CCL Label A/S

Tjærbyvej 90
DK-8930 Randers NØ

CVR no. 15 51 24 15

Annual report 2016

The annual report was presented and approved at the Company's annual general meeting

on 10 May 2017

chairman of the annual general meeting

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CCL Label A/S
Annual report 2016
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Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of CCL Label A/S for the financial year 1 January – 31 December 2016.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's activities and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Randers, 10 May 2017
Executive Board:

Lars Vadstrup Søberg
CEO

Board of Directors:

Tommy Damsgaard Nielsen Chairman	Svend Lynge Jørgensen	Claus Christensen
Michael Munk	Michael Helge Unold	

Independent auditor's report

To the shareholders of CCL Label A/S

Conclusion

We have audited the financial statements of CCL Label A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

KPMG

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

KPMG

Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 10 May 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Steffen S. Hansen State Authorised Public Accountant	Michael Mortensen State Authorised Public Accountant

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Gross profit	69,073	71,593	82,509	79,632	57,524
Operating profit	23,945	27,662	38,533	35,078	23,934
Profit before tax	23,290	27,457	37,957	35,512	25,006
Profit for the year	**18,252**	**21,062**	**28,567**	**27,397**	**18,750**
Total assets	117,623	114,340	123,754	150,216	165,930
Investments in property, plant and equipment	1,555	9,403	12,952	2,976	7,580
Equity	76,771	70,820	74,758	101,190	111,793
Return on invested capital	20.4%	24.2%	31.1%	23.4%	14.4%
Return on equity	24.7%	28.9%	32.5%	25.7%	16.5%
Solvency ratio	65.3%	61.9%	60.4%	67.4%	67.4%
Average number of full-time employees	175	176	186	181	173

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Return on invested capital $$\frac{\text{Operating profit/loss} \times 100}{\text{Total assets}}$$

Return on equity $$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

Management's review

Operating review

Principal activities of the Company

The Company is primarily engaged in the production and sale of labels.

Development in activities and financial position

Profit for 2016 was in line with expectations due to the activity level being down on 2015.

Outlook

With the current market conditions, gross profit and profit for 2017, are expected to be lower than 2016.

Risks

Currency risks

Activities are primarily settled in DKK, EUR and SEK. Foreign exchange fluctuations are deemed not to have any significant impact on results.

Environment

The Company has maintained its certification according to ISO 14001.

Intellectual capital

The primary intellectual capital of CCL Label A/S is its employees and their knowledge.

Product development

CCL Label A/S has continuously given product development a high priority and developed several new products during the year. Product development partly takes place in cooperation with customers and partly for the Company's own account in order to secure a successful outcome for the products developed.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2016	2015
Gross profit		69,072,543	71,592,741
Distribution costs	2	-13,427,911	-14,001,413
Administrative expenses	2	-31,699,735	-29,929,210
Operating profit		23,944,897	27,662,118
Financial income	3	76,327	268,075
Financial expenses	4	-731,138	-472,823
Profit before tax		23,290,086	27,457,370
Tax on profit for the year	5	-5,038,434	-6,395,405
Profit for the year	6	18,251,652	21,061,965

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	7		
Goodwill		1,360,474	1,554,828
		1,360,474	1,554,828
Property, plant and equipment	8		
Land and buildings		14,239,695	15,001,331
Plant and machinery		22,971,332	31,413,744
Fixtures and fittings, tools and equipment		3,350,215	3,908,312
Leasehold improvements		40,389	49,709
Property, plant and equipment under construction		695,383	50,172
		41,297,014	50,423,268
Investments			
Deposit		808,609	873,652
		808,609	873,652
Total fixed assets		43,466,097	52,851,748
Current assets			
Inventories			
Raw materials and consumables		4,755,602	6,302,562
Work in progress		2,087,484	2,115,898
Finished goods and goods for resale		678,951	802,692
		7,522,037	9,221,152
Receivables			
Trade receivables		30,920,820	32,181,178
Receivables from group entities		25,028,922	7,115,323
Other receivables		292,741	153,881
Prepayments		1,724,074	1,486,851
		57,966,557	40,937,233
Cash at bank and in hand		8,667,990	11,329,887
Total current assets		74,156,584	61,488,272
TOTAL ASSETS		117,622,681	114,340,020

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	9	12,000,000	12,000,000
Retained earnings		64,771,326	46,519,674
Proposed dividends for the financial year		0	12,300,000
Total equity		76,771,326	70,819,674
Provisions			
Provisions for deferred tax	10	3,075,358	3,857,017
Total provisions		3,075,358	3,857,017
Liabilities other than provisions			
Current liabilities other than provisions			
Trade payables		11,626,200	13,837,165
Payables to group entities		1,703,565	1,728,159
Other payables, including tax payables		24,446,232	24,098,005
		37,775,997	39,663,329
Total liabilities other than provisions		37,775,997	39,663,329
TOTAL EQUITY AND LIABILITIES		117,622,681	114,340,020

Financial statements 1 January – 31 December

Statement of changes in equity

	Share capital	Retained earnings	Proposed dividends	Total equity
Equity at 1 January 2016	12,000,000	46,519,674	12,300,000	70,819,674
Distributed dividends	0	0	-12,300,000	-12,300,000
Transferred over the profit appropriation	0	18,251,652	0	18,251,652
Equity at 31 December 2016	12,000,000	64,771,326	0	76,771,326

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of CCL Label A/S for 2016 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015.

Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

Going forward, intangible assets will be amortised over the useful life. Previously, the maximum period of amortisation was 20 years.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

Apart from the above, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of CCL Industries Inc., Willowdale, Ontario, Canada.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are translated at the exchange rates at the transaction date.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income statement

Gross profit

In accordance with section 32 of the Danish Financial Statements Act revenue and production costs are aggregated in the financial statement caption "Gross profit".

Revenue

Revenue is recognised in the income statement provided that invoicing, delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries incurred to generate revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases and depreciation of plant.

Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc., during the year are recognised as distribution costs. Also, costs relating to sales staff advertising, exhibition and depreciation are recognised as distribution costs.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Company, including expenses for administrative staff, management, office premises, office expenses, depreciation and amortisation.

Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Tax on profit for the year

The Company is covered by the Danish rules on compulsory joint taxation of the CCL Group's Danish companies. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date when they exit the consolidation.

The Parent Company, Syrinx ApS, is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

Current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carry-forwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries directly in equity.

Balance sheet

Goodwill

On initial recognition, intangible assets are measured at cost. Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience within the individual business areas. Amortisation is provided on a straight-line basis over 10 years. Goodwill has arisen in connection with strategic acquisition, and therefore, goodwill is amortised over 10 years on the basis of Management's experience in the relevant area of business.

Gains and losses on the disposal of goodwill are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Production buildings	25-40 years
Plant and machinery	3-10 years
Fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	2-5 years

Land is not depreciated.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets.

Investments

Deposits are recognised at amortised cost.

Leases

All leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations, etc.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production costs.

Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments and deferred income

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

Corporation tax and deferred tax

In accordance with the joint taxation rules, the liability of the subsidiaries for the payment of corporation taxes to the tax authorities is settled concurrently with the payment of joint taxation contribution to the administrative company.

Joint taxation contributions receivable and payable are recognised in the balance sheet under balances with group entities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affect in either profit/loss for the year or tax able income. Where alternative tax rules can be applied to determine the tax value, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry-forwards are recognised under receivables at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from the elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Financial statements 1 January – 31 December

Notes

	DKK	2016	2015
2	**Staff costs**		
	Wages and salaries	79,225,382	81,967,692
	Pensions	6,198,847	5,814,801
	Other social security costs	597,127	570,866
		86,021,356	88,353,359
	Average number of full-time employees	175	176
	Staff costs are recognised in the financial statements as follows:		
	Production costs	62,465,958	64,017,108
	Distribution costs	8,525,076	9,748,649
	Administrative expenses	15,030,322	14,587,602
		86,021,356	88,353,359
3	**Financial income**		
	Interest income banks	1,351	3,197
	Foreign exchange gains	74,976	261,355
	Other interest income	0	3,523
		76,327	268,075
4	**Financial expenses**		
	Interest expense banks	7,597	22,501
	Foreign exchange losses	538,583	239,037
	Other interest expense	184,958	211,285
		731,138	472,823

Financial statements 1 January – 31 December

Notes

DKK		2016	2015
5	**Tax on profit for the year**		
	Current tax for the year	5,820,093	7,217,165
	Deferred tax adjustment for the year	-781,659	-818,760
		5,038,434	6,398,405
6	**Profit appropriation**		
	Proposed dividends for the financial year	0	12,300,000
	Retained earnings	18,251,652	8,761,965
		18,251,652	21,061,965

7 Intangible assets

	Goodwill
Cost at 1 January 2016	1,943,534
Cost at 31 December 2016	1,943,534
Amortisation and impairment losses at 1 January 2016	-388,706
Amortisation	-194,354
Amortisation and impairment losses at 31 December 2016	-583,060
Carrying amount at 31 December 2016	1,360,474

Financial statements 1 January – 31 December

Notes

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Non-current assets under construction	Total
Cost at 1 January 2016	40,812,411	189,444,390	17,764,875	1,138,732	50,172	249,210,580
Additions	0	458,658	450,803	0	645,211	1,554,672
Disposals	0	-4,250,086	-66,560	0	0	-4,316,646
Cost at 31 December 2016	40,812,411	185,652,962	18,149,118	1,138,732	695,383	246,448,606
Depreciation at 1 January 2016	-25,811,712	-157,131,683	-13,856,563	-1,089,023	0	-197,888,981
Disposals	0	3,087,502	66,560	0	0	3,154,062
Depreciation	-761,004	-8,637,449	-1,008,900	-9,320	0	-10,416,673
Depreciation at 31 December 2016	-26,572,716	-162,681,630	-14,798,903	-1,098,343	0	-205,151,592
Carrying amount at 31 December 2016	14,239,695	22,971,332	3,350,215	40,389	695,383	41,297,014

9 Share capital

	2016	2015
One share of a nominal amount of DKK 3,000,000	3,000,000	3,000,000
One share of a nominal amount of DKK 2,700,000	2,700,000	2,700,000
One share of a nominal amount of DKK 300,000	300,000	300,000
One share of a nominal amount of DKK 6,000,000	6,000,000	6,000,000
	12,000,000	12,000,000

10 Deferred tax

Deferred tax at 1 January	3,857,017	4,675,777
Deferred tax for the year	-781,659	-818,760
	3,075,358	3,857,017

The provision for deferred tax relates to deferred tax on goodwill, property, plant and equipment and inventories.

Financial statements 1 January – 31 December

Notes

11 Contingent liabilities

At the balance sheet date, operating lease liabilities amounted to DKK 1,482 thousand, whereof DKK 932 thousand falls due within the initial year. The leases comes with periods of interminability of up to 36 months.

At the balance sheet date, rental obligations amounted to DKK 4,193 thousand for the period of interminability. The tenancy agreement comes with a period of interminability of up to 12 months.

The Company is jointly taxed with its Parent Company, Syrinx ApS. As a wholly-owned subsidiary, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties within the joint taxation entity. Any subsequent corrections of joint taxation income or withholding taxes may entail an increase in the Company's liability.

12 Mortgages and collateral

No assets have been provided as collateral to the Company's bankers.

13 Related party disclosures

CCL Label A/S' related parties comprise the following:

Control

Syrinx ApS, Nyager 11 – 13, DK-2605 Brøndby

Syrinx ApS holds the majority of the share capital in the Company

CCL Label A/S is part of the consolidated financial statements of CCL Industries Inc, which is the smallest and largest group in which the Company is included as a subsidiary.

The consolidated financial statements of CCL Industries Inc. can be obtained by contacting the Company or at the following website:
www.cclind.com/investors/investor-home.

Related party transactions

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

Financial statements 1 January – 31 December

Notes

14 Events after the balance sheet date

No events have occurred after the balance sheet date to this date that would influence the assessment and evaluation of this annual report in any substantial way.