CCL Label A/S
Tjærbyvej 90
DK-8900 Randers

Telephone +45 87 10 87 10
www.cclabel.dk

CCL Label A/S

Annual report 2015

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

on 24/5 2016

chairman

CVR no. 15 51 24 15

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 2015.

The annual report has been 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 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015.

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, 24 May 2016
Executive Board:

Tommy Damsgaard Nielsen
CEO

Board of Directors:

Svend Lynge Jørgensen Chairman	Claus Christensen	Tommy Damsgaard Nielsen
Brian Vilstrup Beier	Michael Helge Unold	

Independent auditor's report

To the shareholders of CCL Label A/S

Independent auditor's report on the financial statements

We have audited the financial statements of CCL Label A/S for the financial year 1 January – 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Independent auditor's report

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Aarhus, 24 May 2016
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

Company details

CCL Label A/S
Tjærbyvej 90
DK-8900 Randers

Telephone:	+45 87 10 87 10
Website:	www.cclabel.dk
E-mail:	mail.randers@ccllabel.dk
CVR no.:	15 51 24 15
Established:	27 February 1960
Registered office:	Randers
Financial year:	1 January – 31 December

Board of Directors

Svend Lynge Jørgensen
Claus Christensen
Tommy Damsgaard Nielsen
Brian Vilstrup Beier
Michael Helge Unold

Executive Board

Tommy Damsgaard Nielsen

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Annual general meeting

The annual general meeting will be held on 24 May 2016.

Management's review

Financial highlights

DKK'000	2015	2014	2013	2012	2011
Gross profit	71,593	82,509	79,632	57,524	70,150
Ordinary operating profit	27,662	38,533	35,078	23,934	36,855
Profit from financial income and expenses	27,457	37,957	35,512	25,006	37,869
Profit for the year	**21,062**	**28,567**	**27,397**	**18,750**	**28,377**
Total assets	114,340	123,754	150,216	165,930	171,487
Investment in property, plant and equipment	9,403	12,952	2,976	7,580	8,484
Equity	70,820	74,758	101,190	111,793	115,043
Return on invested capital	24.2%	31.1%	23.4%	14.4%	21.5%
Return on equity	28.9%	32.5%	25.7%	16.5%	23.4%
Solvency ratio	61.9%	60.4%	67.4%	67.4%	67.1%
Average number of full-time employees	176	186	181	173	182

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". For terms and definitions, please see the accounting policies.

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 2015 was in line with expectations due to the activity level being down on 2014.

Outlook

For the 2016 financial year, gross profit and profit are expected to be up on 2015.

Risks

Currency risks

Operations 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 certifications according to ISO 14001.

Intellectual capital

The primary intellectual resources of CCL Label A/S are the employees and their knowledge.

Product development

CCL Label A/S has maintained product development as a high priority and has developed several new products during the year. Product development partly takes place in cooperation with the customers and partly on our own in order to secure a successful outcome of the developed products.

Financial statements 1 January – 31 December

Accounting policies

The annual report of CCL Label A/S for 2015 has been presented in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

With reference to exemption clause in the Danish Financial Statements Act, the Company has chosen not to prepare a cash flow statement. The cash flows for the Company are included in the cash flow statement 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.

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.

Financial statements 1 January – 31 December

Accounting policies

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 expenses for Management and administration, including administrative staff, office premises and office expenses, and depreciation and amortisation.

Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the entity.

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.

Tax on profit/loss 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.

Financial statements 1 January – 31 December

Accounting policies

Balance sheet

Goodwill

On initial recognition, intangible assets are measured at cost. 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

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

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

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

Depreciation and gain/losses on disposals of property, plant and equipment are recognised.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for indications of impairment losses 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 expected net cash flows from the use of the asset or the group of assets.

Financial statements 1 January – 31 December

Accounting policies

Balance sheet

Leases

On initial recognition, leases for non-current assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When the net present value is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

All other 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.

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

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

Financial statements 1 January – 31 December

Accounting policies

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.

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 the net 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 the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Financial statements 1 January – 31 December

Accounting policies

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	$\frac{\text{Operating profit/loss x 100}}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit/loss after tax x 100}}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$

Financial statements 1 January – 31 December

Income statement

	Note	2015	2014
Gross profit		71,592,741	82,509,434
Distribution costs	1	-14,001,413	-12,788,317
Administrative expenses	1	-29,929,210	-31,188,122
Operating profit		27,662,118	38,532,995
Financial income	2	268,075	384,747
Financial expenses	3	-472,823	-960,319
Profit before tax		27,457,370	37,957,423
Tax on profit for the year	4	-6,395,405	-9,390,105
Profit for the year		21,061,965	28,567,318

Proposed profit appropriation		
Retained earnings	8,761,965	3,567,318
Proposed dividends for the financial year	12,300,000	25,000,000
	21,061,965	28,567,318

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
ASSETS			
Non-current assets			
Intangible assets	5		
Goodwill		1,554,828	1,749,181
		1,554,828	1,749,181
Property, plant and equipment	6		
Land and buildings		15,001,331	15,729,629
Plant and machinery		32,312,707	36,086,529
Fixtures and fittings, tools and equipment		3,009,349	1,772,771
Leasehold improvements		49,709	0
Non-current assets under construction		50,172	4,321,020
		50,423,268	57,909,949
Investments			
Deposit		873,652	867,722
		873,652	867,722
Total non-current assets		52,851,748	60,526,852
Current assets			
Inventories			
Raw materials and consumables		6,302,562	6,608,311
Work in progress		2,115,898	2,675,625
Finished goods and goods for resale		802,692	1,145,083
		9,221,152	10,429,019
Receivables			
Trade receivables		32,181,178	32,938,005
Amounts owed by group entities		7,115,323	3,045,738
Other receivables		153,881	310,361
Prepayments		1,486,851	1,309,009
		40,937,233	37,603,113
Cash at bank and in hand		11,329,887	15,195,037
Total current assets		61,488,272	63,227,169
TOTAL ASSETS		114,340,020	123,754,021

Financial statements 1 January – 31 December

Balance sheet

	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	7		
Share capital		12,000,000	12,000,000
Retained earnings		46,519,674	37,757,709
Proposed dividends		12,300,000	25,000,000
Total equity		70,819,674	74,757,709
Provisions			
Deferred tax	4	3,857,017	4,675,777
Total provisions		3,857,017	4,675,777
Liabilities other than provisions			
Non-current liabilities other than provisions			
Trade payables		13,837,165	12,409,154
Amounts owed to group entities		1,728,159	4,611,173
Other payables		24,098,005	27,300,208
		39,663,329	44,320,535
Total liabilities other than provisions		39,663,329	44,320,535
TOTAL EQUITY AND LIABILITIES		114,340,020	123,754,021
Contingent items, etc.	8		
Mortgages and collateral	9		

Financial statements 1 January – 31 December

Notes

		2015	2014
1	**Staff costs**		
	Wages and salaries	81,967,692	86,146,251
	Pensions	5,814,801	6,408,400
	Other social security costs	570,866	602,584
		88,353,359	93,157,235
	Staff costs are recognised as follows in the financial statements:		
	Production	64,017,108	69,883,634
	Distribution	9,748,649	9,026,122
	Administration	14,587,602	14,247,479
		88,353,359	93,157,235
	Hereof salaries to the Executive Board and the Board of directors	3,057,243	2,726,169
	Average number of employees	176	186
2	**Financial income**		
	Interest income, banks	3,197	3,505
	Interest received from group entities	0	316,386
	Other financial income	3,523	30,000
	Foreign exchange gains	261,355	34,856
		268,075	384,747
3	**Financial expenses**		
	Interest expense, banks	22,501	26,355
	Interest paid to group entities	0	20,316
	Foreign exchange losses	239,037	774,855
	Other financial expenses	211,285	138,793
		472,823	960,319

Financial statements 1 January – 31 December

Notes

		2015	2014
4	**Tax on profit for the year**		
	Current tax for the year	7,214,165	10,173,214
	Deferred tax adjustment for the year	-818,760	-783,109
		6,395,405	9,390,105
	Deferred tax:		
	Deferred tax at 1 January	4,675,777	5,458,886
	Deferred tax for the year	-818,760	-783,109
		3,857,017	4,675,777

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

		Goodwill
5	**Intangible assets**	
	Cost at 1 January 2015	1,943,534
	Cost at 31 December 2015	1,943,534
	Impairment losses and amortisation at 1 January 2015	-194,353
	Amortisation	-194,353
	Impairment losses and amortisation at 31 December 2015	-388,706
	Carrying amount at 31 December 2015	1,554,828

Financial statements 1 January – 31 December

Notes

6 Property, plant and equipment

	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Leasehold improvements	Non-current assets under construction
Cost at 1 January 2015	41,081,119	183,948,173	15,920,013	3,024,699	4,321,020
Additions	81,924	7,036,879	2,284,551	55,922	0
Disposals	-350,000	-1,540,662	-1,711,273	0	-4,270,848
Cost at 31 December 2015	40,813,043	189,444,390	16,493,291	3,080,621	50,172
Depreciation and impairment losses at 1 January 2015	-25,351,490	-147,861,644	-14,147,242	-3,024,699	0
Disposals	310,333	1,496,819	1,660,466	0	0
Depreciation	-770,555	-10,766,858	-997,166	-6,213	0
Depreciation and impairment losses at 31 December 2015	-25,811,712	-157,131,683	-13,483,942	-3,030,912	0
Carrying amount at 31 December 2015	15,001,331	32,312,707	3,009,349	49,709	50,172

7 Equity

	Share capital	Retained earnings	Proposed dividends	Total
Balance at 1 January 2015	12,000,000	37,757,709	25,000,000	74,757,709
Dividends distributed	0	0	-25,000,000	-25,000,000
Profit for the year	0	8,761,965	12,300,000	21,061,965
Equity at 31 December 2015	12,000,000	46,519,674	12,300,000	70,819,674

Share capital

	2015	2014
The share capital is specified:		
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

All shares carry equal rights.

Financial statements 1 January – 31 December

Notes

8 Contingent items, etc.

At the balance sheet date, operating lease liabilities amounted to DKK 1,234 thousand, whereof DKK 760 thousand falls due within the initial year. The leases have periods of interminability of up to 36 months.

At the balance sheet date, rental obligations amounted to DKK 3,935 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.

9 Mortgages and collateral

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