolving line of credit with a Canadian chartered bank for \$95 million. As at the end of September 2008, \$80 million was borrowed under this line of credit. This line of credit was extended in January for a further year and expires in January 2013. The Company may elect to request an annual extension at the end of 2008 to extend the term for a further year. The Company has repaid the bank line with the proceeds of the private placement and intends to maintain the line of credit with the bank to provide future liquidity as required.

The Company's overall average interest rate including the latest private placement is currently 5.7% after factoring in the related Interest Rate Swap Agreements ("IRSAs") and Cross Currency Interest Rate Swap Agreements ("CCIRSAs") compared to 5.8% at December 31, 2007. The IRSAs and CCIRSAs are discussed later in this report.

The Company believes that it has sufficient cash on hand and lines of credit and the ability to generate cash flow from operations to fund its expected financial obligations over the mid-term. The Company has considered the uncertainty of the current credit crunch and consequently, is not intending to rely on capital markets in the mid-term to fund its operations.

## **7. Cash Flow**

During the third quarters of 2008 and 2007, the Company generated cash from operating activities from continuing operations of \$51.3 million and \$49.2 million, respectively. The increase in cash flow compared to last year's third quarter was primarily due to the increase in earnings from continuing operations this year. On a year-to-date basis, the seasonal build-up of normal working capital is in line with last year. The collection of the remaining ColepCCL receivable in February was the primary reason for the positive cash flow from working capital this year.

Capital spending in the third quarter of \$54.6 million compared to \$43.2 million last year. The major capital expenditures in the third quarter were for many new presses, plant expansions and new plants for the Label Division and a new plant and production line for the Container Division. This level of capital spending was higher than the \$21.5 million of depreciation and amortization in the third quarter of 2008 and the \$19.1 million in the third quarter of 2007. Plans for capital spending in 2008 are expected to be in the \$190 million range for the year. With the uncertain world economy, capital spending plans for 2009 are expected to be in the \$125-135 million range. 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 the third quarters of 2008 and 2007 were \$4.4 million and \$3.9 million, respectively. The total number of shares outstanding as at September 30, 2008 and 2007 was 32.0 million and 32.4 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 earlier this year of \$0.1275 per Class A share and \$0.14 per Class B share to shareholders of record as of December 12, 2008 and payable on January 2, 2009. 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 Class B shares under the bid at an average price of \$28.37 for a total cost of \$11.8 million and in June 2008 acquired a further 202,100 Class B shares at an average price of \$31.13 for a total cost of \$6.3 million. No further purchases have been made under the bid. Total purchases in 2008 to date have been 618,000 Class B shares at an average price of \$29.28 for a total cost of \$18.1 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 had no effect on interest expense in the third quarter of 2008 compared to a reduction in interest expense of \$0.1 million in the third quarter of 2007. Interest coverage (refer to definition in Section 14) improved to 6.5 times at September 30, 2008 compared to 6.2 times as at September 30, 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% - 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 33% at the end of the third 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 net debt without exceeding the optimum level.

In September 2008, the Company accessed the U.S. private placement market and borrowed a further US\$130 million at favourable terms. Although the Company had cash on hand, the decision was based on concerns about the future availability of credit in an uncertain market. This new liquidity will allow the Company to pursue its long term strategic goals.

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 ("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 following 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. The Company has repurchased approximately 600,000 shares so far under the bid.

Other than the filing of the bid and the recent private debt placement, there were no changes in the Company's approach to capital management during the year. The Company and its subsidiaries are subject to externally imposed capital requirements under its senior note agreements 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 September 30, 2008, the Company believes it does not have any material 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," that replaced 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.

#### C. International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed in February 2008 that all publicly accountable enterprises will be required to report under IFRS for fiscal periods beginning on or after January 1, 2011.

The Company is formulating a framework to address the change to IFRS. CCL completed a review of IFRS analyzing the significant effects that its implementation may have on the Company. This review was enlightening and will provide a framework for developing the overall approach to implementing IFRS. In addition, CCL's corporate financial managers have been attending seminars on the details behind the transition. Before year end, the Company will be forming a project team to implement IFRS throughout the organization and to determine the potential financial and other impacts it may have on the business. The Company currently operates in certain countries that have implemented IFRS and expects that it will be able to leverage this knowledge during the transitional period.

## **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 third quarter of 2008 and has not made any material changes in critical accounting estimates in the third 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 Executive Chairman, President and Chief Executive Officer (“CEO”) and the Senior 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 September 30, 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 September 30, 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. The recent meltdown of global financial markets has created significant uncertainties on the prospects of the economies in which the Company operates and the effects these uncertainties may have on its customers, employees and suppliers. Other than the foregoing, there have been no material changes to those risks and strategies as detailed in the Annual Report of 2007. 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 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 the future. CCL is continuing to integrate and reorganize the large number of recent acquisitions it has made in order 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 extended liquidity crisis may provide more favourable pricing of potential business acquisitions but the Company will be even more selective about appropriate acquisitions in this business climate. The Company may continue to buy back its stock if it believes that it will improve shareholder value assuming that it has the financial resources to do so.

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 further 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 acquisitions.

There are many challenges ahead in the next year. The most significant macro issue is the potential further spreading and deepening of U.S. economic problems into the rest of the world beyond Europe and North America. At CCL, there are concerns associated with the Company's ability to maintain margins in all Divisions as our customers focus more attention on cost reductions during this economic cycle. In addition, the Label Division has relocated its operations in Mexico and Paris to new facilities and may incur additional direct and indirect costs associated with these moves. The Container business is completing a new plant in Mexico and the Tube business is 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 overall earnings for the first half of 2008 compared to 2007 but was slightly positive in the third quarter as the U.S. dollar strengthened dramatically into the fourth quarter. Based on current exchange rates, further significant comparative translation and transaction gains would occur in CCL's U.S. operations for the fourth quarter of 2008. In addition, based on current rates, the euro would also provide a significant positive comparative translation effect into the fourth quarter. At this stage, it would appear that the Canadian dollar may have a dramatic positive impact on earnings in 2009.

#### **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 shareholders' equity at book value 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.

**EBITDA** – Earnings before interest, income taxes, depreciation and amortization is a measure of the gross flow generated by the business excluding restructuring and other items. In particular, this non-GAAP measure is used extensively by financial analysts, investors, business valuers and our bankers in reviewing our business operations. The legal agreements with our private placement lenders and our bankers utilize this measure as a basis for establishing negative covenants for these debts.

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 that indicates 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 (see above definition) divided by sales, expressed as a percentage.