CCL INDUSTRIES INC.

Annual Report 1987

CUSTOM MANUFACTURING

PRODUCT IDENTIFICATION

CONTAINER MANUFACTURING

Truck Tool Box
HEINZ TOMATOES
AQUAPEARL
JIM BEAM
MAPLE SYRUP
Pert
Interlux Flat Enamel
Enfalac
GREEN GIANT
CLAIROL
pure turpentine
HEINZ TOMATO JUICE
Apple Juice
MOTT'S CLAMATO
HEINZ
Marie's
GOOD FISHIN
WEST
HORSE GARD SENTINELLE II
33%
SEPT
STIFF
REVLON
NATURAL BRILLIANCE
HALSA
Derby
Rave
ARKELL
HEINZ
Carnation
PRIMO
Stokely PUMPKIN
Cooked Ham Jambon cuit
Purr
HEINZ BEANS
Habitant
Crisco OIL
Attack
LEPAGE
ROYAL CITY Peaches
Puss'n Boots
MINI Ravioli
Hunt's
PEA SOUP
Libby's
Beefaroni
Stokely Van Camp's
PLANTERS
Welch's GRAPE JUICE
Raspberry
Neet
Crino
Johnson
Budweiser
Labatt's
50
Labatt's
Cplus
Hires
ORIGINAL Hires
Northern
Alpine
MOLSON
FANTA
O'Keefe's
Rokanee
MOLSON Malt
RED LEAF
Golden Valley
Johnson
Coors
Coors LIGHT
PEPSI
Miller
7Up
Schweppes Ginger Ale
Schweppes Tonic
PLUMROSE BUFFETHAM
KIWI
NUGGET
Prem
KLIK
O'Keefe
Brasso
diet Coke
Coke
MOLSON Light
Minute Maid
Sprite
Coca-Cola CLASSIC
Suave
SIKAFLEX-280 URETHANE AUTO GLASS SEALANT
Aim FLUORIDE
SunPac
Beefaroni
Green Giant NIBLETS
Hunt's
FDS
WD-40
VO5
form-a-gasket
MECCA
DEEP HEATING
Natural Shades
ANACIN
Ultrabrite
OLD EL PASO
DURA-INK
MARKS-A-LOT


Bleach for Unbleachable
Javex
BORAX
stretch'n seal
Saran Wrap
Handi-Wrap
Calgonite
CALGON
Arctic Power
Snuggle
VIVID
Sani-Flush
Pine Sol
Glass Plus
Mazola NO STICK
CLEAN START
VANISH
Mr. Bubble
Scrub'n Shine
Wizard
Cepacol
NATURES PRESCRIPTION
carpet fresh
Renuzit
PAM
Mr. Muscle
Suave
BRECK
High Hair
nilodor
WELLA BALSAM
Henna
Barbasol
Secret
Endust
Vaseline Intensive Care
Tru-Organic
TWICE AS FRESH
Twinkle
Bakers Joy
dial
Bronkaid
Pearl drops SMOKER'S TOOTHPOLISH
Palmolive
Lock De-icer
Raid FUMIGATOR
Wrinkle FREE
Field CORN DOG
SYRUP
COOKED HAM
JAMBON CUIT
Gabriel
MOTOMASTER
BUFFETHAM
Lysol Toilet Bowl Cleaner
IRVING
WINTER
RADIAL
HIVER
STEEL PANEL
HD TIE
CUTEX

Financial Highlights

(in thousands of dollars and shares)	1987	1986
For the Year		
Sales	$767,264	$695,422
Net income before unusual and extraordinary items	17,506	21,693
Net income (loss)	(29,651)	18,170
Share Data		
Weighted average shares outstanding	31,027	30,546
Per class B share:		
Net income before unusual and extraordinary items	.57	.72
Net income (loss)	(.95)	.60
Cash flow from operations*	1.49	1.47
Annual dividends declared	.24	.22
At Year End		
Working Capital	32,203	73,313
Long term debt	202,780	179,375
Total debt to equity ratio	1.59:1	1.10:1
Fixed assets	291,534	280,153
Total assets	600,090	567,593
Number of employees	5,200	5,000
Number of shareholders – Class A	220	212
– Class B	3,627	2,854
Shares outstanding – Class A	4,118	4,133
– Class B	27,062	26,603

* Cash flow from operations is defined as net operating income plus depreciation and amortization.

CCL Industries Inc. is a diversified Canadian company engaged in the custom manufacture of a wide range of consumer goods, the printing of pressure sensitive products, and the manufacture of containers and closures through its subsidiaries Continental Can Canada, Advanced Monobloc, and CCL's Plastics Packaging Division. CCL's combined operations serve close to 1,500 marketing organizations in Canada and the United States.

The financial results of 1987 are a disappointment to us all. Earnings were negatively affected by a one-time write down of $75.7 million, a number of adverse non-recurring events which took place primarily in the last half of the year, and severe price competition in several of our markets which adversely affected our profitability. However, our cash flow is strong, we are financially sound and the company plans no reduction in its dividend payment. CCL is taking aggressive corrective action to ensure that next year we return to a more normal level of profitability.

In 1987 sales increased to $767,264,000 from $695,422,000, a 10.3% increase over 1986. Earnings per share before unusual items were $0.57 compared to $0.72 in 1986. However, we experienced a loss per share after unusual items of $0.95.

After reviewing the cost structure of our productive asset base we determined that in certain divisions it was appropriate to record a one-time asset write down. In addition, provision was made for costs associated with reorganizing the company's activities in line with the recommendations of the Task Force, referred to later in this report. This strategic action, combined with an ongoing profit improvement program, will allow us to remain competitive in the future.

Custom Manufacturing had a good year, with earnings in excess of those achieved in 1986. Product Identification was in a building year. With three acquisitions in the U.S., we experienced abnormal start up and learning curve costs. These problems are behind us and this division is looking forward to significant improvements in 1988. Container Manufacturing profits were also affected by some adverse events.

Plastics Packaging results were lower than anticipated due to intense price competition for Lamicon containers, manufacturing problems, and delays in arrival of equipment to produce hot fill Thermopet containers. We are currently studying these problems and are confident that they will be resolved in 1988.

The Quebec consumer continues to be reluctant to accept aluminum beer and soft drink cans. Unfortunately, we do not anticipate a dramatic change in this pattern in the near future. In the West, poor summer weather conditions in Alberta affected beverage can sales and our market share was reduced due to loss of some sales to U.S. filled products.

In Ontario, summer soft drink can sales were lower than expected while our customers attempted to conform with Ontario's 60/40 non-refillable/refillable regulations.

In addition, we devoted the entire month of September to converting our 10-ounce steel soft drink can lines in Ontario to aluminum can manufacturing, so there was no production of cans during this month. But as a result, we are now able to produce aluminum cans in all of our two-piece plants across the country. This is a much more effective use of our manufacturing facilities.

Despite disappointing financial results, CCL made some major accomplishments in 1987:

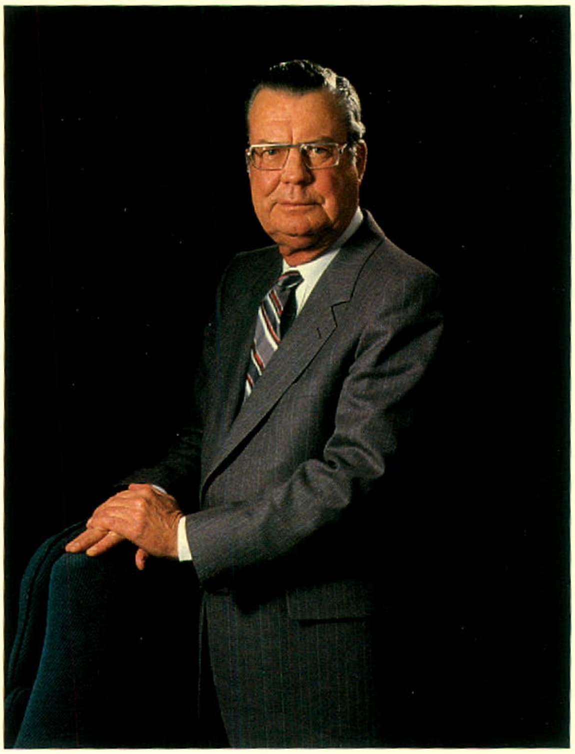
- Product Identification added three new companies to its growing division: Anco Packaging, Anco Mid-West Corporation, renamed Modern Press-East Troy, and United Tape & Label. Product Identification now has ten operating facilities in North America, seven in the United States and three in Canada. As the largest purchaser of prime label pressure sensitive materials in North America, we are now in an excellent position to take advantage of the synergy among these operations and their combined purchasing power.

• In the second quarter of 1987 we made the strategic decision to purchase Monobloc U.S.A., renamed Advanced Monobloc, a manufacturer of aluminum aerosol containers for the United States market. This acquisition, when combined with our Advanced Monobloc Canadian operations, makes CCL the largest manufacturer of aluminum aerosol containers in North America and ensures that we will be a major supplier to the growing U.S. market.

• As you are probably aware, CCL has, over the last five years, invested close to $275 million in its manufacturing facilities. We now have in place the most up-to-date equipment and advanced technology for all three of our business segments. However, all our divisions operate in highly competitive markets which is why we must continue to improve our competitive position, increase profitability, and attract capital for growth. We cannot stand still in a rapidly changing and expanding marketplace. For these reasons, late in 1987, we established a Task Force comprising senior personnel to examine all aspects of our operations. Results of the data obtained are being used to formulate CCL's *Blueprint for the Future*.

The year 1987 was a time of challenge and change for CCL. But we remain committed to our belief that we have the right combination of people and products to equal success. We are proud of the fact that approximately one-third of our over 5,000 dedicated employees are shareholders. Their faith is not misplaced. Together, we have weathered a difficult period but we believe that we have implemented the necessary corrective actions to ensure a profitable future.

We are pleased to announce that in advance of the expiration of our current labour contracts with the United Steel Workers, we negotiated new agreements with varying expiry dates in 1992.



We look forward to the new challenges that 1988 will offer, to brighter days, and to a more profitable bottom line. We will begin to see the results of our corrective action programs and receive substantial returns on the investments we have made in our businesses over the past five years. In 1988, we will show the marketplace that the commitment we have to our company, our employees, our products, and our customers is why CCL continues to be Canada's Premier Packaging Company.

G.S. Lang
Chairman of the Board and
Chief Executive Officer

Executive Committee

Left to right:

Gary W. Ullman
Executive Vice-President of CCL
President Custom Manufacturing
and Product Identification

Edward G. Johnston
Vice-Chairman of the Board

Gordon S. Lang
Chairman of the Board and Chief
Executive Officer

Edward W. Dobson
Chairman of the Executive
Committee

Wayne M.E. McLeod
President of CCL
and Vice-Chairman of the
Executive Committee

John A. Morrison
Executive Vice-President of CCL
President and Chief Executive
Officer
Continental Can Canada Inc.

Management Committee

Clockwise from bottom left:

Mel H. Snider
Vice-President and Chief Financial Officer of CCL

Jean N. Quesnel
Vice-President,
Finance and Administration
Continental Can Canada Inc.
Assistant Treasurer of CCL

John T. Corley
Vice-President,
Sales and Marketing
Continental Can Canada Inc.

William T. Zinser
Group Vice-President – Product Identification

Douglas S. Chafee
Group Vice-President – Custom Manufacturing

Larry A. Eddy
Vice-President, Administration of CCL

Robert C. Broad
Director of Investor Relations of CCL

C. Roger Henry
Vice-President, Operations
Continental Can Canada Inc.

Ralph G. Webster
Vice-President and General Manager
Plastics Packaging Division

Perry W. Nelson
(Chairman)
Executive Vice-President, and Chief Operating Officer
Continental Can Canada Inc.
Vice-President of CCL

Ronald J. Sloan
Vice-President, Information and Planning Services of CCL

"In 1987 we focused our efforts on reducing costs, both through automation, and by implementing internal controls to reduce material losses."

Dave Sandher – Laboratory Manager
Nazia Dar – Microbiology Technician
Performing a quality control procedure and recording the reading in the laboratory log manual.

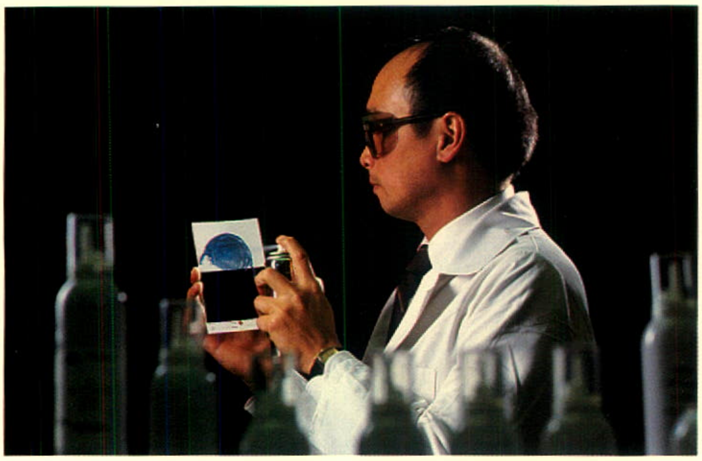
Conn Chem custom manufactures aerosol products for the personal care, cosmetic, household, and insecticide markets. Custom manufacturing products in Canada for U.S. clients is a significant growth opportunity for this division. In 1987, Conn Chem:

- upgraded and automated high-speed aerosol lines in order to increase productivity, improve product quality, and minimize waste.
- obtained a major contract with a new customer to custom manufacture aerosol and non-aerosol hair care products previously imported from Europe.
- created additional manufacturing space by relocating storage areas in a leased distribution centre.
- installed a sophisticated, more accurate computer propellant blending system on two lines.
- improved our overall safety record and initiated the Five Star Health & Safety program.
- expanded the Preventative Maintenance program which will further reduce downtime.


Dow
Bathroom Cleaner
FABERGE
ALL-PURPOSE
HAIR SPRAY
NEW! NOUVELLE!
Mr. Muscle
self-scouring oven cleaner
de four
400 g
DISINFECTANT SPRAY
REGULAR SCENT
Lysol
ELIMINATES ODOURS
KILLS HOUSEHOLD GERMS, MOULD AND MILDEW
nilodor
Barbasol
THICK AND RICH SHAVING CREAM
Noxzema
ULTRA-SEC
200 mL
DANGER
Muskol
INSECT REPELLENT
DANGER
Dusts & Cleans
DANGER


MINT FRESH
MENTHE FRAÎCHE
ANTIBACTERIAL
Cepacol
ANTIBACTÉRIEN
FLUORIDE
PAM
low calorie pure vegetable
CAUTION
Coppertone
DARK TANNING
MOUSSE
BRONZAGE
FONCÉ
ANTI-PERSPIRANT
ANTISUDORIFIQUE
200 ml
DANGER
180 ml
Loving Care
Colour
Mousse
colorante
70 g
Cover Girl
Solarcaine
sunburn pain
coups de soleil
CAUTION
Close-up
Fluoride formula
TOOTHPASTE
Pearl drops
SMOKER'S
TOOTHPOLISH
120ml
ANTI-PLAQUE
Viadent
DENTIFRICE 50 mL
Helps prevent inflamed, irritated gums

"Ongoing product rationalization throughout an active 1987 has placed us in an excellent position to take advantage of new opportunities in the pharmaceutical and oral hygiene markets."



Recto Yee – Manager of Technical Services
Verifying that the spray characteristics and colour match for a hair spray product meet specifications.

Armstrong-Lang custom manufactures pharmaceuticals, toiletries and cosmetic products in aerosol, liquid, cream, lotion, and gel form.

In 1987, Armstrong-Lang:

• acquired major new business in the liquid mouthwash market.

• commenced negotiations for significant potential volume of new self-medication aerosol foam products.

• reorganized high-speed HPB liquid filling, by introducing automated equipment for capping, labelling and tamperproof sealing.

• improved productivity and line efficiency of the HPB aerosol line for products such as mousse.

• automated filling equipment for small gel and high viscosity cream products.

• expanded and improved specialized packaging business with multi-cartoning operations and other items such as prepacks, unique promotion stickers, and tags.

• improved our overall safety record and initiated the Five Star Health & Safety program.

"We made major additions to our production capacity in 1987 and are now better positioned to serve our markets in the future."

Adrian Verdone – Quality Assurance Supervisor
Monitoring valve stem height on K-G's new super enamel colour line prior to release to marketers.

K-G Packaging custom manufactures aerosol and liquid products for the paint, automotive, shoe care, industrial and institutional markets. This year we added substantially to our plant area and facilities, and installed sophisticated new production equipment.

In 1987, K-G Packaging:

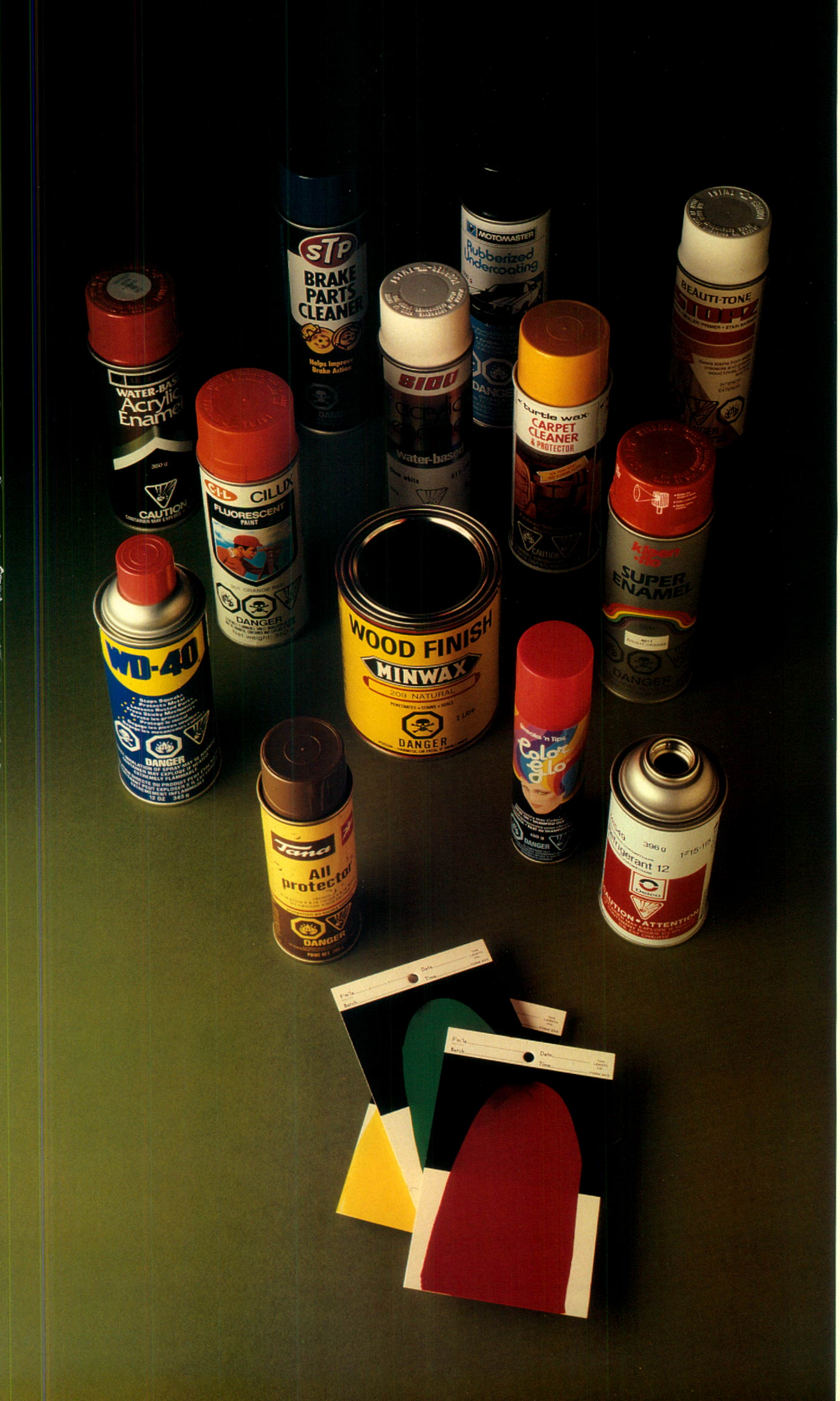
• enjoyed high levels of customer demand for our entire product line.

• opened the new Customer Service Centre, which constantly aims to improve customer service and ensure prompt order turnaround.

• launched our proprietary water based aerosol paint line in Europe through our licensee Vogelsang AG, with encouraging success. We saw an increased interest in this product from the U.S. market.

• increased manufacturing capacity with an expanded tank farm, new compounding facilities, and a new aerosol line, increasing order handling capabilities.

• developed and introduced several well-received products to the marketplace, including a high quality line of automotive spray paint, a new home fire extinguisher product, and an improved series of aerosol automotive undercoats.


STP
BRAKE PARTS CLEANER
Helps Improve Brake Action
MOTOMASTER
Rubberized Undercoating
BEAUTI-TONE
STOPZ
WATER-BASE Acrylic Enamel
CAUTION
CIL CILUX
FLUORESCENT PAINT
DANGER
water-based
turtle wax
CARPET CLEANER & PROTECTOR
SUPER ENAMEL
DANGER
WD-40
DANGER
WOOD FINISH
MINWAX
209 NATURAL
DANGER
Color glo
DANGER
Fana
All protector
DANGER
Refrigerant 12
396 g
Delco
CAUTION • ATTENTION
Date
Time
Batch


Suave
ALOE VERA
LOTION
Mr. Bubble
30%
shampooing LÉGER
LITE
frequent use shampoo
for all hair types
SORBIE
FINESSE
CONDITIONER
REVITALISANT
EXTRA BODY
PLUS DE CORPS
200 ml
airwick
magic mushroom champignon magique
The long lasting air freshener
Le désodorisant durable
Powder Puff
Poudre de fraîcheur
CATIO/therm
Old Spice
AFTER SHAVE
APRÈS-RASAGE
125 ml
blue stratos
AFTER SHAVE
APRÈS-RASAGE
Old Spice
Suave
AQUA VELVA
SPORT
DEODORANT STICK
DÉODORANT EN BÂTON
75 g
SORBIE

"A reputation for high technical competence and responsiveness to customer needs has led to continuing, substantial volume growth."

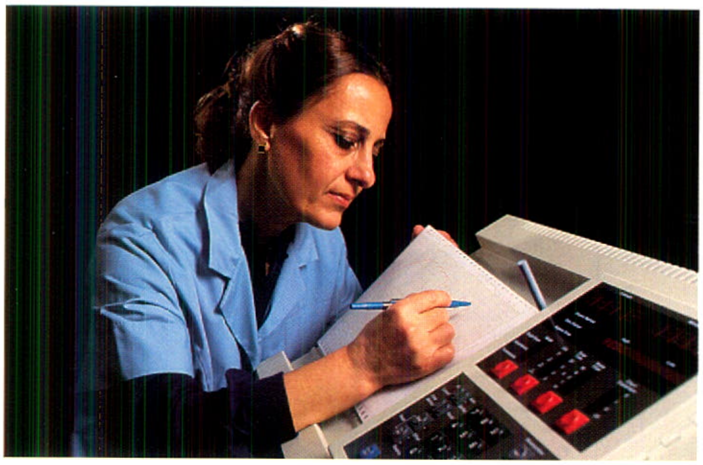
Kris Kordis – Compounding Supervisor
Laurie Cressman – Laboratory Manager
Checking the pH of a shampoo batch before final release is given to fill the product into bottles.

Chempac Liquid, Personal Care Products Division, custom manufactures liquids, lotions, pastes, gels, solid and roll-on antiperspirants and deodorants for the personal care and other specialty markets. Although automotive appearance products and certain household products are still a significant part of our business, these will be relocated as new personal care business demands additional space.

In 1987, Chempac Liquid, Personal Care Products:

- experienced substantial growth in shampoos, conditioners, waving lotions, antiperspirant and deodorant sticks, skin care and hair salon products.
- installed a sophisticated new solid antiperspirant manufacturing line.
- entered the liquid home air fragrance market.
- significantly increased productivity by implementing a process analysis and reorganization program.
- substantially increased exports of personal care products to the U.S.

"In only our second year of operations the Household Products Division has exceeded projected efficiencies and has had to plan expansion to meet demand."



Maniag Wartanian – Quality Control Chemist
Analyzing raw material via infrared spectrophotometer ensures customer specification is achieved.

Chempac Liquid, Household Products Division, custom manufactures liquid and spray cleaners, and laundry aids.

A 30 percent increase in sales this year was due both to the transfer of some products from the Personal Care Division and also to the successful development of our existing customer base.

In 1987, Chempac Liquid, Household Products:

- added two new high-speed lines which have increased versatility and manufacturing capacity.
- continued to automate existing lines.
- completed staffing requirements, and now operates on a full two-shift basis.
- successfully concluded negotiations and began shipment of our first major exports.
- began realizing results from earlier investments in training and equipment. Benefits include greater efficiencies and exceptionally high quality production.
- prepared the groundwork necessary to permit high-speed manufacturing of new dishwashing and laundry compounds.


WHITENS & BRIGHTENS!
BLANCHIT ET RAVIVE!
VIVID
Colour Safe • Fabric Safe Bleach
Snuggle
NEW!
NOUVEAU!
FAST DISSOLVING LIQUID
Arctic Power
fantastik
Spray 'n Wash
LAUNDRY SOIL/ STAIN REMOVER
1L
Glass Plus
Vitres Plus
600 mL
Pine Sol
Cleans • Disinfects • Deodorizes
Nettoie • Désinfecte • Désodorise
800 mL
NEW!
NOUVEAU!
Spray Starch
Vapo-Empois
IT'S SO EASY WHEN YOU USE...
C'EST SI FACILE AVEC...
LESTOIL
HEAVY DUTY CLEANER
ARMOR ALL
PROTECTANT
PROTECTS & BEAUTIFIES
500 mL
±5%
400
300
200
100


non-Javellisables
2L
Bleach for Unbleachables
Javex
20% BONUS
CALGON
Borateem
BLEACH
guaranteed to out-whiten any all-fabric bleach
DISINFECTANT
VANISH
TOILET BOWL CLEANER
WITH POWERFUL FOAMING ACTION!
DANGER
Vaseline Intensive Care
Vaseline Intensive Care
Musk Bath Beads
TWICE AS FRESH
Two Way Air Freshener
SOFT JASMINE
carpet fresh
Sani-Flush
TOILET BOWL CLEANER
POWERS OUT GERMS & STAINS
with BUBBLING action
DANGER
Dow
Saran Wrap
La pellicule supérieure pour
MICRO-ONDES
& CONGÉLATEUR
30 m
Saran Wrap
The superior plastic film for
MICROWAVE
cooking
& FREEZING
30 m
Handi
Clings tight to keep food fresh
Adhère hermétiquement pour plus de fraîcheur
30 METRES 30 m x 30.5 cm 9.2 m²
Handi-Wrap
stretch'n seal
Seals tight. Stays tight. To keep your food fresh.
stretch'n seal
DOW
15m
Drano
CRYSTAL/CRISTAUX
DANGER
Raid
FUMIGATOR
WATER CUP

"We continued to improve product quality and production efficiency in 1987, placing us in an excellent position to expand our export business."

John Teloniatis – Laboratory Supervisor
Preparing to analyze an automatic dishwashing detergent powder sample for chlorine content.

Chempac Powder custom manufactures personal care products, household and commercial cleaners, automatic dishwashing detergents, laundry aids, various food wraps and an insecticide product for export.

In 1987, Chempac Powder:

• achieved a Five Star Standard rating from the Industrial Accident Prevention Association (I.A.P.A.).

• expanded sales efforts into the U.S. which met with considerable interest from major marketers.

• received complementary customer quality audits due to major improvements in product quality. As a result, a major U.S. customer has selected Chempac Powder to be one of only six suppliers in North America to help co-develop a Guaranteed Quality Supplier Program.

• improved our patented agglomeration system with a $500,000 investment in new equipment for manufacturing dishwasher detergents. This investment will reduce labour costs and waste, increase output, and improve quality and safety. Now, our agglomeration system has the highest daily output of any such system in Canada.

"Neeco Label's ongoing commitment to quality, service and innovation was rewarded with exceptional sales growth in 1987."

Brad Rayner – Artist
Deb Thorkelson – Graphic Arts Manager
Checking customer's art work to ensure absolute reproduction accuracy.

Neeco Label designs and produces high quality labels, and engineers and installs sophisticated labelling equipment. This year we concentrated our efforts on developing plastic label products and increasing sales to potential markets.

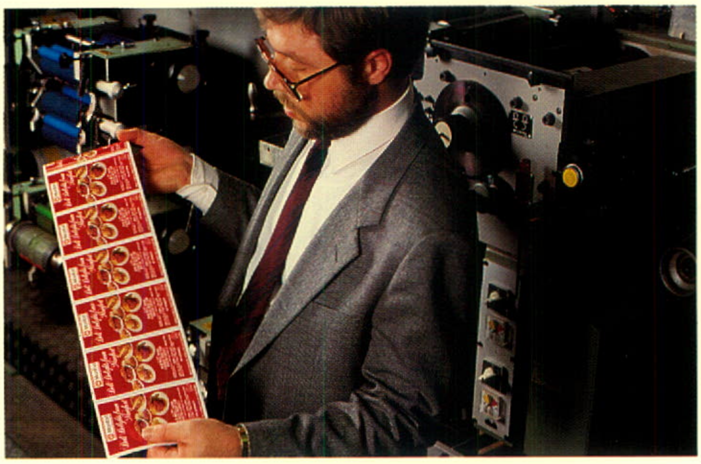
In 1987, Neeco Label:

- was first in the industry to install a computerized step and repeat machine as part of our ongoing plan to manage quality from creative design to finished production.
- installed a high-speed inspection machine to handle increased label volume.
- purchased a wide web flexographic press to increase flexibility and improve efficiency.
- added a rotary letterpress and a dedicated pharmaceutical department to the Montreal plant.
- added a mini-computer as part of an ongoing project to computerize all facets of operations.
- introduced and successfully marketed a family of plastic labels: Neecoflex II (squeezable), Polylustre (glossy), and Neecogard (protected graphics).
- purchased a new facility in Winnipeg doubling capacity.


Gabriel
PREMIUM
MOTOMASTER
Radiator Coolant/Antifreeze
Berkley
TRIMAX
ICE CREAM
CRÈME GLACÉE
HONEY FRUIT
Baby Lotion
Lotion pour Bébé
SIMONIZ
CONCENTRATE
CAR WASH
LAVAGE AUTO
CONCENTRÉ
BABY SHAMPOO
WEST
CANOLA OIL
ESSENCE MAGIQUE
JASMINE
Foaming Bath Oil
Ally
TLO
HUILE MOTEUR
10W30
MOTOR OIL
VITAMINE
C
500 mg


High Quality
CALCIUM
MON CHERI
Field
CORN DOGS
Milco
Tonka
TURBO-DIESEL
Korean Teriyaki Sauce
Szechuan Spicy Stir-Fry Sauce
cure 81 Ham Slice
Cepacol
NEW Easy to handle bottle!
Crisco
OIL
Marie's
Salad Oil
Skin Bracer
ANCO
Monfort
Deli Delights from Monfort
JOHN MORRELL
DELI PEPPERONI
VOLVO
CIBA-GEIGY

"1987 marked the substantial completion of our three-year expansion program. We now have the largest and most geographically diversified network of pressure sensitive label companies in North America."



Barry McKillip – Manager of Product Development
Inspects seven colour label to ensure highest quality print standards are maintained.

The Product Identification group designs and produces a broad range of pressure sensitive products for the expanding American market, and sells label application equipment.

In 1987, we:

• acquired Anco Packaging, Shelton, Connecticut; Anco Mid-West Corporation, renamed Modern Press-East Troy, East Troy, Wisconsin; and United Tape & Label, Cincinnati, Ohio. We now have seven U.S. manufacturing locations.

• doubled manufacturing capacity of high quality rotary letterpress labels.

• introduced custom thermal scale labels at our Dealer Label facility.

• introduced stringent quality control procedures for pharmaceutical labels at our Modern Press-East Troy and American Design divisions.

• installed sophisticated pre-press computer-aided design technology.

• significantly increased sales of plastic labels.

• entered into a licensing agreement for Fix-a-Form multi-panel information labels. In conjunction with our Canadian operations, we now have the rights for this product in all of North America.

"In 1987 Continental Can Canada Inc. strengthened its leadership position in the soft drink and beer can industry."

Lyn Webb – Maintenance Technician
Reviewing quality of aluminum end units produced on a 10-out Shell Press.

Continental Can Canada Inc., is the largest manufacturer of two-piece soft drink, beer, food and general packaging cans and closures in Canada.

In 1987, Continental Can, Beer and Beverage Division:

• converted its 10-ounce two-piece steel can lines in Ontario to aluminum can manufacturing.

• aided Labatt Breweries in its Olympic sponsorship by printing reproductions of commemorative posters from past Winter Olympic Games on Labatt's Blue and Blue Light cans.

• aided Coca-Cola Ltd. in its Olympic sponsorship by printing graphics on Coca-Cola cans.

• negotiated contracts which will make Continental the only metal container manufacturer to supply beverage cans for all major soft drink brands in Canada.

• continued to meet production expectations for the new high-speed line for manufacturing Permaring end units.

• used Pressure Pak™ technology to create a new opportunity for two-piece aluminum cans in the non-carbonated juice market.


Brasseur depuis 1847
Labatt
50
Sunkist
No Caffeine
7UP
10% REAL JUICE
Crush
Sprite
MOLSON
CANADIAN
Lager
PEPSI-COLA
Old Vienna
LAGER BEER
Labatt's
Call for 'Labatt's Blue'
CANADA DRY
280 mL
Coca-Cola
CLASSIC

"In 1987 we increased our capacity for manufacturing welded food cans and acquired a significant amount of new business."

Joy Young – Research Engineer
Hwa Shik Shim – Research Engineer
Quality control inspection of a double side seam via overhead projector.

Continental Can, Food & General Packaging, manufactures a wide range of food cans, industrial cans, and metal caps. We have plants located across the country and are the largest manufacturer of lead-free welded food cans in Canada.

In 1987, Continental Can, Food & General Packaging Division:

• acquired the can making operations of Nestlé Enterprises Limited. With this acquisition, we have become Nestlé's primary supplier of food cans.

• installed three new welding lines at the Montreal plant.

• installed two Qualiplus inspection units on cap lines in the Toronto plant, substantially reducing functional cap defects.

• increased export sales for baby food vacuum caps.

• opened the new 17,000 square foot Technical Centre in Mississauga, Ontario. Continental Can is committed to servicing customers' present and future needs, and providing them with a complete range of technical and equipment services to meet their requirements.

"We have the most up-to-date equipment and highly skilled and motivated people. We are ready to meet the challenges of the future."

Susan Baker – Quality Assurance Inspector
Measuring the wall thickness of a laminate tube to ensure it meets specifications.

Advanced Monobloc, Canada, manufactures aluminum aerosol containers, caulking cartridges, collapsible aluminum tubes, laminate tubes, marker pen shells and other aluminum products. The combined aerosol operations of Advanced Monobloc Canada and Advanced Monobloc U.S.A. form the largest aluminum aerosol manufacturer in North America and the only one with a multi-plant operation. By rationalizing our production lines we can maximize production efficiencies and better service our customers' needs.

In 1987, Advanced Monobloc, Canada:

- began production on the new computerized high-speed laminate tube line.
- automated marker pen shell production by purchasing a high-speed line.
- increased aluminum tube sales by adding major new accounts to our existing customer list.
- increased sales efforts to personal care marketers who are beginning to choose aluminum aerosol cans for their new product launches.


Silkience
Mousse
STATIC GUARD
Neet
FLEX
BODY BUILDING
HAIRSPRAY
FIXATIF
VOLUMISANT
CLAIROL
STYLING
HAIR SPRAY
FIXATIF
COIFFANT
Solarcaine
aloe
STOPS the ITCH
3M
Sikaflex-201
TECHNIQUE
Lamitube
CADOMARK
DURA-INK
COOL FRESH TASTE
Ultrabrite
Fluoride Gel Toothpaste
150mL
VO5
50 mL
TONIFIE LES CHEVEUX TERNES,
SECS ET DIFFICILES À COIFFER.
Berol LIQUID TIP


LENS PLUS
UNSCENTED
Rave
SUPER HOLD
SCULPTING FORM
Textra
Texturizing Hair Spray
For Fine, Limp Hair
Hers
funny color foam
NEXUS
NU-SET
MOUSSE-PLUS
SUPER HOLD
STYLING
CONDITIONING FOAM
CONCENTRATED
VIDAL SASSOON
L'OREAL
Mega Fixing Spray
MOUSSE COIFFANTE
COLLECTION PRIVEE
Nucleic A.
STYLING MOUSSE
HAIR LIGHTENING MOUSSE
Sun 2000
Creme Lotion
Rusty Duck
aramis
MUSK
DRAKKAR NOIR

"1987, our first full year of operation, was a period of enormous growth and excitement – we established Advanced Monobloc as a major force in the U.S. marketplace."

In 1987, CCL formed Advanced Monobloc with the acquisition of Monobloc U.S.A., in Hermitage, Pennsylvania. This strategic move positions CCL as the largest manufacturer of aluminum aerosol containers in the North American market.

In 1987, Advanced Monobloc U.S.:

- increased sales.
- significantly increased production.
- organized a comprehensive sales force. We now have coast-to-coast representation by experienced and competent personnel.
- developed our business and expanded our markets beyond expectations, and established strong relationships with major marketers in the personal care industry.
- more than doubled personnel on all three high-speed can lines to meet growing demand.
- worked to establish ourselves as the leader for quality products and customer service in the U.S. market.

Enrique Iturbe – Technical Manager
Finished product inspection of a Monobloc aluminum aerosol container assures decreed tolerances are met.

"The Plastics Packaging Division continued to expand manufacturing capabilities. This was highlighted with the start-up of our new Laval, Quebec plant to produce hot fill glass-clear PET containers."

Dallus Holmes – Quality Control Supervisor
Determining material distribution in plastic containers using digital read-out Magna Ball system.

Plastics Packaging Division produces mono-layer, multi-layer, and glass-clear PET hot-fillable plastic containers for food, beverage, cosmetic, and other products. In 1987, Plastics Packaging:

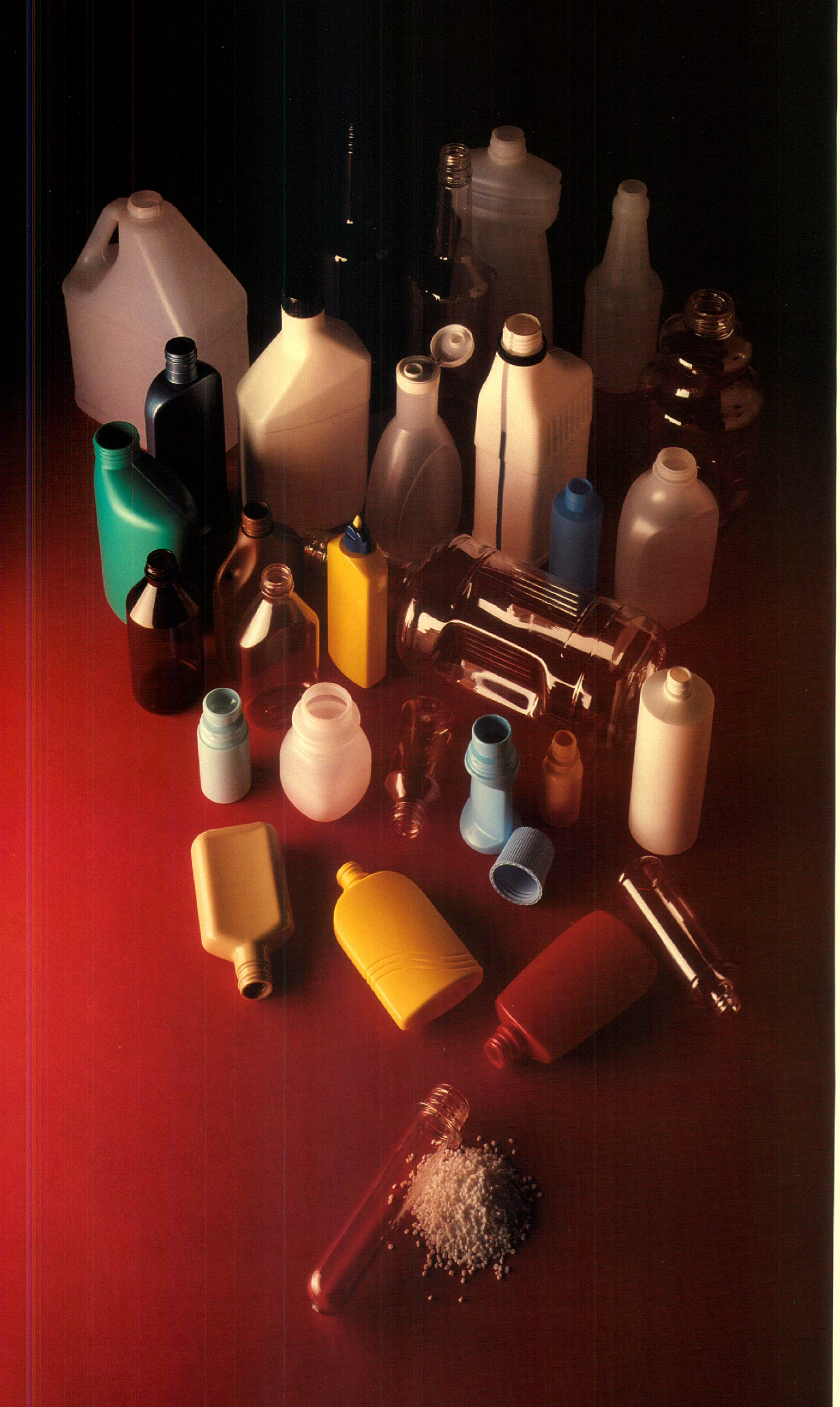
• prepared for 1988 production of stretch blow moulded Thermopet containers at its new facility in Laval, Quebec. These hot fill containers are used for food, liquor, pharmaceuticals, and cosmetics.

• completed the addition of a 25,000 square foot warehouse at the Plattsburgh, N.Y. plant.

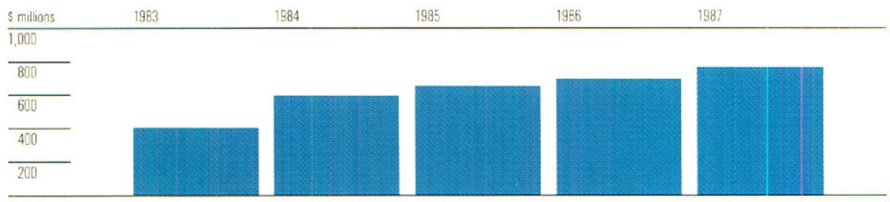
• consolidated the two Montreal plants into one plant with a common warehouse.

• designed and began production of a new one litre oil bottle for Canada's leading East Coast supplier, and a new PVC container for a leading cough syrup marketer.

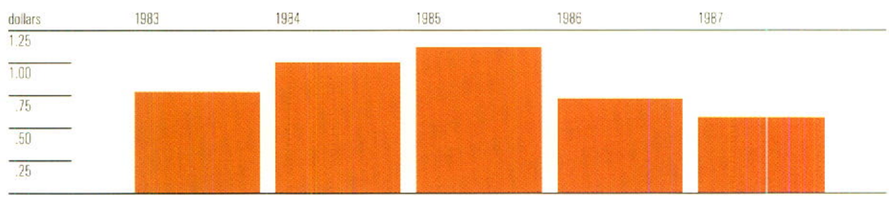
• increased sales in the food and beverage markets with orders for containers for salad dressings, syrups, sauces and dry ingredients.



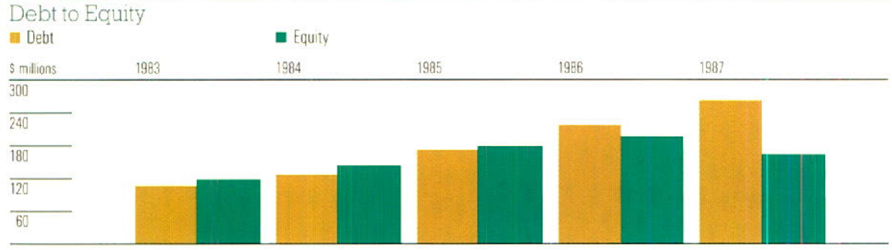
Sales



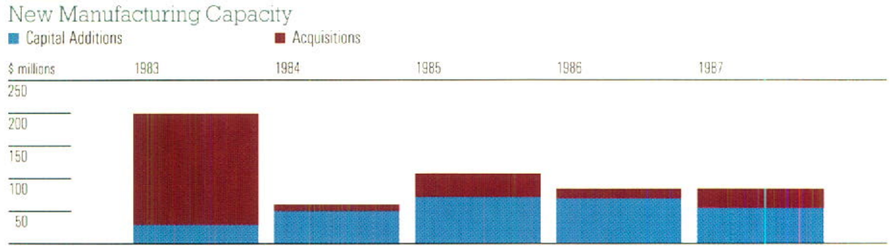
Earnings Per B Share*



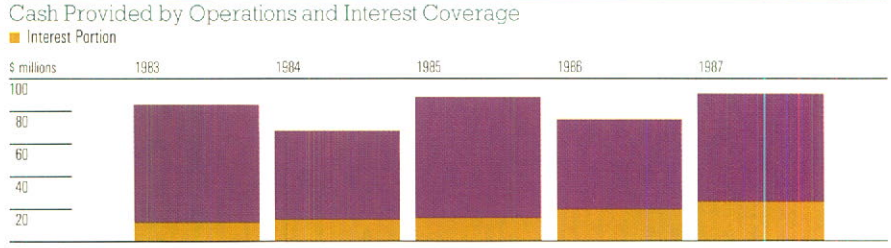
Debt to Equity



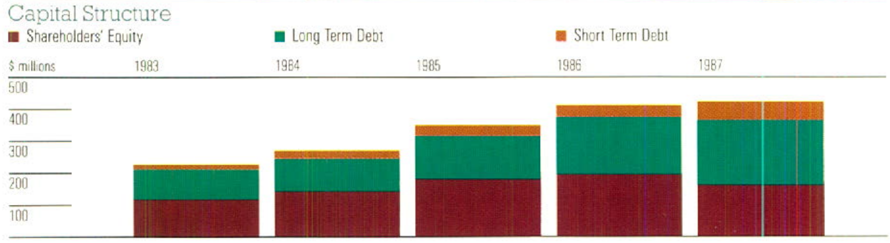
New Manufacturing Capacity



Cash Provided by Operations and Interest Coverage



Capital Structure



* Before unusual and extraordinary items

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Operating Results
1987 consolidated sales increased 10.3% to $767,264,000 from $695,422,000 in 1986, however net income from continuing operations declined to $17,506,000 from $21,693,000. An unusual write down resulted in a final loss in 1987 of $29,651,000, while an extraordinary loss related to the sale and provision for disposal of certain operations reduced 1986 net income to $18,170,000.

Unusual Write Down
In 1987 we reviewed the cost structure of our productive asset base and determined that in certain divisions it was appropriate to record a one-time asset write down. In addition, provision was made for costs associated with reorganizing the company's activities in line with the recommendations of the Task Force, referred to later in this report. This strategic action, coupled with an ongoing cost reduction program, will allow the company to remain competitive. The company plans no reduction in its dividend payment.

Cash Provided By Operations
Cash provided by operations increased to $90.7 million from $74.9 million in 1986. These funds were used to pay interest, income taxes, dividends to shareholders and to finance our acquisition and fixed asset program during the year.

Capital Expansion
The five-year program to update and expand the manufacturing facilities in our Custom Manufacturing, Product Identification and Container Manufacturing divisions was essentially completed in 1987. In the years 1983 through 1987 the company spent $258.3 million on acquisitions and $273.5 million on capital additions.

In 1987 we undertook the following major capital expenditures:

- Added three new companies to the Product Identification United States network with the purchase of Anco Packaging, Anco Mid-West Corporation, renamed Modern Press – East Troy, and United Tape & Label.
- Purchased Advanced Monobloc, a manufacturer of aluminum aerosol containers located in Hermitage, Pennsylvania in a new facility with three high-speed lines.
- Converted our 10-ounce steel soft drink beverage can lines in Ontario to aluminum can manufacturing.
- Constructed a new warehouse in Ontario to handle two-piece beer and beverage can production.
- Opened a new Technical Centre in Mississauga.
- Converted the 12-ounce beverage can line in Quebec to a flexible line capable of producing 10, 12 and 16-ounce cans.
- Completed and moved into the new CCL and Continental Can Corporate Office in Willowdale, Ontario.

The company now has in place up-to-date equipment and advanced technology in all three of our business segments. Capital expenditures in 1988, exclusive of further acquisitions, should approximate $25-30 million.

Capital Structure
At December 31, 1987 the company had long term debt and bank advances totalling $258.8 million, and a debt to equity ratio of 1.59 to one, compared to 1.10 to one at December 31, 1986. This ratio has shown a gradual increase over the past five years as a result of the company expending $531.8 million on capital expenditures and acquisitions. The $75.7 million one-time write down during the year contributed significantly to an increase in this ratio.

Interest Coverage
Interest expense in 1987 amounted to $24.3 million compared to $19.4 million in 1986. Cash from operations available to pay this interest in 1987 was 3.7 times the interest expense.

Divisional Performance
Custom Manufacturing showed a satisfying improvement in earnings whereas results in the Product Identification and Container Manufacturing segments declined from the previous year.

Custom Manufacturing
All operating divisions enjoyed a successful year with earnings exceeding 1986 performance. Capital spending programs to improve quality and manufacturing efficiencies have been successful. Creation in 1986 of separate Personal Care and Household Products divisions within Chempac Liquid contributed to 1987 profit performance.

Product Identification
Product Identification was in a building year. With three acquisitions in the U.S., we experienced abnormal start-up and learning curve costs. These problems are behind us and this division is looking forward to significant improvements in 1988.

Container Manufacturing
The Plastics Packaging Division had a difficult year. Intense price competition for Lamicon containers, increased raw material costs, manufacturing problems, and delays in arrival of equipment to produce hot fill Thermopet containers, all hampered 1987 performance.

Beverage can sales did not achieve expected levels. Significant factors were poor summer weather in Alberta, continued consumer reluctance to accept beer and soft drink cans in Quebec, and lower than expected sales in Ontario while marketers attempted to conform with the Province's 60/40 non-refillable/refillable regulations. In addition, there was no soft drink can production in Ontario in September as the company converted its lines for 10-ounce steel containers to aluminum can manufacturing.

1988 Business Plan
1988 promises to be a challenging year. A Task Force comprising senior personnel was established in late 1987 to examine all aspects of our operations so that we can continue to improve our competitive position and increase profitability. The focus in 1988 will be to approve and implement the recommendations of the Task Force.

Human Resources
1987 saw our employee base continue to expand. We remain committed to creating opportunities for employee advancement, providing them with a high quality work environment and being an equal opportunity employer.

As at December 31, 1987, CCL employed more than 5,000 people, approximately one-third of whom are shareholders. One hundred and ninety senior CCL employees were participants in CCL's Share Option program, with options on approximately three million shares of Class B stock.

Auditors' Report

To the Shareholders of CCL Industries Inc.

We have examined the consolidated balance sheet of CCL Industries Inc. as at December 31, 1987 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Ernst & Whinney

Chartered Accountants
Toronto, Canada
February 24, 1988

Consolidated Statement of Income
Year ended December 31, 1987

(in thousands of dollars)	1987	1986
Sales	$767,264	$695,422
Income from operations before undernoted items	$ 84,509	$ 81,394
Depreciation	24,878	19,879
Amortization of goodwill and other assets	3,792	3,250
Interest expense		
Current	6,742	1,023
Long term	17,591	18,335
	53,003	42,487
Income from operations	31,506	38,907
Income taxes	14,000	17,214
Income before unusual and extraordinary items	17,506	21,693
Unusual item (note 6)	47,157	—
Extraordinary item		
Loss on sale and provision for disposal of certain operations of the company (net of income taxes of $1,593)	—	3,523
Net Income (Loss)	$ (29,651)	$ 18,170
Earnings (loss) per Class B share (note 5)		
Before unusual and extraordinary items	$ .57	$ .72
Net income (loss)	(.95)	.60

Consolidated Statement of Retained Earnings
Year ended December 31, 1987

(in thousands of dollars)	1987	1986
Balance at Beginning of Year	$ 88,191	$ 76,541
Net income (loss)	(29,651)	18,170
	58,540	94,711
Dividends		
Class A	763	706
Class B	6,339	5,814
	7,102	6,520
Balance at End of Year	$ 51,438	$ 88,191

Consolidated Balance Sheet

As at December 31, 1987

(Incorporated under the laws of Canada)

(in thousands of dollars)	1987	1986
ASSETS		
Current Assets		
Receivables	$ 94,007	$ 86,873
Inventories (note 2)	132,723	122,014
	226,730	208,887
Fixed Assets (note 3)	291,534	280,153
Other Assets	17,264	22,807
Goodwill	64,562	55,746
	$600,090	$567,593
LIABILITIES		
Current Liabilities		
Bank advances (note 4(b))	$ 44,173	$ 29,044
Accounts payable and accrued liabilities	136,275	99,472
Income and other taxes payable	2,237	1,158
Current portion of long term debt	11,842	5,900
	194,527	135,574
Long Term Debt (note 4)	202,780	179,375
Deferred Income Taxes	40,292	57,001
SHAREHOLDERS' EQUITY		
Capital Stock (note 5)	111,053	107,452
Retained Earnings	51,438	88,191
	162,491	195,643
	$600,090	$567,593

Approved by the Board

G.S. Lang, Director

W.M.E. McLeod, Director

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1987

(in thousands of dollars)	1987	1986
Cash Provided By (Used For)		
Operations		
Income before unusual and extraordinary items, interest and income taxes	$ 55,839	$ 58,265
Depreciation and other items not requiring cash	28,670	24,270
	84,509	82,535
Net change in non cash working capital items	6,231	(7,671)
Total cash provided by operations	90,740	74,864
Financing		
Long term borrowing, net	16,115	20,744
Issue of shares	3,601	6,700
Interest	(24,333)	(19,358)
Income taxes	(2,629)	(5,028)
Dividends	(7,102)	(6,520)
Other	—	165
Total cash used for financing	(14,348)	(3,297)
Total Cash Provided by Operations and Financing Activities and Available for Investment	76,392	71,567
Investment		
Additions to fixed assets	(54,708)	(68,162)
Business acquisitions, including current bank advances assumed of $1,948 (1986 – $3,357)	(29,172)	(15,732)
Other	(7,641)	(7,407)
Total cash used for investment	(91,521)	(91,301)
Decrease in Cash	15,129	19,734
Bank Advances at Beginning of Year	29,044	9,310
Bank Advances at End of Year	$ 44,173	$ 29,044

(Tabular amounts in thousands)

1. Summary of Significant Accounting Policies

a) Basis of consolidation
The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition.

b) Foreign currency translation
The company records foreign currency transactions at the Canadian dollar equivalent at the date of the transaction and translates foreign currency monetary assets and liabilities at year end exchange rates. Exchange gains and losses are included in income.

The company's U.S. subsidiaries are defined as self-sustaining. Accordingly their assets and liabilities are translated at year end exchange rates and any exchange gains and losses are deferred. Income amounts are translated at the average rate for the year.

c) Inventories
Raw materials and supplies are valued at lower of cost and replacement cost. Finished goods and work in process are valued at lower of cost and net realizable value.

d) Fixed assets
Fixed assets are recorded at cost, which includes interest and certain start-up costs during the construction of major projects. The cost of fixed assets is reduced by applicable investment tax credits. Depreciation is provided primarily on the straight line basis using rates varying from 2.5% to 6.7% on buildings, and from 6.7% to 25% on machinery and equipment.

e) Goodwill
Goodwill is stated at cost less amortization which is provided on a straight line basis over 40 years.

2. Inventories

	1987	1986
Raw materials and supplies	$ 53,539	$ 46,144
Work in process and finished goods	79,184	75,870
	$132,723	$122,014

3. Fixed Assets

	1987			1986
	Cost	Accumulated depreciation	Net	Net
Land	$ 19,773		$ 19,773	$ 17,230
Buildings	53,055	$ 6,996	46,059	46,555
Machinery and equipment	296,110	70,408	225,702	216,368
	$368,938	$ 77,404	$291,534	$280,153

Interest capitalized during 1987 and included in fixed assets amounted to $2,294,000 (1986 – $3,217,000).

4. Long Term Debt

		1987	1986
Revolving term loans (unsecured)	(a)	$108,500	$ 90,000
Debentures (unsecured)	(d)	75,000	75,000
Other loans	(e)	31,122	20,275
		214,622	185,275
Less current portion		11,842	5,900
		$202,780	$179,375

a) Revolving term bank credit facilities available at December 31, 1987 amounted to $112,500,000 (December 31, 1986 – $125,000,000). These are comprised of two facilities, one of which reduces annually by $10,000,000 through 1996; the second reduces by $2,500,000 annually through 1990 with the balance of $15,000,000 due on maturity in 1991.

b) In addition to these revolving term credit facilities, operating facilities available to the company at December 31, 1987 amounted to $110,000,000 (December 31, 1986 – $110,000,000) of which the amount in use and included in bank advances at December 31, 1987 was $44,173,000 (December 31, 1986 – $29,044,000). All operating facilities, except for advances to U.S. subsidiaries which are not material, are unsecured.

c) Interest on the loans referred to in (a) and (b) above is at prime, or 3/8% to 3/4% over IBOR or other market instrument rates at the option of the company. At December 31, 1987, $70,000,000 (December 31, 1986 – $85,000,000) was fixed for periods of from one to four years at interest rates ranging from 10.26% to 13.75% with a weighted average rate of 12.2% (12.4% at December 31, 1986).

d) The debentures bear interest at 10.35% payable semi-annually and mature January 1997.

e) Other loans include mortgages, U.S. term bank loans and Industrial Revenue Bonds at various interest rates and repayment terms.

f) Long term debt payments due within the next five years are as follows:

1988	$11,842
1989	15,152
1990	15,307
1991	29,371
1992	11,886

5. Capital Stock

The authorized capital of the company consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

a) Issued

	Class A		Class B	
	Shares	Amount	Shares	Amount
Balance at beginning of year	4,133	$ 7,863	26,603	$ 99,589
Issued for cash under the employee share option and share purchase plans	—	—	444	3,601
Conversions from Class A to Class B shares	(15)	(29)	15	29
Balance at end of year	4,118	$ 7,834	27,062	$103,219
Total capital stock		$111,053		

b) Share attributes

Class A

Class A shares carry full voting rights and are convertible at any time into Class B shares.

Class B

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

i) They are entitled to receive material and attend but not to vote at regular shareholder meetings.

ii) They are entitled to voting privileges when consideration for the Class A shares, under a take-over bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.

iii) They are entitled to receive or have set aside for payment a non-cumulative preferential dividend. The current minimum preferential dividend is 5 cents per share per annum.

c) Earnings per share

	1987		1986	
	Class A	Class B	Class A	Class B
Income before unusual and extraordinary items	$ .52	$ .57	$ .67	$ .72
Net income (loss)	(1.00)	(.95)	.55	.60

The weighted average number of shares is 31,027,000 (1986 – 30,546,000).

d) Employee share option plan

The company has an employee share option plan under which options to purchase 3,029,300 Class B non-voting shares are outstanding at December 31, 1987. These options are exercisable at prices ranging from $4.89 to $10.00 and expire at various dates from September 1988 to December 1997. The weighted average issue price for the options outstanding at December 31, 1987 was $7.18.

e) Employee share purchase plan

The company provides employees with interest free loans over two years to purchase shares under the plan.

6. Unusual Item

The company, after reviewing its cost structure and asset base, has recorded a special asset write down and has made provisions for reorganizing the company's activities. This unusual item amounted to $47,157,000 net of income taxes of $28,543,000.

7. Income Taxes

	1987	1986
The company's effective income tax rate is made up as follows:		
Combined basic Canadian federal and provincial income tax rate	48.8%	49.7%
Increase (decrease) in the income tax rate resulting from:		
Differences arising in foreign jurisdictions	.2	(.9)
Federal income tax surcharge	1.0	1.5
Manufacturing and processing profits deduction	(7.4)	(6.8)
Goodwill amortization not deductible	1.6	1.3
Inventory allowance	—	(.7)
Miscellaneous	.2	.1
Effective income tax rate	44.4%	44.2%

8. Business Acquisitions

In 1987 the company acquired the issued shares of three companies. The net assets obtained have been accounted for as a purchase, and details of these transactions are as follows:

Working capital, non cash	$ 4,538
Non-current assets at assigned values	27,313
Long term debt assumed	(14,807)
Net assets	17,044
Goodwill, being the excess of the purchase price over the net assets acquired	12,128
	$ 29,172
Cash consideration	$ 27,224
Current bank advances assumed	1,948
	$ 29,172

9. Related Party Transactions

Transactions at fair value with Continental Can – U.S., which holds approximately 17% of the company's shares, are as follows:

	1987	1986
Payments for:		
Goods, services and royalties	$11,202	$12,001
Fixed assets	2,450	8,714

10. Pension Plans

The company maintains several defined benefit pension plans. The most recent actuarial valuations, prepared during the year, indicated that the accrued benefit obligation was $79,368,000. The value of the assets in the plans, principally calculated at market related values, was $82,109,000 at December 31, 1987.

11. Comparative Figures

Certain 1986 figures have been restated to conform with the basis of presentation adopted for 1987.

12. Segmented Information

a) Industry Segments

	Sales to customers		Operating profit	
	1987	1986	1987	1986
Custom manufacturing	$211,118	$201,548	$ 13,297	$ 10,502
Product identification	75,522	54,717	1,136	4,542
Container manufacturing	480,624	439,157	18,754	26,332
Corporate			(1,681)	(2,469)
Consolidated sales	$767,264	$695,422		
Income from operations			$ 31,506	$ 38,907

	Identifiable assets		Depreciation and amortization		Capital expenditures	
	1987	1986	1987	1986	1987	1986
Custom manufacturing	$ 93,716	$101,715	$ 4,369	$ 4,908	$ 6,021	$13,913
Product identification	64,441	48,160	3,605	2,669	4,770	1,567
Container manufacturing	420,986	406,865	19,844	15,437	36,362	48,199
Corporate	20,947	10,853	852	115	7,555	4,483
Consolidated	$600,090	$567,593	$28,670	$23,129	$54,708	$68,162

b) Geographic Segments

	Sales to customers		Operating profit	
	1987	1986	1987	1986
Canada	$701,361	$657,080	$ 33,663	$ 36,320
United States	65,903	38,342	(2,157)	2,587
Consolidated sales	$767,264	$695,422		
Income from operations			$ 31,506	$ 38,907

	Identifiable assets		Depreciation and amortization		Capital expenditures	
	1987	1986	1987	1986	1987	1986
Canada	$513,570	$535,359	$24,936	$21,190	$51,150	$66,386
United States	86,520	32,234	3,734	1,939	3,558	1,776
Consolidated	$600,090	$567,593	$28,670	$23,129	$54,708	$68,162

CCL INDUSTRIES INC.

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