E) Consolidated Annual Financial Results

Selected Financial Information

Results of Consolidated Operations

	2011	2010	2009
Sales from continuing operations	**$ 1,268.5**	$ 1,192.3	$ 1,199.0
Cost of sales	**975.0**	917.5	943.5
Selling, general and administrative expenses	**154.6**	150.4	147.9
	138.9	124.4	107.6
Earnings in equity accounted investments	**1.2**	0.5	0.3
Net finance cost	**(21.4)**	(25.3)	(29.3)
Restructuring and other items – net loss	**(0.8)**	(0.2)	(7.3)
Earnings before income taxes	**117.9**	99.4	71.3
Income taxes	**33.8**	28.3	29.1
Net earnings	**$ 84.1**	$ 71.1	$ 42.2
Net earnings per Class B share	**$ 2.54**	$ 2.17	$ 1.31
Goodwill impairment loss, restructuring and other items and tax adjustment – loss	**$ (0.03)**	$ (0.01)	$ (0.46)
Diluted earnings per Class B share	**$ 2.50**	$ 2.13	$ 1.29
Dividends per Class B share	**$ 0.70**	$ 0.66	$ 0.60
Total assets	**$ 1,613.5**	$ 1,628.0	$ 1,648.6
Total non-current liabilities	**$ 540.4**	$ 540.7	$ 642.6

Comments on Consolidated Results

Sales were $1,268.5 million in 2011, an increase of 6.4% compared to $1,192.3 million recorded in 2010. The increase is primarily attributable to an organic growth rate of 7.0%, augmented by the Sertech acquisition (0.8%) and partially offset by the negative impact of 1.4% due to foreign currency translation. On a comparative basis with 2010, sales were higher in all segments due to strong organic growth.

Consistent with CCL's 2010 year, approximately 4% of CCL's 2011 sales to end use customers are denominated in Canadian dollars. Consequently, changes in foreign exchange rates can have a material impact on sales and profitability when translated into Canadian dollars for public reporting. While the impact of foreign exchange translation moderated in 2011, compared to the trends of the last decade, the current year's results have continued to be adversely affected. The depreciation of the U.S. dollar and the Mexican peso by 4% and 2%, respectively, was partially offset by a 1% appreciation of the euro relative to the Canadian dollar in 2011 compared to average exchange rates in 2010.

Earnings after cost of goods sold and selling, general and administrative expenses in 2011 was $138.9 million, up $14.5 million from $124.4 million in 2010.

Selling, general and administrative expenses were $154.6 million for 2011 compared to $150.4 million reported in 2010. The increase in selling, general and administrative expenses in 2011 relates primarily to higher corporate expenses and the unfavourable impact of foreign currency translation. Corporate expenses for 2011 were $24.8 million compared to $22.2 million for 2010. The increase in corporate expenses relative to those in 2010 relates primarily to higher variable incentive compensation expense, the unfavourable impact of foreign currency translation and an increase in self-insurance claims reserves in 2011.

Operating income (a non-IFRS measure; see "Key Performance Indicators and Non-IFRS Measures" in Section 5A below) in 2011 was $163.7 million, an improvement of 11.7% compared to $146.6 million reported in 2010. The increase in operating income in 2011 was primarily attributable to strong organic growth, partially offset by the unfavourable impact from foreign currency translation. Excluding the effect of unfavourable currency translation, operating income was up 13.4%. This increase primarily reflects