Consolidated Condensed Interim Financial Statements
(In thousands of Canadian dollars)

# CCL INDUSTRIES INC.

Interim periods ended March 31, 2012 and 2011
Unaudited

# CCL Industries Inc.

**Consolidated condensed interim statements of financial position**

**Unaudited**

*In thousands of Canadian dollars*

| | As at March 31 **2012** | As at December 31 **2011** |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 141,924 | $ 140,698 |
| Trade and other receivables | 218,711 | 192,003 |
| Inventories | 90,708 | 86,932 |
| Prepaid expenses | 4,343 | 5,304 |
| Income tax recoverable | - | 802 |
| Derivative instruments | 767 | 820 |
| **Total current assets** | 456,453 | 426,559 |
| Property, plant and equipment | 691,482 | 688,099 |
| Goodwill | 355,045 | 355,788 |
| Deferred tax assets | 54,008 | 54,152 |
| Equity accounted investments | 39,048 | 38,464 |
| Intangible assets | 32,295 | 34,853 |
| Other assets | 15,112 | 15,566 |
| **Total non-current assets** | 1,186,990 | 1,186,922 |
| **Total assets** | **$ 1,643,443** | **$ 1,613,481** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | $ 226,500 | $ 233,963 |
| Current portion of long-term debt | 19,296 | 19,750 |
| Income taxes payable | 10,169 | - |
| Derivative instruments | 1,642 | 2,530 |
| **Total current liabilities** | 257,607 | 256,243 |
| Long-term debt | 327,051 | 334,218 |
| Deferred tax liabilities | 114,160 | 118,827 |
| Employee benefits | 80,392 | 77,806 |
| Provisions and other long-term liabilities | 10,087 | 9,507 |
| **Total non-current liabilities** | 531,690 | 540,358 |
| **Total liabilities** | 789,297 | 796,601 |
| **Equity** | | |
| Share capital | 220,642 | 218,663 |
| Contributed surplus | 10,373 | 9,421 |
| Retained earnings | 653,387 | 629,469 |
| Accumulated other comprehensive loss (note 4) | (30,256) | (40,673) |
| **Total equity attributable to shareholders of the Company** | 854,146 | 816,880 |
| **Total liabilities and equity** | **$ 1,643,443** | **$ 1,613,481** |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

# CCL Industries Inc.

**Consolidated condensed interim income statements**

**Unaudited**

*In thousands of Canadian dollars, except per share data*

| | | Three months ended March 31 | | | |
|---|---|---|---|---|---|
| | | **2012** | | **2011** | **% Change** |
| Revenue | $ | 341,396 | $ | 315,625 | 8.2 |
| Cost of sales | | 257,620 | | 238,037 | |
| Gross profit | | 83,776 | | 77,588 | |
| Selling, general and administrative | | 37,720 | | 35,053 | |
| Restructuring and other items | | - | | 542 | |
| (Earnings) loss in equity accounted investments | | (830) | | 89 | |
| Results from operating activities | | 46,886 | | 41,904 | |
| Finance cost | | 5,511 | | 5,989 | |
| Finance income | | (308) | | (324) | |
| Net finance cost | | 5,203 | | 5,665 | |
| **Earnings before income taxes** | | **41,683** | | **36,239** | 15.0 |
| Income tax expense | | 11,261 | | 9,419 | |
| **Net earnings** | **$** | **30,422** | **$** | **26,820** | 13.4 |
| | | | | | |
| **Attributable to:** | | | | | |
| Shareholders of the Company | **$** | **30,422** | **$** | **26,820** | |
| **Net earnings for the period** | **$** | **30,422** | **$** | **26,820** | |
| | | | | | |
| Basic earnings per Class B share | **$** | **0.91** | **$** | **0.81** | 12.3 |
| | | | | | |
| Diluted earnings per Class B share | **$** | **0.89** | **$** | **0.80** | 11.3 |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

# CCL Industries Inc.

**Consolidated condensed interim statements of comprehensive income**

**Unaudited**

*In thousands of Canadian dollars*

| | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Net earnings** | **$ 30,422** | **$ 26,820** |
| **Other comprehensive income (loss), net of tax:** | | |
| Foreign currency translation adjustment for foreign operations, net of tax recovery of $495 for the three months ended March 31, 2012 (2011 - tax recovery of $295) | 4,309 | (1,982) |
| Net gain on hedges of net investment in foreign operations, net of tax expense of $795 for the three months ended March 31, 2012 (2011 - tax expense of $918) | 5,462 | 5,927 |
| Effective portion of changes in fair value of cash flow hedges, net of tax expense of $218 for the three months ended March 31, 2012 (2011 - nil) | 434 | (846) |
| Net change in the fair value of cash flow hedges transferred to the income statement, net of tax recovery of $72 for the three months ended March 31, 2012 (2011 - tax expense of $142) | 212 | 523 |
| **Other comprehensive income, net of tax** | 10,417 | 3,622 |
| **Total comprehensive income** | **$ 40,839** | **$ 30,442** |
| **Attributable to:** | | |
| Shareholders of the Company | $ 40,839 | $ 30,442 |
| **Total comprehensive income** | **$ 40,839** | **$ 30,442** |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

# CCL Industries Inc.

**Consolidated condensed interim statements of changes in equity**

**Unaudited**

*In thousands of Canadian dollars*

| | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Share capital** | | |
| Class A shares, beginning of period | $ 4,517 | $ 4,517 |
| Class A shares, end of period | 4,517 | 4,517 |
| | | |
| Class B shares, beginning of period | 223,440 | 213,691 |
| Stock options exercised | 1,792 | 1,340 |
| Class B shares, end of period | 225,232 | 215,031 |
| | | |
| Executive share purchase plan loans, beginning of period | (233) | (233) |
| Repayment of executive share purchase plan loans | 233 | - |
| Executive share purchase plan loans, end of period | - | (233) |
| | | |
| Shares held in trust, beginning of period | (9,061) | (9,309) |
| Shares redeemed from trust | - | 425 |
| Shares purchased and held in trust | (46) | (44) |
| Shares held in trust, end of period | (9,107) | (8,928) |
| | | |
| **Share capital, end of period** | **220,642** | **210,387** |
| | | |
| **Contributed surplus** | | |
| Contributed surplus, beginning of period | 9,421 | 7,688 |
| Stock option expense | 504 | 400 |
| Stock options exercised | (129) | (267) |
| Stock-based compensation plan | 577 | 265 |
| **Contributed surplus, end of period** | **10,373** | **8,086** |
| | | |
| **Retained earnings, beginning of period** | 629,469 | 572,789 |
| Net earnings | 30,422 | 26,820 |
| | | |
| **Dividends:** | | |
| Class A | (433) | (386) |
| Class B | (6,071) | (5,373) |
| **Total dividends** | (6,504) | (5,759) |
| | | |
| **Accumulated other comprehensive loss** | | |
| Accumulated other comprehensive loss, beginning of period | (40,673) | (19,816) |
| Other comprehensive income | 10,417 | 3,622 |
| **Accumulated other comprehensive loss, end of period** | **(30,256)** | **(16,194)** |
| | | |
| **Retained earnings, end of period** | **653,387** | **593,850** |
| | | |
| **Total shareholders' equity, end of period** | **$ 854,146** | **$ 796,129** |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

# CCL Industries Inc.

**Consolidated condensed interim statements of cash flows**
**Unaudited**

*In thousands of Canadian dollars*

| | Three months ended March 31 | |
|---|---|---|
| | **2012** | **2011** |
| **Cash provided by (used for)** | | |
| **Operating activities** | | |
| Net earnings | $ 30,422 | $ 26,820 |
| Adjustments for: | | |
| Depreciation and amortization | 25,109 | 23,950 |
| Restructuring and other items | - | 542 |
| Net finance cost | 5,203 | 5,665 |
| Current income tax expense | 14,386 | 9,408 |
| Equity-settled share-based payment transactions | 1,081 | 1,090 |
| Deferred taxes | (3,125) | 11 |
| Loss on sale of property, plant and equipment | (114) | (453) |
| | 72,962 | 67,033 |
| Change in inventories | (3,776) | (4,448) |
| Change in trade and other receivables | (26,708) | (29,607) |
| Change in prepaid expenses | 961 | 1,174 |
| Change in trade and other payables | (2,332) | (5,781) |
| Change in income taxes | 1,565 | (49) |
| Change in employee benefits | 2,586 | 2,816 |
| Change in other assets and liabilities | 169 | 1,500 |
| | 45,427 | 32,638 |
| Interest paid | (10,332) | (11,557) |
| Income taxes paid | (4,980) | (3,216) |
| **Cash provided by operating activities** | 30,115 | 17,865 |
| | | |
| **Financing activities** | | |
| Proceeds on issuance of long-term debt | - | 1,040 |
| Repayment of long-term debt | (1,246) | (68,472) |
| Increase in bank advance | - | 172 |
| Proceeds from issuance of shares | 1,552 | 1,073 |
| Repayment of executive share purchase plan loans | 233 | - |
| Dividends | (6,550) | (5,802) |
| **Cash used for financing activities** | (6,011) | (71,989) |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

# CCL Industries Inc.

**Consolidated condensed interim statements of cash flows (continued)**
**Unaudited**

*In thousands of Canadian dollars*

| | | |
|---|---|---|
| **Investing activities** | | |
| Additions to property, plant and equipment | (23,300) | (25,841) |
| Proceeds on disposal of property, plant and equipment | 572 | 664 |
| Business acquisitions | - | (1,955) |
| **Cash used for investing activities** | (22,728) | (27,132) |
| Net increase (decrease) in cash and cash equivalents | 1,376 | (81,256) |
| Cash and cash equivalents at beginning of period | 140,698 | 173,197 |
| Translation adjustment on cash and cash equivalents | (150) | 193 |
| **Cash and cash equivalents at end of period** | $ 141,924 | $ 92,134 |

*See accompanying selected explanatory notes to the consolidated condensed interim financial statements.*

## 1. Reporting entity

CCL Industries Inc. (the "Company") is a public company, listed on the Toronto Stock Exchange, and is incorporated and domiciled in Canada. These consolidated condensed interim financial statements of the Company as at and for the interim period ended March 31, 2012, comprise the Company, its subsidiaries and its interest in associates. The Company has manufacturing facilities around the world and is primarily involved in the manufacture of labels, containers and tubes.

## 2. Basis of preparation

### (a) Statement of compliance

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

These consolidated condensed interim financial statements should be read in conjunction with the Company’s 2011 annual financial statements.

The accounting policies and methods of computation followed in the preparation of these interim financial statements are consistent with those used in the preparation of the most recent annual report.

These consolidated condensed interim financial statements were authorized for issue by the Board of Directors on May 3, 2012.

### (b) Basis of measurement

These consolidated condensed interim financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:
- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- liabilities for cash-settled share-based payment arrangements are measured at fair value
- assets related to the defined benefit plans are measured at fair value and liabilities related to the defined benefit plans are calculated by qualified actuaries using the projected unit credit method

### (c) Functional and presentation currency

These consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

*In thousands of Canadian dollars, except share and per share information*

## 3. Segment reporting

The Company has three reportable segments, as described below, which are the Company's main business units. The business units offer different products and services, and are managed separately as they require different technology and marketing strategies. For each of the business units, the Company's CEO, the chief operating decision maker, reviews internal management reports regularly.

The Company is comprised of the following main business segments:

- Label – Includes the production of innovative label solutions for consumer product marketing companies in the personal and beauty care, food and beverage, battery, household, chemical and promotional segments of the industry. It also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. Label's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould and expanded content labels and pharmaceutical instructional leaflets.

- Container – Includes the manufacturing of specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans and bottles for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market.

- Tube - Includes the manufacturing of highly decorated extruded tubes for the personal care and cosmetics industry in North America, including Mexico.

| | Three months ended March 31 | | | |
|---|---|---|---|---|
| | Sales | | Operating income | |
| | 2012 | 2011 | 2012 | 2011 |
| Label | $ 273,876 | $ 247,756 | $ 46,193 | $ 41,935 |
| Container | 46,146 | 47,651 | 2,416 | 3,740 |
| Tube | 21,374 | 20,218 | 3,995 | 3,098 |
| Total operations | $ 341,396 | $ 315,625 | 52,604 | 48,773 |
| Corporate expense | | | (6,548) | (6,238) |
| Restructuring and other items | | | - | (542) |
| Earnings (loss) in equity accounted investments | | | 830 | (89) |
| Finance cost | | | (5,511) | (5,989) |
| Finance income | | | 308 | 324 |
| Income taxes | | | (11,261) | (9,419) |
| Net earnings | | | $ 30,422 | $ 26,820 |

| | Total Assets | | Total Liabilities | | Depreciation and Amortization | | Capital Expenditures | |
|---|---|---|---|---|---|---|---|---|
| | March 31, 2012 | December 31, 2011 | March 31, 2012 | December 31, 2011 | Three months ended March 31 2012 | 2011 | Three months ended March 31 2012 | 2011 |
| Label | $ 1,191,225 | $ 1,150,706 | $ 296,173 | $ 277,622 | $ 19,460 | $ 18,693 | $ 22,314 | $ 23,488 |
| Container | 121,123 | 115,450 | 38,894 | 34,708 | 3,503 | 3,394 | 707 | 1,374 |
| Tube | 81,466 | 94,120 | 2,594 | 14,626 | 1,936 | 1,781 | 279 | 979 |
| Equity accounted investments | 39,048 | 38,464 | - | - | - | - | - | - |
| Corporate | 210,581 | 214,741 | 451,636 | 469,645 | 210 | 82 | - | - |
| Total | $ 1,643,443 | $ 1,613,481 | $ 789,297 | $ 796,601 | $ 25,109 | $ 23,950 | $ 23,300 | $ 25,841 |

*In thousands of Canadian dollars, except share and per share information*

## 3. Segment reporting (continued)

Due to the seasonality of CCL's business, the Company's operating results for the three months ended March 31, 2012, are not necessarily indicative of the results that may be expected for the full year ending December 31, 2012. The first and second quarters are traditionally higher sales periods as a result of the greater number of work days and various customer activities undertaken during this period versus the third and fourth quarters of the year.

## 4. Accumulated other comprehensive loss

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Unrealized foreign currency translation losses, net of tax expense of $1,335 (2011 – tax expense of $1,035) | $ (29,814) | $ (39,585) |
| Losses on derivatives designated as cash flow hedges, net of tax recovery of $223 (2011 – tax recovery of $513) | (442) | (1,088) |
| | $ (30,256) | $ (40,673) |

## 5. Subsequent events

In April 2012, the Company acquired a 50% interest in Acrus CCL Labels S.A. ("Acrus-CCL"), based in Santiago, Chile. Acrus-CCL is a joint venture between CCL and a newly created Chilean investment holding company. CCL and its 50% partner have each initially invested approximately $2.0 million to create a state-of-the-art label production facility dedicated to the wine industry. Operations are expected to commence in the second quarter of 2012.

The Board of Directors has declared a dividend of $0.1950 for the Class B non-voting shares and $0.1825 on the Class A voting shares that will be payable to shareholders of record at the close of business on June 15, 2012, to be paid on June 29, 2012.

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# First Quarters Ended March 31, 2012 and 2011

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") of CCL Industries Inc. ("CCL" or the "Company") relates to the first quarters ended March 31, 2012 and 2011. The information in this interim MD&A is current to May 3, 2012, and should be read in conjunction with the Company's March 31, 2012, unaudited first quarter consolidated condensed interim financial statements released on May 3, 2012, and the 2011 Annual MD&A document and consolidated financial statements, which form part of the CCL Industries Inc. 2011 Annual Report, dated February 23, 2012.

**Basis of Presentation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and 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 South African rand, the Thai baht, the U.K. pound sterling and the Vietnamese dong. All per Class B non-voting share ("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 financial results of the Company.

**Cautionary Statement Regarding Forward-Looking Statements**

This MD&A contains forward-looking information and forward-looking statements, as defined under applicable securities laws, (hereinafter collectively referred to as "forward-looking statements") that involve a number of risks and uncertainties. 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. 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. Specifically, this MD&A contains forward-looking statements regarding the anticipated growth in sales, income and profitability of the Company's divisions; the Company's improvement in market share; the Company's capital spending levels and planned capital expenditures in 2012; the adequacy of the Company's financial liquidity; the Company's targeted return on equity, earnings per share and EBITDA growth rates; the Company's effective tax rate; the Company's ongoing business strategy and the Company's expectations regarding general business and economic conditions.

Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties relating to future events and conditions including, but not limited to, the after-effects of the 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; 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. Forward-looking statements are also based on a number of assumptions, which may prove to be incorrect, including, but not limited to, assumptions about the following: global economic recovery and higher consumer spending; improved customer demand for the Company's products; continued historical growth trends, market growth in specific segments and entering into new segments; the Company's ability to provide a wide range of products to multinational customers on a global basis; the benefits of the Company's focused strategies and operational approach; the achievement of the Company's plans for improved efficiency and lower costs, including stable aluminum costs; the availability of cash and credit; fluctuations of currency exchange rates; the Company's continued relations with its customers; and general business and economic conditions. Should one or more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking statements. Further details on key risks can be found throughout this report and particularly in Section 4: “Risks and Uncertainties” of the 2011 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 CCL’s business. Such statements do not, unless otherwise specified by the Company, 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

The Company continued to post strong quarterly results, with the first quarter of 2012 marking the sixth consecutive quarter of year-over-year improvement in earnings per Class B share. The Label segment for the first quarter of 2012 delivered a 10.6% increase in sales, driving a $4.3 million increase in operating income, compared to the first quarter of 2011. The Tube segment continued to post impressive performance recording a 29% improvement in operating income for the first quarter of 2012 compared to the same period in 2011. The Container segment’s operating income declined $1.3 million compared to a strong prior year quarter; the turnaround initiative continues to make sequential quarterly progress. Basic earnings for the Company improved 12.3%, to $0.91 per Class B share compared to basic earnings of $0.81 per Class B share in the 2011 first quarter.

## 2. Review of Consolidated Financial Results

The following acquisitions affected the first quarter financial comparisons to 2011.

- In April 2011, Thunder Press Inc., a privately owned label company based in Chicago, U.S., which operated under the trade name “Sertech,” was acquired for $7.8 million, net of cash acquired. Sertech produces patient information leaflets, commonly known as inserts and outserts, for leading pharmaceutical customers in the United States.

- In September 2011, a 50% interest in Pacman-CCL, a privately owned group of label companies based in Dubai in the United Arab Emirates with additional operations in Cairo, Egypt; Muscat, Oman; and Jeddah, Saudi Arabia, was acquired for $18.3 million. Albwardy Investments, the sole shareholder that previously operated Pacman-CCL under a CCL Label license agreement retains the remaining 50% economic interest. Pacman-CCL’s results are not proportionally included in the consolidated results of CCL, or within the results of the Label segment (note 3), but are equity accounted for as equity investments. CCL’s share of Pacman-CCL’s net income is combined with CCL-Kontur, the Company’s Russian joint venture, and is included in “Earnings in Equity Accounted Investments.”

Sales for the first quarter of 2012 were $341.4 million, an increase 8.2% compared to $315.6 million recorded in the first quarter of 2011. The improvement in sales can be attributed to organic growth of 8.0% and the above noted Sertech acquisition impact of 0.8%, partially offset by a 0.6% negative impact from foreign currency translation.

Selling, general and administrative expenses ("SG&A") were $37.7 million for the first quarter of 2012, an increase of 7.4% compared to $35.1 million for the first quarter of 2011. The increase in SG&A of $2.6 million is primarily due to higher costs in the operating segments, augmented by a $0.2 million increase in corporate expense, attributable to an increase in equity-based compensation expense.

Operating income (a non-IFRS financial measure; refer to definition in Section 13) for the first quarter of 2012 was $52.6 million an improvement of 8.0% compared to $48.7 million for the first quarter of 2011. For the first quarter of 2012, foreign currency translation had an approximate 0.9% and 0.2% negative impact on the operating income of the Label and Container segments, respectively, partially offset by a 1.5% positive impact on the operating income of the Tube segment compared to the 2011 first quarter. Excluding the negative impact of foreign currency translation, operating income for the comparative quarters improved 8.6%. For the first quarter of 2012 compared to the same period in 2011, the Label and Tube segments recorded operating income improvement of $4.3 million and $0.9 million, respectively, partially offset by a $1.3 million decline for the Container segment.

Earnings before net finance cost, taxes, depreciation and amortization, restructuring and other items ("EBITDA," a non-IFRS financial measure; refer to definition in Section 13) was $71.2 million for the first quarter of 2012, an increase 7.2% compared to $66.4 million for the first quarter of 2011. Excluding the impact of currency translation, EBITDA increased by 7.8% for the comparable quarters.

Net finance cost was $5.2 million for the first quarter of 2012, a decrease of $0.5 million compared to $5.7 million for the first quarter of 2011. The decline is attributable to lower debt levels resulting from scheduled repayments during the trailing twelve-month period.

No restructuring and other items (a non-IFRS financial measure; refer to definition in Section 13) were incurred in the first quarter of 2012, however, the Company recorded an expense of $0.5 million ($0.4 million after tax) in restructuring and other items in the 2011 first quarter for the closure costs to shut down a small label plant in the U.S.

The overall effective income tax rate was 27.6% for the first quarter of 2012 compared to 25.9% in the first quarter of 2011. The increase in the effective tax rate is primarily due to a higher portion of the Company's income being earned in high tax jurisdictions.

Net earnings for the first quarter of 2012 were $30.4 million, an increase of 13.4% compared to $26.8 million for the first quarter of 2011. This resulted in basic and diluted earnings of $0.91 and $0.89 per Class B share, respectively, in the current quarter compared to basic and diluted earnings of $0.81 and $0.80 per Class B share, respectively, for the prior year first quarter.

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

| (in Canadian dollars) | First Quarter | |
|---|---|---|
| **Adjusted Basic Earnings per Class B Share** | **2012** | **2011** |
| Basic earnings | $ 0.91 | $ 0.81 |
| Net loss from restructuring and other items included above | - | (0.01) |
| Adjusted basic earnings [(1)] | $ 0.91 | $ 0.82 |

[(1)] Adjusted Basic Earnings per Class B Share is a non-IFRS financial measure. Refer to definition in Section 13.

The following is selected financial information for the nine most recently completed quarters.

**(In millions of Canadian dollars, except per share amounts)**

| | Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 | Total |
|---|---|---|---|---|---|
| **Sales** | | | | | |
| 2012 | $ 341.4 | - | - | - | $ 341.4 |
| 2011 | 315.6 | $ 318.9 | $ 316.7 | $ 317.3 | 1,268.5 |
| 2010 | 307.1 | 302.2 | 301.7 | 281.3 | 1,192.3 |
| **Net earnings** | | | | | |
| 2012 | 30.4 | - | - | - | 30.4 |
| 2011 | 26.8 | 21.7 | 17.2 | 18.4 | 84.1 |
| 2010 | 24.6 | 17.4 | 15.8 | 13.3 | 71.1 |
| **Net earnings per Class B share** | | | | | |
| **Basic** | | | | | |
| 2012 | 0.91 | - | - | - | 0.91 |
| 2011 | 0.81 | 0.66 | 0.52 | 0.55 | 2.54 |
| 2010 | 0.75 | 0.53 | 0.48 | 0.41 | 2.17 |
| **Diluted** | | | | | |
| 2012 | 0.89 | - | - | - | 0.89 |
| 2011 | 0.80 | 0.64 | 0.52 | 0.54 | 2.50 |
| 2010 | 0.74 | 0.52 | 0.47 | 0.40 | 2.13 |
| **Adjusted basic net earnings per Class B share** | | | | | |
| 2012 | 0.91 | - | - | - | 0.91 |
| 2011 | 0.82 | 0.66 | 0.52 | 0.57 | 2.57 |
| 2010 | 0.75 | 0.53 | 0.48 | 0.42 | 2.18 |

The seasonality of the business has evolved over the last few years with the first and second quarters generally being 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) | First Quarter | | |
|---|---|---|---|
| | **2012** | **2011** | **+/-** |
| Sales | $ 273.9 | $ 247.7 | 10.6% |
| Operating Income [1] | $ 46.2 | $ 41.9 | 10.3% |
| Return on Sales [1] | 16.9% | 16.9% | |
| Capital Spending | $ 22.3 | $ 23.4 | (4.7%) |
| Depreciation and Amortization | $ 19.5 | $ 18.7 | 4.3% |

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Label segment were $273.9 million for the first quarter of 2012, an increase of 10.6% compared to $247.7 million for the same quarter last year. Foreign currency translation had a 0.8% negative impact. Excluding foreign currency translation, sales for the Label segment increased 11.4% primarily due to organic growth of 10.3% and a 1.1% positive impact from the Sertech acquisition.

**North America** posted double digit sales gains, excluding acquisitions and currency translation, compared to the first quarter of 2011. Sales for the Home & Personal Care, Healthcare & Specialty and Sleeve businesses all posted significant improvement, compared to the first quarter of 2011. Positive economic momentum in North America bolstered sales in consumer related markets with the added benefit of easy comparisons in the Healthcare sector for the first quarter of 2012 versus a weak prior year period. The Wine and Spirits business continues to grow rapidly from a low base. The strong sales growth, particularly in Healthcare, drove substantial operating income improvement in North America.

Sales in **Europe** were up low single digits in the first quarter of 2012, excluding currency translation, compared to the 2011 first quarter. Home & Personal Care sales increased slightly and profitability improved from a low base as operating losses at the French operation were significantly reduced following a 2011 fourth quarter restructuring. Sales in Healthcare & Specialty were flat compared to the first quarter of 2011. Profitability declined, largely due to unusually soft sales in Scandinavia; performance in other countries was solid. Sales in the Sleeve business improved, but profitability declined due to the challenge of passing along resin and film cost increases to certain customers and an unusually strong prior year period in the U.K. Sales and profitability in the European Beverage business were up over the prior year first quarter driven by continued market interest in new package designs for beers and soft drinks. The Durables business had a particularly strong quarter driven by the strength of key German automotive customers' export sales. European operating income fell slightly in absolute terms and as a percent of sales compared to the prior year period due to the mixed performance of the Healthcare & Specialty and Sleeve businesses. In addition, the first quarter of 2012 foreign currency translation had a slightly negative impact on operating income compared to the first quarter of 2011.

The **Latin America** Label operations delivered high single digit sales growth in both Brazil and Mexico reflecting strong consumer demand. However, operating income in both countries fell on cost inflation in part due to the devaluation of their respective currencies to the U.S. dollar and, in Mexico's case, compared to the reverse effect in the prior year quarter. The stronger U.S. dollar increases the cost of certain raw materials imported from the United States. This was further compounded by a similar devaluation of these currencies to the Canadian dollar, negatively impacting translated operating income results. Operating margin levels in the region remain above the CCL Label average.

**Asia Pacific** delivered strong double digit sales growth and significant operating income improvement compared to the first quarter of 2011. Operating results were particularly strong in Thailand and the Home & Personal Care operations in China. Bangkok based customers resumed normal operations after the fourth quarter floods. Results continue to include startup losses at the new facility in Tianjin, China, but our plant in Vietnam posted positive results this quarter. Australian operations posted sales increases but operating margins were hindered by one time start-up expenses for new capacity for wine labels. Beverage labels produced in Europe for sale in South Africa continue to grow and a new management team is focused on improving profitability at the small local wine label operation.

Results from the 50% joint ventures in CCL-Kontur, Russia, and Pacman-CCL, Middle East, are not proportionately consolidated into the Label segment but instead are accounted for as equity investments. Sales at CCL-Kontur for the first quarter of 2012 improved and the operation posted a small profit compared to a small loss in the prior year first quarter. Pacman-CCL, acquired September 13, 2011, contributed significantly to overall earnings of $0.8 million in equity accounted investments for the 2012 first quarter. Both joint ventures generated positive cash flow and remain debt free with cash balances sufficient to finance operations, including capital expenditures.

On April 12, 2012, the Company announced the creation of a new wine label joint venture, Acrus-CCL, in Chile. CCL will hold a 50% equity interest in the newly establish Santiago venture dedicated to the wine industry. CCL's initial equity investment of $2.0 million will be matched by its joint venture partner. Operations are expected to commence in the second quarter of 2012.

Operating income for the first quarter of 2012 was $46.2 million, an increase of 10.3% compared to $41.9 million in the first quarter of 2011. Excluding the impact of currency translation, operating income increased 11.2%. Operating income as a percentage of sales at 16.9% was flat to the first quarter of 2011 and was above CCL's global internal targets.

Sales backlogs for the label business rarely exceed one month of sales, making forecasts one quarter ahead difficult. The strong order intake in North America has so far continued into the earlier part of the 2012 second quarter but there is no change to the flat to low growth situation in Europe and progress in Emerging Markets has shown signs of slowing. The rate of improvement in sales and profitability is therefore expected to moderate appreciably in the coming quarter from the strong growth rates in the fourth quarter of 2011 and first quarter of 2012. Inflationary raw material costs in certain product lines and foreign currency conditions in Latin America and Europe remain potential negatives.

The Label segment invested $22.3 million in capital spending in the first quarter of 2012 compared to $23.4 million in the same quarter in 2011. This investment is in line with the Company's planned expenditures for 2012. The major expenditures in the quarter were related to the publicly announced capacity expansions in the Home & Personal Care business in Brazil and Thailand plus the Healthcare & Specialty business in North America. As in the past, investments in the Label segment are expected to continue in order to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment. Depreciation and amortization for the Label segment was $19.5 million for the first quarter of 2012 compared to $18.7 million for the first quarter of 2011.

## Container Division

| ($ millions) | First Quarter | | |
|---|---|---|---|
| | **2012** | **2011** | **+/-** |
| Sales | $ 46.1 | $ 47.7 | (3.4%) |
| Operating Income [1] | $ 2.4 | $ 3.7 | (35.1%) |
| Return on Sales [1] | 5.2% | 7.8% | |
| Capital Spending | $ 0.7 | $ 1.4 | (50.0%) |
| Depreciation and Amortization | $ 3.5 | $ 3.4 | 2.9% |

[1] Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the Container segment in the first quarter of 2012 were $46.1 million, a decrease of 3.4% compared to $47.7 million in the first quarter of 2011 driven primarily by volume declines. Foreign currency translation had negligible impact on sales and operating income.

The Container segment posted operating income of $2.4 million for the first quarter of 2012 compared to operating income of $3.7 million in the 2011 first quarter. Operating income at the U.S. operation declined for the quarter on a reduction in volume primarily attributable to lower sales of beverage bottles and unusual order patterns at aerosol customers that has shifted peak demand seasonality from the first quarter of the year to the second quarter. However, the Canadian operation improved on better pricing compared to the prior year first quarter and the Mexican operations continued to post solid results particularly at the new Guanajuato plant. The Container segment significantly reduced its finished goods inventories in the quarter which also negatively impacted operating income compared to a positive effect in the prior year period. So far in 2012, aluminum cost and the related price environment remains stable and the order book is strong going into the second quarter.

The Container segment invested $0.7 million in capital spending in the first quarter of 2012, compared to $1.4 million in the same period in 2011. The majority of the 2012 expenditures related to equipment additions in the U.S. operation. Depreciation and amortization for the Container segment was $3.5 million for the first quarter of 2012 compared to $3.4 million for the comparable period in 2011.

The Container segment continues to hedge some of its anticipated future aluminum purchases through futures contracts and has hedged 22% and 8% of its expected 2012 and 2013 requirements, respectively. All of these hedges are specifically tied to customer contracts. Existing hedges are priced in the US$2,100 to US$2,500 range per metric ton. The Company encourages customers to adopt 90-day pass-through pricing for changes in aluminum cost and is only accepting long-term hedges to stabilize input prices with large blue-chip multinationals willing to take responsibility for the hedge.

Pricing for aluminum in the first quarter of 2012 ranged from US$2,000 to US$2,300 per metric ton compared to US$2,400 to US$2,600 in the first quarter of 2011.

## Tube Division

| ($ millions) | First Quarter | | |
|---|---|---|---|
| | **2012** | **2011** | **+/-** |
| Sales | $ 21.4 | $ 20.2 | 5.9% |
| Operating Income [1] | $ 4.0 | $ 3.1 | 29.0% |
| Return on Sales [1] | 18.7% | 15.3% | |
| Capital Spending | $ 0.3 | $ 1.0 | (70.0%) |
| Depreciation and Amortization | $ 1.9 | $ 1.8 | 5.6% |

(1) Operating Income and Return on Sales are non-IFRS financial measures. Refer to definitions in Section 13.

Sales for the first quarter of 2012 for the Tube segment were $21.4 million, an improvement of 5.9% compared to $20.2 million posted for the 2011 first quarter. Foreign currency translation had negligible impact on sales and operating income. The aforementioned sales increase, and the 29.0% improvement in operating income were driven by continued market share gains in highly decorated tubes for the premium personal care and cosmetic sector and an improved economic environment in the United States.

The Tube segment invested $0.3 million in capital spending in the first quarter of 2012, compared to $1.0 million in the same quarter in 2011. Depreciation and amortization for the Tube segment was $1.9 million for the first quarter of 2012 compared to $1.8 million for the 2011 first quarter.

## 4. Currency Transaction Hedging and Currency Translation

Approximately 95% of sales made in the first quarter of 2012 to end use customers were denominated in foreign currencies leaving the Company exposed to potentially significant translation variances when reporting results publicly in Canadian dollars. The Company does not hedge or manage such translation movements but does actively manage transaction exposures. Where possible, the Company contracts its business in local currencies with both customers and suppliers of raw materials and, where necessary, includes exchange rate adjustment mechanisms in its sales and purchase agreements. The Company had historically hedged a portion of its expected U.S. dollar cash inflows derived from sales into the United States from the Canadian Container plant in Penetanguishene, Ontario. The Company has no forward contracts in place for 2012 and no contracts were in place for 2011.

The results of the first quarter of 2012 were positively affected by the 1.6% appreciation of the U.S. dollar, when comparing the rates in the first quarters of 2012 and 2011, which almost offset the depreciation of the euro, Brazilian real and Mexican peso (by 2.7%, 4.1% and 5.5%, respectively) and other European and international currencies, relative to the Canadian dollar. In the first quarter of 2012, currency translation had a nominal negative impact on earnings per share compared to last year's first quarter.

## 5. Liquidity and Capital Resources

The Company's capital structure is as follows:

**($ Millions, except per share data)**

| | **March 31, 2012** | **December 31, 2011** | **March 31, 2011** |
|---|---|---|---|
| Current debt | $ 19.3 | $ 19.8 | $ 16.0 |
| Long-term debt | 327.0 | 334.2 | 337.4 |
| Total debt [1] | $ 346.3 | $ 354.0 | $ 353.4 |
| Cash and cash equivalents | (141.9) | (140.7) | (92.1) |
| Net debt [1] | $ 204.4 | $ 213.3 | $ 261.3 |
| Shareholders' equity | $ 854.1 | $ 816.9 | $ 796.1 |
| Net debt to Total Book Capitalization [1] | 19.3% | 20.7% | 24.7% |
| Book value per share [1] | $ 25.51 | $ 24.46 | $ 24.09 |

(1) Total Debt, Net Debt, Net Debt to Total Book Capitalization and Book Value per Share are non-IFRS financial measures. Refer to definitions in Section 13.

The Company continues to bolster its solid financial position. As of March 31, 2012, cash and cash equivalents amounted to $141.9 million, an increase of $49.8 million compared to $92.1 million at March 31, 2011. The increase in cash and cash equivalents is attributable to the Company's strong free cash flow over the preceding twelve months. Net debt (a non-IFRS financial measure; refer to definition in Section 13) was $204.4 million at March 31, 2012, $56.9 million lower than the net debt of $261.3 million at the end of March 31, 2011. The decrease in debt was primarily due to scheduled debt repayments funded internally partially offset by unfavourable currency translation on U.S. dollar-denominated debt (U.S. dollar rate appreciated 2.9% over last year's rate on March 31st).

Net debt to total book capitalization (a non-IFRS financial measure; refer to definition in Section 13) at March 31, 2012, was 19.3%, down from 24.7% at the end of March 2011. Book value per share (a non-IFRS financial measure; refer to definition in Section 13) was $25.51 at March 31, 2012, 5.9% higher compared to $24.09 at March 31, 2011.

The Company's debt structure at March 31, 2012, is primarily comprised of four private debt placements completed in 1997, 1998, 2006 and 2008 for a total of US$328.4

million (C$327.5 million) and a five-year revolving line of credit of C$95.0 million. This debt structure is unchanged from December 31, 2011. The Company's overall average finance rate is 6.1% after factoring in the related Interest Rate Swap Agreement ("IRSA") and Cross-Currency Interest Rate Swap Agreements ("CCIRSAs") compared to 6.0% at March 31, 2011. The IRSA and CCIRSAs are discussed later in this report in Section 7.

The Company has a revolving line of credit with a Canadian chartered bank for $95.0 million that expires in January 2013. As at March 31, 2012, the credit line was unused, other than for letters of credit of $3.6 million.

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

| | First Quarter | |
|---|---|---|
| **Summary of Cash Flows** | **2012** | **2011** |
| Cash provided by operating activities | $ 30.1 | $ 17.9 |
| Cash used for financing activities | (6.0) | (72.0) |
| Cash used for investing activities | (22.7) | (27.1) |
| Translation adjustments on cash and cash equivalents | (0.2) | 0.2 |
| Increase (decrease) in cash and cash equivalents | $ 1.2 | $ (81.0) |
| Cash and cash equivalents – end of period | $ 141.9 | $ 92.1 |
| Free Cash Flow from Operations (1) | $ 7.4 | $ (7.2) |

(1) Free Cash Flow from Operations is non-IFRS financial measure. Refer to definition in Section 13.

For the first quarters of 2012 and 2011, the Company generated cash from operating activities of $30.1 million and $17.9 million, respectively. The increase in cash flow was primarily due to lower working capital requirements during the first quarter of 2012 compared to the first quarter of 2011, and higher earnings in the current period. Free cash flow from operations (a non-IFRS financial measure; refer to definition in Section 13) was $7.4 million in the 2012 first quarter compared a use of $7.2 million in the prior year quarter. The increase is due to both lower capital expenditures and higher cash flow from operating activities in the current quarter compared to the prior year first quarter.

Capital spending in the first quarter amounted to $23.3 million compared to $25.8 million in the 2011 first quarter. Depreciation and amortization for the first quarters of 2012 and 2011 were $25.1 million and $24.0 million, respectively. Plans for capital spending in 2012 are still expected to be at levels similar to total expenditures for 2011 year and below depreciation. The Company is continuing to seek investment opportunities to expand its business geographically, add capacity in its facilities and improve its competitiveness.

Dividends in the first quarters of 2012 and 2011 were $6.6 million and $5.8 million, respectively. The total number of shares issued and outstanding as at March 31, 2012, and 2011, was 33.8 million and 33.3 million, respectively. Since the Company's current cash flow and financial position are strong and its outlook for the remainder of 2012 continues to be positive, the Board of Directors has approved a continuation of the higher dividend declared in February 2012 of $0.1825 per Class A share and $0.1950 per Class B share to shareholders of record as of June 15, 2012, and payable on June 29, 2012. The annualized dividend rate is $0.73 per Class A share and $0.78 per Class B share.

On March 8, 2012, the Company announced a share repurchase program under a normal course issuer bid ("bid") to purchase up to 2.1 million Class B non-voting shares, approximately 10% of the public float. The Company has not repurchased any shares under this bid to date.

## 7. Interest rate and Foreign Exchange Management

The Company has utilized an IRSA to allocate notional debt between fixed and floating rates since all of 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 IRSA and CCIRSAs has been to decrease finance cost by $0.1 million in the first quarter of 2012 compared to a decrease of $0.3 million in the first quarter of 2011. Interest coverage (a non-IFRS financial measure, defined later in Section 13) was 6.8 times as at March 31, 2012, compared to 5.2 times as at March 31, 2011.

## 8. Accounting Policies and New Standards

### A) Recently Issued Accounting Standards, Not Yet Effective

A number of new or revised accounting standards have recently been issued by the International Accounting Standards Board ("IASB") but are not yet effective. These standards have not been applied in preparing these consolidated financial statements. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

IFRS 9, *Financial Instruments* ("IFRS 9") will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, deferred the effective date to annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10") will replace SIC-12, *Consolidation-Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements.* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. IFRS 10 is effective for periods beginning on or after January 1, 2013.

IFRS 11, *Joint Arrangements* ("IFRS 11") will replace guidance in IAS 31, *Interests in Joint Ventures.* IFRS 11 provides focus on the rights and obligations of the joint arrangement, rather than its legal form in the current standard. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interest in jointly controlled entities. IFRS 11 is effective for periods beginning on or after January 1, 2013.

IFRS 12*, Disclosure of Interests in Other Entities* ("IFRS 12") establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for periods beginning on or after January 1, 2013.

IFRS 13, *Fair Value Measurement* ("IFRS 13") replaces the fair value guidance that is currently contained within individual IFRS with a single source of fair value measurement guidance. IFRS 13 is effective for periods beginning on or after January 1, 2013.

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1") retains the "one or two statement" approach to presenting the statements of income and comprehensive income at the option of the entity and only revises the way other comprehensive income is presented. This revised standard is effective for periods beginning on or after July 1, 2012.

IAS 19, *Employee Benefits* ("IAS 19") eliminates the use of the "corridor" approach and requires that all remeasurement impacts be recognized in other comprehensive income. It also enhances the disclosure requirements by providing more information regarding the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This revised standard is effective for periods beginning on or after January 1, 2013.

B) Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with IFRS requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates these estimates and assumptions on a regular basis, based upon historical experience and other relevant factors. Actual results could differ materially from these estimates and assumptions. The following critical accounting policies are impacted by judgments, assumptions and estimates used in the preparation of the consolidated condensed interim financial statements. The material impact on reported results and the potential impact and any associated risk related to these estimates are discussed throughout this MD&A and in the notes to the consolidated condensed interim financial statements.

The 2011 annual audited consolidated financial statements and notes thereto, as well as the 2011 annual MD&A, have identified the accounting policies and estimates that are critical to the understanding of CCL's business operations and results of operations. For the three months ended March 31, 2012, there are no changes to the critical accounting policies and estimates from those described in the 2011 annual MD&A.

C) Inter-Company and Related Party Transactions

The Company has entered into a number of agreements with its subsidiaries that govern the management and commercial and cost-sharing arrangements with and among the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements. A summary of the Company's related party transactions are set out in note 28 of the annual consolidated financial statements for the year ended December 31, 2011.

## 9. Commitments and Contingencies

The Company has no material "off-balance sheet" financing obligations, except for long-term operating lease agreements. The nature of these commitments is described in note 27 of the annual consolidated financial statements for the year ended December 31, 2011. 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 2012.

## 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 at December 31, 2011, and March 31, 2012, based on the continued evaluation of the disclosure controls and procedures, the CEO and the CFO have concluded that CCL's disclosure controls and procedures, as defined in National Instrument 52-109 ("NI 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 IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. NI 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 IFRS, that the internal control over financial reporting is effective, 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 of December 31, 2011, and March 31, 2012, the CEO and the CFO certified that they were in compliance with NI 52-109 regarding internal control over financial reporting.

There were no material changes in internal control over financial reporting in the three months ended March 31, 2012.

## 11. Risks and Strategies

The 2011 MD&A in the annual report detailed risks to the Company's business and the strategies that were planned for 2012 and beyond. There have been no material changes to those risks and strategies during the first quarter of 2012.

## 12. Outlook

The Company remains confident about its ability to deliver the solid results and cash flows required to support its growth strategy including the financing of investment opportunities that will expand its geographic and market segment reach. The Company has sufficient cash and liquidity to support this strategy with cash balances in excess of $140 million and unused credit lines of over $90 million as at March 31, 2012. The Company remains focused on vigilantly managing working capital and prioritizing investment capital to opportunities in higher-growth areas, such as emerging markets and the Healthcare and Specialty business, either organically or by acquisition.

Although sovereign debt concerns in Greece have diminished in the current quarter, public debt issues in other European nations have come to the forefront leaving economic growth prospects for the region fragile at best. Conversely, economic conditions appears to have improved in North America despite persistent high unemployment levels and the outlook continues to be positive for the balance of 2012. First quarter sales in Latin America and Asia accounted for approximately 17% of total CCL sales. While growth in these regions continues to outpace the developed world, currency depreciation and inflation are pressing the strong profit margins in Latin America and there are some signs of slowing growth in certain Asian countries.

Despite an uncertain global economic environment, the Company remains cautiously optimistic about its outlook. The Label segment will likely see performance improvement narrow in the second quarter with the North American recovery probably offsetting flat markets in Europe. Solid growth should continue in Emerging Markets with currency and cost inflation the only near term downside potential. The joint ventures in Russia and the Middle East are expected to post profits for the remainder of the year.

The outlook for the Tube segment continues to be encouraging even as comparatives become more challenging as the segment reported strong results through 2011. Additional space will be added to the Wilkes-Barre tube facility in 2012 to prepare for incremental volume initiatives in 2013 and beyond.

The outlook for the Container segment remains positive and the order book is currently strong with easier comparatives for the second quarter. The segment is expected to continue to progress the many operating initiatives implemented throughout 2011.

Although exchange rates for the U.S. dollar and euro were in a narrow range compared to the levels of the 2011 first quarter, CCL continues to watch exchange rates closely, especially in Latin America, which is economically significant to the Company. Raw materials inflation is also being watched carefully, particularly in currency exchange sensitive countries. The Company will continue to focus on cost reduction initiatives, improved efficiencies and pricing programs to offset cost inflation and soft European economic conditions. The Company's expectation for capital expenditure spending for the year is in the $85 to $90 million range compared to depreciation of approximately $100 million.

## 13. Key Performance Indicators and Non-IFRS Financial Measures

CCL measures the success of the business using a number of key performance indicators, many of which are in accordance with IFRS as described throughout this report. The following performance indicators are not measurements in accordance with IFRS and should not be considered as an alternative to or replacement of net earnings or any other measure of performance under IFRS. These non-IFRS measures do not have any standardized meaning and may not be comparable to similar measures presented by other issuers. In fact, these additional measures are used to provide added insight into CCL's results and are concepts often seen in external analysts' research reports, financial covenants in banking agreements and note agreements, purchase and sales contracts on acquisitions and divestitures of the business, and in discussions and reports to and from the Company's shareholders and the investment community. These non-IFRS measures will be found throughout this report and are referenced alphabetically in the definition section below.

Adjusted Basic Earnings per Class B Share – An important non-IFRS 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-IFRS measure is defined as basic net earnings per Class B share excluding gains on dispositions, goodwill impairment loss, restructuring and other items and 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.

The following table reconciles the calculation of the book value per share using IFRS measures reported in the consolidated statement of financial position as at the periods ended as indicated.

**(in millions of Canadian dollars, except shares issued and per share data)**

Book value per share

| **At March 31st** | **2012** | **2011** |
|---|---|---|
| Total shareholders' equity, end of period | $ 854.1 | $ 796.1 |
| Number of shares issued and outstanding, end of period (000's) | 33,751 | 33,324 |
| Less: Shares held in trust | (272) | (251) |
| Executive share purchase plan loans | - | (25) |
| Total adjusted number of shares issued (000's) | 33,479 | 33,048 |
| Book value per share | $ 25.51 | $ 24.09 |

EBITDA - A critical financial measure used extensively in the packaging industry and other industries to assist in understanding and measuring operating results. It is also considered as a proxy for cash flow and a facilitator for business valuations. This non-IFRS measure is defined as earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items. The Company believes that EBITDA is an important measure as it allows the assessment of CCL's ongoing business without the impact of net finance cost, 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 the Company's ability to incur or service debt and to invest in property, plant and equipment, and it allows comparison of CCL's business to that of its 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 is 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 CCL's bank lines of credit.

The following table reconciles EBITDA measures to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

**(in millions of Canadian dollars)**

| | First Quarter | |
|---|---|---|
| **EBITDA** (earnings before net finance cost, taxes, depreciation and amortization, goodwill impairment loss, earnings in equity accounted investments, restructuring and other items) | **2012** | **2011** |
| Net earnings | $ 30.4 | $ 26.8 |
| Corporate expense | 6.5 | 6.3 |
| (Earnings) loss in equity accounted investments | (0.8) | - |
| Finance cost, net | 5.2 | 5.7 |
| Restructuring and other items – net loss | - | 0.5 |
| Income taxes | 11.3 | 9.4 |
| Operating income (a non-IFRS measure) | $ 52.6 | $ 48.7 |
| Less: Corporate expense | (6.5) | (6.3) |
| Add: Depreciation and amortization | 25.1 | 24.0 |
| EBITDA (a non-IFRS measure) | $ 71.2 | $ 66.4 |

Free Cash Flow from Operations – A measure indicating the relative amount of cash generated by the Company during the period and available to fund dividends, debt repayments and acquisitions. It is calculated as cash flow from operations less capital expenditures, net of proceeds from the sale of property, plant and equipment.

The following table reconciles the free cash flow from operations measure to IFRS measures reported in the consolidated statements of cash flows for the periods ended as indicated.

**(in millions of Canadian dollars)**

| | First Quarter | |
|---|---|---|
| Free Cash Flow from Operations | **2012** | **2011** |
| Cash provided by operating activities | $ 30.1 | $ 17.9 |
| Less: Additions to property, plant and equipment | (23.3) | (25.8) |
| Add: Proceeds on disposal of property, plant and equipment | 0.6 | 0.7 |
| Free Cash Flow from Operations | $ 7.4 | $ (7.2) |

Interest Coverage – A measure indicating the relative amount of Operating Income (see definition below) earned by the Company compared to the amount of finance cost incurred by the Company. It is calculated as Operating Income, including discontinued items, less corporate expense, divided by net finance cost on a 12-month rolling basis.

The following table reconciles the interest coverage measure to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

**(in millions of Canadian dollars)**
Interest coverage

| | 12-month rolling* | | Year-to-date | | | | |
|---|---|---|---|---|---|---|---|
| | **April 1 – March 31** | | **December 31** | | **March 31** | **March 31** | **March 31** |
| | **2012** | **2011** | **2011** | **2010** | **2012** | **2011** | **2010** |
| Operating income (a non-IFRS financial measure) (see definition below) | $ 167.6 | $ 152.3 | $ 163.7 | $ 146.6 | $ 52.6 | $ 48.7 | $ 43.0 |
| Less: Corporate expense | $ 25.0 | $ 23.8 | $ 24.8 | $ 22.2 | $ 6.5 | $ 6.3 | $ 4.7 |
| Operating income less corporate expense | $ 142.6 | $ 128.5 | $ 138.9 | $ 124.4 | $ 46.1 | $ 42.4 | $ 38.3 |
| Net finance cost | $ 20.9 | $ 24.5 | $ 21.4 | $ 25.3 | $ 5.2 | $ 5.7 | $ 6.5 |
| Interest coverage | 6.8 | 5.2 | | | | | |

* 12-month rolling represents December 31st annual results plus the current year's year-to-date results less the prior year's year-to-date results.

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, which includes bank 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 the profitability of the Company's business units defined as operating income before corporate expenses, finance cost, goodwill impairment loss, restructuring and other items and tax.

See EBITDA definition above for a reconciliation of Operating Income measures to IFRS financial measures reported in the consolidated income statements for the periods ended as indicated.

Restructuring and Other Items – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items on a per share basis is measured by dividing the after-tax income of the restructuring and other items 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 segments 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 definition above) divided by sales, expressed as a percentage.

The following table reconciles the Return on Sales measure to IFRS financial measures reported in the consolidated statements of earnings in the industry segmented information as per note 3 of the Company's quarterly financial statements for the periods ended as indicated.

**(in millions of Canadian dollars)**

| Return on Sales | **Sales First Quarter** | | **Operating Income First Quarter** | | **Return on Sales First Quarter** | |
|---|---|---|---|---|---|---|
| Industry Segments | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| Label | $ 273.9 | $ 247.7 | $ 46.2 | $ 41.9 | 16.9% | 16.9% |
| Container | 46.1 | 47.7 | 2.4 | 3.7 | 5.2% | 7.8% |
| Tube | 21.4 | 20.2 | 4.0 | 3.1 | 18.7% | 15.3% |
| Total Operations | $ 341.4 | $ 315.6 | $ 52.6 | $ 48.7 | 15.4% | 15.4% |

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

The following table reconciles total debt used in the total debt measure to IFRS financial measures reported in the consolidated statement of financial position as at the periods ended as indicated.

**(in millions of Canadian dollars)**

Total debt

| **At March 31st** | **2012** | **2011** |
|---|---|---|
| Current debt | $ 19.3 | $ 16.0 |
| Long-term debt | 327.0 | 337.4 |
| Total Debt | $ 346.3 | $ 353.4 |