

emerging opportunities

oportunidades emergentes

nowe szanse i możliwości

新的机遇

открывающиеся перспективы

Những cơ hội mới

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CCL INDUSTRIES INC. 2009 ANNUAL REPORT

CCL IS A GLOBAL SPECIALTY PACKAGING COMPANY

HEADQUARTERED IN TORONTO, CANADA

3 divisions: Label, Container and Tube

59 locations in **19** countries

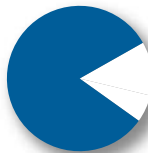
5,500 employees

CCL LABEL



CCL Label is the world's largest converter of pressure sensitive and film materials and sells to leading global customers in the consumer packaging, healthcare and consumer durable segments.

CCL Label represents **82%** of total CCL sales.



A global player in its industry, CCL Label is driving growth in emerging markets with new plants in Thailand, China and Vietnam and an acquisition in South Africa.

Number of Plants

(by location)

North America – 18

Latin America – 3

Europe – 20

Asia – 6

Australia – 3

Africa – 1

Russia – 2

CCL CONTAINER



CCL Container is a leading North American manufacturer of sustainable aluminum aerosol containers and bottles for premium brands in the home & personal care and premium food & beverage markets.

CCL Container represents **12%** of total CCL sales.



CCL Container operates facilities in Canada, the United States and Mexico, offering customers superior quality, high-end graphics and innovative bottle shapes.

Number of Plants

(by location)

North America – 2

Latin America – 2

CCL TUBE



CCL Tube produces highly decorated extruded plastic tubes for premium brands in the personal care and cosmetics markets in North America.

CCL Tube represents **6%** of total CCL sales.



In 2009, CCL Tube moved into a new Leadership in Energy and Environmental Design (LEED) certified building in Los Angeles, California. New equipment, combining tube manufacturing and decoration in one pass has created significant increases in efficiencies.

Number of Plants

(by location)

North America – 2

CAUTION ABOUT FORWARD-LOOKING INFORMATION

This Annual Report 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 Annual Report 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 2010; the adequacy of the Company's financial liquidity; the Company's targeted return on equity and earnings per share growth rate; the Company's effective tax rate; the future profitability of the Container Division; the increase in production levels at the Company's Mexican facilities; 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 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; 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, particularly under Section 4: "Risk and Uncertainties."

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 Annual Report 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.

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
*President and
Chief Executive Officer*

OUR EXPANDING GLOBAL FOOTPRINT



2009 WILL LIKELY GO DOWN IN HISTORY AS THE YEAR OF THE MOST SIGNIFICANT RECESSION SINCE THE GREAT DEPRESSION AND THE TURNING POINT FOR GREATER ATTENTION TO MANAGING RISK AND LEVERAGE. AS WE ALL KNOW, MANY INDUSTRIAL COMPANIES HAVE BEEN CHALLENGED, SOME SEVERELY. AT CCL, OUR SPECIALTY PACKAGING FOCUS WITH GLOBAL CUSTOMERS WHO PRODUCE EVERYDAY STAPLES, OUR STRONG BALANCE SHEET, PRUDENT CASH MANAGEMENT AND SOLID OPERATING PERFORMANCE CONTINUED TO ENSURE A STRONG FOUNDATION FOR THE FUTURE.

Our Strong Financial Position

Preserving liquidity remains a key component of CCL's financial strategy in these uncertain times. Our strong balance sheet ended 2009 with over \$150 million in cash and an additional \$90 million of immediately available credit lines.

In 2009, we significantly reduced our capital spending but still invested \$99 million to take advantage of important opportunities to build new business and extend our geographic reach. Our disciplined approach targeted investments in emerging markets like Asia, with greenfield sites in Vietnam, Thailand and China. Closer to home, we have continued to build our Healthcare and Specialty label business with significant expansions in North America and Europe. Despite these investments in our growth businesses, we reduced our net debt-to-book capitalization ratio* from 38% at the end of last year to 32% at the end of 2009.

Our financial strength remains the basis for the long-standing stability of our share dividends with a distribution target of 20%–25% of annual normalized net earnings. CCL has provided dividends to its shareholders without interruption or reduction for over 25 years. Over the last 10 years in particular, dividends have increased substantially, culminating in 2009 with a distribution ratio of 34% of 2009 earnings before restructuring and other items, or \$0.60 per Class B share. Our solid cash flow performance underpinned this strong commitment to maintaining and, in fact,

increasing our distribution in a business climate that has encouraged many companies to reduce or suspend dividends to shareholders.

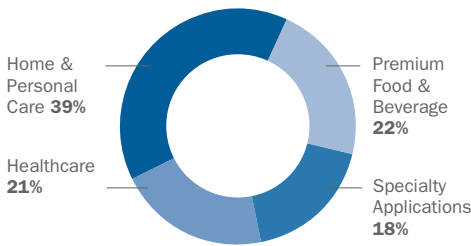
Solid Operating Performance

We began to see some improvement in the global economic environment in the second half of 2009 and ended the year with flat sales compared to 2008. We achieved this at a time when many of our industry peers reported significant declines in their organic revenues. EBITDA* for the year fell just 4%.

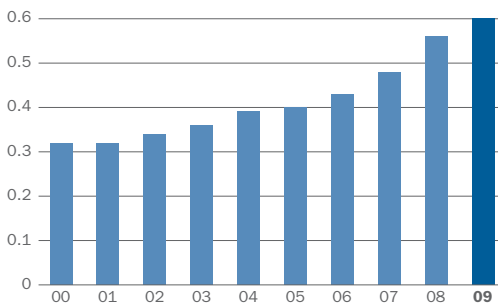
CCL Label, our most important business, responsible for 82% of CCL's total revenue, recorded sales and operating income increases in North America, Asia and Latin America in 2009. In fact, our large North American business had a record year. Only Europe had difficulties with prior year comparisons as the economic recession started much later there than in North America. This was compounded by our having a larger presence there in certain markets, such as premium beverages, which were particularly hard hit by the downturn. This region was entirely responsible for the decline in overall operating income but our worldwide return on sales at 13% was well within our targeted range of 12%–14%.

CCL Tube posted a solid increase in sales and a significant improvement in operating income. This was largely due to productivity and cost initiatives, some of which were aided by our new Leadership in Energy and Environmental Design

SALES BY MARKETS (% total revenue)

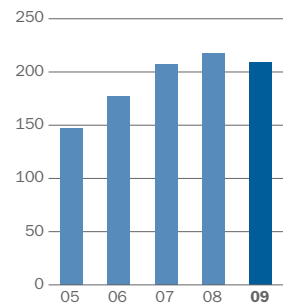


10-YEAR CLASS B SHARE DIVIDEND HISTORY (\$)



EBITDA

(in millions of Canadian dollars)



(LEED) certified facility in Los Angeles enabling the capture of energy and other environmental improvements.

Our Container Division continued to struggle with declining revenues and unacceptable operating losses. The weak North American personal care market, particularly professional hair care products, coupled with unusually volatile aluminum costs and the strong Canadian dollar, created the “perfect storm” for this business. We are, however, very pleased with the performance of our new state-of-the-art plant in Guanajuato, Mexico, which became operational at the end of 2008 and moved into solid profitability in the second half of 2009 with increased volume. New leadership is in place with rigorous plans to reduce costs and improve productivity in both our Canadian and U.S. operations, which will enable us to take advantage of any market recovery in the coming years.

Our adjusted basic earnings per share* (EPS) for 2009 were \$1.77 compared to \$2.54 in 2008. We believe that we have weathered the global economic storm comparatively well and are positioned to return to our history of double-digit EPS growth as end use markets improve.

Our global footprint and participation in diverse segments help to insulate shareholders from exposure to a single geography or market. For example, the personal care segment remains soft in North America and Western Europe but we continue to see strong growth in emerging markets, particularly in China where our business grew by almost 75% in 2009, albeit from a small base. The healthcare market continues to take a higher share of world GDP and remains relatively immune to recessionary influences. The growth of diseases and pandemics such as diabetes and unique strains of the flu virus, such as H1N1, continues to develop new opportunities. CCL partners with many of the world’s largest pharmaceutical companies to market new labelling and packaging solutions for consumers at the point of dispensing in pharmacies, point of use at home or in hospitals and point-of-sale at retail.

We have continued to expand our geographic footprint. In March 2009, we acquired a leading South African wine label

producer based in the famous region of Stellenbosch near Cape Town. We now support customers in three of the world’s wine-producing regions – South Africa, Australia and the U.S.A. – an exciting new market. We also signed a new licensing agreement with Pacman, a well-known label producer in the Middle East with operations in Dubai, Egypt and Oman.

World-Class Team and Operations

With 59 world-class operations strategically located geographically, CCL thinks globally and acts locally. This global footprint makes us unique in our industry. Over \$90 million of our 2009 capital expenditure was invested in CCL Label. We continue to build a network of state-of-the-art facilities, which include technology platforms capable of consistent and secure product supply for customers all around the world, while at the same time catering to specific needs by market segment. This global network creates competitive advantage for CCL and our customers while enhancing value for shareholders.

It is, however, the strength of CCL’s leadership that leverages these assets. Our management team is a geographically diverse and entrepreneurial group. We understand leading-edge technology and global markets, and are committed to sharing best practices across our network to bring our customers only the best in quality, innovation and service.

Our strong and highly experienced Board of Directors includes a majority of directors who are independent. They provide a diverse set of skills and knowledge and we thank them for their guidance over the last year. In January 2010, Michael Cowhig retired from the Board. His experience in the consumer products business will be missed.

New Markets

Over the last several years CCL Label has gradually built a network of specialized Good Manufacturing Practice (GMP) facilities, principally in North America and Western Europe, focused on the healthcare industry. This same network services the global chemical industry and large consumer

REVENUE FROM EMERGING
MARKETS REPRESENTS
APPROXIMATELY 15% OF CCL'S
TOTAL 2009 SALES.



CCL Label Guangzhou, China

customers needing security printed games and promotions, a business we call “Specialty.” Together Healthcare and Specialty are now CCL Label’s largest market segment and a significant contributor with more than half of the Company’s total earnings and cash flows. We continue to see opportunities to expand in this segment: new customers, new geographies in both the developed and emerging worlds and new applications for our products such as the growth we saw in 2009 for H1N1 related treatments.

We continue to be pleased with the growth of our new Sleeve business as this labelling technology is winning market share against all other forms of product decoration at consumer companies. Our new Super Stretch Sleeve developed for GlaxoSmithKline’s Lucozade Sport represents a 75% reduction in label carbon footprint for producers of soft drinks over competing technologies and at lower cost. With the leadership position we now enjoy in Europe, we have continued to invest in the Sleeve segment to expand our product offering in North America, Mexico, Brazil and parts of Asia.

Since 2003 when we built our first greenfield plant in Thailand, we have followed our customers into the emerging regions of the world. We have built our presence in Latin America with new state-of-the-art facilities in Mexico and a well-executed acquisition in Brazil. In Eastern Europe, our greenfield plant in Poland continues to grow and our equity investment in Russia has successfully navigated itself through the economic crisis there and is now a leading supplier in the country. We have moved on from our first investment in Thailand to build a network of plants in Asia; a second facility in Thailand, three plants in China including a new Healthcare facility in Tianjin and our first plant in Vietnam, the latter two becoming operational in 2010. Our customers have recognized our performance in these new countries with many formal accolades. Revenue from emerging markets moved from near zero in 2003 to approximately 15% of CCL’s total sales by the end of 2009 and continues to represent a significant growth opportunity for the Company.

Looking Ahead

We remain confident in our ability to generate strong operational performance and cash flows to support our investment in future growth and sustainable dividends for our shareholders. We are cautiously optimistic that the nascent recovery we saw in the second half of 2009 is real and can be sustained. We also recognize that the world economy remains highly volatile with question marks surrounding the many government deficits and their potential to impact consumers in coming years. So we are also ready to adjust as external circumstances dictate. Our strong balance sheet, cash flow, blue-chip diversified customer base, world-class facilities and outstanding management team remain the tools that will help us navigate the new economic norms that the next decade will bring.

Acquisitions are a cornerstone of our success and we will continue to seek out transactions that make strategic sense and match our valuation and quality criteria. However, we will also continue to invest by building from the ground up – new facilities in the emerging world and building new products and markets in developed economies that exhibit growth potential. Looking ahead, our disciplined approach and prudent financial strategy will provide the basis for continued growth, improved earnings and enhanced value for our shareholders.

We would like to thank our customers and suppliers for their support during 2009, which was a challenging year for everyone. We would also like to thank and recognize our 5,500 dedicated employees around the world for their contribution and commitment to CCL’s continuing success.

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
President and
Chief Executive Officer

FINANCIAL HIGHLIGHTS

(In thousands of Canadian dollars, except per share and ratio data)

For the years ended December 31	2009	2008	% Change
Sales	\$ 1,198,984	\$ 1,189,025	0.8%
EBITDA*	\$ 207,837	\$ 216,436	(4.0%)
% of sales	17.3%	18.2%	
Goodwill impairment loss	\$ —	\$ 31,386	
Restructuring and other items – net loss	\$ 7,275	\$ 3,094	
Net earnings	\$ 42,174	\$ 47,986	(12.1%)
% of sales	3.5%	4.0%	
Basic earnings per Class B share			
Net earnings	\$ 1.31	\$ 1.50	(12.7%)
Diluted earnings	\$ 1.29	\$ 1.46	(11.6%)
Adjusted basic earnings per Class B share from continuing operations**	\$ 1.77	\$ 2.54	(30.3%)
Dividends	\$ 0.60	\$ 0.56	7.1%
At year end			
Total assets	\$ 1,645,497	\$ 1,766,674	(6.9%)
Net debt***	\$ 347,545	\$ 456,253	(23.8%)
Shareholders' equity	\$ 752,757	\$ 750,518	0.3%
Net debt to equity ratio	0.46	0.61	
Net debt to total book capitalization	31.6%	37.8%	
Return on equity (before goodwill impairment loss, restructuring and other items and tax adjustments)****	6.3%	11.1%	
Book value per Class B share	\$ 23.01	\$ 23.37	(1.5%)
Number of employees	5,500	5,400	1.9%

* EBITDA – a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A.

** Adjusted basic earnings per Class B shares from continuing operations – a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A.

*** See Summary of Net Debt table on page 26.

**** Return on equity, a Non-GAAP Measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

This Management's Discussion and Analysis of the financial condition and results of operations ("MD&A") relates to the years ended December 31, 2009 and 2008. In preparing this MD&A, we have taken into account information available until March 9, 2010, unless otherwise noted. This MD&A should be read in conjunction with the Company's December 31, 2009 year-end financial statements, which form part of the CCL Industries Inc. 2009 Annual Report dated March 9, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and, unless otherwise noted, both the financial statements and this 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 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 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 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 2010; the adequacy of the Company's financial liquidity; the Company's targeted return on equity and earnings per share and EBITDA

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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, particularly under Section 4: "Risk and Uncertainties."

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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. CORPORATE OVERVIEW

A) Our Company

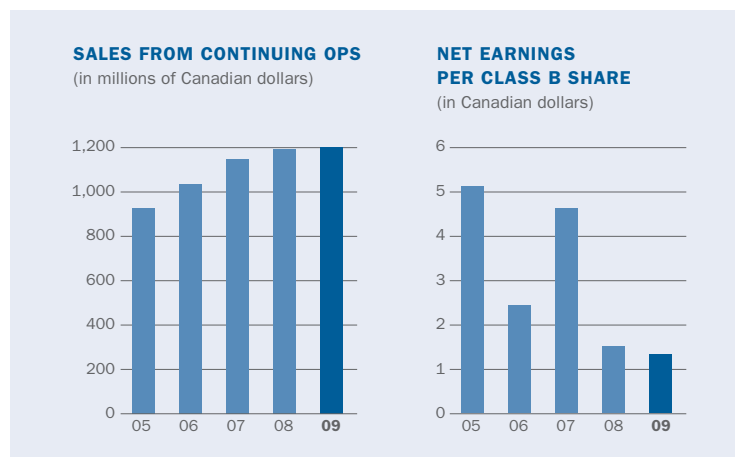
CCL Industries Inc. is a world leader in the development of label and specialty packaging solutions to global producers of consumer brands in the home and personal care, healthcare, durable goods, and specialty food and beverage sectors. Founded in 1951, the Company has been public under its current name since 1980. CCL's corporate office is located in Toronto, Ontario, Canada, with its operational leadership centred in Framingham, Massachusetts, United States. The corporate office provides executive and centralized services such as finance, accounting, internal audit, treasury, risk management, legal, tax, human resources, information technology and environmental, health and safety. The Framingham office provides operational direction and oversees the activities of CCL's divisions: Label, Container and Tube. CCL employs approximately 5,500 people and operates 59 production facilities in North America, Latin America, Europe, Australia, South Africa and Asia, including an equity investment in Russia and a licensing arrangement in the Middle East.

B) Our Customers and Markets

CCL's customer base is primarily comprised of a significant number of global non-durable consumer product and healthcare companies. CCL also has a durable goods position in the automotive industry. A strategy of many of our customers is a continuous focus on growing their global market positions. Recent industry trends include customer consolidation, even among the largest players, and a disproportionate growth in sales in emerging markets and relatively lower growth in the developed world.

Total demand for non-durable personal care, healthcare and household products is fairly stable as consumers generally use them on a regular basis, often daily. There tends to be less volatility in demand for CCL's products and services relative to those of some other industries.

This is due to the more routine and predictable consumer usage of these non-durable products and, as a result, the specialty packaging products and services supplied by CCL to these sectors. Certain markets, such as for beverage and agro-chemical products, are more seasonal in nature and affect the variability of quarterly sales and profitability.



The state of the global economy and geopolitical events affect consumer demand and ultimately our customers' plans. Our customers react to these issues and competitive activity in their categories as they develop marketing strategies including the introduction of new products and the promotion of new and existing products. These factors directly influence the demand for CCL's packaging components destined for our customers' products. The Company's growth expectations generally mirror the trends of each of the markets and product lines in which our customers compete and the growth of the economy in each market. CCL also anticipates improving its market share generally in each market and category over time, which is consistent with its overall historical trend.

No single competitor of the Label Division has the substantial operating breadth or global reach of CCL Label. The Container and Tube Divisions operate only in North America. There is one significant direct competitor in the Container business and a small number of competitors in the Tube business.

C) Our Strategy and Financial Targets

CCL's vision is to increase shareholder value by providing the best total value to our customers as a successful, growing market leader in providing labelling and specialty packaging solutions; by building on the strengths of our people, manufacturing and product development skills; and by nurturing strong international customer relationships. The Company anticipates increasing its market share in most product categories by capitalizing on the growth of our customers, by following market trends such as globalization, by fostering new product innovation and by further developing existing products.

A key driver in CCL's strategy is maintaining our focus and discipline. We aspire to be the market leader and the highest value-added producer in each product line and region in which we choose to compete. CCL does not intend to move into radically different segments of the packaging industry but rather to expand in existing categories or in other complementary and adjacent areas closely aligned with our existing business strengths and capabilities. The recent acquisition of Ferro Print Western Cape (Pty) Ltd. ("Ferro Print"), a wine label producer that provides manufacturing capabilities in the important South African beverage market; and the strategic licensing arrangement with the Pacman Group for the Middle East and Africa, outside of South Africa, enabling the Company to service our global customers in new territories; along with the prior year investments in the CD-Design GmbH ("CD-Design") and Eltex GmbH ("Eltex") acquisitions, a diversification into durable pressure sensitive labels; and the Clear Image Labels Pty. Ltd. ("Clear Image") acquisition, a geographic and product line expansion into Australia and wine labels, are examples of measures taken to build on our focused business strategy.

The Company's overall strategic business focus in this decade has been the long-term growth of earnings and the building of a global business platform through investment in new plants and equipment and by innovation in new product development. This approach is intended to allow us to increase market share and to grow internationally with our customers. The strategy also includes seeking attractively priced acquisitions within CCL's core competencies and manufacturing capabilities that will be immediately accretive to earnings. In addition, such acquisitions should generally support our strategic geographic expansion plans and/or provide new technologies and products to CCL's portfolio.

The Company's financial strategy is to be fiscally prudent and conservative. Financial leverage has been maintained at modest levels, and ensuring liquidity has been a cornerstone of our philosophy. This strategy continues to serve us well, particularly during this economic downturn that has dramatically played havoc with many companies, including some of our major competitors. During good and bad economies, the Company has maintained high levels of cash on hand and unused lines of credit to reduce its financial risk and to provide flexibility when acquisition opportunities are available. The long-term debt placement by the Company for US\$130 million in September 2008 at favourable interest rates, with over \$90 million Canadian available on an unsecured revolving line of credit, further enhances our liquidity and strengthens our financial foundation for the foreseeable future.

CCL has a continuous focus on minimizing its investment in working capital in order to maximize cash flow in support of the growth in the business. In addition, capital expenditures are approved when they are expected to be accretive to earnings and are selectively targeted towards the most attractive growth opportunities.

A key financial target is return on equity before goodwill impairment loss, restructuring and other items and tax adjustments ("ROE", a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below). CCL continues to execute its strategy with a goal of achieving a comparable ROE level to its leading peers in specialty packaging. Historically, the Company has achieved ROE levels in the low double digit range. However, with the major global economic downturn, ROE for

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

comparable companies and for the industry as a whole have been dramatically lowered. CCL's historical ROE performance has been fairly consistent over the past few years, except for 2009:

	2009	2008	2007	2006	2005	2004
Return on equity	6%	11%	13%	13%	14%	13%

CCL's 2009 ROE has been significantly impacted by the global economic downturn and volatile aluminum commodity costs but it is in line with industry peers. The Company believes that attaining the historical level of ROE will be a challenge over the short-term horizon but is achievable once again when there is improvement in the global economy and consumer demand returns to pre-crisis levels.

Another important and related financial target is the long-term growth rate of adjusted basic earnings per share. Management believes that taking into account both the relatively stable overall demand for non-durable consumer products globally and the continuing benefits from its focused strategies and operational approach, a positive growth rate in adjusted basic earnings per share, which excludes goodwill impairment loss, restructuring and other items, and tax adjustments (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) is realistic under normal economic circumstances.

CCL's historical adjusted earnings per share from continuing operations, excluding goodwill impairment loss, restructuring and other items and tax adjustments and gains on business dispositions, has achieved significant positive growth except for the 2009 and 2008 years:

	2009	2008	2007	2006	2005	2004
EPS growth	(30%)	2%	19%	19%	15%	12%

In 2009, adjusted basic earnings per share declined 30% due primarily to the negative effect of the global economic recession and margin challenges associated with aluminum volatility. The Company believes earnings per share growth will return to double digit levels in the future as the global economy improves.

The Company will continue to focus on generating cash and effectively utilizing the cash flow generated by operations and divestitures. Earnings before interest, taxes, depreciation and amortization, excluding goodwill impairment loss, restructuring and other items ("EBITDA", a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) is considered a good indicator of cash flow and is used in the packaging industry and other industries to measure operating results and for business valuations. The Company believes that EBITDA is an important measure in evaluating its ongoing business in that it does not include the impact of interest, depreciation and amortization, income tax expenses and non-operating one-time items. As a key indicator of cash flow, it demonstrates the Company's ability to incur or service existing debt and to invest in capital additions, to take advantage of organic growth opportunities, and in acquisitions that are accretive to earnings per share. Historically, the Company has experienced positive growth in EBITDA, excluding discontinued operations, except for the 2009 year:

	2009	2008	2007	2006	2005	2004
EBITDA	207.9	216.4	206.9	176.1	146.9	112.2
% of sales	17%	18%	18%	17%	16%	16%

Despite the difficult economic times in 2009, EBITDA only declined by 4%. The Company expects to experience positive growth in EBITDA in the future as the global economy recovers and consumer spending levels improve.

If the net cash flow periodically exceeds attractive acquisition opportunities available, CCL may also repurchase its shares provided that the repurchase is accretive to earnings per share, is at a valuation equal to or lower than valuations for acquisition opportunities, and will not materially increase financial leverage beyond targeted levels or significantly reduce liquidity.

The framework supporting the above performance targets is an appropriate level of financial leverage. Based on the dynamics within the packaging industry and the risks that higher leverage may bring, CCL has a comfort level up to a target of approximately 45% for its net debt to total book capitalization (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in

Section 5A below). As at December 31, 2009, net debt to total book capitalization was 32%. Although the Company is experiencing the effects of the global recession, this current level of leverage and profitability would imply that CCL's debt is in the investment-grade category. This leverage level is below the target, primarily due to the Company's conservative approach to increasing financial risk in this economic environment.

CCL also believes that the dividend payout is an important metric. CCL has paid dividends quarterly for over 25 years without an omission or reduction and has increased the dividend substantially since 2001. The Company views this consistency and dividend growth as important factors in enhancing shareholder value. The Company's target payout of dividends is equal to 20% to 25% of normalized earnings, defined as earnings excluding gains on dispositions, goodwill impairment loss, restructuring and other items and tax adjustments. In 2009, the dividend payout ratio was 34% (22% in 2008) of adjusted earnings. The higher level of dividend payout in 2009 reflects the lower earnings as a result of the global economic downturn. Despite the lower earnings, cash flows and liquidity remain strong and support the level of dividend payout. Consequently, after a review of the 2009 results, and considering the cash flow and earnings planned for 2010 and the Company's current favourable level of liquidity, the Board of Directors has declared a 7% increase in the dividend to \$0.16 per quarter per Class B share (or \$0.64 annualized).

The Company believes that all of the above targets are mutually compatible and consequently should drive meaningful shareholder value over time.

CCL's strategy and its ability to grow and achieve attractive returns for its shareholders are shaped by key internal and external factors that are common to specialty packaging. The key performance driver is our continuous focus on customer satisfaction, supported by our reputation for quality manufacturing, competitive cost, innovation, dependability, ethical business practices and financial stability. CCL believes that it is the highest value-added producer in most of its businesses and is continuing to foster new product innovations to support its customers' needs.

In these continued volatile and uncertain times, the Company recognizes that it must maintain its focus and financial discipline. Our customers' markets have been negatively affected by the global economic slowdown in 2009, with some signs of recovery appearing in the second half of the year. So far in 2010, the trend appears to be improving. Despite these signs of improvement, CCL continues to closely monitor its orders from customers and review and reduce its overhead levels and cost structure, where appropriate, in order to mitigate the effects of selling-price pressure and lower volume in certain segments and markets.

D) Recent Acquisitions and Dispositions

In November 2007, CCL sold the last vestiges of its former custom manufacturing business with the disposition of its joint venture interest in ColepCCL to its majority partner for cash proceeds of approximately \$147 million, with half paid upon closing and the balance paid in February 2008. The transaction completed the transformation of the Company into a focused specialty packaging business, with the Label Division now accounting for 82% of the Company's total revenue in 2009.

The proceeds from the dispositions of its custom manufacturing businesses this decade have been and continue to be invested in the Company's higher value-added specialty packaging segments. These investments include accretive acquisitions and capital spending for organic internal growth and technology enhancements. The ColepCCL sale reduced the investment risk of minority ownership, the related risks around CCL not being able to control operating decisions associated with this joint venture, and the risks in operating a contract manufacturing and metal packaging business in Europe. CCL is now a more internationally positioned company with increased diversification across the global economy and with exposure to many different currencies. For financial reporting purposes, ColepCCL was treated as discontinued operations in 2007.

CCL has been redeploying the proceeds of the sale of ColepCCL and its cash flow from operations into its specialty packaging business with internal organic capital investments and by way of the following acquisitions in the last two years:

- In January 2008, CD-Design in Solingen, Germany, was acquired for \$10 million, including assumed debt, and renamed CCL Design GmbH ("CCL Design"). It was CCL's first entry into the durable label business as it services the European automotive original equipment manufacturing market in Europe. Further consideration of \$3 million was recognized as goodwill in 2009 based on its 2008 financial performance.
- In April 2008, Clear Image Labels Pty. Ltd., a privately owned pressure sensitive label company based in Australia, was acquired for \$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 was merged with CCL's complementary and neighbouring CCL Design operation in 2009.
- In March 2009, Ferro Print Western Cape (Pty) Ltd., a privately owned pressure sensitive label company based in South Africa, was acquired for approximately \$3 million in cash. Ferro Print is a leading South African wine label producer with a plant located near Cape Town.

CCL continues to review its existing businesses to ensure that each product line in each division is a strategic fit within the Company's portfolio. In April 2008, as a result of this business review process, 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.

From 2003 to date, the Company has spent approximately \$500 million on acquisitions including the Russian investment. They have been primarily funded by dispositions totalling over \$470 million in cash over the same time frame. Strategically, CCL has repositioned itself as a growing specialty packaging company over these years by funding acquisitions with the proceeds from the sale of non-core businesses.

All of the recent acquisitions in conjunction with the building of new plants in Mexico, Thailand, Poland, China and Vietnam in the last few years have positioned the Label Division as the global leader for pressure sensitive labels in the personal care, healthcare, battery, food, beverage, promotional, durables and specialty categories.

E) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2009	2008	2007
Sales from continuing operations	\$ 1,199.0	\$ 1,189.0	\$ 1,144.3
Cost of goods sold	943.5	923.3	878.6
Selling, general and administrative expenses	141.0	127.5	128.3
Depreciation and amortization	6.6	6.9	6.4
	107.9	131.3	131.0
Interest expense – net	(29.3)	(23.9)	(23.2)
Goodwill impairment loss	—	(31.4)	—
Restructuring and other items – net (loss) gain	(7.3)	(3.1)	4.1
Earnings before income taxes	71.3	72.9	111.9
Income taxes	29.1	24.9	18.5
Net earnings from continuing operations	42.2	48.0	93.4
Net earnings from discontinued operations, net of tax	—	—	11.0
Gain on sale of discontinued operations, net of tax	—	—	43.5
Net earnings	\$ 42.2	\$ 48.0	\$ 147.9
Per Class B share			
Continuing operations	\$ 1.31	\$ 1.50	\$ 2.90
Discontinued operations	—	—	0.34
Gain on sale of discontinued operations	—	—	1.35
Net earnings per Class B share	\$ 1.31	\$ 1.50	\$ 4.59
Goodwill impairment loss, restructuring and other items and tax adjustment – net (loss) gain	\$ (0.46)	\$ (1.04)	\$ 0.42
Diluted earnings per Class B share	\$ 1.29	\$ 1.46	\$ 4.42

Comments on Consolidated Results

Sales from continuing operations were \$1,199.0 million in 2009 compared to \$1,189.0 million in 2008, up 1%. This performance compares to sales growth of 4% and 11% in 2008 and 2007, respectively. In 2009, favourable currency translation accounted for 2% of the sales growth. The impact of the Ferro Print acquisition in 2009 and the CD-Design, Clear Image and Eltex acquisitions in 2008 by the Label Division provided 1% of the sales growth, partially offset by a small product line divestiture in the Container Division in 2008. Organic sales declined 2% compared to the prior year. The total sales growth in 2009 of \$10.0 million was derived from the following divisions: Label and Tube were up by \$18.1 million and \$6.9 million, respectively, offset in part by Container, which was down by \$15.0 million.

Sales from manufacturing in Canada represented only 9% of 2009 total sales from continuing operations, compared to a similar level in 2008. Sales and income reported from foreign operations are reported in local currency and then translated into Canadian dollars. During 2008 and 2009, a number of key currencies changed in value relative to the Canadian dollar. The U.S. dollar, the base currency for 39% of CCL's total sales from continuing operations, appreciated by 7% on average in 2009 versus 2008 compared to a depreciation of 1% in 2008 versus 2007. The 2009 appreciation was quite significant in the first half of the year but was partially reversed in the third and fourth quarters as the U.S. dollar weakened.

In addition, Europe, accounting for 37% of CCL's total sales, saw its primary currency, the euro, appreciate 2% on average against the Canadian dollar in 2009 versus 2008, after an appreciation of 6% in 2008 versus 2007. The U.K. pound sterling depreciated by 9% during 2009 compared to a similar level of decline in 2008. However, the majority of the relative appreciation of the euro in 2009 occurred in the first quarter of the year partially offset by declines in the balance of the year. In total, currency translation had a 2% positive effect on sales in 2009 overall, compared to a 1% positive effect in 2008. If the effect of foreign currency translation were excluded, sales decreased by 1% in 2009 compared to 2008, including acquisitions. Excluding currency translation, sales from continuing operations increased by 3% in 2008 compared to 2007.

Income after cost of goods sold, selling, general and administrative expenses, and depreciation and amortization in 2009 was \$107.9 million, down \$23.4 million from \$131.3 million in 2008 and down a similar level compared to \$131.0 million in 2007.

Selling, general and administrative expenses were \$141.0 million in 2009, up 11% from \$127.5 million reported in 2008 and 10% from \$128.3 million in 2007. The increase in selling, general and administrative expenses in 2009 of \$13.5 million relates primarily to higher corporate expenses and unfavourable impact of foreign currency transactions. Corporate expenses in 2009 at \$16.5 million were up from \$11.5 million in 2008 and \$14.0 million in 2007. The increase in corporate expenses relates primarily to higher insurance costs and IFRS (International Financial Reporting Standards) implementation costs in 2009 and the prior year comparatives being favourably impacted by a reduction in self-insurance claims reserves, gain on sale of a building and the reversal of certain restructuring reserves. Excluding these items and the impact of foreign currency transactions from both periods, underlying corporate expenses were similar to the prior year.

Divisional operating income from continuing operations, before corporate expenses, in 2009 was \$124.4 million, down by 13% from a strong \$142.8 million reported in 2008 and down 14% from \$145.1 million earned in 2007. The reduction in divisional operating income in 2009 of \$18.4 million was primarily attributable to Container, down \$16.3 million. The Label Division was down \$5.9 million, while Tube increased by \$3.8 million. All divisions were positively affected by currency translation in 2009 compared to the prior year. In addition, the Container Division was affected favourably by currency hedging transactions on its Canadian operations year over year of \$1.7 million. Further details on the divisions follow later in this report.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") from continuing operations before goodwill impairment loss, and restructuring and other items (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) in 2009 were \$207.9 million, down 4% from the \$216.4 million recorded in 2008. The growth in 2008 was up by 5% from the 2007 level of \$206.9 million.

Net interest expense from continuing operations was \$29.3 million in 2009, up by \$5.4 million from the \$23.9 million recorded in 2008 and up by \$6.1 million from the \$23.2 million of 2007. The increase in 2009 is due to the full year impact of the September 2008 private placement debt in the current year, lower interest income on cash on hand due to lower rates on cash deposits and the continued impact of currency exchange on interest expense on U.S. dollar-denominated debt. Interest expense is net of interest earned on short-term investments, interest rate swap agreements ("IRSAs") and cross-currency interest rate swap agreements ("CCIRSAs").

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

For the full year 2009, restructuring costs and other items represented a loss of \$7.3 million (\$5.5 million after tax) as follows:

- In the first quarter, a loss on the settlement of pension obligations to certain members of the U.K. pension plan of \$1.4 million (\$1.0 million after tax);
- In the first quarter, a loss related to additional costs to shut down the Avelin, France, plant of \$0.3 million (with no tax effect);
- In the second quarter, a loss on a repatriation of capital from foreign subsidiaries due to foreign exchange of \$0.4 million (with no tax effect);
- In the fourth quarter, a loss on the settlement of pension obligations to certain members of the U.K. pension plan of \$3.5 million (\$2.5 million after tax);
- In the fourth quarter, a loss related to additional costs to shut down the Avelin, France, plant of \$0.3 million (with no tax effect);
- In the fourth quarter, a loss related to severance costs to restructure the European Label operations of \$1.3 million (\$1.1 million after tax);
- In the fourth quarter, a loss related to closure costs for the small Mexico Tube operation of \$0.1 million (\$0.1 million after tax);
- In the fourth quarter, a loss related to the shutdown of the small Burgess Hill, U.K., operation in the Label Division of \$0.5 million (\$0.3 million after tax);
- In the fourth quarter, a gain from the repatriation of capital from foreign subsidiaries due to foreign exchange of \$0.5 million (with no tax effect).

In the fourth quarter of 2009, the Company incurred a one-time tax charge of \$9.3 million for U.S. withholding taxes related to the U.S. internal debt transaction. Further details on this transaction follow later in this report.

The negative earnings impact of these restructuring and other items in 2009 was \$0.17 per Class B share, while the unfavourable tax adjustment was \$0.29 per share. The net loss of the restructuring and other items and unfavourable tax adjustment in 2009 was \$0.46 per share.

In 2008, restructuring costs and other items represented a loss of \$3.1 million (\$2.0 million after tax) as follows:

- In the first quarter, a gain on the note receivable from the sale of ColepCCL, due to foreign exchange, of \$2.3 million (\$1.6 million after tax);
- In the second quarter, a gain on the sale of the ABS product line in the Container Division of \$3.1 million (\$2.8 million after tax);
- In the second quarter, the loss on the shutdown of the Rhyl, Wales, operation in the Label Division of \$3.6 million (\$2.6 million after tax);
- In the third quarter, a gain from the repatriation of capital from Europe that arose from the disposal of the Company's investment in ColepCCL late last year of \$1.6 million with no tax effect;
- In the fourth quarter, the loss on the shutdown of the Avelin, France, operation in the Label Division of \$3.5 million with no tax effect; and
- In the fourth quarter, the loss provision for the residual lease payments for the Tube Division's building in Los Angeles, CA, as a result of its move to a new location, of \$3.1 million (\$2.0 million after tax).

In the fourth quarter of 2008, the Company incurred a non-cash goodwill impairment loss related to the Tube Division of \$31.4 million with no tax benefit.

The negative impact of the goodwill impairment loss and the restructuring and other items in 2008 was \$0.97 and \$0.07 per Class B share, respectively.

In 2007, the Company incurred restructuring costs and other items for a total gain of \$4.1 million (\$3.7 million after tax) as follows:

- In the first quarter, a gain on the sale of a redundant property of \$0.7 million (\$0.9 million after tax);
- During the first and third quarters, Container Division restructuring costs, net of a recovery of a severance provision, of \$0.2 million (\$0.1 million after tax);
- In the fourth quarter, a gain from the repatriation of capital from a foreign subsidiary to Canada primarily from the sale of ColepCCL of \$1.3 million with no tax effect; and
- In the fourth quarter, an unrealized exchange gain on the euro-denominated note receivable from the sale of ColepCCL of \$2.3 million (\$1.6 million after tax).

The positive earnings impact of these restructuring and other items in 2007 was \$0.12 per Class B share. In addition, the Company recorded favourable tax adjustments of \$9.9 million or \$0.30 per share. The net gain of the restructuring and other items and favourable tax adjustments in 2007 was \$0.42 per share.

In 2009, the tax rate from continuing operations was 40.8% compared to 34.1% and 16.5%, respectively, in 2008 and 2007. The effective rate in 2009 was higher than the combined Canadian federal and provincial tax rate of 31.0% in 2009. The 2009 effective tax rate reflects a one-time charge of \$9.3 million for U.S. withholding taxes on a transaction that entailed the U.S. operations assuming internal debt to pay a dividend to the Canadian parent. Assuming the mix of income remains the same in the future, this internal debt transaction may decrease the overall effective tax rate by approximately 3%–4% in future periods. This was partially offset by \$7.8 million of income (a reduction in income tax expense) related to an accounting adjustment to benefit certain Canadian tax losses. This benefit is related to the unrealized foreign exchange gains on the Company's U.S. dollar-denominated debt resulting from the strengthening of the Canadian dollar during the period. This benefit will fluctuate with the movement in the Canadian dollar versus the U.S. dollar and as such this benefit would reverse in all or in part in the future if the Canadian dollar weakens and would grow larger if it strengthens. In addition, a portion of the restructuring and other items incurred was similarly not subject to a tax benefit. Excluding the U.S. withholding taxes, the benefit from the Canadian tax losses and restructuring and other items, the overall effective tax rate was 37.3%. The current year was negatively impacted by an unfavourable mix of income earned in higher taxed jurisdictions versus lower taxed jurisdictions.

The effective rate in 2008 was higher than the combined Canadian federal and provincial tax rate of 31.5% in 2008. In 2008, the goodwill impairment loss was not subject to a tax benefit, and a portion of the restructuring and other items incurred was similarly not subject to a tax benefit. Excluding the goodwill impairment loss and restructuring and other items, the tax rate from continuing operations in 2008 would have been 24.2%. In 2007, the effective tax rate was lower than the combined Canadian federal and provincial tax rate of 34.1%. In 2007, tax rates were positively affected by tax rate reductions in Canada and foreign jurisdictions and other adjustments for a total of \$9.9 million. The tax rate would have been 25.9% in 2007 if the above-noted tax expense reductions and restructuring and other items were excluded.

Approximately 91% of CCL's sales are from products manufactured in plants outside of Canada, and the income from these foreign operations is subject to varying rates of taxation. The Company's effective tax rate varies from year to year as a result of the level of income in the various countries, recognition or reversal of tax losses, tax reassessments and income and expense items not subject to tax. The Company's tax rate may increase in the future since the Company may not be able to tax-benefit its future tax losses in certain countries.

On November 20, 2007, ColepCCL was sold and is classified as discontinued operations. Net earnings from this business for the part year of 2007 were \$11.0 million. In addition, a gain of \$43.5 million was recorded upon the sale of the business in 2007.

Net earnings for 2009 of \$42.2 million compare to \$48.0 million in 2008 and \$147.9 million in 2007. Net earnings per Class B share amounted to \$1.31 in 2009 versus the \$1.50 recorded in 2008 and \$4.59 in 2007. The reductions in earnings and earnings per Class B share in 2009 compared to 2008 were primarily due to the lower operating income due to the global economic downturn, higher corporate expenses, higher interest expense, the unfavourable impact of restructuring and the other items in 2009 versus 2008, unfavourable tax adjustment related to U.S. withholding taxes, partially offset by goodwill impairment loss in 2008. The decreases in earnings and earnings per Class B share in 2008 compared to 2007 were primarily due to the goodwill impairment loss in 2008, the unfavourable impact of restructuring and the other items in 2008 versus 2007, the significant gain on the sale of ColepCCL in 2007 and slightly higher earnings from operations in 2007. Diluted earnings per Class B share were \$1.29 in 2009, \$1.46 in 2008 and \$4.42 in 2007.

Foreign currency translation had a negative impact of \$0.01 per share in 2009. There was no net impact on earnings per share from foreign currency translation in 2008 as gains in operating income were offset by higher interest costs. The positive effect on currency transactions in the Container Division's Canadian operation due to the appreciation of the U.S. dollar was \$0.04 per share in 2009 compared to 2008 and was a negative effect of \$0.01 per share in 2008 compared to 2007.

Adjusted basic earnings per Class B share from continuing operations (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) were \$1.77 in 2009, down 30% from \$2.54 in 2008.

The progress of our earnings growth is of primary importance to our shareholders, lenders, employees and the financial community. This progress is measured based on earnings per Class B share and can be seen in the following table. The gain from the sale of the ColepCCL business in 2007 is excluded for this purpose and the financial results of ColepCCL in 2007 have been restated as discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

Earnings per Class B Share

	2009	2008	2007
Continuing operations	\$ 1.31	\$ 1.50	\$ 2.90
Net (loss) gain from goodwill impairment loss, restructuring and other items and tax adjustments included in continuing operations	(0.46)	(1.04)	0.42
Adjusted basic earnings from continuing operations*	\$ 1.77	\$ 2.54	\$ 2.48
Discontinued operations	\$ —	\$ —	\$ 0.34

* This is a non-GAAP measure. Refer to "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

F) Seasonality and Fourth Quarter Financial Results

2009	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Sales					
Label	\$ 257.5	\$ 248.9	\$ 244.8	\$ 238.2	\$ 989.4
Container	38.1	35.4	31.5	34.9	139.9
Tube	18.5	17.0	18.0	16.2	69.7
Total sales	\$ 314.1	\$ 301.3	\$ 294.3	\$ 289.3	\$ 1,199.0
Divisional operating income (loss)					
Label	\$ 39.1	\$ 28.4	\$ 30.7	\$ 30.2	\$ 128.4
Container	(0.3)	(0.1)	(2.8)	(3.8)	(7.0)
Tube	0.5	0.7	1.0	0.8	3.0
Operating income	39.3	29.0	28.9	27.2	124.4
Corporate expenses	4.4	5.4	2.6	4.1	16.5
Interest expense, net	34.9	23.6	26.3	23.1	107.9
Restructuring and other items – net gain (loss)	8.2	7.6	7.0	6.5	29.3
Operating income before income taxes	26.7	16.0	19.3	16.6	78.6
Income taxes	(1.7)	(0.4)	—	(5.2)	(7.3)
Earnings before income taxes	25.0	15.6	19.3	11.4	71.3
Income taxes	8.2	6.7	2.7	11.5	29.1
Net earnings (loss)	\$ 16.8	\$ 8.9	\$ 16.6	\$ (0.1)	\$ 42.2
Per Class B share					
Net earnings	\$ 0.52	\$ 0.28	\$ 0.51	\$ —	\$ 1.31
Diluted earnings	\$ 0.51	\$ 0.27	\$ 0.51	\$ —	\$ 1.29
Goodwill impairment loss, restructuring and other items and tax adjustments included in net earnings – net gain (loss)	\$ (0.04)	\$ (0.01)	\$ —	\$ (0.41)	\$ (0.46)

2008		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Sales						
Label	\$	237.9	\$ 258.4	\$ 237.1	\$ 237.9	\$ 971.3
Container		41.5	39.2	36.9	37.3	154.9
Tube		15.7	15.2	15.8	16.1	62.8
Total sales	\$	295.1	\$ 312.8	\$ 289.8	\$ 291.3	\$ 1,189.0
Divisional operating income (loss)						
Label	\$	37.2	\$ 39.7	\$ 30.1	\$ 27.3	\$ 134.3
Container		5.4	2.8	2.8	(1.7)	9.3
Tube		0.1	0.3	0.2	(1.4)	(0.8)
Operating income		42.7	42.8	33.1	24.2	142.8
Corporate expenses		2.4	4.2	1.8	3.1	11.5
		40.3	38.6	31.3	21.1	131.3
Interest expense, net		4.2	5.9	6.1	7.7	23.9
		36.1	32.7	25.2	13.4	107.4
Goodwill impairment loss		—	—	—	(31.4)	(31.4)
Restructuring and other items – net gain (loss)		2.3	(0.5)	1.7	(6.6)	(3.1)
Earnings (loss) before income taxes		38.4	32.2	26.9	(24.6)	72.9
Income taxes		10.9	8.1	4.8	1.1	24.9
Net earnings (loss)	\$	27.5	\$ 24.1	\$ 22.1	\$ (25.7)	\$ 48.0
Per Class B share						
Net earnings (loss)	\$	0.85	\$ 0.75	\$ 0.70	\$ (0.80)	\$ 1.50
Diluted earnings (loss)	\$	0.82	\$ 0.73	\$ 0.68	\$ (0.80)	\$ 1.46
Goodwill impairment loss, restructuring and other items and tax adjustments included in net earnings – net gain (loss)	\$	0.05	\$ 0.01	\$ 0.05	\$ (1.15)	\$ (1.04)

Fourth Quarter Results

Sales from continuing operations for the fourth quarter of 2009 were \$289.3 million, down 1% from \$291.3 million recorded in last year's fourth quarter. Currency translation had a significant unfavourable impact on sales performance in 2009. Excluding currency translation, sales for the fourth quarter in 2009 increased by 7% compared to the prior year period. This increase was primarily from 6% of organic growth and the remaining 1% from acquisitions. Excluding currency translation, all operating segments showed increased sales, with the Label, Tube, and Container Divisions up \$14.6 million, \$2.4 million and \$3.5 million, respectively.

The unfavourable effect of currency translation on fourth quarter sales reflects the 13% depreciation of the U.S. dollar, the 9% depreciation of the U.K. pound sterling and, to a lesser degree, the 2% depreciation of the euro relative to the Canadian dollar in 2009 compared to average exchange rates in the comparable 2008 period. This resulted in an overall 8% negative impact on total sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

Divisional operating income in the fourth quarter of 2009 was \$27.2 million, up \$3.0 million, or 12%, from \$24.2 million in the fourth quarter of 2008. The income growth would have been 28% were it not for significant unfavourable currency translation effects. The increase in operating income came from Label up \$2.9 million and Tube up \$2.2 million while Container had a decrease of \$2.1 million. Foreign currency transactions also negatively impacted Container's Canadian operation by \$0.2 million in the fourth quarter of 2009 relative to 2008, due to the weakening of the U.S. dollar.

EBITDA (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) for the fourth quarter of 2009 was \$49.0 million, up 9% from the \$44.9 million in the comparable 2008 period. Excluding the unfavourable impact from currency translation, EBITDA increased by 22% in the fourth quarter of 2009 compared to the prior year period.

Corporate expenses of \$4.1 million were up by \$1.0 million due primarily to higher insurance costs in 2009 versus 2008.

Net interest expense of \$6.5 million in this year's fourth quarter was down by \$1.2 million from last year's \$7.7 million due primarily to lower debt levels, lower interest rates and favourable currency translation on U.S. dollar-denominated interest.

Restructuring and other items in the fourth quarter of 2009 were a net loss of \$5.2 million (\$3.8 million after tax). The restructuring and other items, the details of which were explained earlier under the annual financial results, consisted of pension settlement in the U.K. of \$3.5 million (\$2.5 million after tax), closure costs for the Avelin, France plant of \$0.3 million (with no tax effect), severance costs for European Label operations of \$1.3 million (\$1.1 million after tax), closure costs for the Mexican Tube plant of \$0.1 million (\$0.1 million after tax) and closure costs for the Burgess Hill, U.K., plant of \$0.5 million (\$0.3 million after tax). This was marginally offset by a gain on a repatriation of capital from foreign subsidiaries of \$0.5 million (with no tax effect).

In the fourth quarter of 2008, a non-cash goodwill impairment loss of \$31.4 million was recorded for the Tube Division with no tax benefit. Restructuring and other items in the fourth quarter of 2008 totalled \$6.6 million (\$5.5 million after tax). Restructuring and other items consisted of the loss provision for the residual lease payments and exit costs for the Tube Division's building in Los Angeles, CA, as a result of its move to a new location, of \$3.1 million (\$2.0 million after tax) and the loss on the shutdown of the Avelin, France, operation in the Label Division of \$3.5 million with no tax effect.

Tax expense in the fourth quarter of 2009 was \$11.5 million. The fourth quarter's tax expense reflects the \$9.3 million charge for the U.S. withholding taxes on the internal re-leveraging project partially offset by \$1.9 million benefit on Canadian tax losses. Both items were discussed above in Section E: Consolidated Annual Financial Results. Excluding the U.S. withholding taxes, the benefit from Canadian tax losses and restructuring and other items, the overall effective tax rate was 32.8%. This is higher than the Canadian federal and provincial tax rate of 31.0% as the current year was negatively impacted by an unfavourable mix of income earned in highly taxed jurisdictions versus lower taxed jurisdictions.

Tax expense in the fourth quarter of 2008 was \$1.1 million. The net loss from continuing operations before tax was \$24.6 million; however, the goodwill impairment loss and the shutdown of the Avelin, France, operation were not subject to a tax recovery. Excluding the goodwill impairment loss and restructuring and other costs, the effective tax rate was 16.6%. This is lower than the Canadian federal and provincial tax rate of 31.5% as the Company has benefited from lower overall tax rates in foreign jurisdictions.

The net loss in the fourth quarter of 2009 was \$0.1 million compared to \$25.7 million of net loss in last year's fourth quarter.

Earnings per Class B shares were nil in the fourth quarter of 2009, compared with the \$0.80 loss per Class B share in the fourth quarter of 2008. Unfavourable currency translation increased the loss per share from continuing operations, compared to last year, by \$0.05 per share, and unfavourable currency transactions increased the loss per share from continuing operations by \$0.01.

Restructuring and other items negatively affected Class B earnings per share by \$0.41 in the fourth quarter of 2009. In 2008, the goodwill impairment loss negatively affected Class B earnings per share by \$0.97, and restructuring and other items negatively affected Class B earnings per share by \$0.18.

Adjusted basic earnings per Class B share from continuing operations (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) were \$0.41 in the fourth quarter of 2009, up 17% from \$0.35 in the corresponding quarter of 2008.

The following table provides context for the comparative performance of the business. If the impact of the goodwill impairment loss, restructuring and other items and tax adjustments were excluded from these results, earnings per share was slightly above the prior year's performance after a significant decrease in 2008 versus 2007.

Earnings per Class B Share

	Fourth Quarter		
	2009	2008	2007
Earnings (loss) from continuing operations	\$ —	\$ (0.80)	\$ 0.64
Net (loss) gain from goodwill impairment loss, restructuring and other items and tax adjustments included in continuing operations	(0.41)	(1.15)	0.14
Adjusted basic earnings from continuing operations*	\$ 0.41	\$ 0.35	\$ 0.50
Discontinued operations	\$ —	\$ —	\$ 0.04

* This is a non-GAAP measure; refer to "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

Summary of Seasonality and Quarterly Results

Sales and net earnings comparability between the quarters of 2009 and 2008 was primarily affected by the global economic downturn, the impact of weakening foreign currencies relative to the Canadian dollar, the timing of acquisitions and divestitures, and the effect of goodwill impairment loss, restructuring, tax adjustments and other items.

The Label Division has generally experienced strong demand in its existing and newly acquired operations in the past few years. The Division experienced sales declines, excluding the impact of currency translation, in the first half of 2009 as a result of the significant slowdown in the global economy. Sales growth returned in the second half of 2009 as business conditions improved and comparative results eased as Europe entered the economic downturn in the third quarter of 2008. The fourth quarter sales were strong with organic growth of 5% excluding the impact of currency translation and acquisitions. This reflects the stabilization of the North American economy and possible signs of recovery in Europe. Sales growth for Asian and Latin American markets remains robust, albeit both combined account for approximately 13% of the Division's total revenues.

Return on sales (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) for the Label Division in 2003 was 8.2% but has grown to 13.8% in 2008 and 13.0% in 2009. This slight decrease in margin reflects the current mix of products and the impact of volume reduction in some product lines. This level of return is in line with internal targets and reflects the Division's continued strategy of capitalizing each operation with world-class equipment, servicing our international customers on a global basis and meeting their unique product needs.

The Container Division continued to experience volume declines in 2009, along with the negative impact of aluminum hedges not related to customer contracts, lower income from scrap aluminum and a challenging price environment. The volume declines were driven by the weak sales in the premium personal care business in North America and softer markets for beverage bottles. The Division responded to these challenges in 2009 by reducing its operating costs where possible. In 2008, sales volume in personal care also declined along with the U.S. economy, and significant fluctuations in aluminum costs provided margin challenges although to a lesser extent than in 2009. This business has a relatively high fixed overhead such that changes in volume have a significant effect on incremental margin gains and losses. Return on sales of the Container Division for 2009 was negative 5.0% compared to positive returns of 6.0% in 2008 and 9.8% in 2007.

The Tube Division experienced improved performance in 2009 resulting from organic sales growth, operational efficiencies and the favourable impact of currency translation. Sales growth in the second half of 2009 more than offset the declines experienced in the beginning of the year. The increase relates to new business wins in a difficult environment with soft demand in the Personal Care market and pricing pressures. In 2008, the difficult U.S. economy, rising commodity costs and operational challenges resulted in a negative performance. In addition, during the last half of 2008, the business moved its operation from a large leased facility in Los Angeles, CA, to a special purpose leased building, which was disruptive to the business during the transition. Return

on sales for 2009 for the Tube Division was positive 4.3% compared to a negative return of 1.3% in 2008 and a positive return of 0.7% in 2007. At the end of 2008, management determined that the carrying value of the goodwill related to the Tube Division was impaired and wrote off the entire amount of \$31.4 million (see Section 2D: "Tube Division" later in this report).

Net earnings in 2009 were down 12% from 2008 due primarily to reduced operating income in the Label and Container Divisions, higher corporate and interest expenses and an unfavourable tax adjustment in 2009, partially offset by goodwill impairment loss in 2008. Excluding the effect of goodwill impairment loss recorded in the fourth quarter of 2008, all four quarters in 2009 had lower net earnings than the prior year, although the decline was lower in the second half of 2009. The 2009 quarterly results were also impacted by higher corporate and interest expenses, and the unfavourable tax adjustment discussed earlier in the report, while the prior year quarter included the goodwill impairment charge.

Based on the trends of the last few years as the business has evolved via acquisitions and divestitures, the first quarter has generally been the strongest quarter and the fourth quarter the weakest and most volatile while the second and third quarters have been average. Major factors in seasonality are related to summer shutdowns in the third quarter and U.S. Thanksgiving and the Christmas holiday season in the fourth quarter. The first quarter is generally stronger as customers roll out new marketing programs and rebuild inventory into the supply-chain at the beginning of the year. Certain of our businesses are seasonal, such as the beverage sector's higher demand in the spring and summer and the agriculture-chemical business as it ramps up in the winter and spring for the planting season.

2. BUSINESS SEGMENT REVIEW

A) General

All divisions invest significant capital and management effort in their facilities in order to develop world-class manufacturing operations, with spending allocated to cost-reduction projects, the development of innovative products, the maintenance and expansion of existing capacity and the continuous improvement in health and safety in the workplace, including environmental activities. In the last several years prior to 2009, CCL's capital spending was significantly higher than its depreciation expense in order to take advantage of new market and product opportunities and to improve infrastructure and operating performance. Capital spending in 2009 is in line with depreciation expense as the Company has decreased its capital investments due to the global economic downturn. Further discussion on capital spending is provided in the Divisions' sections below.

Although each division is a leader in market share or has a significant position in the markets it serves in each of its operating locales, it also operates generally in a mature and competitive environment. In recent years, consumer products and healthcare companies have experienced steady pressure to maintain or even reduce prices to their major retail and distribution customers. Consumer product and healthcare customers and their retail and distribution customers continue to experience consolidation in their industries. This has, in turn, resulted in a discipline throughout the supply-chain for reducing costs in order to maintain reasonable profit margins at each level in the supply-chain. This has become more evident in the global economic crisis over the past 18 months. The fluctuation in commodity costs has also created challenges to meet the pricing concerns of our customers. This dynamic has been an ongoing challenge for CCL and its competitors, requiring greater management and financial control and flexible cost structures. Unlike some of its competitors, CCL has the financial strength to invest in the equipment and innovation necessary to constantly strive to be the highest value-added producer in the markets that it serves.

The cost of many of the key raw material inputs for CCL, such as plastic film, paper, specialty chemicals, aluminum and plastic resins, is dependent on the economics within the petrochemical and energy industries. The significant cost fluctuations for these inputs have an impact on the Company's profitability. Until the middle of 2008, booming global demand had caused a tremendous increase and instability in the cost of these commodities. Since that time, most of these commodities have seen a dramatic reduction in pricing. CCL generally has the ability, due to its size and the use of long-term contracts with both its suppliers and its customers, to moderate fluctuations in costs from its suppliers and to pass on price increases to its customers, in order to recover such increases, and to decrease prices to customers in line with commodity price reductions. The success of the business is dependent on each business managing the cost-and-price equation with suppliers and customers. The cost of aluminum represents the largest component of the Container Division's costs. The significant fluctuations in aluminum costs over the past three years has made it very challenging to manage pricing with our customers who are generally more accustomed to stable pricing in its other product lines.

Most of our facilities are in locations with adequate skilled labour, resulting in moderate pressure on wage rates and employee benefits. CCL's labour costs are competitive in each of its businesses. The Company uses a combination of annual and long-term incentive plans specifically designed for corporate, divisional and plant staff to focus key employees on the objectives of achieving annual business plans and creating shareholder value through growth, innovation, cost reductions and cash flow generation in the longer term.

A driver common to all divisions for maximizing operating profitability is the discipline of pricing orders based on size, including consideration for fluctuations in raw materials and packaging costs, manufacturing efficiency and available capacity. This approach facilitates effective asset utilization and relatively higher levels of profitability. Efficiency is generally benchmarked by production line against a target such as "throughput of quality product" and by order against scrap and output standards. An analysis of total utilization versus capacity available per production line or facility is also used to manage certain segments of the business. In most of the Company's operations, the measurement of each sales order shipped is based on actual selling prices and production costs to calculate the amount of actual profit margin earned and its return on sales relative to the established benchmarks. This process ensures that pricing policies and production performance are aligned in attaining profit margin targets by order, by plant and by division.

Performance measures used by the divisions that are critical to meeting their operating objectives and financial targets are return on sales, cash flow, days of working capital employed and return on investment. Measures used at the corporate level include operating income, return on sales, EBITDA, net debt to total capitalization, ROE and earnings per share (non-GAAP measures; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below). Growth in earnings per share is a key metric. In addition, the Company also monitors earnings per share before restructuring and other items since the timing and extent of restructuring and other items do not reflect or relate to the Company's future ongoing operating performance. Performance measures are primarily evaluated against a combination of prior year, budget, industry standards and other benchmarks to promote continuous improvement in each business and process.

Management believes it has both the financial and non-financial resources, internal controls and reporting systems and processes in place to execute its strategic plan, to manage its key performance drivers and to deliver targeted financial results over time. In addition, the Company's internal audit function provides another discipline to ensure that its disclosure controls and procedures and internal control over financial reporting will be assessed on a regular basis against current corporate standards of effectiveness and compliance.

CCL is not particularly dependent upon specialized manufacturing equipment. Most of the manufacturing equipment employed by the divisions can be sourced from many different suppliers. CCL, however, has the resources to purchase expensive equipment and to build infrastructure in current and new markets because of its financial strength relative to many of its competitors. Most of CCL's direct competitors are much smaller and may not have the financial resources to stay current in maintaining state-of-the-art facilities like CCL's. Certain new manufacturing lines take many months for suppliers to construct, and any delays in delivery and commissioning can have an impact on customer expectations and the Company's profitability. The Company also uses strategic partnerships as a method of obtaining proprietary technology in order to support growth plans and to expand its product offerings. Our major competitive advantage is based on our customer service and process technology, the know-how of our people and the ability to develop proprietary tooling and manufacturing techniques.

The expertise of our employees is a key element in achieving CCL's business plans. This know-how is broadly distributed throughout the Company and its 59 facilities throughout the world; therefore, the Company is generally not at risk of losing its competency through the loss of any particular employee or group of employees. Employee skills are constantly being developed through on-the-job training and external technical education, and are enhanced by our entrepreneurial culture of considering creative alternative applications and processes for our manufactured products.

The nature of the research carried out by the divisions can be characterized as application or process development. As a leader in specialty packaging, the Company spends meaningful resources assisting customers with product development and developing innovative packaging components. While customers regularly come to CCL with concepts and request assistance in developing a commercial packaging solution, the Company also takes innovative packaging concepts to its customers. Company and customer information is protected through the use of confidentiality agreements and by limiting access to our manufacturing facilities. The Company values the importance of protecting its customers' brands and products from fraudulent use and consequently is selective in choosing appropriate customer and supplier relationships.

The Company continues to invest time and capital to upgrade and expand its business systems. This investment is critical in keeping pace with customer requirements and in gaining or maintaining a competitive edge. Software packages are, in general, off-the-shelf systems customized to meet the needs of individual business locations. The Label Division communicates with many customers and suppliers through the Internet, particularly when transferring and confirming printing layouts, designs and colours.

Divisional Financial Results

	2009	2008	2007
Divisional sales			
Label	\$ 989.4	\$ 971.3	\$ 904.4
Container	139.9	154.9	181.5
Tube	69.7	62.8	58.4
Total sales from continuing operations	\$ 1,199.0	\$ 1,189.0	\$ 1,144.3
Sales from discontinued operations	\$ —	\$ —	\$ 199.4
Operating income (loss)			
Label	\$ 128.4	\$ 134.3	\$ 126.9
Container	(7.0)	9.3	17.8
Tube	3.0	(0.8)	0.4
Divisional operating income from continuing operations	\$ 124.4	\$ 142.8	\$ 145.1
Operating income from discontinued operations	\$ —	\$ —	\$ 16.4

Comments on Divisional Income from Continuing Operations

The above summary includes the results of acquisitions and segregates the effect of discontinued operations on reported sales and operating income.

Divisional operating income from continuing operations in 2009 decreased to \$124.4 million from \$142.8 million in 2008, down 13%. The decline in divisional operating income was primarily due to lower sales and margins in the Container Division. Label Division also experienced a decline in operating income, while Tube Division saw an improvement. Return on sales decreased to 10.4% in 2009 compared to 12.0% and 12.7% in 2008 and 2007, respectively. In 2008, divisional operating income from continuing operations decreased by \$2.3 million from \$145.1 million in 2007. The major contributors to this decrease were lower sales and margins in the Container and Tube Divisions, partially offset by organic sales growth and accretive acquisitions in the Label Division.

B) Label Division

Overview

The Label Division is the leading global producer 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, and it also supplies major pharmaceutical, healthcare, durable goods and industrial chemical companies. The Division's product lines include pressure sensitive, shrink sleeve, stretch sleeve, in-mould and expanded content labels and pharmaceutical instructional leaflets. It currently operates 53 facilities located in the United States, Canada, Mexico, Puerto Rico, Brazil, the United Kingdom, France, Germany, the Netherlands, Denmark, Austria, Italy, Poland, China, Thailand, Australia, South Africa, Vietnam and Russia. The two plants in Russia from the CCL-Kontur equity investment formed in December 2007 are included in the above locations.

This Division operates within a sector of the packaging industry made up of a very large number of competitors that manufacture a vast array of product information and identification labels. There are many other label categories that do not fall within the Division's target market. The Company believes that the Label Division is the largest player in its global label markets. Competition mainly comes from single-plant businesses, often owned by private operators, that compete in local markets with CCL. There are a few multi-plant competitors in individual countries but there is no major competitor that has a major presence in both Europe and North America or has the global reach of CCL Label.

CCL Label's mission is to be the global supply-chain leader of innovative premium package and promotional label solutions for the world's largest consumer product and healthcare companies. It aspires to do this from regional facilities that focus on specific customer groups, products and manufacturing technologies in order to maximize management's expertise and manufacturing efficiencies to enhance customer satisfaction. The Label Division is expected to continue to grow and expand its global reach through acquisitions, joint ventures and greenfield start-ups and expand its product offerings in segments of the pressure sensitive label industry that it has not yet entered.

In January 2008, CCL Design, based in Germany, was acquired as the Division's first entry into durable goods labels, servicing the German and European original equipment manufacturing automotive markets. In December 2008, Eltex, also based in Germany, was acquired and has been merged with its complementary neighbour CCL Design. Eltex provides a specialized patented label application to the automotive, consumer durable and information technology hardware markets.

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 March 2009, Ferro Print Western Cape (Pty) Ltd., a privately owned pressure sensitive label company based in South Africa, was acquired for approximately \$3 million in cash. Ferro Print is a leading South African wine label producer with a plant located near Cape Town. This acquisition provides a manufacturing presence to build our position in the important beverage market of South Africa.

All of the above developments have positioned the Label Division as the global leader for pressure sensitive labels within our multinational customer base in the personal care, healthcare, battery, food, beverage, durable goods and specialty label categories.

The Division considers demand for traditional pressure sensitive labels, particularly in North America and Western Europe, to be reasonably mature and, as such, will continue to focus its expansion plans on innovative and higher growth product lines within those geographies with a view to improving overall profitability. In Asia and Latin America, there is expected to be a higher level of economic growth over the coming years and this should provide opportunities for the Division to dramatically improve market share and increase profitability in these regions.

The Division produces labels predominantly from polyolefin films and paper sourced from laminators, using raw material primarily from the petrochemical and paper industries. CCL Label is generally able to mitigate the cost volatility of these components due to a combination of purchasing leverage, agreements with suppliers and its ability to pass on these cost increases to customers. In the pressure sensitive label industry, price changes regularly occur as specifications are constantly changed by the marketers and, as a result, the selling price for these labels is updated, reflecting current market costs.

There is a close alignment in label demand to consumer demand for non-durable goods. Management believes that sales volumes mirroring those of its customers will be attained over the next few years through its focused strategy and by capitalizing on the following customer trends.

Our global customers are limiting the number of suppliers, are expecting a full range of product offerings in more geographies, and are requiring more integration into their supply-chain at a global level, and are concerned with the integrity of their products and the protection of their brands, particularly in markets where counterfeit products are an issue. These issues put many of our competitors at a disadvantage, as does the fact that modern, high-end premium packaging requires significant investments in innovation, printing equipment and technology. Trusted and reliable suppliers are important considerations for global consumer product companies and major pharmaceutical companies. This is even more important during the current economic environment as many smaller competitors have encountered difficulties and customers seek financially viable suppliers.

Label Financial Performance

		2009	% Growth		2008	% Growth		2007
Sales	\$	989.4	2%	\$	971.3	7%	\$	904.4
Operating income	\$	128.4	(4%)	\$	134.3	6%	\$	126.9
Return on sales		13.0%			13.8%			14.0%

The 2009 results include the acquisitions of Eltex GmbH and Ferro Print Western Cape (Pty) Ltd. The 2008 results include the acquisitions of CD-Design and Clear Image, and the Russian investment. The 2007 results include the January acquisition of the ITW sleeve business. Sales in 2009 increased 2% to \$989.4 million from \$971.3 million in 2008, after having increased in 2008 by 7% from \$904.4 million in 2007. As noted earlier, the weakening Canadian dollar had a positive effect on sales and income in 2009. Foreign currency translation was also favourable in 2008 while it had a negative effect in 2007.

Sales growth of 2% in 2009 was driven primarily by the acquisition of CD-Design, Clear Image, Eltex and Ferro Print, as they accounted for 2% of the increase, and foreign currency translation accounted for 1%, partially offset by an organic decline of 1%. The Division experienced strong results in North America in a difficult economic environment with the Healthcare and Specialty segment leading the growth. Lower operating profits were entirely due to declines in Europe where the economy still lags behind the North American markets and the comparative results for the first half of 2009 were difficult. Asian and Latin American markets continue with unabated sales growth. Operating margins continue to be challenged by pressure from customers to reduce costs throughout the supply-chain in these tougher economic times.

North American sales overall were up mid single digits, excluding currency translation. The growth was led by the strong results of the Healthcare and Specialty business where sales grew by high single digits. The increase was in part a result of one-time demand for products directly or indirectly associated with the H1N1 virus and strong sales from agricultural-chemical customers in the lawn and garden segment. The Sleeve business also experienced strong results, although on a small base, driven by new-business wins in the soft drinks beverage market. The Home and Personal Care business had a difficult year, with sales declining by mid single digits, excluding currency translation, as softer demand for high-end consumer products continued and customers reduced their inventory levels. The small U.S. Battery business also declined due to the continued challenges by private label imports from China. Profitability for the North American region improved significantly over the prior year, driven by sales increases and improved business mix.

Sales in Europe declined by high single digits, excluding currency translation, in a very difficult economic environment compared to the prior year, which had very strong results in the first half of the year. The comparatives for the second half of the year eased as the European economic downturn began in the third quarter of 2008. Home and Personal Care sales decreased low single digits primarily due to softer demand, partially offset by gains with key customers. In contrast to the North American market, the Healthcare and Specialty business in Europe decreased mid single digits due to lower demand in the U.K. and Scandinavia. The depreciation of the Swedish krona compounded the decline with lower sales in this important market. Sales in the Sleeve business were slightly below the prior year, reflecting softer demand and the difficult comparatives in the first half of the year. The European Battery business had a difficult year with sales declining double digits as customers continued to experience poor business conditions and increased competition from Chinese private label manufacturers. The Beverage business also experienced a double digit sales decline due to many beer customers suffering from significant lower demand for their premium brands, particularly in the important Russian market. Sales of the Durables business were up due to the full year impact of acquisitions and returning demand in the automotive sector compared to a very weak fourth quarter in 2008. Profitability overall in Europe declined double digits primarily due to lower sales, although it posted an acceptable return on sales which was slightly below the Division's average.

In Latin America, sales grew by high single digits driven by increased demand in the Home and Personal Care business, particularly in Mexico. The performance was aided by easier comparative results where the second half of 2008 was negatively impacted by the depreciation of the peso. The Latin America region continues to deliver the highest return on sales in the Label Division.

The Asia region continued to deliver exceptional sales growth of high single digits. The main driver of the increase was the continued robust demand in China for Home and Personal Care, where sales increased double digits. Sales in Southeast Asia also delivered solid growth. The increase was partially offset by weaker sales in the Battery business which was negatively impacted by poor business conditions and increased competition. Profitability increased despite one-time start-up costs for new facilities in China, Thailand and Vietnam. Return on sales has reached the Division's target range.

Results from the 50% equity investment in Russia are not proportionately consolidated but instead are treated as an equity investment. Although the Company has significant influence over operations, the Russian partner has ultimate control. The equity investment saw some recovery in the second half of the year with business gains in key global customers. Profitability has improved, albeit on a small base, but remains nominal. In addition to generating positive cash flow in the year, the Russian entity has no debt and had positive cash balances at the end of 2009.

Sales at the Australian and South African wine operations met expectations but margins in Australia were hurt by the impact of pricing and the strong Australian dollar. Profits were impacted by start-up expenses for a new wine facility in Portland, Oregon, and acquisition expenses in South Africa. Excluding these costs, profits were nominal.

Operating income of \$128.4 million in 2009 was 4% lower than the \$134.3 million recorded in 2008, which was 6% higher than the \$126.9 million of 2007. Return on sales was 13.0% compared to 13.8% in 2008 and 14.0% in 2007. The slight decline in returns was entirely due to the weaker performance in Europe from the difficult economic conditions, particularly in the Battery and Beverage businesses, and the challenging comparative results for the first half of 2008. Returns overall remain above our internal targets.

The Label Division invested \$91.8 million in capital spending in 2009, after spending \$142.9 million in 2008 and \$130.1 million in 2007. The reduction reflects the global economic slowdown and major plant construction and renovations completed in the prior years. Major expenditures in the year include the construction of our new facilities in Asia and capacity expansions for the Healthcare and Specialty business. Investments in the Label Division are expected to continue in order to increase its capabilities, expand geographically, and replace or upgrade existing plants and equipment that broaden its product offerings internationally and reduce operating costs. Depreciation and amortization for the Label Division was \$75.9 million in 2009 compared to \$66.2 million in 2008 and \$57.4 million in 2007.

C) Container Division

Overview

The Container Division is a leading manufacturer of aluminum specialty containers for the consumer products industry in North America, including Mexico. The key product line is recyclable aluminum aerosol cans for the personal care, home care and cosmetic industries, plus shaped aluminum bottles for the beverage market. It operates from four plants, one each in the United States and Canada and two in Mexico. One of the plants in Mexico is a modern, world-class facility that commenced production in late 2008. The Division functions in a competitive environment, which includes imports and the ability of customers, in some cases, to shift a product to competing alternative technology.

The strategic plan for this Division includes growing its market share through manufacturing excellence, innovation and exceeding customer expectations. The Division invests significant resources in the development of innovative containers such as its highly decorated and shaped aluminum cans and bottles. As the demand for these new, higher value products has grown, the Division has been adapting existing lines and acquiring new lines in order to meet expected overall market requirements and to maximize manufacturing efficiencies. The Division determined that the production of its ABS “Bag-on-Valve” product line in Penetanguishene, Ontario, was a non-core business and, consequently, sold the related assets in April 2008.

Aluminum represents a significant variable cost for this Division. Aluminum is a commodity that is supplied by a limited number of global producers and is traded in the market by financial investors and speculators. Aluminum prices have been extremely volatile in the past few years. Aluminum has continued to have the largest impact on manufacturing costs for the Container Division, necessitating increased focus on selling prices to our customers.

Aluminum trades as a commodity on the London Metals Exchange (“LME”) and the Division has historically used a general hedging program in combination with fixed price contracts with a number of its significant customers. This was done to moderate the fluctuations in the cost of aluminum so that the Division and the customer could potentially reduce cost volatility. However, with the dramatic run-up and then significant reduction in aluminum costs in 2008, it was even more prevalent for customers to commit to fixed cost pricing. This created a significant challenge for the Division in 2009 as the aluminum hedges, arranged earlier in 2008 for general 2009 requirements, were fixed at higher values than current aluminum prices. The Container Division continues to hedge some of its anticipated future aluminum purchases using futures contracts on the LME. The Division has hedged 74%, 39% and 12% of its 2009 and expected 2010 and 2011 requirements, respectively. Hedges not specifically related to customer contracts represented 45% of the 2009 level, while all of the 2010 and 2011 hedges are matched to fixed price customer contracts. The decline in aluminum prices resulted in a negative impact of \$7.8 million in 2009 from hedges not related to customer contracts. The unrealized gain on the aluminum futures contracts as at December 31, 2009 was \$4.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

Management believes the aluminum containers business can return to profitability in the future with all aluminum hedges tied to customer contracts going forward and by obtaining greater operational efficiencies. In the short term, the development and rollout of new aerosol products has moderated, driven by the weak personal care market, while beverage bottles remains highly volatile and dependent on promotional activity in the beer, soft drink and specialty beverage industry. The aluminum container is generally perceived to be more esthetically pleasing by customers and consumers compared to tin plate containers. The biggest risk for the Division's business base relates to customers importing similar containers or shifting their products into containers of other materials such as steel, glass or plastic, leading to a loss in market share. However, certain products and delivery systems can only be provided in an aluminum container. The relative cost of steel versus aluminum containers impacts the marketers' choice of container and may cause volume gains or losses if customers decide to change from one product form to another. The cost of aluminum remained low for the first part of 2009, but escalated rapidly again as commodity prices rose in the second half of the year. Aluminum costs remain the key factor in determining the level of market growth opportunity in the Container Division.

In North America, there is only one other direct competitor in the impact-extruded aluminum container business. CCL believes that it is approximately the same size as its only domestic competitor in its market and has about 50% market share. Other competition comes from South American, Asian and European imports, with currency exchange rates and logistical issues, such as delivery lead times, significantly impacting their competitiveness.

The success of new products promoted heavily in the market will have a material impact on the Division's sales and profitability. Beverage products packaged in our shaped resealable aluminum bottles, for example, are directly impacted by the success or failure of these new products in the market. Another growth opportunity is the possibility of acquiring market share from competitors in existing product lines.

Until early 2006, the Division had not been able to keep up with market demand in the aluminum container business. With both CCL and its major competitor adding significant manufacturing capacity and with softness in market demand, excess capacity was created in 2006 and 2007. However, with improved demand for personal care and beverage containers since that time, there is much less excess capacity in the industry.

In early 2006, the Company commenced the reorganization of the Container business by bringing in a new management team to improve operational effectiveness and to be more responsive to its customers. During 2006 and 2007, overhead was downsized and severance costs were incurred. With the reduced volume levels, management reviewed its asset base and determined that certain production equipment and spare parts inventory were not required for future production and were deemed obsolete and written off. These restructuring activities were recorded as restructuring and other items in 2006 and 2007.

With the strong Canadian dollar in early 2008, the Canadian operation became less cost competitive than operations in Mexico and the United States. Consequently, the Penetanguishene, Ontario, plant was downsized, resulting in restructuring costs in late 2007 and certain production lines were relocated to Mexico. In addition, a new plant was commissioned in Guanajuato, Mexico, and became operational in late 2008. Many global marketers that use aluminum containers have moved production of these products to Mexico. The Company has increased the size of its Mexican operations significantly to access this growing market and to provide low-cost capacity for all of North America.

Container Financial Performance

	2009	% Growth	2008	% Growth	2007
Sales	\$ 139.9	(10%)	\$ 154.9	(15%)	\$ 181.5
Operating income (loss)	\$ (7.0)	n.m.	\$ 9.3	(48%)	\$ 17.8
Return on sales	(5.0%)		6.0%		9.8%

n.m. – not meaningful

Sales decreased by 10% in 2009 after a 15% decrease in 2008 relative to 2007. Sales decreased for the year primarily due to lower volumes, lower aluminum costs passed through to customers and pricing challenges in a weak economy partially offset by a favourable currency translation of 4%. Excluding currency and the divestiture of the ABS "Bag-on-Valve" business in April 2008, sales decreased by 12%. Lower volumes reflect weaker demand in the premium personal care business in North America. Sales in Mexico grew by double digits due to our new plant in Guanajuato, and we now expect the plant to operate close to capacity in the first quarter of 2010.

Operating loss in 2009 was \$7.0 million, a significant deterioration from the \$9.3 million of operating income recorded in the prior year. 2008 operating income was down 48% from \$17.8 million in 2007. The main drivers for the decrease in 2009 were lower volumes, pricing challenges and the negative impact of \$11.1 million related to losses on forward aluminum contracts not related to customer contracts, and lower income from scrap aluminum sales. Return on sales dropped to -5.0% from the 6.0% level in 2008 and 9.8% in 2007. Operating income decreased in 2008 due to lower sales volume, slightly lower margins due to the fluctuation in aluminum costs, and unfavourable currency translation and transactions.

The Penetanguishene, Ontario plant sells the vast majority of its production to the U.S. market. Forward contracts are used to hedge part of the Canadian dollar value of these U.S. dollar sales. Overall, including the hedges, the favourable impact from the exchange rates on the U.S. currency increased income for the Container Division by \$1.7 million in 2009. In 2008, currency transactions had a negative impact of \$0.6 million. The Company has not entered into any forward currency contracts for 2010.

In 2009, the Container Division invested a minimal amount of \$2.9 million in capital compared to the \$36.0 million and \$11.6 million spent in 2008 and 2007, respectively. In 2008, the Division spent a significant portion of its capital on the purchase of land and building in Mexico and the installation of two high-speed aluminum container production lines and related infrastructure there. Depreciation and amortization in 2009 amounted to \$14.8 million, compared to \$10.9 million in 2008 and \$11.3 million in 2007.

D) Tube Division

Overview

The Tube Division is a leading manufacturer of highly decorated extruded tubes for the personal care and cosmetics industry in North America, with a small sales presence in Mexico. It now operates from two plants located in the United States as the Tube Division exited its manufacturing operations in Mexico in the fourth quarter of 2009. The Division operates in a dynamic competitive environment, which includes imports and the ability of customers to shift a product to an alternative package or to other manufacturers.

The long-term plan for the Tube Division is based on market share growth through manufacturing excellence, exceeding customer expectations, and innovation. The Division has invested in equipment that improves the quality of the tube, particularly the detailed graphics that appeal to marketers of high-end products. Despite short-term challenges, the expected market growth over the long term in specialty cosmetics and other personal care and beauty products will be a further opportunity for the business to increase sales and profitability.

There are a handful of competitors to the Tube Division in North America. CCL believes that it is one of three leading suppliers in the U.S. and has about a 15% market share in North America.

Polypropylene caps and closures represent significant variable costs for this Division, and to a lesser extent polyethylene resin. Although resin costs fluctuate significantly, the Division relies on contracts with suppliers to control costs and contracts with customers to manage pricing and to pass on price increases for movements in resins. The industry has traditionally been able to pass on these cost increases over a period of time.

Performance in the plastic tube business improved substantially in 2009 with more effective operations, new world-class decorating equipment and new-business wins. Operational efficiency was improved by the move of the Division's Los Angeles, CA operations in late 2008 from a very large leased building to a smaller, newly constructed leased facility nearby that was customized specifically for plastic tube manufacturing.

The Division continues to believe that the North American plastic tube industry has no recognized leader and has a reputation for poor service and quality. This dynamic provides an opportunity for CCL to increase its plastic tube market share and profitability as it improves its manufacturing effectiveness and reputation. The new Los Angeles facility is a significant step in this process.

Tube Financial Performance

	2009		% Growth	2008		% Growth	2007	
Sales	\$	69.7	11%	\$	62.8	8%	\$	58.4
Operating income (loss)	\$	3.0	n.m.	\$	(0.8)	n.m.	\$	0.4
Return on sales		4.3%			(1.3%)			0.7%

n.m. – not meaningful

Sales in 2009 of \$69.7 million were 11% higher than the \$62.8 million recorded in 2008. Sales increased in 2009 due to organic growth of 4% and the favourable impact of currency translation of 7%. In 2008, sales increased by 8% compared to 2007 reflecting the favourable impact of currency translation. Operating income was \$3.0 million in 2009, compared to an operating loss of \$0.8 million in 2008 and operating income of \$0.4 million in 2007. Operating income in 2009 was higher than 2008 primarily due to increased sales, productivity improvements and mix. The operating loss in 2008 was largely due to disruption, move costs and inefficiencies related to the plant relocation in Los Angeles. Return on sales has increased to 4.3% in 2009 from a negative 1.3% in 2008 and positive 0.7% in 2007.

The Tube Division invested \$4.6 million in 2009 to maintain and expand its manufacturing base, including new equipment for its Los Angeles operations, compared to the \$13.3 million and \$9.6 million spent in 2008 and 2007, respectively. Depreciation and amortization in 2009 amounted to \$8.9 million, compared to \$7.6 million in 2008 and \$6.9 million in 2007.

Goodwill Impairment

In the fourth quarter of 2008, management reviewed the goodwill carrying value on the balance sheet for all of the Company. As a result of this review, it was determined that the goodwill carried in the Tube Division was impaired in 2008. The major considerations that gave rise to the impairment were the operating loss in 2008 for the business, the uncertainty in the U.S. economy and the impact that this recession has had on high-end products such as plastic tubes used for expensive cosmetic creams and lotions.

The valuations for most businesses had dropped considerably in 2008 as evidenced by the reduction in the equity value of public companies in the specialty packaging segment that are comparable to the Tube Division. Consequently, management analyzed the fair market value of the assets of the Tube Division and determined that the entire carrying value of the Division's goodwill was impaired. As a result of this review, the Tube Division recorded a goodwill impairment loss of \$31.4 million with no tax effect in the fourth quarter of 2008.

3. FINANCING AND RISK MANAGEMENT

A) Liquidity and Capital Resources

The Company's financial position continues to be strong. As at December 31, 2009, cash and cash equivalents were \$150.6 million. This compares to \$136.3 million as at December 31, 2008, and \$96.6 million as at December 31, 2007.

Summary of Net Debt

At December 31	2009	2008	2007
Current debt	\$ 49.3	\$ 26.0	\$ 21.2
Long-term debt	448.8	566.6	382.2
Total debt	498.1	592.6	403.4
Cash and cash equivalents	(150.6)	(136.3)	(96.6)
Net debt*	\$ 347.5	\$ 456.3	\$ 306.8

* This is a non-GAAP measure: see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

The foundation of the Company's long-term debt for the last decade has been unsecured senior notes ("notes") held by private U.S. institutions that totalled US\$438.1 million (C\$460.4 million) at December 31, 2009. The notes outstanding were US\$447.5 million (C\$545.0 million) as at December 31, 2008.

In 2009, the Company experienced lower funding needs for capital spending and acquisitions compared to 2008. In the first half of 2008, the Company expended significant funds on acquisitions and committed a record level of capital spending to grow its operational base. To improve its liquidity and strengthen its balance sheet at that time, in September 2008 the Company completed the private placement of unsecured senior notes with U.S. private investors in two tranches: US\$52 million with a five-year term at 5.86% and US\$78 million with a 10-year term at 6.62%. These notes are to be repaid at the end of the term, with interest paid semi-annually. Financial covenants for these notes are substantially similar to the terms of the prior outstanding notes.

All of the senior notes are denominated in U.S. dollars primarily to hedge the Company's net investment in U.S. operations, but a portion of the notes were indirectly swapped into euros as a hedge of the Company's European operations in prior years. Scheduled annual repayments of US\$9.4 million began in September 2002 on one series of notes, and will end in 2012. One tranche of US\$31 million of unsecured notes is scheduled to be repaid in July 2010, with another tranche of US\$60 million to be repaid in 2011. Since the majority of debt and cash are denominated in U.S. dollars, the reported Canadian dollar amounts outstanding for debt and cash have decreased over last year due to currency translation after increases in 2008.

In January 2007, the Company entered into a five-year revolving line of credit with a Canadian chartered bank with total availability of \$95 million. As at the end of 2009, there was no balance outstanding and the credit line remains available to the Company until January 2013.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when they are due. The Company believes its liquidity will be satisfactory for the foreseeable future due to its significant cash balances, its expected positive operating cash flow, its low level of required debt repayments and the availability of its unused revolving credit line. The Company anticipates funding all of its future commitments from the above sources but may raise further funds by entering into new debt financing arrangements or issuing further equity to satisfy its future additional obligations or investment opportunities.

The average interest rate at year-end 2009 on all long-term debt was 5.4% (2008 – 5.8%), factoring in the related interest rate swap agreements ("IRSAs") and cross-currency interest rate swap agreements ("CCIRSAs").

Interest coverage (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) continues at a high level and was 3.7, 5.5 and 5.6 times in 2009, 2008, and 2007, respectively, reflecting lower earnings and higher interest expense.

Balance Sheet Data

	2009	2008	2007
Total assets	\$ 1,645.5	\$ 1,766.7	\$ 1,488.2
Long-term debt	\$ 448.8	\$ 566.6	\$ 382.2
Shareholders' equity	\$ 752.8	\$ 750.5	\$ 717.9
Total debt	\$ 498.1	\$ 592.6	\$ 403.4
Total debt to total book capitalization*	39.8%	44.1%	36.0%
Net debt*	\$ 347.5	\$ 456.3	\$ 306.8
Net debt to total book capitalization*	31.6%	37.8%	29.9%

* This is a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

Net debt, as at December 31, 2009, decreased to \$347.5 million from \$456.3 million as at December 31, 2008, primarily due to favourable currency translation on the U.S. dollar-denominated debt (U.S. dollar rate depreciated 14% over last year's December 31 rate) and higher cash balances. In addition, the Company made the annual payment on one of the senior notes of US\$9.4 million in September 2009. Net debt, as at December 31, 2008, increased to \$456.3 million from \$306.8 million at December 31, 2007, due to the CD-Design and Clear Image acquisitions and the effect of the weaker Canadian dollar on U.S. dollar-denominated debt. As described previously, the majority of the debt is denominated in U.S. dollars.

Net debt to total book capitalization (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) was lower at 31.6% as at December 31, 2009, compared to 37.8% at the end of 2008 and the 29.9% reported at the end of 2007 due to the lower level of debt and higher cash balances. Further information on shareholders' equity follows in Section 3D.

The Company has a five-year, extendible, revolving-term credit line with a Canadian chartered bank for up to \$95 million that expires in January 2013. This is a long-term additional source of credit to manage the Company's cash flow fluctuations. As at December 31, 2009, the credit line was unused.

The Company's committed credit availability at December 31, 2009, was as follows:

	Total Amounts Available
Lines of credit – committed, unused	\$ 91.9
Standby letters of credit outstanding	3.8
Total	\$ 95.7

\$0.8 million of the above commitments expire in 2010. It is anticipated that the Company will renew these commitments as necessary before expiration.

In addition, the Company had uncommitted and unused lines of credit of approximately \$29.2 million at December 31, 2009. The Company's uncommitted lines of credit do not have a commitment expiration date and may be cancelled at any time by the Company or the banks.

B) Cash Flow

Summary of Cash Flows

	2009	2008	2007
Cash provided by operating activities	\$ 150.3	\$ 216.3	\$ 162.2
Cash provided by (used in) financing activities	(20.8)	40.0	23.6
Cash used for investing activities	(99.7)	(230.4)	(201.8)
Effect of exchange rates on cash	(15.5)	13.8	(12.4)
Increase (decrease) in cash and cash equivalents	\$ 14.3	\$ 39.7	\$ (28.4)
Cash and cash equivalents – end of year	\$ 150.6	\$ 136.3	\$ 96.6

In 2009, cash provided by operating activities was \$150.3 million, compared to \$216.3 million in 2008. Cash generated from non-cash working capital in 2009 was negative \$1.3 million compared to positive \$42.8 million in 2008. The decrease in non-cash working capital was due to the collection of the receivable on the sale of ColepCCL of \$74.4 million in 2008. The Company maintains a rigorous focus on its investment in non-cash working capital. Days of working capital employed (a non-GAAP measure; see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below) were 10 at December 31, 2009, as compared to 7 in 2008 and 26 in 2007.

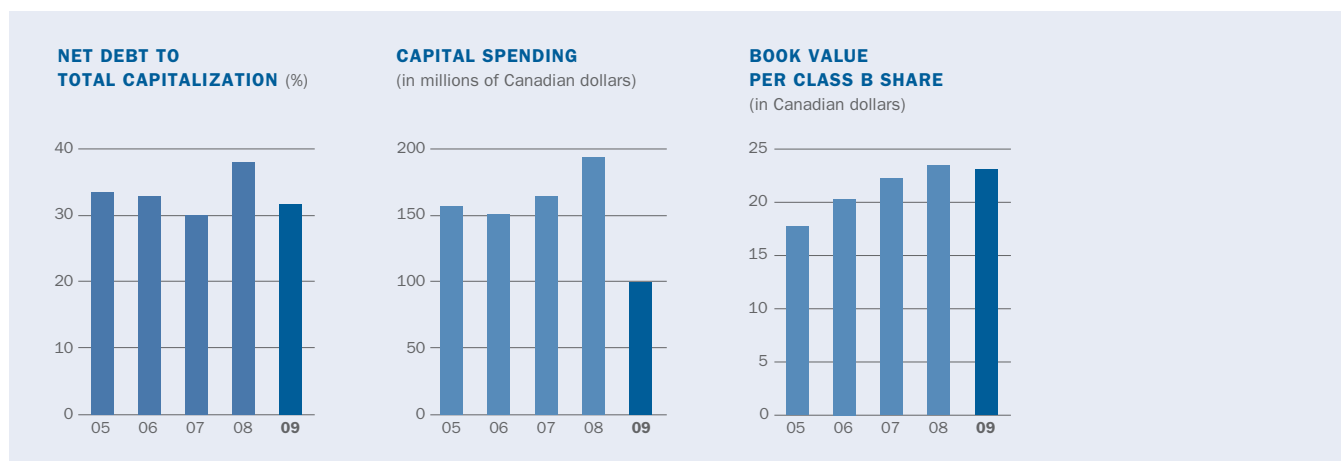
Cash used in financing activities in 2009 was \$20.8 million, consisting primarily of an increase due to proceeds from issuance of long-term debt of \$13.9 million, more than offset by retirement of long-term debt of \$22.7 million and payment of dividends of \$19.2 million.

Cash used for investing activities in 2009 of \$99.7 million was primarily for capital expenditures of \$99.3 million (see below), the acquisition of Ferro Print of \$2.8 million and additional earn out payment on CD-Design acquisition of \$2.7 million, offset in part by proceeds of the disposition of property, plant and equipment of \$4.9 million. Cash increased in 2009 by \$14.3 million and included a negative impact of exchange rates of \$15.5 million.

In 2008, cash provided by operating activities was \$216.3 million, including the cash generated from non-cash working capital (\$42.8 million). The decrease in non-cash working capital in 2008 was due to the collection of the receivable on the sale of ColepCCL of \$74.4 million. Otherwise, non-cash working capital increased due largely to lower accounts payable on capital expenditures in 2009 compared to 2008.

Cash provided by financing activities in 2008 was \$40.0 million, consisting primarily of an increase due to proceeds from issuance of long-term debt of \$184.8 million, partially offset by retirement of long-term debt of \$109.2 million, payment of dividends of \$17.5 million and repurchase of shares of \$18.1 million.

Cash used for investing activities in 2008 of \$230.4 million was primarily for capital expenditures of \$192.8 million (see below), the three acquisitions of \$40.7 million and the further investment in CCL-Kontur in Russia of \$10.7 million, offset in part by proceeds of the product line disposition of \$9.4 million. Cash increased in 2008 by \$39.7 million and included the positive impact of exchange rates of \$13.8 million.



Capital spending of \$99.3 million in 2009, versus \$192.8 million and \$163.5 million in 2008 and 2007, respectively, was incurred in all divisions with a view to increasing capacity based on customers' requirements, expanding globally, implementing cost-reduction programs and maintaining the existing asset base. The reduction in capital expenditures in 2009 reflects the global economic slowdown and the completion of major construction and renovations in the prior years. The level of spending was significantly higher in prior years in order to take advantage of new market opportunities and to improve infrastructure and operating efficiencies. Capital expenditures in 2010 are planned at about \$90 million to facilitate further growth, but capital spending will be monitored closely and adjusted based on the level of cash flow generated, due to the continued uncertainty of market conditions. Depreciation and amortization of other assets for continuing operations in 2009 amounted to \$100.0 million, compared to \$85.1 million in 2008, due to the higher property, plant and equipment base.

C) Interest Rate, Foreign Exchange Management and Other Hedges

The Company uses derivative financial instruments to hedge interest rate, foreign exchange and aluminum cost risks. The Company does not utilize derivative financial instruments for speculative purposes.

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 has periodically hedged a portion of its expected U.S. dollar cash inflows derived from sales into the United States from the Canadian operations, principally the Container plant in Penetanguishene, Ontario. The balance of the U.S. dollar cash inflows was not hedged and was received at the spot exchange rate at the time. In December 2008, the Company entered into hedges selling forward US\$12.0 million of its expected cash inflows throughout 2009 at an average exchange rate of C\$1.19 per U.S. dollar. For 2008, there were no foreign currency hedge transactions that matured. Including these hedges, the change in exchange rates versus the prior year for all U.S. dollar transactional inflows increased income by \$1.7 million or \$0.04 on earnings per share in 2009, compared to negative impacts of \$0.6 million or \$0.01 on earnings per share in 2008 and \$3.9 million or \$0.09 on earnings per share in 2007. The Company currently has not entered into any forward hedges for 2010.

The Company has exposure 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.

The Company uses IRSAs to allocate notional debt between fixed and floating rates since the underlying debt is fixed rate debt with U.S. financial institutions. The Company believes that a balance of fixed and floating rate debt can reduce overall interest expense and is in line with its investment in short-term assets such as working capital, and long-term assets such as property, plant and equipment.

In 2003, the Company entered into an IRSA to convert a tranche of fixed rate debt to floating rate debt. This IRSA converted US\$42.1 million of fixed rate debt (hedging 50% of the 1997 senior notes) into floating rate debt, based on three-month LIBOR rates. The notional amount of this IRSA decreases by US\$4.7 million annually to match the decrease in the principal of the underlying senior notes. The notional value of this IRSA is currently US\$14.0 million.

As the Company has developed into a global business, its financing strategy has been to leverage and hedge the assets and cash flows of each major country with debt denominated in the local currency. Since the Company has been primarily borrowing from U.S. institutions in U.S. dollars, the hedging of U.S. operations has been achieved. The Company has significantly increased its euro-based assets and, consequently, has used CCIRSA's as a means to convert U.S. dollar debt into euro debt to hedge a portion of its euro-based investment and cash flows.

In 2006, the Company entered into two CCIRSA's with a Canadian financial institution, the effect of which was to convert US\$60 million of 5.29% fixed rate debt (hedging the five-year 2006 senior notes) into €50 million of fixed rate debt at 3.82%. The expiry date is in 2011.

Also in 2006, the Company entered into four CCIRSA's with a Canadian financial institution, the effect of which was to convert US\$59.1 million of 6.67% and 6.97% fixed rate debt (hedging 1998 senior notes and 50% of the 1997 senior notes) into €44.9 million of floating rate debt, based on six-month EURIBOR rates. The notional amount of one of the euro legs of the CCIRSA decreases by €3.6 million annually, with the U.S. dollar-denominated leg of another CCIRSA decreasing US\$4.7 million annually to match the decrease in the principal of the underlying senior notes.

The effect of interest earned on these swap agreements was to reduce gross interest expense by \$2.6 million in 2009, compared to a nominal impact in 2008 and a reduction of \$0.5 million in 2007.

The unrealized loss on these contracts was \$13.0 million on December 31, 2009, due primarily to the movement of exchange rates.

The only other material hedges the Company is involved in are aluminum futures contracts in the Section 2C: Container Division.

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 December 31, 2009, the Company's exposure to credit risk arising from derivative financial instruments was \$4.7 million (2008 – nil).

D) Shareholders' Equity and Dividends

Summary of Changes in Shareholders' Equity

For the years ended December 31	2009	2008	2007
Net earnings	\$ 42.2	\$ 48.0	\$ 147.9
Dividends	(19.4)	(17.9)	(15.4)
Repurchase of shares, net of issuance and settlement of exercised stock options and executive share loans	7.7	(12.3)	4.8
Purchase of shares held in trust, net of shares released	2.3	(1.3)	(4.5)
Contributed surplus on expensing of stock options and stock-based compensation plans	(1.0)	(1.9)	2.5
Transition adjustments on adoption of new accounting standards	(0.9)	—	(0.3)
Increase (decrease) in accumulated other comprehensive loss	(30.4)	18.0	(69.7)
Increase in shareholders' equity	\$ 2.3	\$ 32.6	\$ 65.3
Shareholders' equity	\$ 752.8	\$ 750.5	\$ 717.9
Shares outstanding at December 31 – Class A (000s)	2,375	2,375	2,379
– Class B (000s)	30,674	30,181	30,501
Book value per share*	\$ 23.01	\$ 23.37	\$ 22.12

* This is a non-GAAP measure: see "Key Performance Indicators and Non-GAAP Measures" in Section 5A below.

The Company's share repurchase program under the normal course issuer bid ("bid") is utilized to enhance shareholder value when excess cash and credit lines are in place. The repurchase is expected to be accretive to earnings and used when management believes it is the best use of funds at the time. The Company announced that effective March 23, 2009, it intended to acquire under a 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. This bid represented approximately 10% of the public float of each class of shares. During 2009, the Company did not repurchase any Class A or B shares in order to maintain liquidity in these uncertain economic times.

In 2008, the Company repurchased 618,000 Class B shares for \$18.1 million under a previous bid.

The annualized dividend rate before the \$0.01 quarterly dividend increase effective in March 2009 was \$0.51 per Class A share and \$0.56 per Class B share. Including the March 2009 increase, the annualized dividend rate at December 31, 2009, was \$0.55 per Class A share and \$0.60 per Class B share. The Company has historically paid out dividends at a rate of 20% to 25% of normalized earnings. As previously discussed, the current payout rate is 34% and the Company will be increasing the quarterly dividend by 7%, or \$0.01 per share, effective March 31, 2010.

Book value per share (a non-GAAP measure; see “Key Performance Indicators and Non-GAAP Measures” in Section 5A below) as at December 31, 2009, was \$23.01, compared to \$23.37 at the end of 2008 and \$22.12 at the end of 2007.

E) Commitments and Other Contractual Obligations

The Company’s obligations relating to debt, leases and other liabilities at the end of 2009 were as follows:

Contractual Obligations	Total	Payments Due by Period					
		2010	2011	2012	2013	2014	Thereafter
Accounts payable and accrued liabilities	\$ 206.5	\$ 206.5	\$ —	\$ —	\$ —	\$ —	\$ —
Unsecured senior notes issued							
September 2008, 5.86%, repayable							
September 2013 (US\$52.0 million)	54.7				54.7		
Unsecured senior notes issued							
September 2008, 6.62%, repayable							
September 2018 (US\$78.0 million)	82.0						82.0
Unsecured senior notes issued							
March 2006, 5.29%, repayable							
March 2011 (US\$60.0 million)	63.1		63.1				
Unsecured senior notes issued							
March 2006, 5.57%, repayable							
March 2016 (US\$110.0 million)	115.6						115.6
Unsecured senior notes issued							
September 1997, 6.97%,							
repayable in equal instalments							
starting September 2002 and							
finishing September 2012							
(2009 – US\$28.1 million,							
2008 – US\$37.5 million)	29.4	9.8	9.8	9.8			
Unsecured senior notes issued							
July 1998, 6.9% weighted average,							
repayable in three tranches with							
repayments after 12, 15 and							
20 years (US\$110.0 million)	115.6	32.6			29.4		53.6
Interest payments on debt above	147.5	27.2	22.7	21.4	19.1	15.7	41.4
Derivatives:							
Outflow	249.0	82.1	156.1	10.8			
Inflow	(233.2)	(79.0)	(143.8)	(10.4)			
Interest on derivatives	(3.0)	(2.0)	(0.7)	(0.3)			
Capital leases	0.6	0.4	0.2				
Pension benefit liability	27.5	3.4	2.8	2.8	2.8	2.8	12.9
Other long-term debt	20.5	2.3	3.8	9.1	1.8	2.7	0.8
Operating leases	35.8	10.3	7.6	5.3	3.2	1.5	7.9
Total contractual obligations	\$ 911.6	\$ 293.6	\$ 121.6	\$ 48.5	\$ 111.0	\$ 22.7	\$ 314.2

Defined Benefit Pension Plan Obligations

The Company is the sponsor of a number of defined benefit plans in six countries that give rise to accrued pension benefit obligations. The accrued benefit obligation for these plans at the end of 2009 was \$56.1 million (\$52.4 million in 2008) and the fair value of the plan assets was \$20.7 million (\$24.4 million in 2008), for a net deficit of \$35.4 million, compared to \$28.0 million at the end of 2008. The Company has made certain key assumptions to determine the accrued benefit obligation, future funding requirements and pension expense. They are as follows and vary based on the country location and plan specifics:

- Discount rate: 4.9% to 5.8%
- Expected long-term rate of return on assets: 6.0% to 6.5%
- Average remaining service period for amortization: 6 to 17 years

There are two material components to the defined benefit pension plans:

- 1) The Canadian executive plans consist of one registered plan and three unfunded supplemental plans that provide for pensions to the executives in the registered plan but for amounts above the maximum benefit provided by the registered plan. The registered plan has \$4.2 million in assets and a net deficit of \$1.1 million at the end of 2009 (\$3.6 million and \$0.5 million, respectively, at the end of 2008). The net deficit of the unfunded supplemental plans was \$15.3 million at the end of 2009 (\$12.5 million in 2008). These supplemental plans are not legally allowed to be funded. The Company anticipates paying these obligations over time out of cash on hand and cash generated from operations.
- 2) The U.K. plan had \$16.5 million in plan assets at the end of 2009 (\$20.7 million in 2008) and a net deficit of \$8.7 million at the end of 2009 (\$4.3 million in 2008) based on Canadian GAAP. There are no active employees enrolled as members of the plan as all of the members of the plan were employed by businesses previously owned by CCL, such as ColepCCL. Consequently, there are no further current service costs to be incurred and, therefore, the plan is effectively capped with the exception of inflationary pension increases.

In 2009, the Company offered enhanced transfer values to certain members of the U.K. defined benefit pension plan in an effort to reduce its exposure to the actuarial deficit in the U.K. plan. In 2009, the Company contributed a one-time lump sum of \$0.9 million to the plan, plus a further \$3.1 million to buy out certain members who accepted the Company's buyout offer. A further \$0.5 million will be contributed early in 2010 for this same buyout offer. Settlements related to this transfer exercise in 2009 reduced the plan's assets by \$10.7 million. The Company expects to continue to investigate ways to unwind this plan over time including increasing its annual contributions. The Company anticipates that it will fund its obligation out of cash on hand and cash generated by operations in future years.

In 2009, pension expense for all of the plans was \$7.5 million (\$2.4 million in 2008) and funding was \$6.6 million (\$2.7 million in 2008). Pension expense in 2009 reflects the recognition of a \$4.9 million actuarial loss on the settlement of the U.K. transfer exercise. In 2009 and 2008, the Company's net earnings were \$42.2 million and \$48.0 million, respectively. At the end of 2009, the Company had \$150.6 million of cash and cash equivalents on hand and significant unused lines of credit. Compared to the Company's other financial obligations and its current financial resources, these pension plan obligations are relatively small. In addition, the Company is not adding new members to most of these plans so the risk of future growth of the plans and related financial exposure is materially reduced over time. The Company believes that its current financial resources combined with its expected future cash flows from operations will be sufficient to satisfy the obligations under these plans in future years even if there are unfavourable developments related to the key assumptions made to determine future funding requirements.

Other Obligations and Commitments

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 consolidated financial statements. Additionally, a majority of the Company’s post-employment obligations are defined contribution pension plans. There are no defined benefit plans funded with CCL stock.

F) 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, 2009, 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 Canadian GAAP. 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 Canadian GAAP, 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, 2009, 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 financial year ended December 31, 2009.

4. RISKS AND UNCERTAINTIES

The Company is subject to the usual commercial risks and uncertainties from operating as a Canadian public company and as a supplier of goods and services to the non-durable consumer packaging and consumer durable industries on a global basis. These risks and uncertainties could result in a material adverse effect on the business and financial results.

Throughout this report, the Company has discussed the potential impact of the volatile and uncertain economic times that developed in 2008 and continued into 2009 and the Company’s actual and potential responses to mitigate further unfavourable developments. The risk factors described below encompass general commercial risks and uncertainties as well as the specific risks that have developed in these volatile economic times.

A number of these potential risks and uncertainties that could have a material adverse effect on the business, financial condition and results of operations of the Company are listed generally in order of importance as follows:

Uncertainty Resulting from Recent Global Economic Crisis

The Company is dependent on the global economy and overall consumer confidence, disposable income and purchasing trends. A global economic downturn or economic uncertainty, which is currently occurring, can erode consumer confidence and may materially reduce consumer spending. Any decline in consumer spending may negatively affect the demand of customers' products. This decline directly influences the demand for the Company's packaging components used in our customers' products, and may negatively affect the Company's consolidated earnings. In addition, global economic conditions have affected interest rates and credit availability, which may have a negative impact on earnings from higher interest costs or the inability to secure additional indebtedness to fund operations or refinance maturing obligations as they come due. Although the Company has a strong balance sheet, diverse businesses, and a broad geographic presence, it may not be able to manage a reduction in its earnings and cash flow that may arise from lower sales and decreased profits if the current economic global recession continues for an extended period or deteriorates further.

Potential Risks Relating to Significant Operations in Foreign Countries

The Company operates plants in North America, Europe, Latin America, Asia, South Africa and Australia. Sales from Canadian operations in 2009 were 9% of the Company's total sales from continuing operations, similar to the level in 2008. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the period covered. The Company has significant operating bases in both the United States and Europe. In 2009, 37% and 39% of total sales came from Europe and the United States, respectively. The sales from business units in Latin America, Asia, South Africa and Australia in 2009 were 14% of the Company's total sales. In addition, the Company has an equity investment in a Russian business. There are risks associated with operating a decentralized organization in 59 facilities in 19 countries around the world with a variety of different cultures and values. Operations outside of Canada, the United States and Europe are perceived generally to have greater political and economic risks and include our operations in Latin America, Asia and Russia. These risks include, but are not limited to, fluctuations in currency exchange rates, inflation, unexpected changes in foreign law and regulations, government nationalization of certain industries, currency controls, potential adverse tax consequences and local accepted business practices and standards which may not be similar to accepted business practices and standards in North America and Europe. Although the Company has controls and procedures to mitigate these risks, they may have a material negative effect on the consolidated financial results of the Company.

Competitive Environment

The Company faces competition from other packaging suppliers in all the markets that it operates in. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the business, financial condition and results of operations of the Company. This competitive environment may preclude the Company from passing on higher material, labour and energy costs to its customers. Any significant increase in "in-house" manufacturing by customers of the Company could adversely affect the business, financial condition and results of operations of the Company. In addition, the Company's consolidated financial results may be negatively impacted by competitors developing new products or processes that are of superior quality, fit our customers' needs better or have lower costs; consolidation within our competitors or further pricing pressure on the industry by the large retail chains.

Profitability of the Container Division

As previously discussed in the report, the Company's Container Division operated at a substantial loss in 2009 due to the negative impact of aluminum hedges and lower volumes in Home and Personal Care and Beverage markets. The dramatic fluctuation of aluminum costs over the past few years has created challenges to maintain the Company's margins as it is difficult to pass price increases onto customers when costs increase, and to manage customers seeking lower prices when costs decrease. If the Division is not able to pass cost increases onto its customers, restructure operations, and maintain and grow sales volumes to utilize production capacity, it could have a material adverse effect on the business, financial condition and results of operations of the Company.

Foreign Exchange Exposure and Hedging Activities

Sales of products of the Company to customers outside Canada account for a significant portion of the revenue of the Company. Because the prices for such products are quoted in foreign currencies, any increase in the value of the Canadian dollar relative to such currencies, in particular the U.S. dollar and the euro, reduces the amount of Canadian dollar revenues and operating income reported by the Company in its consolidated financial statements. The Company also buys inputs for its products in world markets in several currencies. Exchange rate fluctuations are beyond the Company's control and there can be no assurance that such fluctuations will not have a material adverse effect on the reported results of the Company. The use of derivatives to provide hedges of certain exposures, such as interest rate swaps, forward foreign exchange contracts and aluminum futures contracts, could impact positively or negatively on the Company's operations.

Retention of Key Personnel and Experienced Workforce

Management believes that an important competitive advantage of the Company has been, and is expected to continue to be, the know-how and expertise possessed by its personnel at all levels of the Company. While the machinery and equipment used by the Company are generally available to competitors of the Company, the experience and training of the Company's workforce allow the Company to obtain a level of efficiency and a level of flexibility that management believes to be high relative to the industries in which it competes. To date, the Company has been successful in recruiting, training and retaining its personnel over the long term, and while management believes that the know-how of the Company is widely distributed throughout the Company, the loss of the services of certain of its experienced personnel could have a material adverse effect on the business, financial condition and results of operations of the Company.

The operations of the Company are dependent on the abilities, experience and efforts of its senior management team. To date, the Company has been successful in recruiting and retaining competent senior management. Loss of certain members of the executive team of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations. This could have a material adverse effect on the business, financial condition and results of operations of the Company.

Acquired Businesses

As part of its growth strategy, the Company continues to pursue acquisition opportunities where such transactions are economically and strategically justified. However, there can be no assurance that the Company will be able to identify attractive acquisition opportunities in the future or have the required resources to complete desired acquisitions, or that it will succeed in effectively managing the integration of acquired businesses. The failure to implement the acquisition strategy, to successfully integrate acquired businesses or joint ventures into the Company's structure, or to control operating performance and achieve synergies, may have a material adverse effect on the business, financial condition and results of operations of the Company.

In addition, there may be liabilities that the Company has failed or was unable to discover in its due diligence prior to the consummation of the acquisition. In particular, to the extent that prior owners of acquired businesses failed to comply with or otherwise violated applicable laws, including environmental laws, the Company, as a successor owner, may be financially responsible for these violations. A discovery of any material liabilities could have a material adverse effect on the business, financial condition and results of operations of the Company.

Exposure to Income Tax Reassessments

The Company operates in many countries throughout the world. Each country has its own income tax regulations and many of these countries have additional income and other taxes applied at state, provincial and local levels. The Company's international investments are complex and subject to interpretation in each jurisdiction from a legal and tax perspective. The Company's tax filings are subject to audit by local authorities and the Company's positions in these tax filings may be challenged. The Company may not be successful in defending these positions and could be involved in lengthy and costly litigation during this process and could be subject to additional income taxes, interest and penalties. The Company may not be able to receive a tax benefit from its taxable losses in certain jurisdictions depending on the timing and extent of such losses. This outcome could have a material adverse effect on the business, financial condition and results of operations of the Company.

Fluctuations in Operating Results

While the Company's operating results have over the past several years indicated a general upward trend in sales and net income, operating results within particular product forms, within particular facilities of the Company and within particular geographic markets have undergone fluctuations in the past and, in management's view, are likely to do so in the future. This fluctuation is evident in the 2009 results, which were negatively impacted by the global economic conditions. Operating results may fluctuate in the future as a result of many factors in addition to the global economic conditions, and they include the volume of orders received relative to the manufacturing capacity of the Company, the level of price competition (from competing suppliers both in domestic and in other lower cost jurisdictions), variations in the level and timing of orders, the cost of raw materials and energy, the ability to develop innovative packaging solutions and the mix of revenue derived in each of the Company's businesses. Operating results may also be impacted by the ability to achieve planned volumes through normal growth and successful renegotiation of current contracts with customers and the ability to deliver expected benefits from cost-reduction programs derived from the restructuring of certain business units. Any of these factors or a combination of these factors could have a material adverse effect on the Company's results of operations.

Insurance Coverage

Management believes that insurance coverage of the Company's facilities addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent owner/operator of similar facilities and is subject to deductibles, limits and exclusions that are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis or at current premium levels, that the Company will be able to pass through any increased premium costs or that all events that could give rise to a loss or liability are insurable, nor that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Dependence on Customers

The Company has a modest dependence upon certain customers. The Company's largest customer accounted for about 11% of consolidated revenue for fiscal 2009. The five largest customers of the Company represented approximately 26% of the total revenue for 2009 and the largest 15 customers represented approximately 41% of the total revenue. Although the Company has strong partner relationships with its customers, there can be no assurance that the Company will maintain its relationship with any particular customer or continue to provide services to any particular customer at current levels. A loss of any significant customer, or a decrease in the sales to any such customer, could have a material adverse effect on the business, financial condition and results of operations of the Company. Consolidation within the consumer products marketer base could have negative or positive impacts on the Company's business depending on the nature and scope of any such consolidation.

Environmental, Health and Safety Requirements and Other Considerations

The Company is subject to numerous federal, provincial, state and municipal statutes, regulations, by-laws, guidelines and policies, as well as permits and other approvals related to the protection of the environment and workers' health and safety. The Company maintains active health and safety and environmental programs for the purpose of preventing injuries to employees and pollution incidents at its manufacturing sites. The Company also carries out a program of environmental compliance audits, including independent third-party pollution liability assessment for acquisitions, to assess the adequacy of ongoing compliance at the operating level and to establish provisions, as required, for site restoration plans. The Company has environmental insurance for most of its operating sites with certain exclusions for historical matters. The Company believes it has made adequate provision in its financial statements for potential site restoration costs and other remedial obligations. These site restoration and environmental reserves amounted to \$6.7 million at December 31, 2009.

Despite these programs and insurance coverage, further proceedings or inquiries from regulators on employee health and safety requirements particularly in Canada, the United States and the European Economic Community (collectively, the "EHS Requirements") could have a material adverse effect on the business, financial condition and results of operations of the Company. In addition, changes to existing EHS Requirements or the adoption of new EHS Requirements in the future, changes to the enforcement of EHS Requirements, as well as the discovery of additional or unknown conditions at facilities owned, operated or used by the Company, could require expenditures that might materially affect the business, financial condition and results of operations of the Company, to the extent not covered by indemnity, insurance or a covenant not to sue. Furthermore, while the Company has generally benefited from increased regulations on its consumers' products, the demand for the services or products of the Company may be adversely affected by the amendment or repeal of laws or by changes to the enforcement policies of the regulatory agencies concerning such laws.

Operating and Product Hazards

The Company's revenues are dependent on the continued operation of its facilities and its customers. The operation of manufacturing plants involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. The operations of the Company and its customers are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause personal injury, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Company may become subject to claims with respect to workplace exposure, workers' compensation and other matters. The Company's pharmaceutical and specialty food product operations are subject to stringent federal, state, provincial and local health, food and drug regulations and controls, and may be impacted by consumer product liability claims and the possible unavailability and/or expense of liability insurance. The Company prints information on its labels and containers, which, if incorrect, could give rise to product liability claims. A determination by applicable regulatory authorities that any of the Company's facilities are not in compliance with any such regulations or controls in any material respect may have a material adverse effect on the Company. A successful product liability claim (or series of claims) against the Company in excess of its insurance coverage could have a material adverse effect on the business, financial condition and results of operations of the Company. There can be no assurance as to the actual amount of these liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, could have a material adverse effect on the business, financial condition and results of operations of the Company.

Labour Relations

While labour relations between the Company and its employees have been stable in the recent past and there have not been any material disruptions in operations as a result of labour disputes, the maintenance of a productive and efficient labour environment cannot be assured. Accordingly, a strike, lockout or deterioration of labour relationships could have a material adverse effect on the business, financial condition and results of operations of the Company.

Legal Proceedings

Any alleged failure by the Company to comply with applicable laws and regulations in the countries of operation may lead to the imposition of fines and penalties or the denial, revocation or delay in the renewal of permits and licences issued by governmental authorities. In addition, governmental authorities as well as third parties may claim that the Company is liable for environmental damages. A significant judgment against the Company, the loss of a significant permit or other approval or the imposition of a significant fine or penalty could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, the Company may from time to time be notified of claims that it may be infringing patents, copyrights or other intellectual property rights owned by other third parties. Any litigation could result in substantial costs and diversion of resources, and could have a material adverse effect on the business, financial condition and results of operations of the Company. In the future, third parties may assert infringement claims against the Company or its customers. In the event of an infringement claim, the Company may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licences. The Company may not be successful in developing such an alternative or obtaining a licence on reasonable terms, if at all. In addition, any such litigation could be lengthy and costly and could have a material adverse effect on the business, financial condition and results of operations of the Company.

The Company may also be subject to claims arising from its failure to manufacture a product to the specifications of its customers or from personal injury arising from a consumer's use of a product or component manufactured by the Company. While the Company will seek indemnity from its customers for claims made against the Company by consumers, and while the Company maintains what management believes to be appropriate levels of insurance to respond to such claims, there can be no assurance that the Company will be fully indemnified by its customers nor that insurance coverage will continue to be available or, if available, adequate to cover all costs arising from such claims. In addition, the Company could become subject to claims relating to its prior businesses, including environmental and tax matters. There can be no assurance that insurance coverage will be adequate to cover all costs arising from such claims.

Defined Benefit Pension Plans

The Company is the sponsor of a number of defined benefit plans in six countries that give rise to accrued pension benefit obligations. Although the Company believes that its current financial resources combined with its expected future cash flows from operations and returns on pension plan assets will be sufficient to satisfy the obligations under these plans in future years, the cash outflow and higher expenses associated with these plans may be higher than expected and may have a material adverse impact on the financial condition of the Company.

5. ACCOUNTING POLICIES AND NON-GAAP MEASURES

A) Key Performance Indicators and Non-GAAP Measures

CCL measures the success of the 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 to or replacement of net income or 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. In fact, these additional measures are used to provide added insight into our 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 our shareholders and the investment community. These non-GAAP measures will be found throughout this report and are referenced in this definition section alphabetically:

Adjusted Basic Earnings per Class B Share from Continuing Operations – 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 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 Canadian GAAP measures reported in the consolidated balance sheet as at the periods ended as indicated.

Book Value per Share

At December 31	2009	2008
Total shareholders' equity, end of period	\$ 752.8	\$ 750.5
Number of shares issued and outstanding, end of period (000s)	33,049	32,556
Less: Shares held in trust	(265)	(345)
Executive share purchase plan loans	(75)	(75)
Total adjusted number of shares issued (000s)	32,709	32,136
Book value per share	\$ 23.01	\$ 23.37

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.

The following table reconciles net working capital used in the days of working capital employed measure to Canadian GAAP measures reported in the consolidated balance sheet as at the periods ended as indicated.

Days of Working Capital Employed

At December 31	2009	2008
Accounts receivable – trade	\$ 148.7	\$ 156.0
Other receivables and prepaid expenses	24.3	26.4
Inventory	75.5	87.1
Accounts payable and accrued liabilities	(206.5)	(250.8)
Income and other taxes payable	(10.9)	2.2
Net working capital	\$ 31.1	\$ 20.9
Days in quarter	92	92
Quarter sales	\$ 289.3	\$ 291.3
Days of working capital employed	10	7

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

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, 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 as an important measure by lenders to the Company and is included in the financial covenants for our senior notes and bank lines of credit.

The following table reconciles EBITDA measures to Canadian GAAP measures reported in the consolidated statements of earnings for the periods ended as indicated.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization, Goodwill Impairment Loss, Restructuring and Other Items)

	Fourth Quarter		Year-to-Date	
	2009	2008	2009	2008
Net earnings (loss)	\$ (0.1)	\$ (25.7)	\$ 42.2	\$ 48.0
Corporate expense	4.1	3.1	16.5	11.5
Interest expense, net	6.5	7.7	29.3	23.9
Goodwill impairment and restructuring and other items – net loss	5.2	38.0	7.3	34.5
Income taxes	11.5	1.1	29.1	24.9
Operating income (a non-GAAP measure)	\$ 27.2	\$ 24.2	\$ 124.4	\$ 142.8
Less: Corporate expense	(4.1)	(3.1)	(16.5)	(11.5)
Add: Depreciation and amortization	25.9	23.8	100.0	85.1
EBITDA (a non-GAAP measure)	\$ 49.0	\$ 44.9	\$ 207.9	\$ 216.4

Growth Rate in Earnings per Share – A measure indicating the percentage change in Adjusted Basic 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 (see definition following) including discontinued items, less corporate expense, divided by net interest expense on a 12-month rolling basis.

The following table reconciles operating income used in the interest coverage measure to Canadian GAAP measures reported in the consolidated statements of earnings for the periods ended as indicated.

Interest Coverage

	2009	2008
Operating income (a non-GAAP measure) (see definition below)	\$ 124.4	\$ 142.8
Less: Corporate expense	(16.5)	(11.5)
	\$ 107.9	\$ 131.3
Net interest expense on a 12-month rolling basis	\$ 29.3	\$ 23.9
Interest coverage	3.7	5.5

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.

See EBITDA definition above for a reconciliation of Operating Income measures to Canadian GAAP measures reported in the consolidated statements of earnings for the periods ended as indicated.

Restructuring and Other Items and Tax Adjustments – A measure of significant non-recurring items that are included in net earnings. The impact of restructuring and other items and tax adjustments on a per share basis is measured by dividing the after-tax income of the restructuring and other items and 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.

Restructuring and other items are disclosed in note 4 of the Company's annual financial statements.

Years ended December 31, 2009 and 2008 (Tabular amounts in millions of Canadian dollars, except per share data)

Return on Equity ("ROE") before goodwill impairment loss, restructuring and other items and 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 (net of tax) and tax adjustments by the average of the beginning and end of year shareholders' equity.

The following table reconciles net earnings used in calculating the Return on Equity ("ROE") measure to Canadian GAAP measures reported in the consolidated balance sheet and in the consolidated statements of earnings for the periods ended as indicated.

Return on Equity

	Year-to-Date	
	2009	2008
Net earnings	\$ 42.2	\$ 48.0
Goodwill impairment loss	—	31.4
Restructuring and other items – net gain (net of tax)	5.5	2.0
Net earnings	\$ 47.7	\$ 81.4
Average shareholders' equity	\$ 751.6	\$ 734.2
Return on equity ("ROE")	6.3%	11.1%

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.

The following table reconciles net earnings used in the Return on Sales measure to Canadian GAAP measures reported in the consolidated statements of earnings in the industry segmented information as per note 18(a) of the Company's annual financial statements for the periods ended as indicated.

Industry Segments

Fourth Quarter	Sales		Operating Income (Loss)		Return on Sales	
	2009	2008	2009	2008	2009	2008
Label	\$ 238.2	\$ 237.9	\$ 30.2	\$ 27.3	12.7%	11.5%
Container	34.9	37.3	(3.8)	(1.7)	(10.9%)	(4.6%)
Tube	16.2	16.1	0.8	(1.4)	4.9%	(8.7%)
Total operations	\$ 289.3	\$ 291.3	\$ 27.2	\$ 24.2	9.4%	8.3%

Year-to-Date	Sales		Operating Income (Loss)		Return on Sales	
	2009	2008	2009	2008	2009	2008
Label	\$ 989.4	\$ 971.3	\$ 128.4	\$ 134.3	13.0%	13.8%
Container	139.9	154.9	(7.0)	9.3	(5.0%)	6.0%
Tube	69.7	62.8	3.0	(0.8)	4.3%	(1.3%)
Total operations	\$ 1,199.0	\$ 1,189.0	\$ 124.4	\$ 142.8	10.4%	12.0%

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 Canadian GAAP measures reported in the consolidated balance sheet as at the periods ended as indicated.

Total Debt

At December 31	2009		2008
Current debt, including bank advances	\$ 49.3	\$	26.0
Plus: Long-term debt	448.8		566.6
Total debt	\$ 498.1	\$	592.6

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.

The following table reconciles total debt used in the total debt to total book capitalization measure to Canadian GAAP measures reported in the consolidated balance sheet as at the periods ended as indicated.

Total Debt to Total Book Capitalization

At December 31	2009		2008
Total debt (see table above)	\$ 498.1	\$	592.5
Shareholders' equity	\$ 752.8	\$	750.5
Total debt: total book capitalization	39.8%		44.1%

B) Accounting Policies and New Standards

Accounting Policies

The above analysis and discussion of the Company's financial condition and results of operation are based upon its consolidated financial statements prepared in accordance with Canadian GAAP. A summary of the Company's significant accounting policies is set out in note 1 of the consolidated financial statements. The changes in accounting policies adopted in the current year due to changes in Canadian GAAP are discussed below.

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.

Effective December 31, 2009, the Company adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. These amendments include enhanced disclosure requirements for fair value measurement of financial instruments and liquidity risks.

Recently Issued New 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. 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, 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 (“IFRS”)

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 has designated the Senior Vice President and Chief Financial Officer as the executive responsible for the implementation of IFRS, including the staffing and financial resources required.

The Company has identified the four key phases of this project conversion to be preliminary scoping and planning, detailed impact assessments, implementation and post implementation. Within these four key phases the project is further segregated into rollouts at the plant level versus 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.

The scoping and planning phase which commenced in late 2008 involved the assignment of an internal project leader along with the identification of other key team participants, and development of the overall project plan and project charter. This first phase of the project has been completed.

The detailed impact assessment phase has involved the detailed review of IFRS versus Canadian GAAP to identify changes required as well as any areas involving choices or electives available to the Company. This second phase will also result in the identification of accounting policy changes required, the review and establishment of shell financial statements including new disclosure requirements, and additional staff training. This phase is virtually complete and has now provided the Company with initial estimates of the anticipated financial statement impact. The estimated impact on the financial statements will be continually reassessed throughout 2010 and updates will be presented in subsequent MD&A reports.

The third phase, implementation, will involve the rollout of required changes at the plant level and the corporate level, as well as any system changes required to permit the compilation of financial statement data that is IFRS compliant. Many aspects of the implementation phase have commenced, which assisted with the determination of the initial estimates of the financial impact assessment figures. This phase will also involve updating of the internal controls over financial reporting. Certain attributes of this phase will continue throughout 2010.

The fourth phase, post implementation, will involve monitoring to ensure that all financial data for fiscal 2011 and beyond continues to be IFRS compliant, as well as testing of the internal control over financial reporting in an IFRS environment during 2011.

The timing and completion of certain aspects of the conversion project may require adjustment as the project moves forward, due to changes in the standards between now and January 1, 2011, and variations in the actual length of time to complete each task in the process. However, the Company believes that the appropriate level of resources has been assigned to the project to fulfill the overall project timelines.

Some of the key activities, milestones and status to date are outlined in the table below.

IFRS Implementation Timetable

Key Activity	Milestones	Status to Date
Project Overview		
<ul style="list-style-type: none"> • Project team formation including project lead • Allocate project resources • Develop project plan and charter • Project management methods 	<ul style="list-style-type: none"> • Selection of project lead November 2008 • Selection of outside consultant January 2009, work completed December 2009 • Document project plan and project update methodologies 	<ul style="list-style-type: none"> • Resources have been identified and assigned • Project updates to senior management and the Audit Committee taking place at least quarterly • Staff training is ongoing
Financial Statements		
<ul style="list-style-type: none"> • Identify differences with Canadian GAAP • Identify revised accounting policies for the entity • Develop IFRS financial statement layout including required disclosures • Review elections under IFRS 1 	<ul style="list-style-type: none"> • Initial financial impact assessment of the changes for presentation to senior management and the Audit Committee by February 24, 2010 • Finalize financial statement layout with disclosures during 2010, ready for issuance in Q1 2011 • Review IFRS 1 elections with senior management and the Audit Committee by February 24, 2010 • Finalize and update accounting policy changes/selections by Q2 2010 	<ul style="list-style-type: none"> • Detailed impact assessments to identify the differences has been completed • Revised financial statement layout is complete and review of additional disclosures is well underway • Rollout of changes impacting plants has been completed • Data collection of plant and corporate initial estimates of impacts has been completed and will be updated throughout 2010 • Accounting policy changes and selections are significantly underway
System and Process Changes		
<ul style="list-style-type: none"> • Assess and identify required system changes • Implement required system changes for corporate consolidation and at the plant level as required • Training of plant and corporate finance staff • Review internal controls for changes required 	<ul style="list-style-type: none"> • Implement required system changes that ensure collection of comparative IFRS data throughout 2010 • Amend internal controls for required changes related to IFRS by mid-2010 	<ul style="list-style-type: none"> • System changes required for the implementation of new accounts and financial statement layout are complete • Training of key personnel has commenced and will continue as required • Review of internal control changes has not yet commenced, but is not expected to be significant

Outlined below by topic are some of the areas of expected accounting changes to the Company upon the adoption of IFRS. This information is expected to provide the investor and others with a better understanding of the expected results of the changeover to IFRS and how that will impact the Company's financial statements and operating performance. This information is based upon our most recent review of expectations and that circumstances may arise, such as changes in IFRS standards, which could change these assumptions in the future.

Fixed Assets

IAS 16, Property, Plant & Equipment, requires that fixed assets be broken down into their major components and depreciated separately using a useful life appropriate to that component. As a result of this requirement the Company has reviewed all major fixed asset categories and determined that adjustments will be expected concerning componentization of the "Building" category of our fixed assets. This will result in an opening balance sheet adjustment and the building depreciation will be expensed over a shorter timeframe going forward under IFRS. The Company intends to continue to use historical costs for capital asset valuations.

Share-based Payments

IFRS 2, Share-based Payments, requires for awards that vest in instalments over the vesting period, each instalment is accounted for as a separate arrangement rather than permitting the instalments to be treated as a pool. This will result in a change to the current accounting policy and potentially an opening adjustment upon conversion to IFRS.

Employee Benefits

IAS 19, Employee Benefits, requires an entity to elect an accounting policy choice concerning the treatments of actuarial gains and losses pertaining to defined benefit plans. The Company is still assessing whether it will adopt the option of continuing with the 10% corridor method or 100% recognition of the actuarial gains and losses through other comprehensive income.

Financial Instruments

IAS 39, Financial Instruments: Recognition and Measurement, requires that transactions costs related to financial instruments measured at cost are to be included in the initial measurement of the financial instrument. Canadian GAAP permits the entity to make an accounting policy choice to either include transaction costs in the initial measurement of a financial instrument measured at cost, or immediate recognition in profit and loss. The Company's previous accounting choice was to recognize these transaction costs immediately in the profit and loss; as such, there will be an opening balance sheet adjustment to reflect this required change.

First-Time Adoption of IFRS

The Company's adoption of IFRS will require the application of IFRS 1, *First-Time Adoption of International Reporting Standards ("IFRS 1")*, which provides guidance regarding an entity's initial adoption of IFRS. IFRS 1 generally requires an entity to apply all IFRS with retrospective effect to the end of its first IFRS reporting period. However, IFRS 1 does include certain mandatory exceptions and some limited optional exemptions in specified areas of the various standards. Outlined below are some of the optional exemptions available under IFRS 1 that the Company expects to adopt on the first financial statements under IFRS. Additional options available have not yet been decided by the Company.

- Business Combinations – the Company expects to elect to not restate any business combinations that have occurred prior to January 1, 2010.
- Employee Benefits – the Company expects to elect to recognize any actuarial gains/losses as at January 1, 2010, in retained earnings.
- Borrowing Costs – the Company expects to elect to apply the requirements of IAS 23, Borrowing Costs prospectively from January 1, 2010.

D) Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with Canadian GAAP 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 Financial Statements. The material impact on reported results and the potential impact and any associated risk related to these estimates are discussed throughout this Management's Discussion and Analysis and in the notes to the Consolidated Financial Statements.

Inventory Valuation

Inventories are valued at the lower of cost and net realizable value on the first-in, first-out basis. The cost of work in process and finished goods includes materials, direct labour applied to the product and the applicable share of overhead. In determining the net realizable value, the Company estimates and establishes reserves for excess, obsolete or unmarketable inventory. The reserve is based upon the aging of the inventory, the historical experience, the current business environment and the Company's judgment regarding the future demand for the inventory. If actual demand and market conditions are less favourable than those projected, additional inventory reserves may be needed and the results from operations could be materially affected. A change in the provision would be recorded in the carrying value of inventory and cost of goods sold.

Accounts Receivable

The Company records an allowance for doubtful accounts related to accounts receivable that management believes may become impaired. The allowance is based upon the aging of the receivables, the Company's knowledge of the financial condition of its customers, the historical experience, and the current business environment. If actual collection of receivables and market conditions are less favourable than those projected, additional allowance for doubtful accounts may be needed and the results from operations could be materially affected. A change in the allowance would be recorded in selling, general and administrative expenses.

Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in the businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. Goodwill is not amortized but is required to be tested for impairment at least annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company performs the annual impairment test in the fourth quarter of each year, or more frequently if required as noted above. Impairment testing is done utilizing the two step method, at the reporting unit level by comparing the reporting unit's carrying amount to its fair value. In the assessment of fair value of the reporting unit, the average enterprise value to EBITDA multiple based on comparable companies is used to estimate the enterprise value for each of the reporting units. If the fair value of the reporting unit exceeds its carrying amount, further evaluation is not necessary. However, if the fair value of the reporting unit is less than its carrying amount, further evaluation is required to compare the implied fair value of the reporting unit's goodwill to its carrying amount to determine whether a write-down of goodwill is required. If Step 2 is required, the income approach methodology of valuation is primarily used, which includes the discounted cash flow method as well as other valuation methods. Significant management judgment is required in preparing the forecasts of future operating results that are used in the discounted cash flow method of valuation. In 2009, it was determined that the carrying amount of goodwill was not impaired. In 2008, after performing step 1 as it related to the Tube Division, there were indicators of impairment; therefore, management performed step 2 of the impairment test, which resulted in an impairment charge of \$31.4 million. Since the process of determining fair values requires management judgment regarding projected results and market multiples, a change in these assumptions could impact the fair value of the reporting units resulting in an impairment charge.

Long-Lived Assets

Long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Performance of this evaluation involves management estimates of the associated business plans, economic projections and anticipated cash flows. Specifically, management considers forecasted operating cash flows, which are subject to change due to economic conditions, technological changes or changes in operating performance. An impairment loss would be recognized if the carrying amount of the asset held for use exceeded the discounted cash flow or fair value. Changes in these estimates in the future may result in an impairment charge.

Employee Future Benefits

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans uses the projected benefit method prorated on service and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged as services are rendered. Since these assumptions, which are disclosed in note 17 of the consolidated financial statements, involve forward-looking estimates and are long-term in nature, they are subject to uncertainty and actual results may differ, and the differences may be material.

E) 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 amongst the subsidiaries. These inter-company structures are established on terms typical of arm's length agreements.

The Company has no material related party transactions.

6. OUTLOOK

Despite the significant challenges in 2009 from the global economic recession, the Company is confident about its abilities to deliver strong results and cash flows to support its growth strategy and investment opportunities to maintain our premier position and to further expand its operations geographically in the specialty packaging business. At the same time, maintaining cash and liquidity continues to be a key priority for the Company in these uncertain times. Its financial position remains strong with cash balances over \$150 million and unused credit lines of over \$90 million. The Company also vigilantly managed capital spending to \$99 million during the year, a significantly lower level compared to the last few years, while still taking advantage of investment opportunities in high-growth areas such as Asia and Healthcare and Specialty markets.

Although there were some tentative indications of economic recovery in the second half of 2009, there was still little evidence of entrenched growth globally. The United States' economy appears to be showing sustained recovery, while the European economy remains fragile. Emerging markets of Latin America and Asia continue to grow, albeit from its small revenue base for the Company. Market demand for the Company's products (packaging components of consumer non-durable and certain durable goods) is showing positive signs in the early part of 2010 for all divisions compared to lower levels in the first quarter in 2009.

The global economic outlook for 2010 remains uncertain as governments around the world are trying to cope with record deficits and the related future impacts on consumers. Due to this continued uncertainty, cash flow from operations will remain the key metric in assessing the size of the capital spending program for 2010, and the Company is able to adjust plans as market conditions develop during the year. Many actions have been taken to reduce costs across the divisions. In particular, the Company has developed plans for the Container Division to improve efficiency and improve profitability, although it is unlikely that it will see much improvement in the short term as a recent rise in aluminum costs and fluctuation in foreign currency rates will continue to be a challenge for this division. Pricing pressure will continue in 2010 as global customers seek cost reductions to sustain their margins. The recent strengthening in the Canadian dollar relative to the currencies of CCL's foreign operations, if unchanged from current levels, will have a negative impact on earnings on a comparative basis with 2009, particularly in the first half of 2009. 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 benefit tax losses generated in certain jurisdictions for accounting purposes. It is expected that the Company's tax rate will decrease due to the favourable impact from the U.S. internal debt transaction and improved earnings mix as the business in Europe stabilizes and improves.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in this Annual Report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based upon estimates and judgments. When alternative accounting methods exist, management has chosen those it deems to be the most appropriate to ensure fair and consistent presentation. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

CCL maintains financial and operating systems that include appropriate and effective internal controls. Such systems are designed to provide reasonable assurance that the financial information is reliable and relevant, and that CCL's assets are appropriately accounted for and adequately safeguarded.


The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and reviews the financial statements and Management's Discussion and Analysis; assesses the adequacy of the internal controls of the Company; considers the report of the external auditors; examines the fees and expenses for audit services; and recommends to the Board of Directors the independent auditors for appointment by the shareholders. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual financial statements for issuance to the shareholders.

These consolidated financial statements have been audited by KPMG LLP ("KPMG"), the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of the shareholders. KPMG have full and free access to, and meet periodically with, the Audit Committee.



Geoffrey T. Martin
President and Chief Executive Officer
March 9, 2010



Gaston A. Tano
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of CCL Industries Inc. as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants, Licensed Public Accountants
Toronto, Canada
March 9, 2010

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008 (In thousands of Canadian dollars)

	2009	2008
Assets		
Current assets		
Cash and cash equivalents (note 5)	\$ 150,594	\$ 136,269
Accounts receivable, trade	148,688	155,977
Other receivables and prepaid expenses	24,342	26,443
Income and other taxes receivable	—	2,153
Inventories (note 6)	75,530	87,105
	399,154	407,947
Property, plant and equipment (note 7)	751,592	830,833
Other assets (note 8)	46,182	57,630
Future income tax assets (note 13)	47,440	43,474
Intangible assets (note 9)	42,335	47,537
Goodwill (note 10)	358,794	379,253
	\$ 1,645,497	\$ 1,766,674
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 206,510	\$ 250,764
Income and other taxes payable	10,943	—
Current portion of long-term debt (note 11)	49,290	25,947
	266,743	276,711
Long-term debt (note 11)	448,849	566,575
Other long-term items (note 12)	58,384	66,492
Future income tax liabilities (note 13)	118,764	106,378
	892,740	1,016,156
Shareholders' equity		
Share capital (note 14)	201,339	191,273
Accumulated other comprehensive loss (note 3)	(95,690)	(67,497)
Contributed surplus	3,805	4,826
Retained earnings	643,303	621,916
	752,757	750,518
Commitments and contingencies (note 15)		
	\$ 1,645,497	\$ 1,766,674

See accompanying notes to consolidated financial statements.

On behalf of the Board:



D.G. Lang
Director



G. T. Martin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31, 2009 and 2008 (In thousands of Canadian dollars, except per share data)

	2009	2008
Sales	\$ 1,198,984	\$ 1,189,025
Cost of goods sold	943,507	923,323
Selling, general and administrative expenses	140,966	127,491
Depreciation and amortization	6,678	6,919
	107,833	131,292
Interest, net (note 11)	29,323	23,949
	78,510	107,343
Goodwill impairment loss (note 10)	—	31,386
Restructuring and other items, net loss (note 4)	7,275	3,094
Earnings before income taxes	71,235	72,863
Income taxes (notes 4 and 13)	29,061	24,877
Net earnings	\$ 42,174	\$ 47,986
Earnings and diluted earnings per Class B share (note 14)		
Net earnings	\$ 1.31	\$ 1.50
Diluted earnings	\$ 1.29	\$ 1.46

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2009 and 2008 (In thousands of Canadian dollars)

	2009	2008
Net earnings	\$ 42,174	\$ 47,986
Other comprehensive (loss) income, net of tax:		
Unrealized (losses) gains on translation of financial statements of self-sustaining foreign operations, net of tax expense of \$800 (2008 – nil)	(105,220)	108,500
Unrealized gains (losses) on hedges of net investment in self-sustaining foreign operations, net of tax expense of \$8,767 (2008 – net of tax recovery of \$12,766)	62,831	(80,256)
Unrealized foreign currency translation (losses) gains, net of hedging activities	(42,389)	28,244
Losses on derivatives designated as cash flow hedges, net of tax recovery of \$1,036 (2008 – net of tax recovery of \$1,278)	(3,464)	(667)
Reclassification of losses (gains) on derivatives designated as cash flow hedges to earnings, net of tax recovery of \$4,835 (2008 – net of tax recovery of \$1,145)	15,461	(9,619)
Change in derivatives designated as cash flow hedges	11,997	(10,286)
Other comprehensive (loss) income	(30,392)	17,958
Comprehensive income	\$ 11,782	\$ 65,944

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2009 and 2008 (In thousands of Canadian dollars)

	2009	2008
Share capital (note 14)		
Class A shares, beginning of year	\$ 4,517	\$ 4,525
Conversion of Class A to Class B	—	(8)
Class A shares, end of year	4,517	4,517
Class B shares, beginning of year	199,486	197,398
Stock options exercised, Class B	7,388	5,011
Normal course issuer bid	—	(3,858)
Shares issued (note 2)	—	927
Conversion of Class A to Class B	—	8
Class B shares, end of year	206,874	199,486
Executive share purchase plan loans, beginning of year	(1,258)	(1,258)
Repayment of executive share purchase plan loans	342	—
Executive share purchase plan loans, end of year	(916)	(1,258)
Shares held in trust, beginning of year	(11,472)	(10,161)
Shares released from trust	2,531	3,319
Shares purchased and held in trust	(195)	(4,630)
Shares held in trust, end of year	(9,136)	(11,472)
Share capital, end of year	201,339	191,273
Accumulated other comprehensive loss (note 3)		
Accumulated other comprehensive loss, beginning of year	(67,497)	(85,455)
Transition adjustment on adoption of new accounting standards (note 1(q))	2,199	—
Other comprehensive income (loss)	(30,392)	17,958
Accumulated other comprehensive loss, end of year	(95,690)	(67,497)
Contributed surplus		
Contributed surplus, beginning of year	4,826	6,715
Stock option expense	1,405	1,189
Stock options exercised	(571)	(598)
Stock-based compensation plan	(1,855)	(2,480)
Contributed surplus, end of year	3,805	4,826
Retained earnings, beginning of year	621,916	606,095
Transition adjustment on adoption of new accounting standards (note 1(q))	(1,412)	—
Repurchase of shares (note 14)	—	(14,239)
Net earnings	42,174	47,986
Dividends		
Class A	(1,306)	(1,212)
Class B	(18,069)	(16,714)
Total dividends, end of year	(19,375)	(17,926)
Retained earnings, end of year	643,303	621,916
Total shareholders' equity, end of year	\$ 752,757	\$ 750,518

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008 (In thousands of Canadian dollars)

	2009	2008
Cash provided by (used for)		
Operating activities		
Net earnings	\$ 42,174	\$ 47,986
Items not involving cash:		
Depreciation and amortization	100,004	85,144
Goodwill impairment loss	—	31,386
Stock-based compensation	2,081	2,028
Future income taxes	2,933	6,495
Restructuring and other items, net of tax	5,512	1,965
Gain on sale of property, plant and equipment	(1,128)	(1,464)
	151,576	173,540
Net change in non-cash working capital	(1,296)	42,808
Cash provided by operating activities	150,280	216,348
Financing activities		
Proceeds on issuance of long-term debt	13,904	184,847
Retirement of long-term debt	(22,745)	(109,233)
Issue of shares	6,817	4,413
Purchase of shares held in trust	(195)	(4,437)
Repurchase of shares (note 14)	—	(18,097)
Repayment of executive share purchase plan loans	342	—
Dividends	(18,964)	(17,512)
Cash provided by financing activities	(20,841)	39,981
Investing activities		
Additions to property, plant and equipment	(99,310)	(192,801)
Proceeds on disposal of property, plant and equipment	4,908	4,395
Proceeds on product line disposal	—	9,411
Business acquisitions (note 2)	(5,327)	(40,677)
Long-term investments	—	(10,747)
Cash used for investing activities	(99,729)	(230,419)
Effect of exchange rates on cash	(15,385)	13,757
Increase in cash and cash equivalents	14,325	39,667
Cash and cash equivalents, beginning of year	136,269	96,602
Cash and cash equivalents, end of year (note 5)	\$ 150,594	\$ 136,269

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008 (Tabular amounts in thousands of Canadian dollars, except per share data)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements include the accounts of CCL Industries Inc. (the "Company") and all subsidiary companies since dates of acquisition. Investments subject to significant influence are accounted for using the equity method.

(b) Foreign currency translation

The Company records foreign currency-denominated transactions at the Canadian dollar equivalent at the date of the transaction and translates foreign currency-denominated monetary assets and liabilities at year-end exchange rates. Exchange gains and losses are included in earnings.

The Company's foreign subsidiaries are defined as self-sustaining. Revenue and expense items, including depreciation and amortization, are translated at the average exchange rate for the year. All assets and liabilities are translated at year-end exchange rates and any resulting exchange gains or losses are included in shareholders' equity as part of accumulated other comprehensive income. The revaluation of foreign currency debt, net of related tax, that hedges the net investment in foreign operations is also charged to the accumulated other comprehensive income. Foreign exchange gains and losses on the reduction of net investments in foreign subsidiaries are included in net earnings for the year.

Movement in the accumulated other comprehensive income during the year results from changes in the value of the Canadian dollar in comparison to the U.S. dollar, the U.K. pound sterling, the euro, the Danish krone, the Mexican peso, the Thai baht, the Chinese renminbi, the Brazilian real, the Polish zloty, the Australian dollar, the Russian rouble, the South African Rand and the Japanese yen and from changes in foreign currency-denominated net assets.

Foreign currency transactions within each subsidiary are translated at the rate of exchange in effect at the time of the transaction. Monetary balances held in foreign currencies are translated at the rate of exchange at the end of the period and any gain or loss is recorded in earnings.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in bank and short-term investments with original maturity dates on acquisition of 90 days or less.

(d) Accounts receivable

Accounts receivable represent amounts due to the Company and are recorded net of an allowance for doubtful accounts. The allowance is based upon the aging of the receivables, the Company's knowledge of the financial condition of its customers, the historical experience, and the current business environment.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value on the first-in, first-out basis. The cost of work in process and finished goods includes materials, direct labour applied to the product and the applicable share of overhead. In determining net realizable value, factors such as aging of inventory and future demand for inventory are considered. Allowances are made for slow-moving inventory.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost, which includes costs incurred to place assets into service. Depreciation is provided over the assets' estimated useful lives, primarily on the straight-line basis, using rates varying from 2% to 30% on buildings, and from 7% to 33% on machinery and equipment.

Long-lived assets, including property, plant and equipment subject to depreciation, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses for assets held for use where the carrying value is not recoverable are measured based on fair value, which is measured by discounted cash flows. Impairment losses on any assets held for sale are measured based on expected proceeds less direct costs to sell.

(g) Intangible assets

Intangible assets, consisting primarily of the value of acquired customer contracts and relationships, are amortized over the expected life and any impairment is charged against earnings. The amortization period ranges from 10 to 15 years and is recorded on a straight-line basis. Impairment losses for intangible assets where the carrying value is not recoverable are measured based on fair value. Fair value is calculated by using discounted cash flows.

(h) Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in the businesses acquired over the fair value of the underlying net identifiable tangible and intangible assets arising on acquisitions. Goodwill is not amortized but is required to be tested for impairment at least annually or if events or changes in circumstances indicate that the carrying amount may not be recoverable.

To test impairment, the Company determines whether the fair value of each reporting unit to which goodwill has been attributed is less than the carrying value of the reporting unit's net assets including goodwill, thus indicating potential impairment. If the fair value of the reporting unit exceeds its carrying amount, further evaluation is not necessary. However, if the fair value of the reporting unit is less than its carrying amount, further evaluation is required to compare the implied fair value of the reporting unit's goodwill to its carrying amount to determine whether a write-down of goodwill is required. Any impairment is then recorded as a separate charge against earnings.

(i) Revenue recognition

Revenue is recorded and related costs transferred to cost of sales at the time the product is shipped and ownership transfers to the customer. At that time, persuasive evidence of an arrangement exists, the price to the customer is fixed and ultimate collection is reasonably assured. Revenue for billable services is recognized once services are completed. A provision for sales returns and allowances is established based on an evaluation of product currently under quality assurance review as well as historical sales returns experience.

(j) Employee future benefits

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. Pension costs are determined periodically by independent actuaries. The actuarial determination of the accrued benefit obligations for the plans uses the projected benefit method prorated on service and incorporates management's best estimate of future salary escalation, retirement age, inflation and other actuarial factors. The cost is then charged to expense as services are rendered. Past service costs arising from plan amendments are amortized on a straight-line basis over the expected average remaining service lives of the employees who are members of the plan. Net actuarial gains and losses that exceed 10% of the greater of the benefit obligation and the value of plan assets are amortized over the expected average remaining service lives of the employees who are members of the plan.

(k) Stock-based compensation plan

The Company applies the fair value-based method prescribed by Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 to account for employee stock options. Under the fair value-based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting periods.

(l) Financial instruments

Financial instruments must be classified into one of these five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value depend on their initial classification, as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company designated its cash and cash equivalents as held for trading. Long-term investments are designated as available-for-sale. Cash and cash equivalents and long-term investments are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank advances, accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Company has also elected to expense, as incurred, transaction costs related to long-term debt.

The Company uses various financial instruments to manage foreign currency exposures, fluctuation in interest rates and exposures related to the purchase of raw materials. These financial instruments are classified into three types of hedges: cash flow hedges, fair value hedges and hedges of net investments in self-sustaining operations.

In a cash flow hedging relationship, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of earnings.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted to fair value with the change recorded in net earnings. This change in fair value of the hedged item, to the extent the hedging relationship is effective, is offset by changes in the fair value of the derivative, which is also measured at fair value on the consolidated balance sheet, with changes in value recorded through net earnings.

In a hedge of a net investment in a self-sustaining foreign operation, the portion of the gain or loss on the hedging item that is determined to be an effective hedge is recognized in comprehensive income and the ineffective portion is recognized in net earnings.

(m) Earnings per share

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted earnings per share are computed similarly to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, shares held as security for executive share purchase plan loans outstanding, shares held in trust and deferred share units, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options, shares held in trust and deferred share units were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

(n) Income taxes

The Company is following the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted or substantively enacted tax rates and laws that are expected to be in effect in the years in which the future income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

(o) Exit and disposal costs

The Company recognizes costs associated with exit or disposal activities at fair value in the year in which the liability is incurred. Special termination benefits are recognized at fair value at the communication date.

(p) Use of estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the year. In particular, the amounts recorded for inventories, redundant assets, bad debts, derivatives, income taxes, restructuring, pension and other post-retirement benefits, contingencies and litigation, environmental matters, outstanding self-insured claims, depreciation and amortization of property, plant and equipment, and the valuation of goodwill are based on estimates. Actual results could differ from those estimates.

(q) Changes in accounting policies

Effective January 1, 2009, the Company adopted the new 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.

Effective December 31, 2009, the Company adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. These amendments include enhanced disclosure requirements for fair value measurement of financial instruments and liquidity risks.

(r) Previously adopted accounting policies

Effective January 1, 2008, the Company adopted the amended CICA Handbook Section 1400, General Standards of Financial Statement Presentation, and new Section 1535, Capital Disclosures; Section 3031, Inventories; Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation.

Section 1400 requires management to make an assessment of an entity's ability to continue as a going concern, when preparing financial statements. The adoption of this amendment did not have an impact on the Company's consolidated financial statements.

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

Section 3031 addresses the measurement and disclosure of inventories. This standard provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing and expands the disclosure requirements to increase transparency. The adoption of this section did not have an impact on the Company's consolidated financial statements.

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

(s) 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. For additional information about the transition plan, see Management's Discussion and Analysis of Financial Condition and Results of Operations for 2009.

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. 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, 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. ACQUISITIONS

In March 2009, the Company completed the purchase of Ferro Print Western Cape (Pty) Ltd. ("Ferro Print"). Ferro Print has a factory near Cape Town in the wine growing region of Stellenbosch, South Africa. The purchase price was \$2.8 million.

Details of the transaction are as follows:

Current assets	\$	850
Current liabilities		(719)
Non-current assets at assigned values		1,541
Goodwill		1,085
Net assets purchased	\$	2,757
Total consideration:		
Cash, less nominal cash acquired	\$	2,757

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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On December 31, 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 final purchase price was \$5.0 million, net of cash acquired, based on Eltex earnings for the twelve month period ended December 31, 2008. This amount is adjusted from \$5.2 million recorded in 2008, which had been based on estimated earnings for the same period.

Details of the transaction are as follows:

Current assets	\$	1,135
Current liabilities		(985)
Non-current assets at assigned values		2,252
Future income taxes		(953)
Intangible assets		1,489
Goodwill		2,092
Net assets purchased	\$	5,030
Total consideration:		
Cash, less cash acquired of \$0.9 million	\$	5,030

On April 1, 2008, the Company completed the purchase of Clear Image Labels Pty. Ltd. (“Clear Image”) based in Australia. Clear Image supplies pressure sensitive labels to the Australian wine industry with plants in Sydney, New South Wales, and Barossa Valley, South Australia. Clear Image also exports labels to wine producers in the United States. The Company paid \$33.6 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 could not be sold or transferred until December 31, 2009.

Details of the transaction are as follows:

Current assets	\$	4,880
Current liabilities		(4,205)
Non-current assets at assigned values		10,353
Future income taxes		(2,357)
Intangible assets		5,825
Goodwill		19,151
Net assets purchased	\$	33,647
Total consideration:		
Cash	\$	27,160
Assumed debt		5,560
Restricted shares		927
Total consideration	\$	33,647

On January 31, 2008, the Company purchased CD-Design GmbH, now known as CCL Design GmbH (“CCL 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 paid an additional \$2.7 million in 2009 as CCL Design achieved predetermined levels of earnings for the year ended December 31, 2008. The additional consideration of \$2.7 million, adjusted from \$3.4 million recorded at December 31, 2008, has been recognized as goodwill.

Details of the transaction are as follows:

Current assets	\$	7,101
Current liabilities		(3,135)
Non-current assets at assigned values		2,010
Future income taxes		(584)
Intangible assets		1,184
Goodwill		5,918
Net assets purchased	\$	12,494
Total consideration:		
Cash, less cash acquired of \$0.4 million	\$	8,330
Additional consideration		2,727
Assumed debt		1,437
Total consideration	\$	12,494

3. ACCUMULATED OTHER COMPREHENSIVE LOSS

	2009	2008
Unrealized foreign currency translation losses, net of tax expense of \$10,805 (2008 – net of tax expense of \$1,238)	\$ (99,205)	\$ (58,675)
Gains (losses) on derivatives designated as cash flow hedges, net of tax expense of \$1,519 (2008 – net of tax recovery of \$2,280)	3,515	(8,822)
	\$ (95,690)	\$ (67,497)

The estimated net amount of existing gains reported in accumulated other comprehensive income that is expected to be reclassified to net income within the next 12 months is \$2.8 million.

The transitional adjustment to recognize the impact of EIC-173 in 2009, as described in note 1, resulted in a decrease of \$2.2 million in accumulated other comprehensive loss.

4. RESTRUCTURING AND OTHER ITEMS

	Segment	2009	2008
Pension settlement	Corporate	\$ 4,853	\$ —
Label segment restructuring	Label	2,445	7,056
Repatriation of capital	Corporate	(139)	(1,642)
Tube segment restructuring	Tube	116	3,053
Gain on sale of product line	Container	—	(3,113)
Gain on note receivable	Corporate	—	(2,260)
Loss		\$ 7,275	\$ 3,094
Tax recovery on restructuring and other items		\$ 1,763	\$ 1,129

The Company offered to buy out certain categories of members of the U.K. defined benefit pension plan in 2008. In 2009, payments totalling \$10.7 million were made to members of the plan who accepted the Company's buyout offer. As a result of the settlement, an additional expense of \$4.9 million (\$3.5 million, net of tax recovery) was recorded.

In 2009, the Company, as part of its restructuring of various European operations, recorded provisions for plant closure costs of \$2.4 million (\$2.0 million, net of tax recovery).

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In 2009, the Company repatriated capital from foreign subsidiaries that resulted in a net foreign exchange gain of \$0.1 million (2008 – \$1.6 million gain). For 2009 and 2008, the exchange gain did not give rise to any tax effect. Gains or losses arise from the difference between the exchange rate in effect on the date the capital was returned to Canada, compared to the historical rate in effect when the capital was invested.

In 2009, the Company, as part of the closing of its Mexican tube operation, recorded provisions for severance and closure costs of \$0.1 million (\$0.1 million after tax).

In 2008, the Company, as part of its restructuring of the Rhyl label plant located in Wales and the Avelin label plant located in France, recorded provisions for plant closure and severance costs of \$7.1 million (\$6.1 million after tax).

In 2008, the Company sold the assets of its ABS “Bag-on-Valve” product line from the Container segment to AptarGroup, Inc. for \$9.4 million in cash. CCL Container retained the aluminum aerosol can business and will continue to sell to its existing customers. AptarGroup will separately market the “Bag-on-Valve” product line. The Company recognized a gain on the sale of \$3.1 million (\$2.8 million after tax).

In 2008, the Company, as part of its restructuring of the Los Angeles Tube operations, recorded provisions for plant relocation costs of \$3.1 million (\$2.0 million after tax).

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

5. CASH AND CASH EQUIVALENTS

	2009	2008
Cash	\$ 74,022	\$ 57,937
Short-term investments	76,572	78,332
	\$ 150,594	\$ 136,269

6. INVENTORIES

	2009	2008
Raw materials and supplies	\$ 33,736	\$ 34,405
Work in process	9,949	10,007
Finished goods	31,845	42,693
	\$ 75,530	\$ 87,105

The total amount of inventories recognized as an expense, in cost of goods sold, in 2009 was \$943.5 million (2008 – \$923.3 million), including depreciation of \$93.3 million (2008 – \$78.2 million).

7. PROPERTY, PLANT AND EQUIPMENT

	2009		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 29,640	\$ —	\$ 29,640
Buildings	223,018	52,859	170,159
Machinery and equipment	927,417	375,624	551,793
	\$ 1,180,075	\$ 428,483	\$ 751,592

	2008		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 30,433	\$ —	\$ 30,433
Buildings	230,720	44,744	185,976
Machinery and equipment	1,014,579	400,155	614,424
	\$ 1,275,732	\$ 444,899	\$ 830,833

Construction in progress assets of \$32.7 million (2008 – \$76.1 million) are included in machinery and equipment and represent assets constructed or developed over time. Depreciation commences when these assets become available for commercial use.

8. OTHER ASSETS

	2009	2008
Long-term investments	\$ 20,416	\$ 22,211
Investment in significantly influenced companies	19,449	18,904
Other assets	6,317	16,515
	\$ 46,182	\$ 57,630

Long-term investments primarily consist of government and corporate bonds held by a wholly captive insurance company. This subsidiary acts as a reinsurer of property, casualty and marine risk of affiliated companies.

Other assets include the fair value of cross-currency and interest rate swap agreements.

In 2007, the Company invested in CCL-Kontur, a pressure sensitive label business named CCL-Kontur that services the territories of Russia and the Commonwealth of Independent States. Although the Company has significant influence over the operations, the Russian partner has ultimate control and, consequently, the investment is being carried at its equity value.

9. INTANGIBLE ASSETS

	2009	2008
Intangible assets, primarily customer contracts and relationships	\$ 65,977	\$ 65,620
Accumulated amortization	(23,642)	(18,083)
	\$ 42,335	\$ 47,537

10. GOODWILL

CICA Handbook Section 3062 requires goodwill to be tested for impairment on an annual basis or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. During the current year, the Company completed its annual impairment test whereby the Company estimated the fair value of each reporting segment and compared it to the segment's book value. The resulting fair values were greater than their respective carrying values indicating goodwill was not impaired at December 31, 2009.

In 2008, the estimated fair value for the Tube segment was lower than its carrying value, indicating a potential impairment, which required the Company to perform an additional analysis. Based on this analysis it was determined that the recorded value of goodwill exceeded the fair value and a non-cash write-down of \$31.4 million was required for goodwill related to the Tube segment. The contributing factors to the impairment of goodwill include lower operating results in the Tube segment driven by the negative effect of the U.S. economic downturn on high-end personal care products and the reduction in value of companies in the same packaging segment due to difficult global economic conditions.

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11. TOTAL DEBT

	2009	2008
Current portion of long-term debt	\$ 49,290	\$ 25,947
Long-term debt due after one year	448,849	566,575
Total debt outstanding	\$ 498,139	\$ 592,522

(a) The total borrowings at December 31 are denominated in the following currencies:

	2009		2008	
	Local Currency (000s)	Canadian Equivalent	Local Currency (000s)	Canadian Equivalent
U.S. dollar	USD 333,402	\$ 350,364	338,249	\$ 414,717
Euro	EUR 86,477	129,293	89,860	150,727
Thai baht	THB 297,355	9,331	195,347	6,884
Chinese renminbi	RMB 45,029	6,903	55,248	9,917
Canadian dollar	CAD 1,254	1,254	8,301	8,301
Swiss franc	CHF 928	938	1,578	1,810
Japanese yen	JPY 3,915	44	10,526	142
U.K. pound sterling	GBP 7	12	14	24
		\$ 498,139		\$ 592,522

(b) The short-term operating lines of credit provided to the Company and amounts used at December 31 are:

	2009	2008
Credit lines available	\$ 30,039	\$ 44,212
Credit lines utilized	\$ —	\$ —

Interest rates charged on operating facilities are based on rates varying with London Interbank Offered Rate ("LIBOR"), the prime rate and similar market rates for other currencies.

(c) Total long-term debt is comprised of:

	2009	2008
Unsecured senior notes issued September 2008, 5.86%, repayable in September 2013 (US\$52.0 million)	\$ 54,651	\$ 63,337
Unsecured senior notes issued September 2008, 6.62%, repayable in September 2018 (US\$78.0 million)	81,976	95,006
Unsecured senior notes issued March 2006, 5.29%, repayable in March 2011 (US\$60.0 million)	63,058	73,082
Unsecured senior notes issued March 2006, 5.57%, repayable in March 2016 (US\$110.0 million)	115,607	133,982
Unsecured senior notes issued July 1998, 6.90%, weighted-average, repayable in three tranches with repayments after 12, 15 and 20 years (US\$110.0 million)	115,607	133,982
Unsecured senior notes issued September 1997, 6.97%, repayable in equal instalments starting September 2002 and finishing September 2012 (2009 – US\$28.1 million; 2008 – US\$37.5 million)	29,523	45,620
Other loans	37,717	47,513
	498,139	592,522
Current portion	(49,290)	(25,947)
	\$ 448,849	\$ 566,575

During 2008, CCL completed a private placement financing of unsecured senior notes with U.S. institutional investors. The amount of the borrowing totals US\$130.0 million with US\$52.0 million to be repaid in 2013 and US\$78.0 million to be repaid in 2018. These loans have been designated as a hedge of net investments in self-sustaining foreign operations. The portion of the foreign exchange gain or loss on these loans that is determined to be an effective hedge is included in other comprehensive income and the ineffective, if any, portion is recognized in earnings.

There were no borrowings under the \$95.0 million unsecured revolving line of credit as at December 31, 2009, and December 31, 2008. However, it is also utilized to support letters of credit. The unused portion of this revolving line of credit was \$91.2 million in 2009 (2008 – \$91.2 million).

Other loans include term bank loans, industrial revenue bonds and capital leases at various rates and repayment terms. In addition, other loans include the fair value of cross-currency and interest rate swap agreements.

(d) Cash flow hedges

During 2006, the Company entered into a cross-currency interest rate swap agreement (hedging item) that converted fixed rate unsecured U.S. dollar-denominated senior notes (hedged item) into Canadian dollar fixed rate debt in order to reduce the Company's exposure to U.S. dollar-denominated debt and interest payments. The fair value of the swap is recorded in long-term debt when negative in value and other assets when positive in value. The foreign exchange component of the change in the value of the swap offsets the foreign exchange component of the U.S. dollar-denominated debt on the income statement and the balance is recorded in other comprehensive income. No ineffectiveness has been recognized in the income statement as this is a fully effective hedge.

Notional Principal Amount		Interest Rate		Maturity	Effective Date
Fixed Rate	Fixed Rate	Paid (CAD)	Received (USD)		
US\$60.0 million	C\$70.4 million	4.50%	5.29%	March 8, 2011	March 29, 2006

For details on non-debt related cash flow hedges (aluminum hedge contracts and U.S. dollar forward contracts) see note 19.

(e) Fair value hedges

(i) During 2006, the Company entered into cross-currency interest rate swap agreements (hedging items) that converted fixed rate unsecured U.S. dollar-denominated senior notes (hedged items) into Canadian dollar floating rate debt in order to reduce the Company's exposure to the U.S. dollar debt and create a better balance between fixed and floating interest rate exposures. The fair values of the swaps are recorded in current and long-term debt when negative in value and other receivables (current portion) and other assets when positive in value. Change in fair value of the debt is accounted for in current and long-term debt and offsets the swap fair values on the income statement. No ineffectiveness has been recognized in the income statement as these are fully effective hedges.

Notional Principal Amount		Interest Rate		Maturity	Effective Date
Fixed Rate	Floating Rate	Paid (CAD)	Received (USD)		
US\$31.0 million	C\$36.0 million	3-month BA + 1.67%	6.67%	July 8, 2010	December 29, 2006
US\$28.1 million*	C\$32.6 million	3-month BA + 2.01%	6.97%	September 16, 2012	December 29, 2006

* There is an annual principal payment on this swap. Remaining principal amounts are US\$14.0 million and C\$16.3 million.

(ii) During 2003, the Company entered into an interest rate swap agreement ("IRSA"), the hedging item, in order to redistribute the Company's exposure to fixed and floating interest rates with a view to reducing interest costs over the long term. The hedged item is 50% of a fixed rate unsecured U.S. dollar-denominated senior note. Fair value of this IRSA is recorded in current and long-

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term debt when negative in value and other receivables (current portion) and other assets when positive in value. Change in fair value of the debt is accounted for in current and long-term debt and offsets the IRSA's fair values on the income statement. No ineffectiveness has been recognized in the income statement as this is a fully effective hedge.

Notional Principal Amount	Currency	Interest Rate		Maturity	Effective Date
		Paid (USD)	Received (USD)		
\$42.1 million*	USD	3-month LIBOR + 2.97%	6.97%	September 16, 2012	December 16, 2003

* There is an annual principal payment on this swap. Remaining principal amount is US\$14.0 million.

(f) Hedges of net investment in self-sustaining operations

(i) During 2006, the Company entered into cross-currency interest rate swap agreements ("CCIRSAs"), the hedging items, that converted Canadian dollar fixed rate and Canadian dollar floating rate debt into euro fixed rate debt and euro floating rate debt in order to hedge the Company's exposure to its net investment in self-sustaining euro-denominated operations with a view to reducing foreign exchange fluctuations and interest expense. Fair value of these CCIRSAs is recorded in current and long-term debt when negative in value and other receivables (current) and other assets when positive in value. The offset is recorded in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

Notional Principal Amount		Interest Rate		Maturity	Effective Date
Fixed Rate	Fixed Rate	Paid (EUR)	Received (CAD)		
C\$70.4 million	EUR50.0 million	3.82%	4.50%	March 8, 2011	March 29, 2006

Notional Principal Amount		Interest Rate		Maturity	Effective Date
Floating Rate	Floating Rate	Paid (EUR)	Received (CAD)		
C\$36.0 million	EUR23.6 million	6-month EURIBOR + 1.64%	3-month BA + 1.67%	July 8, 2010	December 29, 2006
C\$32.6 million*	EUR21.3 million	6-month EURIBOR + 1.99%	3-month BA + 2.01%	September 16, 2012	December 29, 2006

* There is an annual principal payment on this swap. Remaining principal amounts are C\$16.3 million and EUR10.7 million.

(ii) USD333.0 million unsecured U.S. dollar-denominated senior notes (hedging item) have been used to hedge the Company's exposure to its net investment in self-sustaining U.S. dollar-denominated operations with a view to reducing foreign exchange fluctuations and interest expense. The foreign exchange effect of both the senior notes and the net investment in U.S. dollar-denominated subsidiaries is reported in other comprehensive income. These have been and continue to be 100% fully effective hedges as the notional amounts of the hedging items equal the portion of the net investment balance being hedged. No ineffectiveness has been recognized in the income statement.

(g) The Company has certain covenants related to its debt obligations. The Company was compliant with these covenants throughout the year.

(h) The overall weighted average interest rate on total long-term debt, factoring in the interest rate swap agreements, at December 31, 2009 was 5.4% (2008 – 5.8%).

(i) Interest expense incurred was as follows:

	2009	2008
Current	\$ 2,311	\$ 2,738
Long-term	28,104	25,791
	30,415	28,529
Interest income	(1,092)	(4,580)
Net interest expense	\$ 29,323	\$ 23,949
Interest paid during the year	\$ 33,336	\$ 24,575
Interest capitalized during the year	\$ 311	\$ 47

(j) Long-term debt principal repayments are as follows:

2010	\$	45,063
2011		76,892
2012		18,926
2013		85,946
2014		2,650
Thereafter		251,966
	\$	481,443

12. OTHER LONG-TERM ITEMS

	2009	2008
Environmental reserves, less current portion of \$2,268 (2008 – \$2,074)	\$ 4,404	\$ 6,084
Outstanding self-insured claims and reserves	4,500	3,996
Employee future benefits and deferred compensation	42,555	45,823
Deferred revenue and other	6,925	10,589
	\$ 58,384	\$ 66,492

Environmental reserves represent management's best estimate for site restoration costs. Outstanding self-insured claims and reserves are actuarially determined. The actual timing of payments against these liabilities is unknown. Employee future benefits are discussed in note 17.

The Company has an unfunded deferred compensation plan for its active employees and retirees of \$21.0 million (2008 – \$23.1 million).

13. INCOME TAXES

(a) Effective tax rate

	2009	2008
Combined Canadian federal and provincial income tax rate	31.0%	31.5%
Total earnings before income taxes	\$ 71,235	\$ 72,863
Expected income taxes	\$ 22,083	\$ 22,952
Increase (decrease) resulting from:		
Realized benefit of foreign tax rate	(2,583)	(9,074)
Dividend withholding tax resulting from intended internal debt leveraging	9,290	—
Recognized income tax benefit of losses	(2,402)	(694)
Non-taxable portion of goodwill	—	11,883
Non-taxable portion of capital gain	(43)	(746)
Impact of favourable tax settlements from prior years	(400)	(267)
Losses and other items for which no tax benefit has been recognized	1,829	1,258
Impact of tax rate reduction	150	—
Other	1,137	(435)
Income taxes	\$ 29,061	\$ 24,877
Income taxes paid	\$ 12,535	\$ 29,433

Future income taxes impacted earnings in the current year by an expense of \$1,170 (2008 – expense of \$5,512).

Income taxes includes a tax recovery on restructuring and other items of \$1,763 (2008 – tax recovery of \$1,129) as discussed in note 4.

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(b) The tax effects of the significant components of temporary differences giving rise to the Company's net income tax assets and liabilities are as follows:

	2009	2008
Future income tax assets:		
Non-deductible reserves	\$ 31,614	\$ 36,013
Alternative minimum tax credit carry forward	1,738	1,839
Unrealized foreign exchange losses	—	1,670
Amount related to tax losses carried forward	37,373	31,246
Future income tax assets before valuation allowance	70,725	70,768
Valuation allowance	(23,285)	(27,294)
Future income tax assets net of valuation allowance	47,440	43,474
Future income tax liabilities:		
Property, plant and equipment, goodwill and other assets	100,883	96,662
Unrealized foreign exchange gains	10,032	—
Other	7,849	9,716
Future income tax liabilities	118,764	106,378
Net future income tax liabilities	\$ 71,324	\$ 62,904

14. SHARE CAPITAL

Issued and outstanding

	2009	2008
Issued share capital	\$ 211,391	\$ 204,003
Less:		
Executive share purchase plan loans	(916)	(1,258)
Shares held in trust	(9,136)	(11,472)
Total	\$ 201,339	\$ 191,273

(a) Shares held in trust

During 2008, the Company granted awards totalling 145,000 Class B shares of the Company. These shares are restricted in nature and will vest at the end of 2010 dependent on Company performance. The Company purchased these 145,000 shares on the open market and has placed them in trust until they are fully vested.

During 2007, the Company granted an award of 120,000 Class B shares of the Company. These shares are restricted in nature; shares will vest in 2010 dependent on performance and on continuing employment. The Company purchased these 120,000 shares in the open market and has placed them in trust until they are fully vested.

During 2005, the Company granted an award of 200,000 Class B shares of the Company. These shares are restricted in nature. In 2007, 120,000 shares vested and, in 2008, were released from the trust and provided to the employee. 80,000 shares, which were dependent on continuing employment, vested and were withdrawn from the trust in 2009 and provided to the employee. The Company purchased the 200,000 shares in the open market.

The fair values of the remaining stock awards are being amortized over the vesting period and recognized as compensation expense as described in note 14(e)(i).

(b) Shares issued

	Class A		Class B		Total Amount
	Shares (000s)	Amount	Shares (000s)	Amount	
Balance, December 31, 2007	2,379	\$ 4,525	30,501	\$ 197,398	\$ 201,923
Stock options exercised	—	—	264	5,011	5,011
Issued shares	—	—	30	927	927
Normal course issuer bid	—	—	(618)	(3,858)	(3,858)
Conversions from Class A to Class B shares	(4)	(8)	4	8	—
Balance, December 31, 2008	2,375	4,517	30,181	199,486	204,003
Stock options exercised	—	—	493	7,388	7,388
Balance, December 31, 2009	2,375	\$ 4,517	30,674	\$ 206,874	\$ 211,391

During 2008, 618,000 Class B shares were repurchased for \$18.1 million. The excess of the purchase price over the paid-up capital of \$3.9 million was charged to retained earnings (note 20).

During 2008, the Company issued 29,753 restricted shares as part of the consideration for the purchase of Clear Image.

(c) Share attributes

The Company's authorized capital consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

(i) Class A

Class A shares carry full voting rights and are convertible at any time into Class B shares. Dividends are currently set at \$0.05 per share per annum less than Class B shares.

(ii) Class B

Class B shares rank equally in all material respects with Class A shares, except as follows:

- (1) Holders of Class B shares are entitled to receive material and attend, but not to vote at, regular shareholder meetings.
- (2) Holders of Class B shares are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.
- (3) Holders of Class B shares are entitled to receive, or have set aside for payment, dividends declared by the Board of Directors from time to time.

(d) Earnings per share

	2009		2008	
	Class A	Class B	Class A	Class B
Basic earnings	\$ 1.26	\$ 1.31	\$ 1.45	\$ 1.50
Diluted earnings	\$ 1.24	\$ 1.29	\$ 1.41	\$ 1.46

The weighted average number of shares for the purposes of the earnings per share calculation was as follows:

(in thousands)	2009		2008	
	Class A	Class B	Class A	Class B
Weighted average number of shares outstanding – basic	2,375	29,965	2,377	29,713
Effect of dilutive securities:				
Stock options	—	116	—	501
Stock-based compensation	—	397	—	391
Weighted average number of shares outstanding – diluted	2,375	30,478	2,377	30,605

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Fully diluted earnings per Class B share computed using the treasury stock method reflects the dilutive effect, if any, of the exercise of share options, shares held as security for executive share purchase plan loans outstanding, shares held in trust and deferred share units at December 31, assuming they had been exercised at the beginning of the year.

(e) Stock-based compensation plans

At December 31, 2009, the Company had two stock-based compensation plans, which are described below:

(i) Employee stock option plan

Under the employee stock option plan, the Company may grant options to employees, officers and inside directors of the Company for up to 3,000,000 Class B non-voting shares. The Company does not grant options to outside directors. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Before December 2003, options vested 20% on the grant date and 20% each year following the grant date. The term of these options was 5 or 10 years. Beginning December 2003, options granted began to vest a year from grant date, with 25% vesting one year from grant date and 25% each subsequent year. The term of these options is five years from the grant date.

There are several exceptions to the above vesting schedule. In 2005, grants totalling 50,000 shares were made upon the acquisition of CCL-Pachem by the Company. The options vested in March 2008 and expire three years after vesting. In 2008, an option grant of 25,000 shares was made upon the acquisition of Clear Image by the Company. These options vest after three years and expire after five years. In 2007 and 2008, options were granted for 125,000 shares as part of the Company's long-term incentive plan. They vest based on 2008 through 2010 Company performance and expire in 2013.

For options and share awards granted for stock-based compensation, \$1.9 million (2008 – \$1.6 million) has been recognized in the financial statements as an expense with a corresponding offset to contributed surplus. The fair value of options granted has been estimated using the Black-Scholes model and the following assumptions:

	2009	2008
Risk-free interest rate	1.92%	3.05%
Expected life	4.5 years	4.5 years
Expected volatility	25%	25%
Expected dividends	\$ 0.56	\$ 0.56

A summary of the status of the Company's employee stock option plan as of December 31, 2009 and 2008 and changes during the years ended on those dates is presented below:

	2009		2008	
	Shares (000s)	Weighted Average Exercise Price	Shares (000s)	Weighted Average Exercise Price
Outstanding, beginning of year	1,582	\$ 21.99	1,686	\$ 20.30
Granted	285	20.92	160	31.21
Exercised	(493)	13.84	(264)	16.73
Cancelled	(25)	31.00	—	—
Expired	(14)	27.70	—	—
Outstanding, end of year	1,335	\$ 24.54	1,582	\$ 21.99
Options exercisable, end of year	786	\$ 22.83	1,181	\$ 18.33

The following table summarizes information about the employee stock options outstanding at December 31, 2009:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options Outstanding (000s)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable (000s)	Weighted Average Exercise Price
\$ 8.35–\$18.00	218	1.7 years	\$ 11.86	218	\$ 11.86
\$18.01–\$20.00	136	3.0 years	18.56	136	18.56
\$20.01–\$27.00	291	4.1 years	20.92	6	20.77
\$27.01–\$30.00	390	1.4 years	28.08	354	28.05
\$30.01–\$44.25	300	3.4 years	35.39	72	38.57
\$ 8.35–\$44.25	1,335	2.7 years	\$ 24.54	786	\$ 22.83

(ii) Executive share purchase plan

Under the executive share purchase plan, which was discontinued in December 2001, the Company provided assistance to senior officers and executives of the Company to invest in Class B shares of the Company in the open market by providing interest-free loans. The loans have a 10-year term and are repayable only when the shares are sold or upon completion of employment. The executive share purchase plan loans have been deducted from shareholders' equity. These loans are secured by 75,000 (2008 – 100,000) Class B shares of the Company with a quoted value at December 31, 2009, of \$28.25 (2008 – \$25.00) per Class B share, totalling \$2.1 million (2008 – \$2.5 million).

(f) Deferred share units

The Company maintains a deferred share unit ("DSU") plan. Under this plan, non-employee members of the Company's Board of Directors may elect to receive DSUs, in lieu of cash remuneration, for director fees which would otherwise be payable to such directors or any portion thereof. The number of units received is equivalent to the fees earned and is based on the fair market value of a Class B non-voting share of the Company's capital stock on the date of issue of the DSU. DSUs cannot be redeemed or paid out until such time as the director ceases to be a director. A DSU entitles the holder to receive, on a deferred payment basis, either the number of Class B non-voting shares of the Company equating to the number of his or her DSUs or, at the election of the Company, a cash amount equal to the fair market value of an equal number of Class B non-voting shares of the Company on the redemption date. The Company had 40,697 DSUs outstanding as at December 31, 2009. The amount expensed in 2009 totalled \$0.2 million (2008 – less than \$0.1 million).

15. COMMITMENTS AND CONTINGENCIES

The Company has commitments under various long-term operating lease agreements.

Future minimum payments under such lease obligations are due as follows:

2010	\$ 10,273
2011	7,645
2012	5,294
2013	3,216
2014	1,471
Thereafter	7,918
	\$ 35,817

The Company and its consolidated subsidiaries are defendants in actions brought against them from time to time in connection with their operations. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe they will have a material impact on its financial position or results of operations.

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16. GUARANTEES

In connection with the divestitures of certain operations, the Company has indemnified the purchasers against defined claims from the past conduct of the business and also provided certain guarantees in relation to the obligations assumed by the purchasers. It is not possible to quantify the maximum potential liability in relation to the indemnities. Certain indemnities for environmental matters have been accrued for in other long-term items (note 12).

Standby letters of credit amounted to \$11.5 million (2008 – \$9.4 million) and are secured with existing operating lines of credit.

17. EMPLOYEE FUTURE BENEFITS

The Company maintains a registered defined benefit pension plan in Canada for designated executives and a registered defined benefit pension plan in the U.K. that is closed to new members. It also maintains non-registered, unfunded supplemental retirement arrangements for designated Canadian executives and three retired U.S. executives. In Germany, it has an unfunded defined benefit plan and an unfunded defined contribution plan. In France and Thailand, the Company accrues for legislated retirement benefits. The Company has defined contribution plans in Canada, the U.S., Austria, Thailand and the U.K.

The expense for the defined contribution plans was \$6.5 million (2008 – \$5.7 million).

Information for December 31 regarding the defined benefit pension plans, including the defined benefit pension plans, supplemental retirement plans and other post-employment defined benefit plans discussed above, is as follows:

2009	Canada/U.S.	U.K.	Germany	Other	Total
Accrued benefit obligation:					
Balance, beginning of year	\$ 17,857	\$ 25,050	\$ 7,178	\$ 2,269	\$ 52,354
Current service cost	262	—	262	201	725
Past service cost	262	—	—	39	301
Interest cost	1,152	1,423	379	86	3,040
Benefits paid	(1,097)	(11,478)	(355)	(8)	(12,938)
Actuarial loss (gain)	3,450	8,576	405	(218)	12,213
Reinstatements and transfers	—	—	60	—	60
Settlement loss	—	3,107	—	—	3,107
Foreign exchange rate changes	(102)	(1,450)	(902)	(278)	(2,732)
Balance, end of year	\$ 21,784	\$ 25,228	\$ 7,027	\$ 2,091	\$ 56,130
Plan assets:					
Fair value, beginning of year	\$ 3,631	\$ 20,748	\$ —	\$ —	\$ 24,379
Actual return on plan assets	499	3,016	—	—	3,515
Employee contributions	—	—	125	—	125
Employer contributions	1,202	5,199	230	8	6,639
Benefits paid	(1,097)	(11,478)	(355)	(8)	(12,938)
Foreign exchange rate changes	—	(971)	—	—	(971)
Fair value, end of year	\$ 4,235	\$ 16,514	\$ —	\$ —	\$ 20,749
Fund status, net deficit of plans	\$ (17,549)	\$ (8,714)	\$ (7,027)	\$ (2,091)	(35,381)
Unamortized past service cost	300	—	—	—	300
Unamortized net actuarial loss	4,243	8,447	(9)	—	12,681
Accrued benefit liability	\$ (13,006)	\$ (267)	\$ (7,036)	\$ (2,091)	\$ (22,400)

2008	Canada/U.S.	U.K.	Germany	Other	Total
Accrued benefit obligation:					
Balance, beginning of year	\$ 19,764	\$ 34,509	\$ 6,279	\$ 1,636	\$ 62,188
Current service cost	306	—	240	337	883
Interest cost	1,013	1,924	344	—	3,281
Benefits paid	(1,039)	(722)	(387)	(30)	(2,178)
Actuarial gain	(2,324)	(8,161)	(417)	—	(10,902)
Reinstatements and transfers	—	(122)	—	—	(122)
Foreign exchange rate changes	137	(2,378)	1,119	326	(796)
Balance, end of year	\$ 17,857	\$ 25,050	\$ 7,178	\$ 2,269	\$ 52,354
Plan assets:					
Fair value, beginning of year	\$ 5,386	\$ 27,224	\$ —	\$ —	\$ 32,610
Actual return on plan assets	(868)	(5,112)	—	—	(5,980)
Employee contributions	—	—	111	—	111
Employer contributions	990	1,452	276	30	2,748
Benefits paid	(1,039)	(722)	(387)	(30)	(2,178)
Reinstatements and transfers	(838)	(122)	—	—	(960)
Foreign exchange rate changes	—	(1,972)	—	—	(1,972)
Fair value, end of year	\$ 3,631	\$ 20,748	\$ —	\$ —	\$ 24,379
Fund status, net deficit of plans	\$ (14,226)	\$ (4,302)	\$ (7,178)	\$ (2,269)	\$ (27,975)
Unamortized past service cost	103	—	—	—	103
Unamortized net actuarial loss	1,130	4,039	(443)	—	4,726
Accrued benefit liability	\$ (12,993)	\$ (263)	\$ (7,621)	\$ (2,269)	\$ (23,146)

The amount of accrued benefit liability is included in the Company's balance sheets under other long-term liabilities, less current portion of \$0.8 million (2008 – \$0.8 million), which is included in accrued liabilities.

Included in the above accrued benefit liability for 2009 is \$22.8 million (2008 – \$23.5 million) for the unfunded retirement plans.

In 2008 and 2009, the Company offered enhanced transfer values to certain members of the U.K. defined benefit pension plan. Assets and the associated accrued benefit obligation for 75% of the members accepting the offer were transferred out in 2009. Assets and the associated accrued benefit obligation for the remaining 25% of members accepting the offer will be transferred out in early 2010. The total payout in 2009 was \$10.7 million (£6.0 million) and the Company estimates a further payout under this arrangement will be \$2.9 million (£1.7 million) in 2010. The most recent actuarial valuation of the U.K. defined benefit pension plan for funding purposes was as of January 1, 2008. The next required valuation will be as of January 1, 2011.

In 2008, the Company converted a portion of an executive defined contribution pension plan to an existing defined benefit pension plan. The assets transferred to the defined benefit pension plan in 2008 from the defined contribution plan were \$2.0 million. The most recent actuarial valuation for funding purposes of the plan was as of January 1, 2009. The next required actuarial valuation will be as of January 1, 2012.

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Plan assets consist of the following:

2009	Canada/U.S.	U.K.	Germany	Other	Total
Equity securities	39%	52%	—	—	49%
Debt securities	40%	32%	—	—	34%
Real estate	—	6%	—	—	5%
Other	21%	10%	—	—	12%
	100%	100%	—	—	100%

2008	Canada/U.S.	U.K.	Germany	Other	Total
Equity securities	56%	72%	—	—	70%
Debt securities	43%	19%	—	—	23%
Real estate	—	5%	—	—	4%
Other	1%	4%	—	—	3%
	100%	100%	—	—	100%

The weighted average economic assumptions used to determine benefit obligations are as follows:

	Canada/U.S.	U.K.	Germany	Other	Total
December 31, 2009					
Discount rate	5.50%	5.80%	5.15%	4.90%	5.56%
Rate of compensation increase	3.00%	n.a.	2.00%	3.74%	2.81%
December 31, 2008					
Discount rate	7.00%	6.40%	5.80%	4.91%	6.44%
Rate of compensation increase	4.00%	n.a.	2.25%	3.46%	3.47%

The weighted average economic assumptions used to determine pension expenses are as follows:

	Canada/U.S.	U.K.	Germany	Other	Total
December 31, 2009					
Discount rate	7.00%	6.40%	5.80%	5.00%	6.48%
Expected long-term rate of return on plan assets	6.50%	6.00%	n.a.	n.a.	6.10%
Rate of compensation increase	4.00%	n.a.	2.25%	3.46%	3.56%
December 31, 2008					
Discount rate	5.50%	5.60%	5.25%	4.00%	5.45%
Expected long-term rate of return on plan assets	6.50%	7.00%	n.a.	n.a.	6.93%
Rate of compensation increase	4.00%	n.a.	2.25%	n.a.	3.17%

The Company's net benefit plan expense is as follows:

2009	Canada/U.S.		U.K.		Germany		Other		Total
Current service cost	\$	262	\$	—	\$	251	\$	201	\$ 714
Past service cost		65		—		—		—	65
Interest cost		1,152		1,423		379		86	3,040
Expected return on plan assets		(239)		(1,147)		—		—	(1,386)
Amortization of net actuarial loss		77		89		—		—	166
Settlement loss		—		4,853		—		—	4,853
Net benefit plan expense	\$	1,317	\$	5,218	\$	630	\$	287	\$ 7,452

2008	Canada/U.S.		U.K.		Germany		Other		Total
Current service cost	\$	306	\$	—	\$	240	\$	337	\$ 883
Past service cost		21		—		—		—	21
Interest cost		1,013		1,924		344		—	3,281
Expected return on plan assets		(294)		(1,944)		—		—	(2,238)
Amortization of net actuarial loss		336		124		2		—	462
Net benefit plan expense	\$	1,382	\$	104	\$	586	\$	337	\$ 2,409

The average remaining service period, in years, of active members covered by the defined benefit plans is as follows:

	Canada/U.S.		U.K.		Germany		Other		Total
December 31, 2009		6		17		15		17	13
December 31, 2008		7		18		15		16	16

18. SEGMENTED INFORMATION

The Company's reportable segments are generally managed independently of each other, primarily because of product diversity. Each segment retains its own management team and is responsible for compiling its own financial information.

The Company has three reportable segments: Label, Container and Tube. The Label segment produces pressure sensitive self-adhesive labels, and designs and prints a wide range of high-quality paper and film, expanded content, promotional, coupon and in-mould labels. The Container segment manufactures aluminum aerosol containers and the Tube segment manufactures plastic tubes.

Transactions with one significant customer in 2009 accounted for approximately \$130.5 million (2008 – one customer for \$123.7 million) of the Company's total revenue.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income from operations before interest, goodwill impairment loss, restructuring and other items and income taxes, and on return on operating assets.

(a) Industry segments

	Sales		Income	
	2009	2008	2009	2008
Label	\$ 989,407	\$ 971,240	\$ 128,410	\$ 134,243
Container	139,929	154,943	(6,977)	9,307
Tube	69,648	62,842	2,979	(793)
	\$ 1,198,984	\$ 1,189,025	124,412	142,757
Corporate expense			(16,579)	(11,465)
Interest expense, net			(29,323)	(23,949)
Goodwill impairment loss (note 10)			—	(31,386)
Restructuring and other items, net loss (note 4)			(7,275)	(3,094)
Income taxes			(29,061)	(24,877)
Net earnings			\$ 42,174	\$ 47,986

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	Identifiable Assets		Goodwill (Note 10)		Depreciation and Amortization from Continuing Operations		Capital Expenditures	
	2009	2008	2009	2008	2009	2008	2009	2008
Label	\$1,095,832	\$1,250,334	\$ 346,051	\$ 366,488	\$ 75,878	\$ 66,174	\$ 91,797	\$ 142,939
Container	171,500	190,421	12,743	12,765	14,825	10,910	2,927	35,970
Tube	59,472	77,065	—	—	8,921	7,575	4,559	13,279
Corporate	318,693	248,854	—	—	380	485	27	613
	\$1,645,497	\$1,766,674	\$ 358,794	\$ 379,253	\$ 100,004	\$ 85,144	\$ 99,310	\$ 192,801

(b) Geographic segments

	Sales		Property, Plant and Equipment and Goodwill	
	2009	2008	2009	2008
Canada	\$ 109,596	\$ 111,376	\$ 127,332	\$ 115,909
United States and Puerto Rico	468,611	430,842	359,084	456,114
Mexico and Brazil	106,033	99,365	128,624	133,293
Europe	448,427	494,618	408,963	427,014
Asia, Australia and Africa	66,317	52,824	86,383	77,756
	\$ 1,198,984	\$ 1,189,025	\$ 1,110,386	\$ 1,210,086

The geographical segment is determined by the location of the Company's country of operation.

19. FINANCIAL INSTRUMENTS

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

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

(a) Market risk

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

(i) 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.

In the past, the Company had entered into forward foreign exchange contracts to hedge its foreign currency exposure on certain anticipated U.S. sales. The contracts obliged the Company to sell U.S. dollars in the future at predetermined rates.

Throughout 2009, CCL hedged forecasted U.S. dollar sales of Canadian divisions with U.S. dollar forward contracts (cash flow hedge). No contracts were outstanding at December 31, 2009 (2008 – 12 monthly contracts with an average exchange rate of \$1.1903). The effective portion of the changes in the value of these contracts was recorded in other comprehensive income and the ineffective portion was expensed against sales. No amount for these forward contracts remains in other comprehensive income at the end of 2009.

The Company has the following balances in the referenced currencies and therefore is exposed to the following currency risk at December 31, 2009:

	U.S. Dollar	U.K. Pound	Euro
Cash	74,314	4,464	30,080
Accounts receivable	54,267	4,628	38,480
Accounts payable and accrued liabilities	70,551	5,982	43,631
Long-term debt	333,402	7	86,477

A 5% strengthening of the Canadian dollar against the following currencies at December 31 would have decreased other comprehensive income and net earnings by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant (a 5% weakening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect).

	Other Comprehensive Income	Net Earnings
2009		
U.S. dollar	\$ 26,287	\$ 296
U.K. pound	\$ 11,401	\$ (6)
Euro	\$ 8,876	\$ 419
2008		
U.S. dollar	\$ 25,749	\$ 360
U.K. pound	\$ 11,961	\$ 79
Euro	\$ 6,961	\$ 416

Included in income from operations for the year ended December 31, 2009 are foreign exchange gains totalling \$1.5 million (2008 – \$3.9 million).

(ii) 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 year ending December 31, 2009, a 100 basis point increase (decrease) in the interest rate would have resulted in a \$0.8 million (2008 – \$1.4 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.

(iii) Commodity price risk

Aluminum is the major raw material used in the Container segment. Prices for aluminum fluctuate in response to changes in supply and demand, market uncertainty and a variety of other factors beyond the Company's control. An increase (decrease) in the price of aluminum of \$100 per metric ton would have resulted in a \$0.7 million (2008 – \$0.6 million) decrease (increase) in the earnings from operations of the Company and \$1.2 million (2008 – \$1.0 million) impact on other comprehensive income. This analysis assumes that all other variables, in particular the Company's ability to pass on price increases or decreases and foreign currency rates, remain constant.

The Company uses customer specific aluminum derivative instruments (hedging items) along with fixed price contracts (hedged items) to minimize the impact of aluminum price fluctuations.

The Company also enters into non-customer specific aluminum derivative contracts. These contracts (hedging items) are used to fix the price the Company pays for its anticipated aluminum manufacturing requirements (hedged items). As the price the Company pays for aluminum is fixed, and the future selling price of the Company's aluminum products are largely based on market conditions, the Company is exposed to commodity price risk related to the use of non-customer specific aluminum hedges, which could have a material adverse effect. At December 31, 2009, the Company did not have any non-customer specific contracts outstanding.

Aluminum derivative contracts are accounted for as cash flow hedges and the changes in value are recorded on the balance sheet in other comprehensive income. Any ineffective portion is recorded in selling, general and administrative expenses. Payments made or proceeds received upon the settlement of these contracts are recorded in cost of goods sold.

(b) Credit risk

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

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

The Company is potentially exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligations to the Company. As at December 31, 2009, the Company's exposure to credit risk arising from derivative financial instruments was \$4.7 million (2008 – nil).

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

	2009	2008
Cash and cash equivalents	\$ 150,594	\$ 136,269
Accounts receivable	148,688	155,977
Other accounts receivable	18,686	18,548
Total credit exposure	\$ 317,968	\$ 310,794

The aging of accounts receivable at December 31 were:

	2009	2008
Under 31 days	\$ 93,347	\$ 94,013
Between 31 and 90 days	50,965	54,952
Greater than 90 days	7,889	12,425
Total accounts receivable	\$ 152,201	\$ 161,390

Reconciliation of allowance for credit losses:

	2009	2008
Opening balance	\$ 5,413	\$ 4,175
Increase (decrease) during the period	(1,900)	1,238
Total allowance for credit losses	\$ 3,513	\$ 5,413

(c) 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 is six months or less. Long-term debts have varying maturities extending to 2018 (notes 11(c) and 11(j)).

The Company's obligations relating to debt, leases and other liabilities at the end of 2009 were as follows:

Contractual Obligations	Total	Payments Due by Period					
		2010	2011	2012	2013	2014	Thereafter
Accounts payable and accrued liabilities	\$ 206.5	\$ 206.5	\$ —	\$ —	\$ —	\$ —	\$ —
Unsecured senior notes issued September 2008, 5.86%, repayable September 2013 (US\$52.0 million)	54.7				54.7		
Unsecured senior notes issued September 2008, 6.62%, repayable September 2018 (US\$78.0 million)	82.0						82.0
Unsecured senior notes issued March 2006, 5.29%, repayable March 2011 (US\$60.0 million)	63.1		63.1				
Unsecured senior notes issued March 2006, 5.57%, repayable March 2016 (US\$110.0 million)	115.6						115.6
Unsecured senior notes issued September 1997, 6.97%, repayable in equal instalments starting September 2002 and finishing September 2012 (2009 – US\$28.1 million, 2008 – US\$37.5 million)	29.4	9.8	9.8	9.8			
Unsecured senior notes issued July 1998, 6.9% weighted average, repayable in three tranches with repayments after 12, 15 and 20 years (US\$110.0 million)	115.6	32.6			29.4		53.6
Interest payments on debt above	147.5	27.2	22.7	21.4	19.1	15.7	41.4
Derivatives:							
Outflow	249.0	82.1	156.1	10.8			
Inflow	(233.2)	(79.0)	(143.8)	(10.4)			
Interest on derivatives	(3.0)	(2.0)	(0.7)	(0.3)			
Capital leases	0.6	0.4	0.2				
Pension benefit liability	27.5	3.4	2.8	2.8	2.8	2.8	12.9
Other long-term debt	20.5	2.3	3.8	9.1	1.8	2.7	0.8
Operating leases	35.8	10.3	7.6	5.3	3.2	1.5	7.9
Total contractual obligations	\$ 911.6	\$ 293.6	\$ 121.6	\$ 48.5	\$ 111.0	\$ 22.7	\$ 314.2

Fair values

The carrying values of cash and cash equivalents, accounts receivable, other receivables and accounts payable and accrued liabilities approximate fair values due to the short-term maturities of these financial instruments.

The fair value and carrying value of long-term debt is \$507.6 million and \$498.1 million, respectively (2008 – \$526.7 million and \$592.5 million). Fair value of long-term debt is determined as the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments, adjusted for the Company's own credit risk.

The unrealized loss on the interest rate swap agreements and the cross-currency interest rate swap agreements as at December 31, 2009, amounts to \$13.0 million (2008 – \$8.9 million). This amount also represents the swaps' fair value and carrying value, which are determined as the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar instruments, adjusted for the Company's or counterparty's own credit risk.

The Company enters into futures contracts to hedge the cost of aluminum used in its container manufacturing process against specific customer requirements. As at December 31, 2009, futures contracts for US\$21.6 million of aluminum purchase commitments at an average price of US\$1,882 per metric ton, extending through 2011, were outstanding.

Future aluminum contracts that have become favourable constitute financial assets and have a fair value gain of \$4.7 million (2008 – fair value loss of \$12.1 million). This amount also represents the carrying value of the aluminum contracts. The fair value of the aluminum contracts is determined as the present value of contractual future payments under these agreements based on current market rates.

20. CAPITAL MANAGEMENT POLICY

There were no outstanding U.S. dollar forward foreign exchange contracts as at December 31, 2009 (2008 – financial liability with a fair value loss of \$0.3 million).

The Company's objective is to maintain a strong capital base throughout the economic cycle so as to maintain investor, creditor and market confidence and to sustain the future development of the business. This capital structure supports the Company's objective to provide an attractive financial return to its shareholders equal to that of its leading specialty packaging peers (between 12% and 14% up until 2009 but lower since the global recession).

The Company defines capital as total shareholders' equity and measures the return on capital (or return on equity) 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. In 2009, the return on capital was 6% (2008 – 11%) and was well within the range of its leading specialty packaging peers.

Management and the Board maintain a balance between the expected higher return on capital that might be possible with a higher level of financial debt and the advantages and security afforded by a lower level of financial leverage. The Company believes that an optimum level of net debt (defined as current debt, including bank advances, plus long-term debt, less cash and cash equivalents) to total book capitalization (defined as net debt plus shareholders' equity) is a maximum of 45%. This ratio was 32% at December 31, 2009 (2008 – 38%) and therefore the Company has further capacity to invest in the business with additional debt without exceeding the optimum level.

The Company has provided a growing level of dividends to its shareholders over the last few years generally related to its growth in earnings. The dividends are declared bearing in mind the Company's current earnings, cash flow and financial leverage.

In 2009, the Company filed a normal course issuer bid (NCIB) commencing March 23, 2009, allowing the repurchase of up to 2.1 million Class B shares and 13,000 Class A shares in the following 12 months. All purchases are to be made on the open market. The number of shares and the price of such purchases will be determined by management when it believes that such purchases will enhance shareholder value and be a desirable use of available funds. No shares have been purchased under this NCIB to date.

In 2008, the Company filed a NCIB commencing March 4, 2008, allowing the repurchase of up to 2.5 million Class B shares and 13,000 Class A shares in the following 12 months. During 2008, 618,000 Class B shares were repurchased on the open market for \$18.1 million. No shares were repurchased under this NCIB in 2009. The excess of the purchase price over the paid-up capital of \$3.9 million was charged to retained earnings.

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

SIX YEAR FINANCIAL SUMMARY

(In thousands of Canadian dollars, except per share and ratio data)

	2009	2008	2007	2006	2005	2004
Sales and Net Earnings						
Sales ¹	\$ 1,198,984	\$ 1,189,025	\$ 1,144,260	\$ 1,029,569	\$ 922,492	\$ 718,120
Depreciation and amortization ¹	100,004	85,144	75,912	67,047	57,580	47,379
Interest expense ¹	29,323	23,949	23,157	20,584	18,910	17,249
Net earnings	42,174 ²	47,986 ³	147,915 ⁴	77,420 ⁵	163,836 ⁶	59,249 ⁷
Basic net earnings per Class B share	\$ 1.31 ²	\$ 1.50 ³	\$ 4.59 ⁴	\$ 2.41 ⁵	\$ 5.10 ⁶	\$ 1.84 ⁷
Financial Position						
Current assets	\$ 399,154	\$ 407,947	\$ 391,023	\$ 424,897	\$ 405,213	\$ 420,395
Current liabilities	266,743	276,711	244,966	322,996	290,737	338,205
Working capital	132,411	131,236	146,057	101,901	114,476	82,190
Total assets	1,645,497	1,766,674	1,488,190	1,542,590	1,398,696	1,299,233
Net debt	347,545	456,253	306,775	317,099	282,392	355,017
Shareholders' equity	\$ 752,757	\$ 750,518	\$ 717,859	\$ 652,601	\$ 565,818	\$ 448,937
Net debt to equity ratio	0.46	0.61	0.43	0.49	0.50	0.79
Net debt to total book capitalization	31.6%	37.8%	29.9%	32.7%	33.3%	44.2%
Number of Shares (000s)						
Class A – Dec. 31	2,375	2,375	2,379	2,379	2,422	2,439
Class B – Dec. 31	30,674	30,181	30,501	30,223	30,089	30,022
Weighted average for the year	32,340	32,090	32,284	32,240	32,171	32,290
Cash Flow						
Cash provided by operations	\$ 150,280	\$ 216,348	\$ 162,194	\$ 161,298	\$ 112,062	\$ 135,067
Additions to plant, property and equipment	99,310	192,801	163,453	150,423	155,947	111,652
Business acquisitions	5,327	40,677	105,575	62,170	139,499	26,870
Dividends	18,964	17,512	15,233	13,775	12,804	12,532
Dividends per Class B share	\$ 0.60	\$ 0.56	\$ 0.48	\$ 0.43	\$ 0.40	\$ 0.39

1 Excluding discontinued operations.

2 After pre-tax restructuring and other items – net loss of \$7.3 million.

3 After pre-tax restructuring and other items – net loss of \$3.1 million and goodwill impairment loss of 31.4 million.

4 After pre-tax restructuring and other items – net gain of \$4.1 million.

5 After pre-tax restructuring and other items – net loss of \$11.5 million.

6 After pre-tax restructuring and other items – net loss of \$17.9 million.

7 After pre-tax restructuring and other items – net loss of \$0.9 million.

Directors

Paul J. Block

Director since 1997
Chairman and CEO,
Proteus Capital Associates
New York, U.S.A.
Member of the Audit Committee
*Chair of the Human
Resources Committee*

Michael T. Cowhig*

Director since 2007
Former President, Global
Technical and Manufacturing,
The Procter & Gamble Company –
Gillette Global Business Unit
Massachusetts, U.S.A.
*Member of the Human
Resources Committee*

Jon K. Grant

Director since 1994
Corporate Director
Ontario, Canada
Lead Director
*Member of the Environment
and Health & Safety Committee*
*Chair of the Nominating &
Governance Committee*
*Member of the Human
Resources Committee***

Edward E. Guillet

Director since 2008
Former Senior Vice President,
Human Resources,
The Procter & Gamble Company –
Gillette Global Business Unit
Massachusetts, U.S.A.
*Member of the Human
Resources Committee*

Alan D. Horn

Director since 2008
President and CEO,
Rogers Telecommunications
Limited and Chairman,
Rogers Communications Inc.
Ontario, Canada
Member of the Audit Committee
*Member of the Nominating &
Governance Committee*

Donald G. Lang

Director since 1991
Executive Chairman,
CCL Industries Inc.
Ontario, Canada

Stuart W. Lang

Director since 1991
Former President,
CCL Label International
Ontario, Canada
*Member of the Environment and
Health & Safety Committee*

Geoffrey T. Martin

Director since 2005
President and CEO,
CCL Industries Inc.
Massachusetts, U.S.A.

Douglas W. Muzyka

Director since 2006
President,
Dupont Greater China and
Dupont China Holding Co. Ltd.
Shanghai, China
*Chair of the Environment and
Health & Safety Committee*

Thomas C. Peddie

Director since 2003
Senior Vice President and CFO,
Corus Entertainment Inc.
Ontario, Canada
Chair of the Audit Committee
*Member of the Nominating &
Governance Committee*

2009 CCL Officers

Steven W. Lancaster***
Executive Vice President

Donald G. Lang
Executive Chairman

Geoffrey T. Martin
*President and
Chief Executive Officer*

Bohdan I. Sirota
*Senior Vice President,
General Counsel
and Secretary*

Susan V. Snelgrove
*Vice President, Risk and
Environmental Management*

Gaston A. Tano
*Senior Vice President and
Chief Financial Officer*

Lalitha Vaidyanathan
*Senior Vice President, Finance,
Administration and IT,
CCL Operations*

Janis M. Wade
*Senior Vice President,
Human Resources and
Corporate Communications*

* Michael T. Cowhig retired from the Board on January 13, 2010.

** Jon K. Grant became a member of the Human Resources Committee on February 25, 2010.

*** Steven W. Lancaster retired from CCL on December 31, 2009.

BUSINESS LEADERSHIP

North America

John Pedroli

President,
CCL Industries, North America
Charlotte, North Carolina, U.S.A.

Ben Rubino

Group Vice President,
Home and Personal Care,
Worldwide
Shelton, Connecticut, U.S.A.

Eric Schaffer

Vice President and
General Manager,
Specialty Products,
CCL Label North America
Memphis, Tennessee, U.S.A.

Jim Sellors

Vice President and
General Manager,
Healthcare Solutions,
CCL Label North America
Toronto, Ontario, Canada

Eric Frantz

Vice President and
General Manager,
CCL Container North America
Hermitage, Pennsylvania, U.S.A.

Andy Iseli

General Manager,
CCL Tube Carson
Los Angeles, California, U.S.A.

Latin America

Armando Oliveira

Vice President and
Managing Director,
CCL Label Brazil
Sao Paolo, Brazil

Ben Lilienthal

Vice President and
Managing Director,
CCL Mexico
Mexico City, Mexico

Europe

Günther Birkner

Group Vice President,
Food and Beverage,
Worldwide
Hohenems, Austria

Tommy Nielsen

Vice President and
General Manager,
Healthcare and Specialty Products,
CCL Label Europe
Randers, Denmark

Dale Hamblton

Vice President and
Managing Director,
Global Shrink Sleeve
Development
King's Lynn, U.K.

Scott Mitchell Harris

Managing Director,
Healthcare and Specialty,
U.K. & France
Paris, France

Lee Pretsell

Managing Director,
CCL Label Home and
Personal Care, Europe
Paris, France

Albert Feldbauer

Managing Director,
CCL Label Meerane
Meerane, Germany

Peter Fleissner

Managing Director,
CCL Design
Solingen, Germany

Werner Ehrmann

Vice President,
Technology Development,
CCL Operations
Holzkirchen, Germany

Asia & Pacific

Jim Anzai

Vice President and
Managing Director,
CCL Label Asia
Bangkok, Thailand

Jamie Robinson

Managing Director,
CCL Label Australia
Sydney, Australia

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Chartered Accountants

Legal Counsel

Lang Michener

Transfer Agent

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Senior Vice President and CFO
(416) 756-8526

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E-mail: ccl@cclind.com
Website: www.cclind.com

Annual and Special Meeting of Shareholders

The Annual Meeting of Shareholders will be held on May 6, 2010, at 1:30 p.m. CCL Industries Inc.
105 Gordon Baker Road
5th Floor
Willowdale, ON M2H 3P8

Class B Share Information

Stock Symbol CCL.B

Listed TSX

Opening price 2009	\$	24.99
Closing price 2009	\$	28.25
Number of trades		46,704
Trading volume (shares)		15,046,839
Trading value	\$	344,665,290.12
Annual dividends declared	\$	0.60

Shares Outstanding at December 31, 2009

Class A	2,374,025
Class B	30,673,621

There are two classes of CCL shares. Class A shares are voting and Class B shares are non-voting. Share attributes of both classes are listed on page 69 of this report.



CCL'S CORPORATE SOCIAL RESPONSIBILITY

CONTRIBUTING TO THE COMMUNITIES IN WHICH WE OPERATE IS PART OF CCL'S FOUNDING CULTURE. FOR OVER HALF A DECADE, CCL HAS BEEN FINANCIALLY ASSISTING ORGANIZATIONS THAT ENHANCE THE WELFARE OF LOCAL LIFE. AROUND THE GLOBE OUR EMPLOYEES ALSO GIVE BACK TO THEIR COMMUNITIES BY DONATING THEIR TIME TO WORTHWHILE LOCAL CAUSES.

CCL employs 5,500 employees around the world in 59 production facilities on six continents. We are an equal opportunity employer that strives to create a workplace environment that will not prevent or limit employees from maximizing their potential. All of CCL's operations employ local personnel and respect the local customs and values.

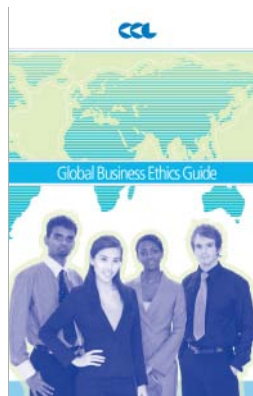
We engage our employees in keeping the Company accountable by supplying each employee with the Company's Global Business Ethics Guide that has been translated into the employee's local language, which describes CCL's commitment to high ethical standards. In conjunction with this, we employ a third-party hotline that allows employees to anonymously report any ethical concerns.

A safe and healthy workplace is a fundamental obligation to the well-being of all our employees, an obligation that CCL takes very seriously. Our leading-edge waste and energy management programs are crucial to our environmental performance as well as the cost-efficiency of our operations.

In support of continuous learning, CCL's annual Scholarship Program assists employees' children achieve their goals for higher education.



CCL Scholarship presentation



CCL's Global Business Ethics Guide



CCL employees volunteer time and energy



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www.cclind.com