

CCL INDUSTRIES INC.
2009 First Quarter
Consolidated Balance Sheets

Unaudited	March 31st	December 31st	March 31st
(in millions of Cdn dollars)	<u>2009</u>	<u>2008</u>	<u>2008</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 106.9	\$ 136.3	\$ 156.2
Accounts receivable - trade	179.6	156.0	170.8
Other receivables and prepaid expenses	24.3	26.4	24.6
Income and other taxes recoverable	-	2.2	-
Inventories	84.6	87.1	78.9
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	395.4	408.0	430.5
Property, plant and equipment	848.9	830.8	699.7
Other assets	62.7	57.6	31.9
Future income tax assets	46.0	43.5	31.3
Intangible assets	45.5	47.5	43.9
Goodwill	384.4	379.3	368.5
Total assets	\$ 1,782.9	\$ 1,766.7	\$ 1,605.8
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 234.9	\$ 250.8	\$ 222.0
Income and other taxes payable	-	-	8.8
Current portion of long-term debt	25.7	25.9	21.6
	<hr/>	<hr/>	<hr/>
	260.6	276.7	252.4
Long-term debt	585.4	566.6	444.9
Other long-term items	63.9	66.5	55.4
Future income tax liabilities	110.9	106.4	95.1
Total liabilities	1,020.8	1,016.2	847.8
Shareholders' equity			
Share capital (note 2)	193.2	191.3	186.7
Contributed surplus	5.3	4.8	4.9
Retained earnings	632.5	621.9	619.9
Accumulated other comprehensive loss (note 4)	(68.9)	(67.5)	(53.5)
Total shareholders' equity	762.1	750.5	758.0
Total liabilities and shareholders' equity	\$ 1,782.9	\$ 1,766.7	\$ 1,605.8

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
Three months ended March 31st
Consolidated Statements of Earnings

Unaudited

Three months ended March 31st

(in millions of Cdn dollars, except per share data)	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Sales	\$ 314.1	\$ 295.1	6.4
Costs and expenses			
Cost of goods sold	245.9	223.0	
Selling, general and administrative	31.6	30.2	
Depreciation and amortization	1.7	1.6	
Interest expense, net	8.2	4.2	
	26.7	36.1	(26.0)
Restructuring and other items - net (loss) gain (note 5)	(1.7)	2.3	
Earnings before income taxes	25.0	38.4	(34.9)
Income taxes	8.2	10.9	
Net earnings	\$ 16.8	\$ 27.5	(38.9)
Basic earnings per Class B share	\$ 0.52	\$ 0.85	(38.8)
Diluted earnings per Class B share	\$ 0.51	\$ 0.82	(37.8)

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
Three months ended March 31st
Consolidated Statements of Comprehensive Income

Unaudited

(in millions of Cdn dollars)	<u>2009</u>	<u>2008</u>
Net earnings	\$ 16.8	\$ 27.5
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations	13.8	49.6
Losses on hedges of net investment in self-sustaining foreign operations, with nominal tax effect for the three-month period ending March 31, 2009 (2008 - tax recovery \$3.4 million)	(13.9)	(19.4)
Unrealized foreign currency translation, net of hedging activities	(0.1)	30.2
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery (expense) of \$2.1 for the three-month period ending March 31, 2009 (2008 - (\$1.2) million)	(4.6)	3.7
Reclassification of (gains) losses on derivatives designated as cash flow hedges to earnings, net of tax (recovery) expense of (\$1.8) million for the three-month period ending March 31, 2009 (2008 - \$0.4 million)	1.1	(2.0)
Change in losses on derivatives designated as cash flow hedges	(3.5)	1.7
Other comprehensive income (loss)	(3.6)	31.9
Comprehensive income (loss)	\$ 13.2	\$ 59.4

See notes to interim consolidated financial statements.

CCL INDUSTRIES INC.
Three months ended March 31st
Consolidated Statements of Shareholders' Equity

Unaudited

(in millions of Cdn dollars)

2009

2008

Share capital (note 2)

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	199.5	197.4
Stock options exercised	2.0	-
Normal course issuer bid	-	(2.6)
Class B shares, end of period	201.5	194.8
Executive share purchase plan loans, beginning of period	(1.3)	(1.3)
Executive share purchase plan loans, end of period	(1.3)	(1.3)
Shares held in trust, beginning of period	(11.5)	(10.1)
Shares released from trust	-	3.2
Shares purchased and held in trust	-	(4.4)
Shares held in trust, end of period	(11.5)	(11.3)
Share capital, end of period	193.2	186.7

Contributed surplus

Contributed surplus, beginning of period	4.8	6.7
Stock option expense	0.3	0.9
Stock based compensation plan	0.2	(2.7)
Contributed surplus, end of period	5.3	4.9

Retained earnings, beginning of period

621.9 606.1

Transitional adjustment on adoption of new accounting standards (note 1)	(1.4)	-
Net earnings	16.8	27.5
Normal course issuer bid	-	(9.2)

Dividends

Class A	0.3	0.3
Class B	4.5	4.2
Total dividends, end of period	4.8	4.5

Retained earnings, end of period

632.5 619.9

Accumulated other comprehensive loss (note 4)

Accumulated other comprehensive loss, beginning of period	(67.5)	(85.4)
Transitional adjustment on adoption of new accounting standards (note 1)	2.2	-
Other comprehensive income (loss)	(3.6)	31.9
Accumulated other comprehensive loss, end of period	(68.9)	(53.5)

Total shareholders' equity, end of period

\$ 762.1 \$ 758.0

CCL INDUSTRIES INC.
Three months ended March 31st
Consolidated Statements of Cash Flows

Unaudited

(in millions of Cdn dollars)	<u>2009</u>	<u>2008</u>
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 16.8	\$ 27.5
Items not involving cash:		
Depreciation and amortization	24.6	19.1
Executive compensation	0.5	0.9
Future income taxes	0.9	3.1
Gain on sale of property, plant and equipment	(0.9)	(0.3)
	41.9	50.3
Net change in non-cash working capital	(35.7)	45.5
Cash provided by operating activities	6.2	95.8
Financing activities		
Proceeds on issuance of long-term debt	2.8	42.1
Retirement of long-term debt	(1.3)	(1.1)
Issue of shares	2.0	-
Repurchase of shares (note 2)	-	(11.8)
Purchase of shares held in trust (note 2)	-	(4.4)
Dividends	(4.9)	(4.6)
Cash provided by (used for) financing activities	(1.4)	20.2
Investing activities		
Additions to property, plant and equipment	(36.5)	(52.2)
Proceeds on disposal of property, plant and equipment	3.2	0.8
Business acquisitions (note 3)	(2.7)	(8.3)
Cash (used for) investing activities	(36.0)	(59.7)
Effect of exchange rate changes on cash	1.8	3.3
Increase (decrease) in cash and cash equivalents	(29.4)	59.6
Cash and cash equivalents at beginning of year	136.3	96.6
Cash and cash equivalents at end of period	\$ 106.9	\$ 156.2

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

CCL INDUSTRIES INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 31, 2009 and 2008

(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, 2008.

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, 2009, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets and EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.

Handbook Section 3064, Goodwill and Intangible Assets replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill, subsequent to its initial recognition, and of intangible assets. Standards concerning goodwill are unchanged from the previous Section 3062. The new section requires certain costs that were previously deferred and amortized be expensed as incurred. Upon adoption of the new standard, the Company reduced 2009 opening retained earnings by \$1.4 million due to the write-off of previously deferred start-up costs.

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, requires an entity to account for its credit risk and counterparty credit risk in the measurement of financial assets and financial liabilities. The transitional adjustment to recognize the impact of EIC-173 resulted in a decrease of \$2.2 million in Accumulated Other Comprehensive Loss on January 1, 2009.

c) Recently issued accounting standards

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.

In December 2008, the CICA issued Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests.

Section 1582 establishes standards for accounting for business combinations and is equivalent to IFRS 3 (Revised). The new standards apply to business combinations with an acquisition date on or after January 1, 2011, however, earlier adoption is permitted.

Sections 1601 and 1602, together, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary subsequent to a business combination. It is equivalent to the provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The new standards apply to interim and annual consolidated financial statements with fiscal years beginning on or after January 1, 2011. Early adoption is permitted as of the beginning of a fiscal year.

2. SHARE CAPITAL

Issued and outstanding

	<u>March 31, 2009</u>	<u>December 31, 2008</u>	<u>March 31, 2008</u>
Issued share capital	\$ 206.0	\$ 204.0	\$ 199.3
Less: Executive share purchase plan loans	(1.3)	(1.3)	(1.3)
Shares held in trust	(11.5)	(11.5)	(11.3)
Total	<u>\$ 193.2</u>	<u>\$ 191.3</u>	<u>\$ 186.7</u>

During 2009, the Company commenced a normal course issuer bid ("the Bid") to acquire up to 13,000 of its outstanding Class A voting shares and 2,100,000 Class B non-voting shares. The Bid commenced on March 23, 2009 and will end no later than March 22, 2010. CCL's management believes that such purchases are an appropriate and desirable use of available funds. To date, no shares have been acquired under the Bid.

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

During 2008, the Company 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 (CON'T)

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 the vesting conditions are met.

During 2007, the Company granted an award totaling 120,000 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 and continuing employment. The Company purchased these 120,000 shares in the open market and has placed them in a trust until the vesting conditions are met.

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.

The fair value of these stock awards are being amortized over the vesting period and recognized as compensation expense.

Number of shares:

	March 31, 2009	December 31, 2008	March 31, 2008
Class A	2,374,025	2,374,025	2,378,343
Class B	30,322,221	30,180,921	30,085,300
	<u>32,696,246</u>	<u>32,554,946</u>	<u>32,463,643</u>
Less: Executive share purchase plan shares - Class B	(100,000)	(100,000)	(100,000)
Shares held in trust - Class B	(345,000)	(345,000)	(345,000)
Total	<u>32,251,246</u>	<u>32,109,946</u>	<u>32,018,643</u>
Year-to-date weighted average number of shares	32,154,263	32,090,470	32,426,060
Year-to-date weighted average diluted number of shares	<u>32,850,202</u>	<u>32,982,083</u>	<u>33,452,211</u>

3. ACQUISITIONS

In March 2009, the Company completed the purchase of Ferroprint Western Cape (Pty) Ltd. ("Ferroprint"). Ferroprint has a factory near Cape Town in the wine growing region of Stellenbosch, South Africa. The purchase price was \$2.7 million. 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	\$	0.6
Current liabilities		(0.8)
Non-current assets at assigned values		1.5
Goodwill and intangible assets		<u>1.4</u>
Net assets purchased	\$	<u>2.7</u>

Consideration given:
Cash

\$	<u>2.7</u>
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In December 2008, the Company completed the purchase of Eltex GmbH ("Eltex") based in Solingen, Germany. Eltex supplies a patented pressure sensitive label solution that replaces solid aluminum riveted rating plates widely used in the automotive, consumer durable and information technology hardware markets. The purchase price was \$5.2 million, net of cash acquired. The Company is reviewing the valuation of the net assets acquired, including intangible assets, therefore, certain items disclosed below may change when the review is completed.

Details of the transaction are as follows:

Current assets	\$	1.1
Current liabilities		(0.9)
Non-current assets at assigned values		2.3
Future taxes		(0.5)
Goodwill and intangible assets		<u>3.2</u>
Net assets purchased	\$	<u>5.2</u>

Consideration given:
Cash, less cash acquired of \$0.9 million

\$	<u>5.2</u>
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3. ACQUISITIONS (CONT'D)

In April 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 \$33.6 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.

Details of the transaction are as follows:

Current assets	\$ 4.9
Current liabilities	(4.2)
Non-current assets at assigned values	10.3
Future taxes	(2.4)
Intangible assets	5.8
Goodwill	19.2
Net assets purchased	<u>\$ 33.6</u>

Consideration given:

Cash	\$ 27.1
Assumed debt	5.6
Restricted shares	0.9
Total consideration	<u>\$ 33.6</u>

In January 2008, the Company purchased CD-Design GmbH ("CD-Design"), based in Solingen, Germany, for \$8.3 million, net of cash acquired, and assumed debt of \$1.4 million. CD-Design converts pressure sensitive films and aluminum for leading original equipment manufacturers in Germany.

Under the terms of the purchase agreement, the Company must pay additional purchase consideration as CD-Design achieved predetermined levels of earnings for the year ended December 31, 2008. Additional consideration of \$2.8 million, adjusted from \$3.4 million at December 31, 2008, has been recognized as goodwill.

Details of the transaction are as follows:

Current assets	\$ 7.1
Current liabilities	(3.1)
Non-current assets at assigned values	2.0
Future taxes	(0.6)
Intangible assets	1.2
Goodwill	5.9
Net assets purchased	<u>\$ 12.5</u>

Consideration given:

Cash, less cash acquired of \$0.4 million	\$ 8.3
Additional consideration	2.8
Assumed debt	1.4
Total consideration	<u>\$ 12.5</u>

4. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<u>March 31, 2009</u>	<u>December 31, 2008</u>	<u>March 31, 2008</u>
Unrealized foreign currency translation losses, net of tax expense of \$1.6 million (2008 - net of tax expense of \$1.2 million; net of tax expense of \$10.6 million)	\$ (57.0)	\$ (58.7)	\$ (56.7)
Gains (losses) on derivatives designated as cash flow hedges, net of tax recovery of \$2.5 million (2008 - net of tax recovery of \$2.3 million; net of tax expense of \$0.9 million)	(11.9)	(8.8)	3.2
	<u>\$ (68.9)</u>	<u>\$ (67.5)</u>	<u>\$ (53.5)</u>

The transitional adjustment to recognize the impact of EIC-173, as described in note 1, resulted in a decrease of \$2.2 million in Accumulated Other Comprehensive Loss on January 1, 2009.

5. RESTRUCTURING AND OTHER ITEMS

	Segment	Three months ended March 31st	
		2009	2008
Pension settlement	Corporate	\$ (1.4)	\$ -
Label segment restructuring	Label	(0.3)	-
Gain on note receivable	Corporate	-	2.3
Net (loss) gain		\$ (1.7)	2.3
Tax recovery (expense) on restructuring and other items		\$ 0.4	\$ (0.7)

The Company offered to buy-out certain categories of members of the U.K. defined benefit pension plan in 2008. In 2009, payments totalling \$4.4 million were made to members of the plan who accepted the Company's buy-out offer. As a result of the settlement, an expense of \$1.4 million (\$1.0 million net of tax recovery) was recorded.

In 2009, the Company, as part of its restructuring of the Avelin label plant located in France, recorded provisions for plant closure costs of \$0.3 million with no tax effect.

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).

6. EMPLOYEE FUTURE BENEFITS

The expense for the defined benefit pension plans in the first quarter is \$2.0 million (2008 - \$0.4 million), which includes \$1.4 million in expenses related to the pension settlement (note 5).

7. SEGMENTED INFORMATION

Industry segments

	Three months ended March 31st			
	Sales		Operating income	
	2009	2008	2009	2008
Label	\$ 257.5	\$ 237.9	\$ 39.1	\$ 37.2
Container	38.1	41.5	(0.3)	5.4
Tube	18.5	15.7	0.5	0.1
Total operations	\$ 314.1	\$ 295.1	39.3	42.7
Corporate expense			(4.4)	(2.4)
			34.9	40.3
Interest expense, net			8.2	4.2
			26.7	36.1
Restructuring and other items - net (loss) gain (note 5)			(1.7)	2.3
Earnings before income taxes			25.0	38.4
Income taxes			8.2	10.9
Net earnings			\$ 16.8	\$ 27.5

	Identifiable Assets		Goodwill		Depreciation & Amortization		Capital Expenditures	
	March 31st	December 31st	March 31st	December 31st	Three months ended March 31st		Three months ended March 31st	
	2009	2008	2009	2008	2009	2008	2009	2008
Label	\$ 1,287.6	\$ 1,250.3	\$ 371.6	\$ 366.5	\$ 18.3	\$ 14.9	\$ 32.7	\$ 46.3
Container	194.1	190.4	12.8	12.8	3.6	2.4	0.7	4.5
Tube	77.6	77.1	-	-	2.4	1.7	3.1	1.3
Corporate	223.6	248.9	-	-	0.3	0.1	-	0.1
Total	\$ 1,782.9	\$ 1,766.7	\$ 384.4	\$ 379.3	\$ 24.6	\$ 19.1	\$ 36.5	\$ 52.2

8. 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 represent the maximum open amount without requiring approval from senior management; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. As at March 31, 2009, 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.

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Cash and cash equivalents	\$ 106.9	\$ 136.3
Accounts receivable	179.6	156.0
Other accounts receivable	18.2	18.5
Total	\$ 304.7	\$ 310.8

The aging of accounts receivable at the reporting date was:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Under 30 days	\$ 116.9	\$ 94.0
Between 31 and 90 days	57.9	55.0
Greater than 90 days	9.5	12.4
Total	\$ 184.3	\$ 161.4

Reconciliation of allowance for credit losses

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Opening balance	\$ 5.4	\$ 4.2
Increase (decrease) during the period	(0.7)	1.2
Total	\$ 4.7	\$ 5.4

8. 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 March 31 would have increased 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 March 31 would have had the equal but opposite effect). The analysis is performed on the same basis for 2008.

	March 31, 2009	March 31, 2008
US dollar	\$ 25.6	\$ 28.8
UK Pounds	\$ 12.2	\$ 12.7
Euro	\$ 8.0	\$ 5.4

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 period ending March 31, 2009, a 100 basis point increase (decrease) in the interest rate would have resulted in \$0.2 million (2008 - \$0.4 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 March 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarters Ended March 31, 2009 and 2008

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") relates to the first quarters ended March 31, 2009 and 2008 and an update to the 2008 Annual MD&A document. The information in this interim MD&A is current to May 7, 2009, and should be read in conjunction with the Company's March 31, 2008, unaudited first quarter financial statements released on May 7, 2009, and the 2008 Annual MD&A document and financial statements, which form part of the CCL Industries Inc. 2008 Annual Report, dated March 10, 2009.

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 major measurement currencies of CCL's operations are the Canadian dollar, the U.S. dollar, the euro, the Australian dollar, the Brazilian real, the Chinese renminbi, the Danish krone, the Japanese yen, the Mexican peso, the Polish zloty, the Russian rouble, the Thai baht, the U.K. pound sterling and the Vietnamese dong. All "per Class B share" amounts in this document are expressed on an undiluted basis, unless otherwise indicated. CCL's Audit Committee and its Board of Directors have reviewed this interim MD&A to ensure consistency with the approved strategy of the Company and the results of the Company.

This MD&A contains forward-looking information, as defined in Canadian securities laws (hereinafter referred to as "forward-looking statements"), that involves a number of risks and uncertainties. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties, and assumptions relating to future events and conditions, 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 geopolitical conditions; currency exchange rates; interest rates and credit availability; income tax rates and the ability to tax-benefit losses by jurisdiction; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL's ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company's actual results could differ materially from those anticipated in these forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: "Risks and Uncertainties" of the 2008 Annual MD&A.

Except as otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. Such statements do not, unless otherwise specified by us, reflect the impact of dispositions, sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made. The financial impact of these transactions and non-recurring and other special items can be complex and depends on the facts particular to each of them and therefore cannot be described in a meaningful way in advance of knowing specific facts.

The forward-looking statements are provided as of the date of this MD&A and the Company does not assume any obligation to update or revise the forward-looking statements to reflect new events or circumstances, except as required by law.

1. Overview

Many countries and regions of the world have now followed the slowdown that began in the United States in the spring of 2007 into either outright recessions or significant reductions in their rates of economic growth. The combined consequence is that the IMF is now predicting the first global recession in modern times with output declining 1.3% in 2009. Many of CCL's global customers are impacted by these underlying difficult macroeconomic conditions. Customers are reporting meaningful variations in sales and unit volume performance dependent on the market segment, geographic region and product category that they operate in. Many packaging companies in the developed world are experiencing the worst market conditions in generations.

CCL's underlying sales in North America and Europe have continued to be reasonably strong in healthcare and specialty products, particularly considering the current economic environment. Product categories that are more closely related to discretionary consumer spending, such as high-end personal care products, alcoholic beverages and durable goods have been soft. Sales in consumer staple categories within personal care, food and non-alcoholic beverages have been stable but varied regionally, with North America and Europe slower while sales growth in Asia remains strong, albeit at lesser growth rates than last year. Latin America sales continue to be solid.

2. Review of Consolidated Financial Results

The following acquisitions and a product line divestiture affected financial comparisons to the results in the first quarter of 2008. Further details on these transactions follow later in the Business Segment Review section:

- In January 2008, CD-Design GmbH, in Germany, was acquired for \$10 million, including assumed debt, as CCL's first entry into the durable label business as it services the automotive original equipment manufacturing market in Europe. A further payment of \$3 million, which was contingent upon its 2008 financial performance, was paid in the second quarter of 2009.
- In April 2008, Clear Image Labels Pty. Ltd., a privately owned pressure sensitive label company based in Australia, was acquired for \$34 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 late December 2008, Eltex GmbH, based in Solingen, Germany, was acquired for \$5 million on a debt-free basis. Eltex provides a patented pressure sensitive label solution servicing the automotive, consumer durable and information technology hardware markets. This business is merging with CCL's complementary and neighbouring CD-Design operation.

- In March 2009, Ferroprint Western Cape (Pty) Ltd., a privately owned pressure sensitive label company based in South Africa, was acquired for \$3 million in cash. Ferroprint is a leading South African wine label producer with a plant located near Cape Town.
- 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 in cash.

Financial comparisons to the prior year's results have been materially affected by the 24% appreciation of the U.S. dollar and, to a lesser degree, the 8% appreciation of the euro relative to the Canadian dollar in the first quarter of 2009 compared to exchange rates in the first quarter of 2008. As a partial offset, the U.K. pound sterling depreciated 10% versus the Canadian dollar in this time frame.

Sales for the first quarter of 2009 were \$314.1 million, up 6% versus the \$295.1 million recorded in the first quarter of 2008. Sales increased in the quarter by 9% due to foreign exchange and 1% due to acquisitions net of a disposal, while organic growth accounted for a reduction of 4%. It should be noted that sales in the first quarter of 2008 benefited from a more buoyant global economy at that time. On a comparative basis with last year's first quarter, sales were higher in the Label and Tube segments due primarily to currency translation and were lower in the Container Division.

Net earnings for the first quarter of 2009 were \$16.8 million, down 39% from \$27.5 million recorded in the first quarter of 2008 due to lower operating income (a non-GAAP measure; see Section 13 later in this report), higher net interest expense and higher income tax rates, partially offset by favourable currency translation. Operating income was down by \$3.4 million or 8% from last year's strong first quarter level. Excluding favourable currency effects, operating income compared to 2008 for the Label Division was slightly lower, Tube was marginally higher and Container was significantly lower. In the first quarter of 2009, restructuring and other costs of \$1.7 million (\$1.3 million after tax) were incurred. These costs included \$1.4 million (\$1.0 million after tax) to settle pension obligations to certain members of the U.K. pension plan and \$0.3 million (with no tax affect) in additional costs to shutdown the Avelin, France plant. In the first quarter of 2008, net earnings were favourably impacted by the recognition of an exchange gain of \$2.3 million before tax (\$1.6 million after tax) on the collection of the receivable from the sale of ColepCCL.

EBITDA (a non-GAAP measure; see Section 13 later in this report) was \$59.5 million in the first quarter of 2009, up slightly from the \$59.4 million reported in 2008. An improvement in currency translation rates positively affected comparative EBITDA offset in part by lower income from operations and higher corporate expenses.

Net interest expense was \$8.2 million for the quarter, \$4.0 million higher than last year's corresponding quarter due to the higher long term debt level, lower interest income due to substantially lower rates on cash deposits and on the Colep note receivable earned in the first quarter of 2008, and the significant impact of currency exchange on the U.S. dollar-denominated debt.

Corporate expense of \$4.4 million for the quarter was higher than the \$2.4 million in last year's first quarter. In the first quarter of 2008, a currency exchange gain on cash held in a foreign subsidiary was realized.

The overall effective income tax rate was 33% for the first quarter of 2009 compared to 28% in the first quarter of 2008. The tax rate was higher in 2009 due to the unfavourable mix of income earned in highly taxed jurisdictions versus lower taxed jurisdictions and the Company's inability to tax benefit losses in certain countries.

Basic earnings per Class B share were \$0.52 in the first quarter of 2009 compared to \$0.85 earned in the same period last year, a decrease of 39%. Restructuring and other items in the first quarter of 2009 reduced earnings per Class B share by \$0.04. Restructuring and other items in the first quarter of 2008 increased earnings per Class B share by \$0.05. The positive impact of currency translation and transactions on basic earnings per Class B share was \$0.06 in the first quarter of 2009 relative to the first quarter of 2008.

Adjusted basic earnings per Class B share (a non-GAAP measure; see Section 13) were \$0.56 in the first quarter of 2009 compared to \$0.80 in the first quarter of 2008.

Diluted earnings per Class B share were \$0.51 in the first quarter of 2009 and \$0.82 in the first quarter of 2008.

The following table is presented to provide context to the comparative change in the financial performance of the business by excluding one-time restructuring and other costs.

(in Canadian dollars)

<u>Adjusted Basic Earnings per Class B shares</u>	Three Months Ended March 31	
	<u>2009</u>	<u>2008</u>
Basic earnings	\$ 0.52	\$ 0.85
Net gain (loss) from restructuring and other items included above	<u>(\$ 0.04)</u>	<u>\$ 0.05</u>
Adjusted basic earnings ⁽¹⁾	<u>\$ 0.56</u>	<u>\$ 0.80</u>

⁽¹⁾ Adjusted basic earnings is a non-GAAP measure – see Section 13.

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

(in millions of Canadian dollars, except per share amounts)

	<u>Qtr 1</u>	<u>Qtr 2</u>	<u>Qtr 3</u>	<u>Qtr 4</u>	<u>Total</u>
Sales-continuing operations					
2009	\$314.1				
2008	295.1	\$312.8	\$289.8	\$291.3	\$1,189.0
2007	316.2	303.5	274.9	249.7	1,144.3
Net earnings-continuing operations					
2009	16.8				
2008	27.5	24.1	22.1	(25.7)	48.0
2007	26.3	25.9	20.8	20.4	93.4
Net earnings					
2009	16.8				
2008	27.5	24.1	22.1	(25.7)	48.0
2007	30.0	28.8	23.8	65.3	147.9
Net earnings per Class B share - continuing operations					
Basic					
2009	0.52				
2008	0.85	0.75	0.70	(0.80)	1.50
2007	0.82	0.80	0.64	0.64	2.90
Diluted					
2009	0.51				
2008	0.82	0.73	0.68	(0.77)	1.46
2007	0.79	0.77	0.61	0.62	2.79
Net earnings per Class B share					
Basic					
2009	0.52				
2008	0.85	0.75	0.70	(0.80)	1.50
2007	0.93	0.89	0.74	2.03	4.59
Diluted					
2009	0.51				
2008	0.82	0.73	0.68	(0.77)	1.46
2007	0.90	0.86	0.71	1.95	4.42
Goodwill impairment loss, restructuring and other items, favourable tax adjustments and gain on discontinued operations included in basic earnings per Class B share - (loss) gain					
2009	(0.04)				
2008	0.05	0.01	0.05	(1.15)	(1.04)
2007	0.05	0.11	0.12	1.49	1.77

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

In addition, the seasonality of the business has evolved over the last few years with the first and second quarters generally being the strongest due to the number of work days and various customer related activities. Also, there are

many products that have a spring-summer bias in North America and Europe such as agricultural chemicals and certain beverage products, which generate additional sales volumes for CCL in the first half of the year. The last two quarters of the year are negatively affected from a sales perspective by summer vacation in the Northern Hemisphere, Thanksgiving and the holiday season shutdowns at the end of the fourth quarter.

3. Business Segment Review

Label Division (\$ Millions)

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>+/- %</u>
Sales	\$257.5	\$237.9	+8%
Operating Income ⁽¹⁾	\$ 39.1	\$ 37.2	+5%
Return on Sales ⁽¹⁾	15.2%	15.6%	
Capital Spending	\$ 32.7	\$ 46.3	
Depreciation and Amortization	\$ 18.3	\$ 14.9	

⁽¹⁾ A non-GAAP measure. Refer to definition in Section 13.

Sales for the Label Division were \$257.5 million for the first quarter of 2009, up 8% from \$237.9 million in the same quarter last year. The change in sales was a result of acquisitions of 2% and the positive foreign currency impact of 9% offset by an organic reduction in sales of 3%.

Sales growth in the first quarter was due in part to the CD-Design acquisition in February 2008, the Clear Image acquisition in April 2008 and the Eltex acquisition in December 2008. The overall base business declined only slightly in the United States and Canada, with a more meaningful decline in Europe offset in part by continued growth in Latin America and Asia. The product categories that are dependent on discretionary consumer spending in developed markets experienced the most softness in the current period.

Home and Personal Care sales represent 32% of the Label Division's worldwide sales and were down 3% from last year's first quarter level excluding currency translation effects. In North America, soft conditions continued and sales declined high single digits from last year's level excluding currency translation as demand was down across the board with almost all customers along with increased selling price pressure. The European business has also seen deterioration in sales but unlike North America compared to a strong prior year. This is related to the weakening European economy that began in mid 2008, particularly in France and Germany. In Latin America, markets remain reasonably strong with sales growth in Mexico related primarily to exchange rate based cost increases resulting in selling price increases as well as additional demand from customers rebuilding inventories after a major retailer bankruptcy last fall. Brazil maintained its sales level. Asia continued to show firm growth in sales due to strong domestic demand in China and customers' exports from south-east Asia, up well over 10% excluding currency effects. Operating income for the home and personal care business overall was down significantly

compared to last year, due to performance in Europe and the impact of exchange rates in Latin America.

The Healthcare and Specialty businesses now represent 41% of Label's sales and were up 2% over last year's first quarter level excluding currency effects. This performance indicates the relative stability of these businesses throughout the economic cycle. In the U.S. and Canada, healthcare sales rose modestly as new customers and products have been attracted to our modern facilities and capabilities. The specialty business in the U.S. had an outstanding quarter with increased sales from our agricultural-chemical and consumer lawn and garden customers, many of whom claim that the weak housing market is encouraging homeowner spending on upgrading their properties. The promotional business was down significantly compared to a very strong first quarter in 2008. European operations showed good growth across most product lines and countries. In Asia, the first healthcare label plant for CCL will be set up in Tianjin, China later this year. Profitability for the healthcare and specialty business was flat with last year's level but continues to be the most profitable label business.

The worldwide sleeves business represents 15% of the Label Division's sales with growth in first quarter sales up mid-single digits over last year. This segment has many customers in the food and non-alcoholic beverage categories that are relatively unaffected by the economic crisis. In the U.S., new beverage customers added significant new sales this quarter and our small Brazilian operation continues to grow. In Europe, sales were up slightly driven by improved sales in the German speaking countries, with the U.K. and other markets slower. Operating income was up significantly due to the higher sales volume and margins.

The Beverage and Battery businesses combined represent 10% of Label's sales. Both businesses had significant sales declines in the 20% range versus last year excluding the Clear Image acquisition and the effect of currency translation. In beverage, deflationary pricing, falling consumer demand for beer principally in Eastern Europe and market share loss, particularly in Russia with one other major customer, have had a negative impact. However, the Australian wine business has performed well in a difficult market since it was acquired early last year. On the battery side, one customer went into Chapter 11, another announced the closure of its manufacturing operations in Europe and our name brand customers have all experienced volume declines related to the weak global economy and, in certain cases, Chinese private label competition. Overall, the Beverage and Battery business earned modest operating income in the first quarter, down significantly from a year ago.

The Durables business represents 3% of Label's sales. The CD-Design results have been negatively affected by the poor health of the automotive industry and posted a small loss this quarter. The Eltex acquisition has performed as expected with a small profit as only a small part of its business is automotive.

The 50% equity investment in Russia reported a small loss in the first quarter as the previously strong Russian economy and related high levels of consumer spending have been hit hard by the global economic crisis and much lower oil and gas prices.

Operating income for the first quarter of 2009 was \$39.1 million, up 5% from \$37.2 million in the first quarter of 2008. Overall reductions in local operating income were more than offset by positive currency translation. Operating income as a percentage of sales at 15.2% exceeded our internal targets and was slightly below the 15.6% return generated in last year's first quarter. The first quarter has generally become the strongest quarter for the Label Division usually due to the activity levels of many customers at the beginning of the year, seasonal products such as agricultural chemicals and relatively minimal vacation and holiday shutdowns. In 2009, there was no Easter vacation period in the developed world compared to 2008 when Easter fell into the first quarter. The impact of this timing change will also affect comparisons in the second quarter of 2009.

Sales backlogs for the label business are generally lower than other packaging businesses due to short customer lead times. Many suppliers in the industry for both label stock and equipment have reported a continuation of the severe slowdown going into the second quarter. CCL Label is in a better position than most suppliers and peers as it has more of a focus on the more stable consumer non-durables segment of the market with blue chip global customers and a significant involvement in emerging markets that continue to experience growth.

The Label Division invested \$32.7 million in capital in the first quarter of 2009 compared to \$46.3 million in the same period last year. This reduction is in recognition of the slowdown in the global economy. Major expenditures in the quarter include the construction of new facilities in Vietnam and Thailand along with the addition of new presses and plant expansions in a number of businesses. The Division expects to continue to spend capital to increase its capabilities and grow geographically although at a lower level than 2008. Depreciation and amortization for the Label Division was \$18.3 million for the first quarter of 2009 and \$14.9 million in the comparable 2008 period.

Container Division (\$ Millions)

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>+/- %</u>
Sales	\$38.1	\$41.5	-8%
Operating Income ⁽¹⁾	(\$0.3)	\$ 5.4	n.m.
Return on Sales ⁽¹⁾	-0.8%	13.0%	
Capital Spending	\$ 0.7	\$ 4.5	
Depreciation and Amortization	\$ 3.6	\$ 2.4	

⁽¹⁾ A non-GAAP measure. Refer to definition in Section 13.
n.m. – not meaningful

Sales in the first quarter were \$38.1 million, down 8% from \$41.5 million last year. Sales decreased for the quarter due to lower sales volumes and the sale of

the ABS “Bag-on-Valve” business last year partially offset by favourable currency translation of 16%. Sales volume in Canada and the U.S. was down 32% but with improved product mix while volume in Mexico, including the new plant in Guanajuato, was up by 25%.

The Container Division experienced an overall decrease in sales volume in line with many suppliers in the aerosol industry due to the economic slowdown resulting in reduced consumer spending. The business experienced improved product mix with an increase in beverage containers at higher selling prices and a reduction in small diameter aerosol containers. Since last year, aluminum costs have dropped dramatically and selling prices for customers that did not hedge aluminum costs with Container are reducing accordingly.

Operating loss for the Container Division in the first quarter of 2009 was \$0.3 million compared to operating income of \$5.4 million in the first quarter of 2008. The Mexican and Canadian plants posted profits, while the U.S. plant operated at a loss. Overall, profitability was reduced from last year on significantly lower volume, losses on aluminum hedges not tied into specific customer contracts (a \$3.4 million impact in the quarter) and significantly lower prices for scrap aluminum. These issues were only partially offset by major cost reduction programs with employee levels in the U.S. and Canadian plants reduced by 30%. Return on sales in the first quarter of 2009 was a 0.8% loss compared to a 13.0% return in last year’s first quarter.

The aluminum container plant in Penetanguishene, Ontario, sells the vast majority of its production to the United States market in U.S. dollars. The business has hedged a part of the Canadian dollar value of these U.S. dollar sales by way of forward contracts. Overall, the impact of the hedges and the favourable change in the exchange rates on U.S. currency transactions increased income for the Container Division by \$0.6 million in the first quarter of 2009 compared to first quarter 2008.

On April 7, 2008, the Company announced the sale of inventory and equipment related to the ABS “Bag-on-Valve” product line located within its Penetanguishene, Ontario, plant for approximately \$9 million payable in cash.

The Container Division invested a minimal amount of capital in the first quarter of 2009 at \$0.7 million compared to \$4.5 million in the same quarter last year spent primarily on the new plant construction in Guanajuato, Mexico. Depreciation and amortization for the first quarters of 2009 and 2008 were \$3.6 million and \$2.4 million, respectively.

The Container Division continues to hedge some of its anticipated future aluminum purchases through futures contracts and has hedged 73% of its estimated remaining 2009 requirements at substantially higher costs than current market levels for aluminum. A large portion of these hedges is matched to customer pricing contracts. However, low volume at certain customers together with meaningful unmatched hedges remaining in place for the balance of 2009

could generate further significant hedge losses if aluminum remains at current low levels. The Division has hedged 39% and 11% of its expected 2010 and 2011 requirements, respectively, primarily against customer pricing contracts.

Tube Division (\$ Millions)

	<u>Q1 2009</u>	<u>Q1 2008</u>	<u>+/- %</u>
Sales	\$18.5	\$15.7	+18%
Operating Income ⁽¹⁾	\$ 0.5	\$ 0.1	n.m.
Return on Sales ⁽¹⁾	2.7%	0.6%	
Capital Spending	\$ 3.1	\$ 1.3	
Depreciation and Amortization	\$ 2.4	\$ 1.7	

⁽¹⁾ A non-GAAP measure. Refer to definition in Section 13.
n.m. – not meaningful

Sales in the first quarter for the Tube Division were \$18.5 million, up 18% from \$15.7 million last year. Sales increased for the quarter totally due to the impact of currency translation amounting to 23% offset by organic growth decreasing by 5%. Sales of plastic tubes were down slightly for the quarter but that is a satisfactory performance in light of the difficult economic environment. The Los Angeles business is now settling into its new location after the expected distractions related to the move.

Operating income for the Tube Division for the first quarter of 2009 was \$0.5 million, up substantially from \$0.1 million in the first quarter of 2008. As a result, the return on sales is trending in the right direction at 2.7% in the first quarter compared to a 0.6% return in the prior year's first quarter. Order levels into the second quarter are satisfactory and expectations for continued improvements in profitability are reasonable as long as the economy and the market for tubes do not take further unexpected downturns.

The Tube Division invested \$3.1 million in capital in the first quarter of 2009 primarily related to new equipment in the Los Angeles operation compared to \$1.3 million in the same quarter last year. Depreciation and amortization for the first quarters of 2009 and 2008 were \$2.4 million and \$1.7 million, respectively.

4. 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 41% of the Company's total sales and it appreciated relative to the Canadian dollar by a substantial 24% on average in the first quarter of 2009 versus last year's first quarter. In addition, European currencies are now the measurement currencies for approximately 38% of CCL's sales and the primary European currency, the euro, has also appreciated relative to the Canadian dollar by 8% versus the prior year's quarter while the U.K pound sterling depreciated by 10%. Changes in foreign exchange rates have had a major impact on profitability and increased

earnings per share due to currency translation by \$0.05 in the first quarter of 2009 compared to last year's quarter.

The Container Division sells products from its Canadian plant into the U.S. market in U.S. dollars, as previously discussed. The Division hedged a portion of its U.S. dollar sales by selling forward a portion of its U.S. dollar inflows. Including these hedges, the significant change in the exchange rates on U.S. currency transactions increased comparative income by \$0.6 million in the first quarter of 2009 and increased comparative earnings per share by \$0.01 for the quarter.

5. Liquidity and Capital Resources

The Company's capital structure is as follows:

<u>\$ Millions</u>	<u>March 31, 2009</u>	<u>December 31, 2008</u>	<u>March 31, 2008</u>
Total debt	\$611.1	\$592.5	\$466.5
Cash and cash equivalents	<u>106.9</u>	<u>136.3</u>	<u>156.2</u>
Net debt ⁽¹⁾	<u>\$504.2</u>	<u>\$456.2</u>	<u>\$310.3</u>
Shareholders' equity	<u>\$762.1</u>	<u>\$750.5</u>	<u>\$758.0</u>
Net debt: total book capitalization ⁽²⁾	39.8%	37.8%	29.0%
Book value per share	\$23.63	\$23.37	\$23.67

⁽¹⁾ Net debt is a non-GAAP measure. Refer to definition in Section 13.

⁽²⁾ Net debt: total book capitalization is a non-GAAP measure. Refer to definition in Section 13.

The Company is in a sound financial position. As of March 31, 2009, cash and cash equivalents amounted to \$107 million compared to \$156 million at March 31, 2008. Net debt was \$504 million at March 31, 2009, \$194 million higher than the net debt of \$310 million at the end of March 2008. The increase in net debt in this time frame is due to a combination of unfavourable currency translation on the U.S. dollar-denominated debt (the quarter-end closing rate was up 23% over last year's first quarter closing rate), the significant capital spending program and the cost of strategic acquisitions over the last year as previously described.

Net debt to total book capitalization at March 31, 2009, was 40%, up from 29% at the end of March 2008 due to the capital spending and acquisition programs and the write-down of the Tube Division's goodwill in the fourth quarter of 2008. Book value per share, a non-GAAP measure, defined later in Section 13, was \$23.63 at the end of the first quarter of 2009, just below \$23.67 a year ago.

The Company's debt structure is primarily comprised of four private debt placements completed in 1997, 1998, 2006 and 2008 for a total of US\$ 447.5 million (Cdn\$ 564.4 million) and a five-year revolving line of credit of \$95 million at March 31, 2009. This was unchanged from December 31, 2008. The Company's overall average interest rate is 5.5% after factoring in the related Interest Rate Swap Agreements ("IRSAs") and Cross Currency Interest Rate

Swap Agreements (“CCIRSAs”), down from 5.8% at December 31, 2008. The IRSAs and CCIRSAs are discussed later in this report.

The Company has a revolving line of credit with a Canadian chartered bank for \$95 million that expires in January 2013. As at the end of March 2009, \$91 million of the credit line was unused.

The Company believes that it has sufficient cash on hand, unused credit lines and the ability to generate cash flow from operations to fund its expected financial obligations for the next few years.

6. Cash Flow

During the first quarters of 2009 and 2008, the Company generated cash from operating activities of \$6.2 million and \$95.8 million, respectively. The decrease in cash flow compared to last year’s first quarter was primarily due to working capital reductions in 2008 mainly related to the collection of the ColepCCL receivable in February of \$74 million and lower net earnings in 2009. The reduction in cash flow compared to other quarters of the year is primarily due to the seasonal build-up of working capital during the first quarter of both years.

Capital spending in the first quarter of 2009 was \$36.5 million compared to \$52.2 million last year. This level of capital spending was higher than the \$24.6 million of depreciation and amortization in the first quarter of 2009 and the \$19.1 million in the first quarter of 2008. Plans for capital spending in 2009 are expected to be in the \$100 million range subject to the Company continuing to generate reasonable cash flows and the economy not deteriorating any further. The Company is continuing to expand its business base into new markets, and invest in assets to add capacity and improve its competitiveness.

Dividends paid in each of the first quarters of 2009 and 2008 were \$4.9 million and \$4.6 million, respectively. The total number of shares issued and outstanding as at March 31, 2009 and 2008 was 32.7 million and 32.5 million, respectively. The Company has historically paid out dividends at a rate of 20%-25% of net earnings. Since the Company’s cash flow and financial position are strong, the Board of Directors approved a continuation of the higher dividend declared last quarter of \$0.1375 per Class A share and \$0.15 per Class B share to shareholders of record as of June 16, 2009, and payable on June 30, 2009. The annualized dividend rate is \$0.55 per Class A share and \$0.60 per Class B share.

The Company’s share repurchase program under a normal course issuer bid (“the bid”) became effective March 23, 2009, indicating the intention to acquire under the bid up to 13,000 Class A voting shares and 2,100,000 of its issued and outstanding Class B non-voting shares in the following 12-month period. Under CCL’s previous normal course issuer bid, which expired on March 3, 2009, CCL purchased 618,000 Class B non-voting shares at a weighted average price per share of \$29.27 and no Class A voting shares. There were no shares purchased

under the prior bid after June 2008. All of the shares under the prior bid have been cancelled.

7. Interest Rate and Foreign Exchange Management

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

The effect of the IRSAs and CCIRSAs has been to decrease interest expense by \$0.6 million in the first quarter of 2009 compared to an increase of \$0.1 million in the first quarter of 2008. Interest coverage (refer to definition in Section 13) improved to 4.5 times in 2009 compared to 6.4 times as at March 31, 2008.

8. 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, 2009, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets and EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.

Handbook Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill, subsequent to its initial recognition, and of intangible assets. Standards concerning goodwill are unchanged from the previous Section 3062. The new section requires certain costs that were previously deferred and amortized be expensed as incurred. Upon adoption of the new standard, the Company reduced 2009 opening retained earnings by \$1.4 million due to the write-off of previously deferred start-up costs.

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, requires an entity to account for its credit risk and counterparty credit risk in the measurement of financial assets and financial liabilities. The transitional adjustment to recognize the impact of EIC-173 resulted in a decrease of \$2.2 million in Accumulated Other Comprehensive Loss on January 1, 2009.

B. Recently Issued Accounting Standards

In December 2008, the CICA issued Handbook Section 1582, Business Combinations; Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests.

Section 1582 establishes standards for accounting for business combinations and is equivalent to the International Financial Reporting Standard (“IFRS”) 3 (Revised). The new standards apply to business combinations with an acquisition date on or after January 1, 2011; however, earlier adoption is permitted.

Sections 1601 and 1602, together, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary subsequent to a business combination. It is equivalent to the provisions of IFRS’ IAS 27 (Revised), Consolidated and Separate Financial Statements. The new standards apply to interim and annual consolidated financial statements with fiscal years beginning on or after January 1, 2011. Early adoption is permitted as of the beginning of a fiscal year.

C. International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that all publically 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 an initial review of IFRS analyzing the significant effects that their implementation may have on the Company. This review was enlightening and has provided a framework for developing the overall approach to implementing IFRS. In addition, CCL’s corporate financial managers have been attending internal and external seminars on the details behind the transition.

The Company has designated the Senior Vice President and Chief Financial Officer as the executive responsible for the IFRS implementation for CCL, including the staffing and financial resources required. In late 2008, an internal project leader was appointed to implement IFRS and, in early 2009, an outside consultant with IFRS experience in other jurisdictions was hired to plan the detailed roll-out of the project and to determine the changes that are required. The Company currently operates in certain countries that have implemented IFRS and expects that it will be able to leverage some of this knowledge during the transitional period.

The next phase of the process involves planning the roll-out (a) at the plant location level internationally and (b) at the corporate level. These two areas require separate approaches due to the different financial processes in

manufacturing operations versus the technical and complex financial issues, such as tax and treasury, at the corporate level. In addition, the corporate level is responsible for the preparation and publication of external financial statements and other related disclosures.

9. 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 15 of the 2008 Annual Consolidated Financial Statements. The Company does not have any material related party transactions. There are no defined benefit plans funded with CCL stock.

The Company has had no material changes in contractual obligations in the first quarter of 2009 and has not made any material changes in critical accounting estimates in the first quarter of 2009.

10. 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 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. CCL’s Disclosure Committee reviews all external reports and documents of CCL before publication to enhance the Company’s disclosure controls and procedures.

As of December 31, 2008, and March 31, 2009, based on the continued evaluation of the disclosure controls and procedures, the CEO and CFO have concluded that CCL’s disclosure controls and procedures, as defined in 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.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting. MI 52-109 requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal control over financial reporting for the issuer, that internal control has 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 control 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 December 31, 2008, and March 31, 2009, the CEO and CFO certified that they were in compliance with MI 52-109 regarding internal control over financial reporting.

11. Risks and Strategies

The 2008 Management's Discussion and Analysis in the Annual Report detailed risks to the Company's business and the strategies that were planned for 2009 and beyond. Although the financial meltdown and the global recession have added a significant degree of uncertainty and volatility for all businesses in this environment, there have been no material changes to those risks and strategies.

12. Outlook

The Company's strategy is to continue to focus on the growth prospects of its specialty packaging businesses and to stay within its core competencies. At the same time, cash and liquidity have become primary concerns in these uncertain times. The Company will continue to be rigorous in its cash management and reinvestment plans with a goal of not diminishing its available lines of credit. Cash flow generation from existing assets will be critical in determining the size of the capital spending program in 2009 and 2010. Although valuations for businesses have become more reasonable for acquirers in the last year, the Company will be prudent about acquisitions at this time. 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 may buy back its stock if it is compelling in enhancing shareholder value but most importantly, if it does not have a significant impact on the Company's liquidity.

There are challenges expected in the remainder of 2009 that have developed as a result of the global recession. This uncertain and volatile environment has been made more difficult with the reduced level of business activity and deflation. There are challenges associated with the return to profitability in the Container Division, the return to more normal profitability in the Tube business and the Company's ability to maintain margins in the Label Division. The weakness of the Canadian dollar relative to the U.S. dollar and the euro positively impacted earnings for the first quarter of 2009 compared to 2008. Based on current exchange rates, further comparative translation and transaction gains would occur in the second and third quarters of 2009, but at a lower level than the first quarter of 2009. Interest income on cash on hand has been reduced to nominal amounts due to negligible interest rates and this does not appear to be improving. CCL's income tax rate is subject to the mix of jurisdictions and tax rates where income is earned and the ability, or inability, to tax benefit taxable losses generated in certain jurisdictions for accounting purposes. It is expected that the Company's tax rate will fluctuate significantly and probably increase over time.

13. 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.

Adjusted Basic Earnings per Class B Share – An important non-GAAP measure to assist in understanding the ongoing earnings performance of the Company excluding items of a one-time or non-recurring nature. It is not considered a substitute for basic net earnings per Class B share but it does provide additional insight into the ongoing financial results of the Company. This non-GAAP measure is defined as basic net earnings per Class B share excluding goodwill impairment loss, restructuring and other items and favourable tax adjustments.

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 issued and outstanding, excluding amounts and shares related to shares held in trust and the executive share purchase plan.

Days of Working Capital Employed - A measure indicating the relative liquidity and asset intensity of the Company's working capital. It is calculated by multiplying the net working capital by the number of days in the quarter and then dividing by the quarterly sales. Net working capital includes accounts receivable, inventory, other receivables and prepaid expenses, accounts payable and accruals, income and other taxes payable.

EBITDA - A critical financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results and is also considered as a proxy for cash flow and a facilitator for business valuations. This non-GAAP measure is defined as earnings before interest, taxes, depreciation and amortization, excluding goodwill impairment loss, restructuring and other items. We believe that it is an important measure as it allows us to assess our ongoing business without the impact of interest, depreciation and amortization and income tax expenses, as well as non-operating factors and one-time items. As a proxy for cash flow, it is intended to indicate our ability to incur or service debt and to invest in property, plant and equipment, and it allows us to compare our business to that of our peers and competitors who may have different capital or organizational structures. EBITDA is a measure tracked by financial analysts and investors to evaluate financial performance and as a key metric in business valuations. EBITDA is considered an important measure by lenders to the Company and is included in the financial covenants for our senior notes and bank lines of credit.

Growth Rate in Earnings per Share – A measure indicating the percentage change in Adjusted Earnings per Class B Share from Continuing Operations (see definition above).

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 items before goodwill impairment loss, restructuring and other items and favourable tax adjustments plus net interest expense, divided by net interest expense.

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 definition 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, goodwill impairment loss, 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 the restructuring and other items and favourable tax adjustments by the average number of shares outstanding in the relevant period. Management will continue to disclose the impact of these items on the Company's 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 Equity ("ROE") before goodwill impairment loss, restructuring and other items and favourable tax adjustments - A measure that provides insight into the effective use of shareholder capital in generating ongoing net earnings. ROE is calculated by dividing annual net income before goodwill impairment loss, restructuring and other items and favourable tax adjustments by the average of the beginning and end of year shareholders' equity.

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.

Total Debt – A measure indicating the financial indebtedness of the Company. It is defined as current debt, including cash advances, plus long-term debt.

Total 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. Total debt to total book capitalization is defined as Total Debt (see definition above) divided by Total Debt plus shareholders' equity, expressed as a percentage.