

# **CCL Industries Inc.**

**105 Gordon Baker Road, Suite 500**

**Willowdale, Ontario**

**M2H 3P8**

**2008**

**Annual Information Form**

**March 10, 2009**

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## **CCL Industries Inc.**

This Annual Information Form (“AIF”) contains forward-looking information, as defined in Canadian securities laws, (hereinafter referred to as “forward-looking statements”) that involves a number of risks and uncertainties. Statements regarding the operations, business, financial condition, priorities, ongoing objectives, strategies and outlook of the Company, other than statements of historical fact, are forward-looking statements. Forward-looking statements include all statements that are predictive in nature or depend on future events or conditions. Forward-looking statements are typically identified by the words “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans” or similar expressions. Forward-looking statements are not guarantees of future performance. They involve known and unknown risks and uncertainties, and assumptions relating to future events and conditions including, but not limited to, the evolving global financial crisis and its impact on the world economy and capital markets; the impact of competition; consumer confidence and spending preferences; general economic and geopolitical conditions; currency exchange rates; interest rates and credit availability; technological change; changes in government regulations; risks associated with operating and product hazards; and CCL’s ability to attract and retain qualified employees. Do not unduly rely on forward-looking statements as the Company’s actual results could differ materially from those anticipated in these forward-looking statements. Further details on key risks can be found under “Risk Factors” in Item 5 of this AIF.

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 AIF 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.

Unless otherwise stated, all amounts stated in this document are given in Canadian dollars, and, unless otherwise stated, the information contained herein is current as of March 10, 2009.

### **ITEM 3 – CORPORATE STRUCTURE**

CCL Industries Inc. commenced operations in 1951 as Connecticut Chemicals (Canada) Limited. In 1972, the business was acquired by Conn Chem Limited, then the controlling shareholder of Connecticut Chemicals (Canada) Limited. Conn Chem Limited had been incorporated under the laws of Ontario on April 15, 1957, and was continued under the Canada Business Corporations Act on December 16, 1977. On May 25, 1978, its name was changed to The Conn Chem Group Ltd. and on November 28, 1979, to CCL Industries Inc.

The registered and head office of CCL Industries Inc. is located at 105 Gordon Baker Road, Suite 500, Willowdale, Ontario M2H 3P8. Unless the context otherwise indicates, a reference to “CCL” or “the Company” means CCL Industries Inc. and its subsidiary companies. Listed below are the principal direct or indirect operating subsidiaries each of whose total consolidated assets or consolidated sales and operating revenues constitute more than 10% of the total consolidated assets or consolidated sales and

operating revenues of the Company for the year ended December 31, 2008. The combined assets and sales of the other subsidiaries of CCL do not constitute more than 20% of the consolidated assets or the consolidated sales and operating revenues of the Company.

The Company manages three principal operating units, the Label Division, the Container Division and the Tube Division.

In the United States, Mexico and Puerto Rico, the Label Division operates through the Company's indirect wholly owned subsidiary CCL Label, Inc. (incorporated in Michigan), which in turn has the following principal direct and indirect wholly owned subsidiaries (with state or country of incorporation):

- CCL Insertco de Puerto Rico, Inc. - Delaware
- CCL Insertco, LLC - Maryland
- Etiquetas CCL S.A. de C.V. - Mexico
- CCL Label (St. Louis), Inc. - Missouri
- CCL Label de Puerto Rico, Inc. - Puerto Rico
- CCL Label/Sioux Falls, Inc. - South Dakota

In Europe, the Company carries on the Label business through its indirect wholly owned subsidiaries in various jurisdictions. The principal direct and indirect operating subsidiaries are:

- CCL Label GmbH - Austria
- CCL Label A/S - Denmark
- CCL Label (Avelin) S.A.S. - France
- CCL Inmould Label S.A.S. - France
- CCL Label France S.A.S. - France
- CCL Package Label S.N.C - France
- CCL Design GmbH - Germany
- CCL Label Meerane GmbH - Germany
- CCL Label GmbH – Germany
- Eltex GmbH - Germany
- CCL Label S.r.l. - Italy
- CCL Label (Oss) BV – The Netherlands
- CCL Label Limited - United Kingdom
- CCL Label (Ashford) Limited - United Kingdom
- Ditchling Press Ltd. - United Kingdom

In Australia, the Company carries on the Label business through its indirect wholly owned subsidiary Clear Image Labels Pty. Ltd.

In Brazil, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label do Brasil S/A.

In China, the Company carries on the Label business through its indirect wholly owned subsidiaries CCL Label (Guangzhou) Co., Ltd. and CCL Label (Hefei) Co., Ltd.

In Russia, the Company carries on the Label business through OOO CCL-Kontur, its 50% owned equity investment.

In Thailand, the Company carries on the Label business through its indirect wholly owned subsidiary CCL Label (Thai) Ltd.

The Container Division operates in the United States through CCL's indirect wholly owned subsidiary, CCL Container (Hermitage), Inc., a company incorporated under the laws of Delaware. The Container Division also operates in Mexico through CCL's indirect 95% owned subsidiary CCL Container S.A. de C.V.

The Tube Division operates in the United States through CCL's indirect wholly owned subsidiaries:

CCL Tube (Wilkes-Barre), Inc. – incorporated in Pennsylvania  
CCL Tube, Inc. – incorporated in Delaware

#### **ITEM 4 – GENERAL DEVELOPMENT OF THE BUSINESS**

CCL commenced operations in Canada in 1951 as a custom manufacturer for major marketers of consumer products (see “Custom Manufacturing Division” below). Commencing in the 1980s, CCL diversified into specialty packaging, servicing the same customer base as its custom manufacturing business. In May 2005, CCL sold its North American Custom Manufacturing (“N.A. Custom”) business to KCP Income Fund, while retaining interest in its European custom manufacturing joint venture, ColepCCL. In November 2007, CCL sold its 40% interest in ColepCCL in Europe to its majority partner for cash and a note payable in February 2008. The sale of its Custom Manufacturing Division has allowed the Company to focus its business solely on specialty packaging.

CCL now has three main operating areas of expertise in specialty packaging (“Specialty Packaging”): the Label, Container and Tube Divisions.

In the early 1980s, CCL commenced its international expansion and diversification into the United States and, later in the decade, into the United Kingdom. This international expansion and diversification has continued in its specialty packaging segments. In each of its businesses, the Company strives to satisfy the needs of its multinational customers in the non-durable consumer products market. By providing a wide range of specialty packaging products to these customers on a global basis, CCL believes that it is or can become a leader in each of its businesses and, consequently, the Company believes that it will be able to enjoy sustainable sales and income growth.

In addition, the Company has divested non-core and underperforming businesses to allow each Division to focus on its customers and growth opportunities. CCL considers its core business to be specialty packaging products with generally high value-added characteristics and significant barriers to entry. The Company's core customers are primarily global marketers. To this end, the following acquisitions and divestitures by Division were completed to better position each business in its respective markets.

### **CUSTOM MANUFACTURING DIVISION (Discontinued Operations)**

Beginning in 2000, CCL restructured and reduced its investment in the Custom Manufacturing Division, culminating in the sale of the N.A. Custom business in May 2005 and the ColepCCL joint venture in November 2007.

The Custom Manufacturing Division was a leading provider of manufacturing and other value-added outsourcing services to international and national consumer products companies. It provided a wide range of personal care, over-the-counter medication, household care and specialty food products in aerosol, liquid, cream, lotion, paste and solid stick formats.

In July 2004, after experiencing strong competition in its European business, the Division formed a 40% owned joint venture named ColepCCL to add critical mass and low cost manufacturing locations to its existing well-established operations. The joint venture partner was RAR - Sociedade de Controle (Holding), S.A. ("RAR") of Portugal. CCL funded this transaction with (a) the contribution of its European contract manufacturing operation consisting of its Scunthorpe, U.K., and Laupheim, Germany, operations and (b) \$ 23 million cash.

In May 2005, the Company sold its N.A. Custom business, while retaining ColepCCL, with a view to redeploying the capital into its businesses with higher growth potential (Label, Container and Tube). The Company believes that this sale lowered the Company's overall risk profile by reducing the potential impact of a weaker U.S. dollar and the Company's dependence on North American manufacturing, thereby creating greater geographic and currency diversification. It also improved the financial leverage of the Company, reduced refinancing risk (as there was a significant debt repayment due in March 2006) and increased the Company's balance sheet flexibility.

As described above, the ColepCCL joint venture was formed in 2004 and manufactured a variety of consumer products and packaging. Its products included a wide range of personal care, cosmetic, over-the-counter medicated and household products in liquid, cream lotion and paste formats. In addition, ColepCCL manufactured steel aerosol food and general line cans and plastic containers.

In November 2007, CCL sold its stake in ColepCCL to its majority partner, RAR, for cash proceeds of \$73 million and a note payable in February 2008 for a further \$74 million, for a total of approximately \$147 million. Along with the sale of the N.A. Custom

business in May 2005, this transaction completed the repositioning of the Company solely as a global specialty packager.

## **LABEL DIVISION**

The Label Division is the leading global producer of premium-quality labels and other promotional products for non-durable consumer product marketing and consumer durables companies in the home and personal care, food and beverage, healthcare, battery, chemical and automotive segments of the market. The Division's product lines include pressure sensitive, in-mould and expanded content labels, in addition to other presentation or promotional products such as packaging inserts and outserts, shrink sleeves, and games and promotional coupons.

CCL Label now operates forty nine plants globally, which includes fourteen label manufacturing plants in the United States (California, Connecticut, Kentucky, Maryland, Missouri, two in New Jersey, North Carolina, Ohio, Pennsylvania, three in South Dakota and one in Tennessee), two plants in Canada (one in Ontario and one in Québec), one in Mexico and two in Puerto Rico. In January 2006, CCL Label also expanded into Brazil with the Prodesmaq acquisition and added one further plant in Brazil as part of the acquisition of the sleeve label business of Illinois Tool Works in January 2007.

In Europe, with the CD-Design acquisition in January 2008 and the Eltex acquisition in December 2008 (described below), the Label Division now operates two plants in Austria, two in Denmark, four in France, four in Germany, one in Italy, one in the Netherlands, one in Poland, two in Russia and six plants in the United Kingdom.

In Asia, the division has two plants in China and one in Thailand. In Australia, with the Clear Image acquisition in April 2008 (described below), the Division now operates two plants.

The current position of the Label Division was primarily developed over the last few years as a result of the following transactions:

In January 2006, for approximately \$62 million, CCL acquired Prodesmaq, a Brazilian pressure sensitive label supplier to many of the same customers that CCL Label supports in the rest of the world. Prodesmaq has one state-of-the-art plant in Brazil and supplies labels to the home and personal care, healthcare and premium food and beverage markets. The purchase and sale agreement provides a six-year bank guarantee to the benefit of the Company if certain potential liabilities, incurred prior to the acquisition by the vendors, require payment by the Company up to a specified limit.

In October 2006, the Company sold its small non-core label business located in Houten, the Netherlands for approximately \$3 million. The business supplied the domestic customer base but did not supply many of CCL's core global customers.

In January 2007, CCL acquired, for \$106 million in cash, the assets of the sleeve manufacturing business of Illinois Tool Works located in Europe and the shares of the subsidiary of Illinois Tool Works manufacturing sleeves in Brazil ("ITW"). These included a sales and distribution office in the United States. The division had previously been a small player in the shrink sleeve market, and this acquisition positioned CCL as a leading global player in this fast growing segment of the label industry. The business also includes stretch sleeves, a product which is new to CCL. ITW serves many of the Division's key global customers in the food, beverage, home and personal care markets. The ITW operations include two plants in the United Kingdom, one in Austria and one in Brazil.

In December 2007, CCL entered into a 50% equity investment in Russia, with the Russian partner maintaining management control. The business, operating under the name "CCL-Kontur", supplies pressure sensitive labels to global and domestic personal care and beverage customers from a plant in Moscow and one in St. Petersburg. The intention is for this investment to supply CCL's global customers in Russia over time.

In January 2008, CCL acquired CD-Design GmbH, a privately owned company based in Solingen, Germany for approximately \$10 million in a combination of cash and assumed debt, with a further \$3 million in cash as certain predetermined levels of earnings were achieved at the end of 2008. CD-Design converts pressure sensitive films and aluminum for leading manufacturers of automotive original equipment in Germany and in other European markets. Products include regulatory informational labels, branding badges and functional products that improve component durability and design.

In April 2008, the Company acquired Clear Image Labels Pty Ltd, a privately owned label company based in Australia for approximately \$34 million in a combination of cash, restricted stock and assumed debt. Clear Image supplies pressure sensitive labels to the Australian wine industry with plants in Sydney and the Barossa Valley. The company also exports labels to wine producers in the United States.

In December 2008, CCL acquired Eltex GmbH based in Solingen, Germany, for approximately \$5 million. The company supplies a patented pressure sensitive label solution which replaces solid aluminum riveted rating plates widely used in the automotive, consumer durable and information technology hardware markets. Eltex will be merged with CD-Design, the business that the Company acquired earlier this year, now renamed CCL Design, which markets highly complimentary products to the same industry sector.

In the last three years, the Label Division has experienced positive sales growth and improved profitability in most markets. In 2008, sales growth resulted from organic growth in its healthcare, specialty and sleeve businesses and from the positive impact of recent acquisitions, but was partially offset by challenges in its home and personal care business that were affected by the global economic downturn, particularly in the U.S. and U.K. markets. The Division expects to experience overall continued improvement in sales and income in 2009 assuming the sales from our acquisitions

remain relatively strong and organic growth continues. It is also dependent on the impact and duration of the current global recession.

## **CONTAINER DIVISION**

In early 2006, the former Container Division split out its plastic tube business into the Tube Division under separate management. The Container Division continues as a separate segment with its primary product being aluminum containers.

In April 2008, the Company sold the assets of its ABS 'Bag-on-Valve' business for approximately \$9 million. The business was a product line of CCL Container that was marketed in conjunction with aluminum aerosol containers for applications requiring separation between the propellant and the contents. This divestiture allowed the Division to focus on its core business of impact extruded aluminum aerosols and bottles.

The Container Division is a leading manufacturer of specialty containers for the non-durable consumer products industry. The key product lines are specialty containers, which include recyclable aluminum cans and bottles.

The Container Division operates one plant in Ontario, one plant in Pennsylvania and two plants in Mexico.

In 2008, the Company invested approximately \$31 million in a state-of-the-art container facility in Guanajuato, Mexico. The plant was completed and became operational in the last quarter of the year. It is expected that this new plant will service our major customers who are moving their aerosol filling to Mexico for both the U.S. and Latin American markets.

Over the years, the Container aluminum aerosol and bottle business has shown growth with new product introductions creating new market categories. In this regard, the Container business has purchased seven new production lines over the last five years to satisfy these requirements. All seven are installed and operating, the last one having been installed in 2008 in the new Mexican facility.

The cost of aluminum rose dramatically over the past three years, particularly in mid-2006 and early 2008. However, aluminum costs dropped significantly in the second half of 2008. The Company's beverage bottle sales and income decreased considerably in 2006 and 2007 due primarily to the higher product cost. In 2008, the Company was successful in passing on higher aluminum costs to its customers in the first half of the year. However, the benefit from lower aluminum costs in the second half was offset by customer agreements for hedges or pass through of actual aluminum costs.

Sales in 2008 also declined due to reduced volumes to U.S. customers and the divestiture of the ABS business. However, there is currently new customer interest in aluminum container products, with aluminum costs at near record lows.

## **TUBE DIVISION**

The Tube Division is one of North America's leading manufacturers of specialty plastic tubes for the non-durable consumer products industry. The product line consists of plastic tubes with a variety of decorations, sizes and applications.

The Tube Division operates one plant in California and one in Pennsylvania. In addition, there is a modest level of production in a Mexican facility shared with the Container Division which the Company plans to exit in early 2009.

Although sales improved in 2008, rising commodity costs and internal operational challenges prevented improved financial performance. The plant in California was moved to a newer but smaller facility in the last quarter of 2008, which will help to improve profitability in future periods. The Division experienced incremental costs and inefficiencies associated with the move.

In performing the Company's annual goodwill impairment testing, it was determined that the goodwill carried by the Tube Division was impaired. The major considerations that gave rise to the impairment were the lower financial performance noted above and the lower equity value of public companies in the specialty packaging space in the last year. Consequently, management analyzed the fair market value of the assets of the Tube Division and determined that the carrying value of the Division's goodwill was completely 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.

## **CORPORATE DEVELOPMENT**

The proceeds from dispositions of non-core and underperforming businesses have been used to pay down debt in order to improve financial leverage and, along with operating cash flows, are being utilized to invest in selected acquisitions and capital equipment and infrastructure expenditures, and to buy back CCL Class B non-voting shares when appropriate. The selection criteria for acquisition targets are based on an expectation that they will serve CCL's existing customer base as well as introducing new customers, that they will expand product lines, be purchased at reasonable valuations and be accretive to earnings in the first year of ownership.

The sale of the N.A. Custom business in 2005 and ColepCCL in 2007 resulted in a significant reduction in sales and earnings for CCL. The acquisitions during the past four years and the organic growth in the businesses supported by the Company's capital spending program, have more than replaced N.A. Custom and ColepCCL's earnings since the dispositions. The cash from the sales of these businesses has financed the Company's growth in the specialty packaging businesses.

CCL is anticipating that it will continue to benefit in 2009 from its recent acquisitions and the returns from its substantial level of capital expenditure from 2006 to 2008. It is expected that 2009 capital spending will reach approximately \$98 million. The Company believes that cash on hand, combined with its available revolving credit facility, will provide the financial liquidity and flexibility to manage capital spending and to complete further strategic acquisitions.

The Company repaid its ten-year unsecured senior notes totalling US\$120 million in March 2006. During the first quarter of 2006, the Company refinanced this debt and added further cash to the balance sheet by entering into a new private placement debt financing arrangement totalling US\$170 million. In the first quarter of 2007, the Company completed a C\$95 million five-year extendible revolving credit facility with a Canadian bank. Its term has been further extended until January 2013. In 2008, the Company entered into a private placement financing of unsecured senior notes with U.S. institutional investors. The proceeds were used to pay down the revolving credit facility. The Company intends to maintain the revolving facility for future liquidity as required.

Based on current exchange rates, the Company expects to be affected in 2009 by the strength of the U.S. dollar when it translates results of U.S. operations into Canadian currency, with a modest positive impact from its European operations. CCL will continue to be subject to translation impact, favourable or unfavourable, in all of its foreign operations, including those jurisdictions such as Brazil, Mexico and Russia, where exchange rates have been historically volatile.

## **STRATEGY**

CCL's goal is to improve its competitive position in each Division with a view to long-term profitable growth. The strategy is focused on specialty packaging businesses in which CCL (1) is or believes it can become the largest competitor in the market, (2) produces value-added products and uses technologies and know-how with strong barriers to entry, (3) is or can be the best value-added producer, (4) provides product lines and services that have growth potential and (5) sees potential in its businesses to take advantage of the trend toward globalization by its multinational customer base.

The Company is continually reviewing its businesses and may, if appropriate, divest non-core or unprofitable operations in order to improve its profitability and return on equity, and to improve its financial leverage. Management believes that this approach allows the Company to be better positioned to operate effectively during economic downturns, and to have the financial flexibility to make acquisitions and to invest in capital spending that support its business strategy. Restructuring costs were incurred over the last eight years to reorganize certain business units, to provide for losses on dispositions and to provide for the write-down of assets of business units that were deemed to be non-core and under performing.

All acquisitions in recent years added further international elements to the Label Division, expanding it on a global basis, and enhancing its relationships with its traditional North American and European customers.

## **ITEM 5 – DESCRIPTION OF THE BUSINESS**

### **OVERVIEW**

CCL is a diversified, Canadian-based, multinational company, which is a leading provider of innovative packaging solutions to leading global customers in the personal care, cosmetic, healthcare, household, specialty food, beverage, automotive and consumer durable markets. The Company has manufacturing facilities in North America, Europe, Latin America, Asia and Australia. CCL had approximately 5,400 employees as at December 31, 2008. The manufacturing facilities maintained by the Company are described below under the heading “Properties”.

#### **Net Sales from Continuing Operations By Business Segment:** (millions of dollars)

|           | <b>Years ended December 31</b> |                                |                         |                                |
|-----------|--------------------------------|--------------------------------|-------------------------|--------------------------------|
|           | <b>2008</b>                    |                                | <b>2007</b>             |                                |
|           | <b><u>Net Sales</u></b>        | <b><u>% of Total Sales</u></b> | <b><u>Net Sales</u></b> | <b><u>% of Total Sales</u></b> |
| Label     | \$971.3                        | 81.7%                          | \$904.4                 | 79.0%                          |
| Container | 154.9                          | 13.0%                          | 181.5                   | 15.9%                          |
| Tube      | 62.8                           | 5.3%                           | 58.4                    | 5.1%                           |
| Total     | <u>\$1,189.0</u>               | <u>100.0%</u>                  | <u>\$1,144.3</u>        | <u>100.0%</u>                  |

#### **Net Sales from Continuing Operations By Geographic Segment:** (millions of dollars)

|                               | <b>Years ended December 31</b> |                                |                         |                                |
|-------------------------------|--------------------------------|--------------------------------|-------------------------|--------------------------------|
|                               | <b>2008</b>                    |                                | <b>2007</b>             |                                |
|                               | <b><u>Net Sales</u></b>        | <b><u>% of Total Sales</u></b> | <b><u>Net Sales</u></b> | <b><u>% of Total Sales</u></b> |
| Canada                        | \$111.4                        | 9.4%                           | \$134.5                 | 11.8%                          |
| United States and Puerto Rico | 430.8                          | 36.2%                          | 434.0                   | 37.9%                          |
| Mexico and Brazil             | 99.4                           | 8.4%                           | 97.3                    | 8.5%                           |
| Europe                        | 494.6                          | 41.6%                          | 448.9                   | 39.2%                          |
| Asia and Australia            | 52.8                           | 4.4%                           | 29.6                    | 2.6%                           |
| Total                         | <u>\$1,189.0</u>               | <u>100.0%</u>                  | <u>\$1,144.3</u>        | <u>100.0%</u>                  |

Many products manufactured by the Company are used on a regular basis and, in many cases, daily basis by the consumer. As a result, the business is relatively non-seasonal. However, as evidenced by the historical financial results of public non-durable consumer products companies and CCL, these businesses are not generally recession-proof.

## **LABEL DIVISION**

### ***Principal Products***

The Label Division, operating under the name of CCL Label, specializes in the printing of pressure sensitive self-adhesive labels as opposed to traditional forms of labels such as wet glue or heat applied labels. Labels made by this Division identify, decorate and promote a variety of non-durable and durable consumer products for personal care, healthcare, food, beverage, home care, battery, automotive and numerous other industries. Pressure sensitive labels are generally printed on paper or plastic base materials. This Division also produces a variety of specialty label products such as packaging inserts and outserts, shrink sleeves, expanded content labels (a label that unfolds to display information), battery, in-mould labels, promotional pieces including games and coupons and pressure sensitive films and aluminum labels for automotive and consumer durable industries.

### ***Markets and Competition***

All markets for pressure sensitive labels around the world are very fragmented and the Company believes that the largest supplier is CCL Label but with many significant smaller competitors. In North America, the Company believes that while the Division is the largest participant in the industry, it only has an approximate market share of between 15% and 20%. CCL Label's European market share is also approximately 20%, with a large number of small competitors. In Asia, CCL Label is a small but growing participant. In Latin America, CCL Label is the leader in a fragmented market.

The Company believes that it is competitive for several reasons. It is focused on specific segments of the prime label market that require more sophisticated technology. It has the ability to purchase its major raw materials (primarily pressure sensitive paper stock and film) at favourable prices due to bulk purchases under supply contracts. It has a focused decentralized and entrepreneurial operating style.

CCL Label's business is generally non-seasonal because of the wide variety of products manufactured and its large diverse customer base.

The Label Division delivers its products following its customers' directions at its customers' cost. Shipments are primarily by truck and, in very unusual circumstances, by air.

## ***Employees***

CCL Label had approximately 4,400 employees as of December 31, 2008.

## **CONTAINER DIVISION**

### ***Principal Products***

The Container Division, operating under the name CCL Container, manufactures high quality extruded aluminum aerosol containers and bottles and a variety of other specialty products, such as piston barrier food packages, aluminum caulking cartridges, marker pen shells and cigar tubes.

### ***Markets and Competition***

Management believes that CCL Container is approximately the same size as its only domestic competitor in the United States and has approximately 50% market share as a supplier of extruded aluminum aerosol containers and bottles in North America, including Mexico. Competition comes from one other United States manufacturer of extruded aluminum aerosol containers, from imports and from aerosol containers manufactured from materials other than aluminum, particularly steel. Competition for aluminum bottles comes from many traditional container manufacturers, particularly aluminum and steel cans and plastic and glass bottles.

The Container Division delivers its products following its customers' directions primarily to the location where the product will be filled by its customers or by designated contract manufacturers. The customer pays for delivery, which is generally by truck, but can occasionally be by rail or air.

Generally, this business is non-seasonal.

## ***Employees***

The Container Division had approximately 650 employees as of December 31, 2008.

## **TUBE DIVISION**

### ***Principal Products***

The Tube Division, operating under the name CCL Tube, manufactures high quality plastic tubes primarily for the personal care industry. Plastic tubes can be decorated in many ways such as by printing, hot stamping or applying pressure sensitive labels.

## ***Markets and Competition***

Management believes that CCL Tube is one of the largest suppliers in North America of squeezable plastic tubes with a 15% to 20% market share. Competition comes from a number of other manufacturers in the United States and from imports, primarily from Europe. Alternative packages such as plastic bottles and laminate tubes compete with plastic tubes.

The Tube Division delivers its products following its customers' directions primarily to the location where the product will be filled by its customers or by designated contract manufacturers. The customer pays for delivery, which is generally by truck, but can occasionally be by rail or air.

Generally, this business is non-seasonal.

## ***Employees***

The Tube Division had approximately 300 employees as of December 31, 2008.

## **GENERAL**

### ***Suppliers***

The Company purchases a broad range of materials and components at market prices in connection with its manufacturing activities. Major purchased items include pressure sensitive paper stock and film, and inks for the production of labels, aluminum slugs for the manufacture of extruded aluminum aerosol cans and bottles and plastic resin for the manufacture of plastic tubes.

The Company is not dependent on any single source of supply in any of its operating Divisions. The materials required for its manufacturing operations have been readily available and the Company does not foresee any significant shortages in the future. Sufficient power for manufacturing operations is available from local utilities or power companies in most jurisdictions.

The cost of slugs for aluminum aerosol cans varies with the cost of aluminum, a traded commodity, which has historically been subject to periodic dramatic fluctuations. The Company partially hedges this cost and matches some of it where practical with specific customer contracts. This is achieved by entering into short-term forward contracts with its suppliers and by purchasing futures contracts for aluminum ingot on the London Metals Exchange for up to three years in the future.

### ***Patents and Trademarks***

In the conduct of the operation of its businesses, the Company generally benefits from various patents, licenses and proprietary technologies, which, although collectively important in the day-to-day operations of such businesses, are not individually material to the prospects or profitability of the Company as a whole. Most of the Company's manufacturing equipment is purchased off-the-shelf and is available to its competitors. However, most of the manufacturing equipment has become increasingly sophisticated and expensive, which may limit the ability of smaller competitors in the market to maintain their positions. However, management believes that it is the Company's manufacturing know-how, structured operating systems and trained employees that establish a meaningful barrier-to-entry for its businesses.

Over the many years that the Company has operated its businesses, it has developed an employee talent pool that has a significant specialized skill and knowledge base. Since the machinery in use for all the businesses is generally off-the-shelf, the Company's key asset is employee know-how from a trade (printers, machinists, etc.), technical (e.g. laboratory analysts) and business process perspective. Most of the Company's value-added techniques to produce products are not patented but reside in the skill set of the employee base.

### ***Research and Product Development***

The Company, through its Divisions, works with its customers in developing new products to meet market needs. The approach to new products is almost totally from active product development as opposed to pure scientific research. The Label Division develops innovative label products for home and personal care, food and beverage, healthcare customers, specialty and promotional products and automotive and other consumer durables. These include clear labels, game pieces and expanded content labels. In the Container Division, new barrier systems for aerosol cans, aluminum bottles for beverage products, and new shapes and styles for aluminum aerosol cans and bottles have been developed for its existing and new customers. In the Tube Division, new shapes, styles and decoration for plastic tubes are created to satisfy customers' demanding marketing needs.

### ***Environmental Matters***

Estimated capital expenditures for environmental control projects for 2009 and 2010 will not be material and the Company believes compliance with existing environmental protection laws and continuation of ongoing remediation efforts will have no material effect on earnings or on the competitive position of the Company. Liabilities are recorded when site restoration and environmental remediation obligations are either known or considered probable and can be reasonably estimated. The Company is unable to predict what changes may be made to environmental laws in the future in the countries in which it operates, although it anticipates that such laws will continue to become more stringent.

The Company believes that its exposure to environmental matters has been reduced with the sale of the N.A. Custom business in 2005 and the ColepCCL joint venture in 2007. These businesses were primarily involved in filling products created from chemical components. The Company has several environmental specialists to monitor and implement its environmental policy. The Board of Directors, through its Environment and Health & Safety Committee, receives regular reports on environmental issues and monitors compliance with established policies.

The Company has adopted an environmental policy statement that emphasizes the Company's commitment to best practices in waste handling, regulatory compliance, self-auditing and waste reduction. In addition, the policy provides for careful assessment of properties both prior to acquisition and prior to disposal. Furthermore, it promotes environmental awareness in the Company's host communities.

### ***Social Policies***

The Company has developed a company-wide Code of Business Conduct and Ethics (the "Code"), approved by the Board of Directors, that is distributed to each employee. The Code requires the employees to conduct themselves ethically in their business and workplace relationships, respecting other employees, the environment and the communities in which CCL operates. All new employees, in the course of their induction, receive and review the Code. The general manager of each facility is required to confirm in writing to the Human Resources Committee of the Board of Directors that the Code has been promulgated at regular intervals to all existing employees. Further, the Company has established an anonymous employee 'hot line', accessed by telephone or over the Internet and monitored by a third-party service, to allow all employees to report issues related to potential infractions of the Code. Any alleged infractions are reported to the Executive Management, investigated and, if there is substance to the allegations, reported to the Board of Directors. Management provides a quarterly report detailing any hotline reports and the action taken to the Human Resources Committee.

### ***Customers***

Each of the operating Divisions of the Company deals with a diverse customer base. While a small number of the manufacturing facilities are dependent upon one or a few customers for a significant portion of their business, no operating Division is dependent upon any single customer or upon a few customers. In 2008, the Company's largest customer accounted for about 10% of consolidated sales. See also "Dependence on Customers" in our Risk Factors in Item 5 of this AIF.

## ***Employees***

The Company has direct control over a total of approximately 5,400 employees and has a number of labour union contracts and labour/management associations (covering approximately 800 employees) as at December 31, 2008. Four labour contracts, covering approximately 300 employees, expire in 2009. The Company has not recently experienced work stoppages at any of its locations. The Company does not anticipate any unusual difficulties in negotiating new labour contracts in 2009.

## ***Foreign Operations***

The Company currently conducts operations in Canada, the United States (including Puerto Rico), Australia, Austria, Brazil, China, Denmark, England, France, Germany, Italy, Mexico, the Netherlands, Poland, Russia, Scotland and Thailand. Operations in each country primarily service the domestic market.

International operations are necessarily subject to different economic risks and opportunities. The Company's production costs are affected by conditions prevailing in the various locations. The Company is also exposed to foreign currency exchange, which may positively or negatively affect the Company's consolidated financial reporting as a result of the translation of foreign financial results into Canadian dollars and the impact of cash flows, cash holdings and debt obligations in these foreign currencies. The Company believes that international diversification has reduced its overall economic business risk.

## ***Production and Services***

The Company primarily manufactures its products at its various plant facilities utilizing standard equipment generally available to the market. In unusual circumstances, CCL may outsource certain production to other suppliers. As part of providing its manufacturing capabilities to its customers, the Company does provide ancillary services such as art work, tool and die manufacturing and product development for a fee. These service fees are a small proportion of the Company's revenue, less than 10%.

## ***New Products***

The Company has developed many new products in each of its businesses over the years. The approach to developing new products is primarily from active product development as opposed to pure scientific research. Recent developments by the Container Division in shaping aluminum have given rise to the aluminum bottle business, which has now reached the beer and beverage markets. Shaped aluminum aerosol containers have been introduced in the last few years and new products are evolving. The Label Division continues to develop new applications for clear labels, promotional products, shrink labels and expanded content labels. The Tube Division creates plastic tubes with new shapes and multiple combinations of decoration.

## ***Properties***

As at March 10, 2009, the Company operated the following principal manufacturing facilities:

| <b><u>Location</u></b>                  | <b><u>Owned or Leased</u></b> | <b><u>Major Products</u></b>  |
|---|-------------------------------|---|
| <b><u>Label</u></b>                     |                               |   |
| <b>Canada</b>                           |                               |   |
| Etobicoke, Ontario                      | Owned                         | Healthcare and Specialty Labels   |
| St. Bruno, Québec                       | Owned                         | Healthcare Labels   |
| <b>United States</b>                    |                               |   |
| Upland, California                      | Owned                         | Healthcare Labels   |
| Shelton, Connecticut                    | Owned                         | Personal Care Labels  |
| Cold Spring, Kentucky                   | Owned                         | Specialty Labels  |
| Baltimore, Maryland                     | Leased                        | Healthcare Labels   |
| St. Louis, Missouri                     | Owned                         | Healthcare Labels   |
| Hightstown, New Jersey                  | Owned                         | Healthcare Labels   |
| Robbinsville, New Jersey                | Owned                         | Personal Care Labels, Shrink Sleeves  |
| Charlotte, North Carolina               | Leased                        | Personal Care Labels  |
| Twinsburg, Ohio                         | Leased                        | Sleeve Labels for Food and Beverage   |
| Boothwyn, Pennsylvania                  | Leased                        | Battery Labels  |
| Sioux Falls, South Dakota<br>(3 plants) | Owned/<br>Leased              | Healthcare, Home and Personal Care,<br>Food and Beverage Labels, Specialty<br>Labels and Shrink Sleeves |
| Collierville, Tennessee                 | Owned                         | Specialty Labels  |

| <u>Location</u>    | <u>Owned or Leased</u> | <u>Major Products</u>                                  |
|--------------------|------------------------|--|
| <b>Mexico</b>      |                        |  |
| Mexico City        | Owned                  | Personal Care Labels                                   |
| <b>Puerto Rico</b> |                        |  |
| Cidra              | Leased                 | Healthcare Labels                                      |
| San German         | Leased                 | Healthcare Labels                                      |
| <b>Brazil</b>      |                        |  |
| Criciuma           | Owned                  | Sleeve Labels for Food and Beverage                    |
| Vinhedo            | Owned                  | Personal Care, Healthcare and Food and Beverage Labels |
| <b>Australia</b>   |                        |  |
| Barossa Valley     | Owned                  | Wine Labels  |
| Sydney             | Leased                 | Wine Labels  |
| <b>Austria</b>     |                        |  |
| Hohenems           | Owned                  | Sleeve Labels for Food and Beverage                    |
| Voelkermarkt       | Owned                  | Sleeve Labels for Food and Beverage                    |
| <b>Denmark</b>     |                        |  |
| Broendby           | Leased                 | Specialty and Healthcare Labels                        |
| Randers            | Owned                  | Healthcare Labels                                      |

| <u>Location</u>           | <u>Owned or Leased</u>            | <u>Major Products</u>                |
|---------------------------|-----------------------------------|--------------------------------------|
| <b>France</b>             |                                   |                                      |
| Chilly-Mazarin (2 plants) | Owned/<br>Leased                  | Healthcare and Specialty Labels      |
| Moussy le Neuf            | Owned                             | Personal Care Labels                 |
| Périgueux                 | Owned                             | Sleeve Labels for Food and Beverage  |
| <b>Germany</b>            |                                   |                                      |
| Holzkirchen               | Owned<br>Building/<br>Leased Land | Personal Care Labels                 |
| Meerane                   | Owned                             | Battery and Food and Beverage Labels |
| Solingen (2 plants)       | Leased/<br>Owned                  | Automotive Durable Labels            |
| <b>Italy</b>              |                                   |                                      |
| Milan                     | Owned                             | Healthcare Labels                    |
| <b>The Netherlands</b>    |                                   |                                      |
| Oss                       | Owned                             | Healthcare Labels                    |
| <b>Poland</b>             |                                   |                                      |
| Poznan                    | Owned                             | Personal Care and Healthcare Labels  |
| <b>Russia</b>             |                                   |                                      |
| Moscow                    | Leased                            | Personal Care and Beverage Labels    |
| St. Petersburg            | Leased                            | Personal Care and Beverage Labels    |

| <u>Location</u>                | <u>Owned or Leased</u> | <u>Major Products</u>   |
|--------------------------------|------------------------|---|
| <b>United Kingdom</b>          |                        |   |
| Ashford, England               | Owned                  | Healthcare and Specialty Labels   |
| Burgess Hill, England          | Leased                 | Healthcare and Specialty Labels   |
| Castleford, England (2 plants) | Owned                  | Personal Care and Sleeve Labels for Food and Beverage                   |
| King's Lynn, England           | Owned                  | Sleeve Labels for Food and Beverage                                     |
| East Kilbride, Scotland        | Leased                 | Specialty Labels  |
| <b>China</b>                   |                        |   |
| Guangzhou                      | Owned                  | Personal Care Labels  |
| Hefei                          | Owned                  | Personal Care and Battery Labels  |
| <b>Thailand</b>                |                        |   |
| Bangkok                        | Owned                  | Personal Care Labels  |
| <b><u>Container</u></b>        |                        |   |
| <b>Canada</b>                  |                        |   |
| Penetanguishene, Ontario       | Owned                  | Extruded Aluminum Aerosol Containers, Bottles and Barrier Food Packages |
| <b>United States</b>           |                        |   |
| Hermitage, Pennsylvania        | Owned                  | Extruded Aluminum Aerosol Containers, Bottles and Barrier Food Packages |

| <u>Location</u>                              | <u>Owned or Leased</u> | <u>Major Products</u>   |
|--|------------------------|---|
| <b>Mexico</b>                                |                        |   |
| Guanajuato                                   | Owned                  | Extruded Aluminum Aerosol Containers and Aluminum Tubes             |
| Mexico City (shared with Tube Division)      | Leased                 | Extruded Aluminum Aerosol Containers and Aluminum and Plastic Tubes |
| <b><u>Tube</u></b>                           |                        |   |
| <b>United States</b>                         |                        |   |
| Carson, California                           | Leased                 | Plastic Tubes   |
| Wilkes-Barre, Pennsylvania                   | Owned                  | Plastic Tubes   |
| <b>Mexico</b>                                |                        |   |
| Mexico City (shared with Container Division) | Leased                 | Plastic Tubes   |

## **RISK FACTORS**

The Company is subject to a number of potential risks and uncertainties associated with being a supplier of goods and services to the non-durable consumer packaging and consumer durable industries that could have a material adverse effect on the business, financial condition and results of operations, such as:

### *Uncertainty Resulting from Recent Global Economic Crisis*

The Company currently generates sufficient cash flows and has available financing capacity to support its current operations and growth objectives. However, the difficult global economic conditions that developed in 2008 and continues into 2009 could have a material adverse effect on sales, profits and cash flows and the financial position of the Company. If the current global economic recession continues or worsens, our business could be negatively impacted, due to lower customer demand for our products and customer or supplier disruption resulting from tighter credit markets, and other factors. In addition, current economic conditions could impact our ability to manage our relationships with our customers, suppliers and creditors.

### *Potential Risks Relating to Significant Operations in Foreign Countries*

The Company operates a decentralized organization in 55 facilities in 17 countries. Many of these countries have their own unique cultures and values. In 2008, approximately 55% of the Company's sales were derived from operations conducted outside of Canada and the United States. As a result, CCL's business is subject to changes in geopolitical risks and changes in the level of consumer confidence, disposable income and purchasing trends that can materially affect the sales, profits, cash flows and financial position of the Company. Such risks include currency exchange rate fluctuations, inflation, exchange controls, interest rates fluctuations, credit availability and variable political conditions. In addition, a highly inflationary economy may also give rise to increased production costs without a corresponding increase in prices, particularly if products are exported to countries with low inflation rates. Competition from low cost jurisdictions may adversely impact operating results in the Company's business locations.

### *Competitive Environment*

The Company faces competition from other packaging suppliers. 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, consolidation in the non-durable consumer products industry and further pressure on the industry by the large retail chains may result in decreases in pricing and disadvantageous trade terms, including the renegotiation of long term contracts, as well as the potential for the loss of customers due to the inability to meet customers' price expectations, any of which could have a material adverse effect on the business, financial condition and results of operations of the Company.

### *Profitability of the Company's Container Business*

The Company's Container business operated at a substantial profit in 2004 and 2005, but had lower profit levels in the last three years. The Company has invested heavily in recent years to add capacity in existing plants and build a new plant in Mexico to meet expected growth in aerosol cans and particularly beverage bottles for specialty beverage and beer products. Aluminum costs rose dramatically over the past three years to record levels, particularly in mid-2006 and early 2008. However, the cost of aluminum dropped significantly in the second half of 2008. The Company has hedged a portion of its expected aluminum requirements for 2009 through mid-2011 at high price levels for 2009 tied into fixed selling prices with customers. The benefit of current lower aluminum costs will not be experienced by these customers until the hedges expire. The dramatic fluctuation of aluminum costs creates 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 cannot pass cost increases onto its customers, restructure operations, and maintain and grow sales volumes to utilize production capacity, these 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, and 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.

#### *Profitability of the Company's Plastic Tube Business*

The Company's Plastic Tube business experienced profit growth in 2006, but delivered lower operating income in 2007 due primarily to the slowdown in the U.S. economy. Although sales improved in 2008, rising commodity costs and operational challenges prevented improvement in financial performance and the Tube business experienced an operating loss. As a result of the Company's annual goodwill impairment testing, it was determined that the goodwill carried in the Tube Division was impaired due to the lower financial performance noted above and the lower equity value of public companies in the specialty packaging segment that developed during the last year. 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. If the Division cannot return to reasonable profitability, or if success in developing innovative packaging solutions is not achieved, the Company's investment in the business may be further impaired. Recognition of this impairment could have a material adverse effect on the business, the financial condition and results of operations of the Company.

#### *Multilateral Instrument 52-109*

The Company operates in many different countries, with many different cultures and with different local accounting and business principles. The Company reviews the financial results of its operations on a regular basis and its Internal Audit department periodically visits locations using a risk-based approach.

The CEO and CFO have evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2008 and have concluded that such internal control is effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes. However, this is not a guarantee that there are no material weaknesses in the internal control system or errors in the financial statements. Any undetected material weaknesses in the internal control over financial reporting may have a material adverse impact on the business, financial condition and results of operations of the Company.

#### *Retention of Experienced Workforce and Know-How*

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 allows 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. To date, the Company has been successful in recruiting and retaining competent senior management. Should any member of management be unable or unwilling to continue his employment with the Company or its subsidiaries, this could have a material adverse effect on the business, financial condition and results of operations of the Company.

#### *Failure to Integrate 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 effect 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.

### *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. Operating results may fluctuate in the future, particularly in light of global economic conditions and as a result of many factors, including 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 costs, 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 on 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 Limits*

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 10% of consolidated revenue from continuing operations for fiscal 2008. The five largest customers of the Company represented approximately 26% of the total revenue for fiscal 2008 and the largest fifteen customers represented approximately 40% of the total revenue from continuing operations for fiscal 2008. 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, governing, among other things, water discharges, air emissions, non-hazardous and hazardous waste (including waste water), the storage, handling, distribution and transportation of dangerous goods and hazardous materials, the remediation of releases and the presence of hazardous materials, land use, zoning and employee health and safety requirements particularly in Canada, the United States and in the European Economic Community (collectively, the "EHS Requirements"). Future proceedings or inquiries 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 regulation of environmental matters, 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, nutraceutical 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.

#### *Product Regulation*

Products manufactured by the Company for its customers are subject to various standards and regulations implemented by various provincial, state and federal governmental agencies. While management believes that the products it manufactures for its customers meet existing requirements, amendments to existing standards or regulations or the implementation of new standards or regulations could require the customers of the Company to re-specify certain of their products or to eliminate the production of certain products, either of which 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 licenses 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 licenses. The Company may not be successful in developing such an alternative or obtaining a license 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.

#### *Potential Undisclosed Liabilities Associated with Acquisitions*

In connection with acquisitions completed by the Company, 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 or future prospects of the Company.

#### *Defined Benefit Pension Plans*

The Company is the sponsor of a number of defined benefit plans in five 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 will be sufficient to satisfy the obligations under these plans in future years, the cash outflow and higher expenses associated with these plans could have a material adverse impact on the financial condition of the Company.

### *Investment in Russia*

In December 2007, the Company entered into a 50% equity investment which owns CCL-Kontur, a Russian printing company, to service the personal care and beverage label markets in the region. The limited direct involvement of the Company in the Russian business, the deterioration in the Russian economy and the cultural differences inherent in Russian business practices could give rise to future operating losses and a write-down in the value of this investment.

### **ITEM 6 – DIVIDENDS**

| <b><u>Annual Cash Dividends Declared per Share</u></b> | <b><u>2008</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> |
|--|--------------------|--------------------|--------------------|
| <b>Class A</b>   | \$0.51             | \$0.43             | \$0.38             |
| <b>Class B</b>   | \$0.56             | \$0.48             | \$0.43             |

Dividend payments are restricted by loan covenants in the senior notes agreements whereby certain unfavourable financial ratios could cause dividends to be reduced or eliminated until such financial ratios are rectified. Dividends can only be paid from retained earnings. CCL's dividend policy is to provide a stable and potentially growing cash return to shareholders, balancing the Company's internal cash position and requirements, and other means of providing returns to investors such as share repurchases in the open market. CCL has paid dividends quarterly for over 25 years with periodic increases and has not reduced its dividend payout per share during this period.

### **ITEM 7 - DESCRIPTION OF CAPITAL STRUCTURE**

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.

#### **Class A Voting Shares**

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 those payable per Class B share.

#### **Class B Non-Voting Shares**

Class B shares rank equally in all material respects with the Class A shares, except as stated above and as follows: (i) holders of Class B shares are entitled to receive meeting materials and to attend, but not to vote at, regular shareholder meetings, (ii) 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 and (iii) 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.

### **ITEM 8 – MARKET FOR SECURITIES**

The Class A voting shares and the Class B non-voting shares of CCL are listed and posted for trading on the Toronto Stock Exchange.

#### **CCL's Shares Trading in 2008 on The Toronto Stock Exchange**

##### **Class A**

|                   | <b><u>Volume Traded</u></b> | <b><u>High</u></b>    | <b><u>Low</u></b>     | <b><u>Close</u></b>   |
|-------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| January           | 25                          | n/a                   | n/a                   | n/a                   |
| February          | 1,305                       | 39.00                 | 35.00                 | 36.26                 |
| March             | 2,700                       | 36.50                 | 32.93                 | 32.93                 |
| April             | 1,100                       | 33.00                 | 33.00                 | 33.00                 |
| May               | 325                         | 33.45                 | 33.45                 | 33.45                 |
| June              | 1,788                       | 34.19                 | 32.50                 | 32.50                 |
| July              | 300                         | 32.00                 | 32.00                 | 32.00                 |
| August            | 200                         | 28.50                 | 28.50                 | 28.50                 |
| September         | -                           | -                     | -                     | -                     |
| October           | 2,510                       | 28.50                 | 26.65                 | 28.50                 |
| November          | 3,235                       | 31.00                 | 24.30                 | 24.30                 |
| December          | <u>440</u>                  | <u>25.05</u>          | <u>24.89</u>          | <u>24.89</u>          |
| <b>Total Year</b> | <b><u>13,928</u></b>        | <b><u>\$39.00</u></b> | <b><u>\$24.30</u></b> | <b><u>\$24.89</u></b> |

##### **Class B**

|                   | <b><u>Volume Traded</u></b> | <b><u>High</u></b>    | <b><u>Low</u></b>     | <b><u>Close</u></b>   |
|-------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| January           | 1,740,457                   | 40.24                 | 34.50                 | 36.20                 |
| February          | 928,703                     | 38.97                 | 34.36                 | 34.80                 |
| March             | 3,825,499                   | 34.99                 | 26.53                 | 29.94                 |
| April             | 1,845,838                   | 33.78                 | 29.71                 | 30.20                 |
| May               | 700,311                     | 35.09                 | 30.16                 | 34.20                 |
| June              | 1,713,442                   | 34.96                 | 27.87                 | 29.53                 |
| July              | 1,044,043                   | 31.47                 | 26.01                 | 30.00                 |
| August            | 812,909                     | 35.75                 | 29.00                 | 35.15                 |
| September         | 1,102,283                   | 35.35                 | 28.09                 | 29.50                 |
| October           | 1,435,078                   | 30.60                 | 23.25                 | 30.00                 |
| November          | 923,755                     | 31.96                 | 23.00                 | 24.40                 |
| December          | <u>980,951</u>              | <u>28.49</u>          | <u>22.55</u>          | <u>25.00</u>          |
| <b>Total Year</b> | <b><u>17,053,269</u></b>    | <b><u>\$40.24</u></b> | <b><u>\$22.55</u></b> | <b><u>\$25.00</u></b> |

## **ITEM 9 – DIRECTORS AND OFFICERS**

The names and municipalities of residence of all directors and officers of CCL as at the date hereof, the offices presently held, the principal occupations during the last five years and the year each director first became a director are set out below. Each director was elected at the last annual meeting of shareholders, except for Edward Guillet, who was appointed on November 5, 2008. Each director serves until the next annual meeting or until his or her successor is elected or appointed. The Articles of the Company provide for a minimum of 5 and a maximum of 15 directors. Officers are appointed annually and serve at the discretion of the Board of Directors.

### **Directors**

| <b><u>Name and Municipality</u></b>                | <b><u>Principal Occupation in Last 5 Years</u></b>   | <b><u>Director Since</u></b> |
|--|--|------------------------------|
| PAUL J. BLOCK<br>New York, New York<br>USA         | Chairman and Chief Executive Officer of Proteus Capital Associates (an investment banking firm), Operating Partner of Behrman Capital (a private equity firm). Prior to December 2006, principal of Sea Change Group and President of Versadial, a Sea Change Company (private equity firms)                               | November 6, 1997             |
| MICHAEL T. COWHIG<br>Boston, Massachusetts<br>USA  | Corporate Director; prior to December 2006, President, Global Technical and Manufacturing, The Procter & Gamble Company – Gillette Global Business Unit (personal care products company). Prior to 2004, President Global Technical and Manufacturing, The Gillette Company (personal care products company)               | February 22, 2007            |
| EDWARD E. GUILLET<br>Needham, Massachusetts<br>USA | Independent Human Resources Consultant. Prior to January 2007, Senior Vice President, Human Resources, The Procter & Gamble Company– Gillette Global Business Unit (personal care products company). Prior to October 2005, Senior Vice President, Human Resources, The Gillette Company (personal care products company). | November 5, 2008             |
| JON K. GRANT<br>Peterborough, Ontario<br>Canada    | Corporate Director; Lead Director of the Board of the Company  | December 8, 1994             |

| <b><u>Name and Municipality</u></b>                          | <b><u>Principal Occupation in Last 5 Years</u></b>   | <b><u>Director Since</u></b> |
|--|--|------------------------------|
| ALAN D. HORN<br>Toronto, Ontario<br>Canada                   | President and Chief Executive Officer of Rogers Telecommunications Limited and Chairman of the Board and Acting Chief Executive Officer of Rogers Communications Inc. Prior to 2006, Vice President, Finance and Chief Financial Officer of Rogers Communications Inc. | May 8, 2008                  |
| DONALD G. LANG<br>Toronto, Ontario<br>Canada                 | Executive Chairman. Prior to May 2008, Vice Chairman and Chief Executive Officer of the Company. Prior to May 2005, President and Chief Executive Officer of the Company.  | May 23, 1991                 |
| STUART W. LANG<br>Cambridge, Ontario<br>Canada               | Corporate Director. Prior to February 2006, President of CCL Label International, a division of the Company  | May 23, 1991                 |
| GEOFFREY T. MARTIN<br>Dover, Massachusetts<br>USA            | President and Chief Executive Officer of the Company. Prior to May 2008, President and Chief Operating Officer of the Company. Prior to May, 2005, Vice President of the Company and President of CCL Label, a division of the Company.                                | October 27, 2005             |
| DOUGLAS W. MUZYKA<br>Shanghai, Peoples'<br>Republic of China | President of DuPont Greater China and DuPont China Holding, Co. Ltd. (manufacturing company). Prior to July 2006, Vice President and General Manager of DuPont Nutrition and Health, and President and Chief Executive Officer of E.I. DuPont Canada Company.          | June 8, 2006                 |
| THOMAS C. PEDDIE<br>Toronto, Ontario<br>Canada               | Senior Vice President and Chief Financial Officer of Corus Entertainment Inc. (media company).   | June 4, 2003                 |

The Committees of the Board of Directors of the Company and their members are as follows:

**Audit Committee**

Thomas C. Peddie (Chairman)  
Paul J. Block  
Alan D. Horn

**Human Resources  
Committee**

Paul J. Block (Chairman)  
Michael T. Cowhig  
Edward E. Guillet

**Nominating and Governance  
Committee**

Jon K. Grant (Chairman)  
Alan D. Horn  
Thomas C. Peddie

**Environment and Health &  
Safety Committee**

Douglas W. Muzyka  
(Chairman)  
Jon K. Grant  
Stuart W. Lang

**Officers****Office with CCL and Principal Occupation in Last 5 Years**

DONALD G. LANG  
Toronto, Ontario  
Canada

Executive Chairman. Prior to May 2008, Vice Chairman and Chief Executive Officer of the Company. Prior to May 2005, President and Chief Executive Officers of the Company.

GEOFFREY T. MARTIN  
Dover, Massachusetts  
USA

President and Chief Executive Officer of the Company. Prior to May 2008, President and Chief Operating Officer of the Company. Prior to May 2005, Vice President of the Company and President of CCL Label.

STEVEN W. LANCASTER  
Toronto, Ontario  
Canada

Executive Vice President. Prior to October of 2008, Executive Vice President and Chief Financial Officer. .

BOHDAN I. SIROTA  
Mississauga, Ontario  
Canada

Senior Vice President, General Counsel & Secretary. Prior to November 2008, General Counsel and Secretary.

GASTON A. TANO  
Mississauga, Ontario  
Canada

Senior Vice President and Chief Financial Officer. Prior to October 2008, Global Corporate Controller for Bacardi Limited.

LALITHA VAIDYANATHAN  
Cambridge, Massachusetts  
USA

Senior Vice President, Finance, IT and Administration. Prior to October 2005, Vice President of Finance, Planning and IT of CCL Label.

JANIS M. WADE  
Toronto, Ontario  
Canada

Senior Vice President, Human Resources and Corporate Communications.

SUSAN V. SNELGROVE  
Uxbridge, Ontario  
Canada

Vice President, Risk and Environmental Management. Prior to October 2005, Director, Risk and Environmental Management.

The directors and officers of CCL Industries Inc. as a group beneficially own, control, or direct, directly or indirectly, approximately 2,242,030 of the issued and outstanding Class A voting shares representing 94.4% of the issued and outstanding Class A voting shares.

No director of the Company has been involved with a company that declared bankruptcy within the 10 years prior the date of the AIF except Michael T. Cowhig, who was a director of Wilsons the Leather Experts Inc. when it filed a voluntary petition for liquidation under Chapter 7 of the United States Bankruptcy Code on September 12, 2008.

### ***Conflicts of Interest***

Neither CCL nor any of its subsidiaries has an existing or potential material conflict of interest with any of its directors or officers.

### **ITEM 10 – LEGAL PROCEEDINGS**

In the course of its business activities, the Company engages in and contests a number of litigious claims. However, neither the Company nor any of its subsidiaries is a party to any legal proceedings that either individually or in the related aggregate exceed ten percent of the current assets of the Company.

### **ITEM 11 – TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent and registrar is CIBC Mellon Trust Company. The register of transfers of the Company's Class A and Class B shares is located at Toronto, Ontario.

### **ITEM 12 – MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contract that was entered into within the Company's most recently completed financial year was a private placement financing agreement for the Unsecured Senior Notes. The private placement financing was completed in September 2008. The US\$130 million financing consists of US\$52 million in five-year term debt at 5.86% and of US\$78 million in ten-year term debt at 6.62%. Financial covenants for these notes are substantially similar to the terms of the prior notes.

### **ITEM 13 – INTERESTS OF EXPERTS**

KPMG LLP, the Company's external auditor, has reported on the consolidated financial statements of the Company for the year ended December 31, 2008. KPMG LLP is independent of CCL in accordance with the applicable Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

## **ITEM 14 – AUDIT COMMITTEE**

### **Charter of the Audit Committee**

The mandate of the Audit Committee of the Board is set forth below. Reference to 'Auditor' signifies the auditor appointed by the shareholders of the Company from time to time.

- Review the quality and acceptability of the accounting policies, principles and practices of the Company.
- Review the quarterly and year-end financial statements, Management's Discussion and Analysis, and earnings press releases of the Company before the Company publicly discloses this information, and report its findings for approval to the Board. In addition, the Audit Committee shall review the annual Management Information Circular and the Annual Information Form of the Company and ensure that the prescribed disclosure regarding the Audit Committee is contained in the Annual Information Form and is cross-referenced to the Annual Information Form from the Management Information Circular.
- Monitor the adequacy and integrity of internal controls over accounting and financial systems and ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure stated immediately above, and periodically assess the adequacy of the those procedures.
- Monitor the timely communication of accurate financial information regarding the Company to the shareholders.
- Evaluate and recommend to the Board the Auditor to be nominated to prepare or issue an audit report or perform other audit, review or attestation services for the Company, and the compensation of the Auditor. Ensure that the Auditor reports directly to the Audit Committee.
- Monitor the independence of the Auditor, and assume direct responsibility for overseeing the work of the Auditor engaged to prepare or issue an audit report or perform other audit, review or attestation services for the Company, including the resolution of disagreements between Management and the Auditor regarding financial reporting and communicate directly with the Auditor for the discussion and review of any issues as appropriate. In addition, the Audit Committee shall require and receive from time to time the written confirmation of the Auditor as to its independent status and as to its good standing with the Canadian Public Accountability Board.
- Pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its Auditor. Authority to pre-approve non-audit services may be delegated to one or more independent members of the Audit Committee, provided that the pre-approval is presented to the full Audit Committee at its first scheduled meeting following such pre-approval.
- Review the results of internal and external audits, and any change in accounting practices or policies and their impact on the financial statements and maintain oversight responsibility for management reporting on internal control.

- Review the reports of the internal audit department of the Company and provide direction and guidance to the internal auditors.
- Where there are unsettled issues raised by the Auditor that do not have a material affect on the annual audited financial statements, require that there be a written response identifying a course of action that would lead to their resolution.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review and approve the Company's hiring policies regarding partners and employees and former partners and employees of the present and former Auditor of the Company.
- Review and monitor the adequacy and integrity of the Company's management information systems.
- Monitor the adequacy of financial resources.
- Review the quality of the asset side of the balance sheet of the Company.
- Review risks facing the Company.
- Review and assess the adequacy of the charter of the Audit Committee on an annual basis.

### **Composition of the Audit Committee**

The members of the Audit Committee, as disclosed under Item 9 – Directors and Officers, are: Thomas C. Peddie (Chairman), Paul J. Block and Alan D. Horn. Each of the members is independent as defined under Multilateral Instrument 52-110 and financially literate within the meaning of applicable securities legislation.

### **Relevant Education and Experience of the Audit Committee**

Thomas C. Peddie - Mr. Peddie is Senior Vice President and Chief Financial Officer of Corus Entertainment Inc., a publicly traded company listed on the Toronto Stock Exchange (the "TSX") and on the New York Stock Exchange. Mr. Peddie is a Chartered Accountant and was awarded his FCA designation by The Institute of Chartered Accountants of Ontario in 2003. Mr. Peddie holds an Honours Bachelor of Commerce degree from the University of Windsor. His career has reflected the progressive assumption of responsibility in the area of financial management of major companies, including WIC Western International Communication Inc., CTV Television Network, Toronto Sun Publishing Corporation, Canada Packers, and the international operations of Campbell Soup. Mr. Peddie has performed financial management directly and has supervised others in the performance of financial duties through much of his career. Along with his knowledge in matters of domestic and international finance, Mr. Peddie has an understanding of internal controls and procedures for financial reporting.

Paul J. Block - Mr. Block's U.S. and international experience as a divisional Chief Executive Officer for Revlon, Inc., includes positions as Chairman and President of Revlon International and President and Chief Executive Officer of Revlon Professional Group. In these capacities, Mr. Block monitored and had responsibility for the financial conditions of the respective operating divisions, and directly supervised the work of the Chief Financial Officer of each division. In addition, as a member of the board of the China Retail Fund, Mr. Block is required to evaluate and approve or reject investments made by the Fund. Accordingly, he has demonstrated a strong facility with the reading and interpretation of financial statements, with particular focus in the manufacture and marketing of personal care products in international markets.

Alan D. Horn - Mr. Horn's principal occupation is as President and Chief Executive Officer of Rogers Telecommunications Limited. Mr. Horn is also Chairman of the Board and Acting Chief Executive Officer of Rogers Communications Inc. He is a Chartered Accountant, and holds a B.Sc. with First Class Honours in Mathematics from the University of Aberdeen, Scotland. Mr. Horn is also a director of March Networks Corporation and Fairfax Financial Holdings Limited. Mr. Horn served as Vice President Finance and Chief Financial Officer of Rogers Communications Inc. from 1996 to 2006 and was President and Chief Operating Officer of Rogers Telecommunications Limited from 1990 to 1996. He brings to the Board his strategic, administrative and financial skills in the context of a large, publicly traded company.

## ***Pre-Approval Policies and Procedures***

### ***Policy***

The Company and its subsidiaries will not engage KPMG LLP, the external auditors of the Company, to carry out any service that may reasonably be thought to bear on KPMG's independence. KPMG must annually confirm to the Audit Committee that it is independent of the Company within the meaning of the applicable Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of Ontario. For services that are not prohibited, the following pre-approval policies will apply.

#### **A. Audit Services**

The Audit Committee will pre-approve all Audit Services provided by KPMG through their recommendation of KPMG as shareholders' auditors at the Company's annual meeting and through the Audit Committee's review of KPMG's annual Audit Plan.

#### **B. Audit Related Services and Recurring Tax and Other Non-Audit Services**

Annually, the Audit Committee will review the List of Audit, Audit Related and Recurring Tax and Other Non-Audit Services and recommend pre-approval of these services for the upcoming year. Any additional requests will be addressed on a case-by-case specific engagement basis as described in (C) below.

The Audit Committee will be informed quarterly of the services on the pre-approved list for which the Auditor has been engaged.

### **C. Other Services**

All requests to engage KPMG for other services must be pre-approved by the Audit Committee or the Chair of the Audit Committee, as described below, and will be addressed on a case-by-case specific engagement basis.

The Company's employee making the request is to submit the request for service to the Senior Vice President and Chief Financial Officer. The request for service should include a description of the service, the estimated fee, a statement that the service is not a prohibited service and the reason KPMG is being engaged.

Services where the aggregate fees are estimated to be less than or equal to \$ 50,000.

Recommendations, in respect of each engagement, will be submitted by the Senior Vice President and Chief Financial Officer to the Chair of the Audit Committee of the Board of Directors for consideration and approval. The full Audit Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval of the Chair of the Audit Committee.

Services where the aggregate fees are estimated to be greater than \$ 50,000.

Recommendations, in respect of each engagement, will be submitted by the Senior Vice President and Chief Financial Officer to the full Audit Committee for consideration and approval, generally at its next meeting. The engagement may commence upon approval of the Committee.

### **External Auditor Service Fees (by Category)**

#### Audit Fees

The aggregate audit fees paid to KPMG LLP related to the audit of the annual consolidated financial statements and the review of the interim financial statements in 2008 were \$1,595,170 (2007 were \$1,424,400).

#### Audit-Related Fees

The aggregate fees billed in 2008 for assurance and related services by KPMG that are reasonably related to the performance of the audit or review of the financial statements and that are not reported under "Audit Fees" above, were \$36,900 (2007 - \$39,000) related to the audit of the Company's pension plans, the report on compliance with debt covenants, advice on new accounting standards in connection with the 2007 audit and advice on internal controls over financial reporting.

### Tax Fees

The aggregate fees billed in 2008 for professional services rendered by the auditor for tax compliance, tax advice and tax planning were \$858,060 (2007 - \$494,300) for its Canadian and international operations.

### All Other Fees

KPMG provided actuarial consulting services to CCL and assistance in starting up foreign subsidiaries in 2008 for \$466,700 (2007 - \$499,200).

## **ITEM 15 – ADDITIONAL INFORMATION**

Additional information concerning CCL, including directors' and officers' remuneration and indebtedness, principal holders of securities, options to purchase securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Management Proxy Circular of the Company dated March 10, 2009. Additional financial information is provided in the Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal period ended December 31, 2008. Copies of the above documents may be obtained upon request from the Secretary of CCL Industries Inc. at 105 Gordon Baker Road, Suite 500, Willowdale, Ontario, Canada M2H 3P8.

Additional information relating to CCL may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.cclind.com](http://www.cclind.com).