

# Satisfying Markets Sustaining Growth



2004 Annual Report



Cincinnati, Ohio based Multi-Color Corporation is a premier global resource of cost-effective, innovative decorating solutions and packaging services to consumer product and food and beverage companies, national retailers and container manufacturers worldwide. Multi-Color is the world's largest producer of both in-mold labels (IML) and heat transfer labels (HTL), and a major manufacturer of high-quality pressure sensitive labels and shrink sleeves. The Company's Packaging Services Division, Quick Pak, is a leading provider of promotional packaging, assembly and fulfillment services. Multi-Color has six manufacturing locations in the United States. Its products are shipped to more than 250 customers in the U.S., Canada, Mexico, Central and South America, and Asia.

### Financial Highlights

(amounts in thousands except per share data)

Year ended	2004	2003	2002	2001	2000
Net Sales	\$126,961	\$ 99,560	\$ 72,624	\$ 66,618	\$ 53,331
Net Income	\$ 6,506	\$ 6,335	\$ 4,699	\$ 3,559	\$ 1,844 <sup>(2)</sup>
Diluted Earnings Per Share <sup>(1)</sup>	\$ 0.99	\$ 0.99	\$ 0.76	\$ 0.61	\$ 0.29 <sup>(2)</sup>

<sup>(1)</sup> All share amounts have been adjusted to reflect the 3-for-2 stock splits effective November 30, 2001 and November 30, 2003.

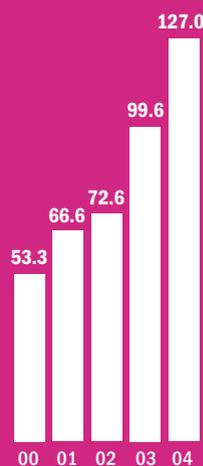
<sup>(2)</sup> Net Income and EPS exclude the one-time tax benefit recorded in Fiscal Year 2000.

#### Fiscal 2004 Financial Highlights:

- > Sales Revenue increased 28% to a record \$127 million, our sixth consecutive year of double-digit annual increases.
- > Net Income grew 3% to \$6.5 million. Excluding a \$.7 million charge for impairment loss and plant closure costs, Net Income increased 14%.
- > Diluted Earnings Per Share (EPS) at \$.99 per share equals the previous year. Excluding the one-time charges, diluted EPS were \$1.09, up 10% from a year ago.
- > Shareholder Equity increased 30% to \$33 million.
- > Total Debt reduced \$6.4 million to \$21.4 million.

**Dawn H. Bertsche**  
Vice President Finance  
and Chief Financial Officer

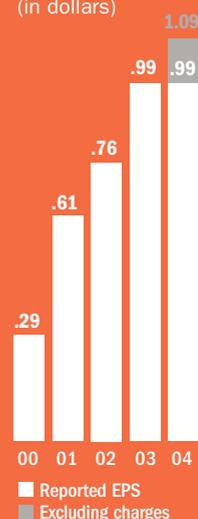
#### Net Sales (\$ in millions)



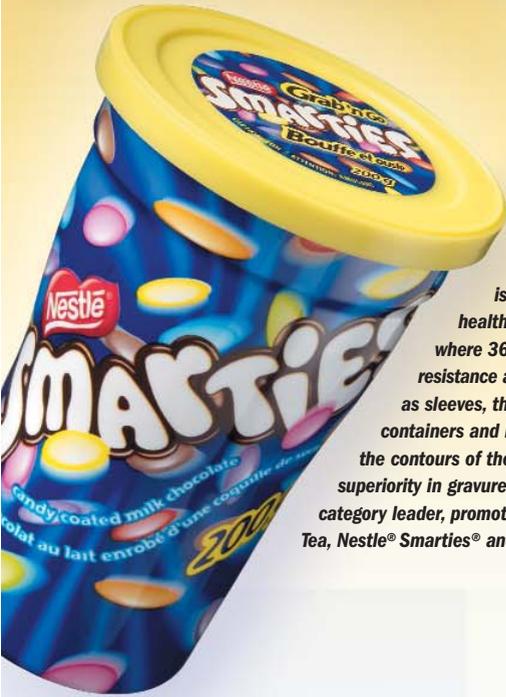
#### Net Income (\$ in millions)



#### Diluted Earnings Per Share (in dollars)



# Our leading solutions



## Shrink Sleeve

Shrink sleeve's growing popularity is evident in food and beverage and health and beauty product packaging where 360-degree brand appeal and tamper resistance are marketing advantages. Produced as sleeves, these colorful labels are slid onto containers and heated to conform precisely to the contours of the containers. Multi-Color's superiority in gravure label production has made us a category leader, promoting brands such as Arizona® Iced Tea, Nestlé® Smarties® and Bolthouse™ Farms juices.



## Heat Transfer

Our newest label technology, heat transfer (HTL) has positioned us as the market share leader. Heat transfer is desirable for many health and beauty, food and beverage, and home care products, offering strong brand appeal and limitless packaging design options. By transferring ink directly onto the container surface by heat and pressure, Scotts Miracle Gro® Garden Feeder, Ocean Spray® Juice Spritzers and many other brands achieve the "no label" look from HTL technology.

## Pressure Sensitive

Pressure-sensitive labels, the largest category in the label market because of their simple self-adhesive application, offer Multi-Color significant growth opportunities. We add unique, new features like promotional neck bands, peel-away coupons and resealable labels to give our customers a marketing advantage. Prestone®, Olay, Tropicana and Schweppes® Infusion® are all brands that benefit from the Multi-Color difference.



## Packaging Services

Packaging Services helps national retailers and consumer product manufacturers expand their marketing and merchandising programs with gift sets, sampler kits, point-of-purchase displays and more. Known to our customers as Quick Pak, we specialize in turnkey design, assembly and fulfillment services. Such popular brands as Victoria's Secret, Redken, Bath & Body Works, Jergens, L'Oreal and Garnier rely on Quick Pak to package their success.



## In-Mold

As the inventor of in-mold labels (IML) for blow-molded containers, Multi-Color remains the acknowledged technology and market share leader. Ongoing development of new materials and processes strengthens our technical leadership. Peel-away coupons and in-mold labels for injection molded containers are recent technological advances. Crisco® Oil, Febreze® Fabric Care and many other well-known brands rely on our IML innovations.



# Dear Fellow Shareholders,

Fiscal 2004 marked another year of progress for Multi-Color—our sixth consecutive year of record sales—as we satisfied markets, strengthened our Value Proposition and poised our Company for sustained growth.

In FY 2004, our global packaging customers continued to value our complete line of decorating solutions and packaging services, responding with record levels of their business:

- > Sales were up 28% to \$127 million; our sixth straight year of double-digit annual sales growth.
- > Volume rose dramatically in our Packaging Services Division, and each of our label decorating technologies exceeded industry growth averages.
- > Forty percent of our total growth stemmed from organic sales, as we achieved an 11% organic growth rate.
- > Total Shareholder Return outperformed the overall stock market as Multi-Color share price appreciated 77% in FY 2004. The share price of your Multi-Color stock has grown 198% in the last three years.

It was a record year in many respects, however the one-time charge associated with the closing of our under-performing

Las Vegas production facility— \$ .7 million in asset impairment loss and plant closure costs—hindered our earnings:

- > Net Income increased 14%, excluding the impact of our Las Vegas plant closing. With the charge, Net Income grew 3% to \$6.5 million, our sixth straight year of earnings growth.
- > Diluted Earnings Per Share (EPS) were \$1.09, up 10% from a year ago, excluding the closing charge. With the charge, EPS were \$.99, equal to 2003.

During our third quarter we commenced a manufacturing consolidation plan by closing our Las Vegas facility. This part of the project was completed ahead of schedule. The integration of the shrink sleeve business into our more efficient Scottsburg, Indiana facility was completed during the first quarter of FY 2005.

We have increased our focus on operational excellence, aggressive sales

performance and cost reductions. These are the essential cornerstones of our strategic plan as we move forward, and we are confident in the long-term growth of the Company.

## Value Proposition aligned to meet customer needs

We place much emphasis on enhancing our Value Proposition, which differentiates Multi-Color among customers and prospects as a superior and preferred packaging business resource.

Nowhere else can a packaging customer—blow molder, designer or consumer product maker—receive an unbiased, consultative approach to their packaging needs, a broader portfolio of label technology solutions, or more supportive customer services to speed their products to market and streamline our work processes together.

## People Powered

- > *Multi-Color associates know that successfully realizing our Vision depends on executing our Core Values daily. **Integrity, Customer Focus, Accountability and Results Driven** are the principles by which we operate.*

*Representing Multi-Color's "people power spectrum" are: Lesha Spahr, Director, Human Resources; David Klotter, National Account Executive; Heather Bucher, Assistant Treasurer; Benjamin Perez, Business Optimization; and John Voelker, Vice President Sales, P&G Relationship.*



During the course of the year, the Company's organizational resources were concentrated into three core competencies: *Decorating Solutions*—our core label business; *Graphic Services*—our digital prepress and cylinder engraving operations; *Packaging Services*—our design, assembly and fulfillment services business.

These three competencies are represented in the marketplace by knowledgeable national account teams to deliver speed-to-market results for customers on a higher performance scale.

### Strengthened Management Team

We continue to add knowledge and talent to our organization. In February 2004 Don Kneir was named president of our Decorating Solutions division. Don is responsible for the day-to-day management of our core label business, including new product development, customer relations and profitable growth.

Continuously improving the skill levels of our sales, marketing and operations associates is vital to the execution of our Value Proposition as we move forward into FY 2005.

### Improved Productivity to Drive Satisfaction and Profits.

Productivity gains—reducing waste, accelerating production cycles and speeding new commercial products to market—are

the benchmarks we have chosen to measure our performance. Our Vision is to be a premier resource of global packaging solutions. Product leadership and operational excellence are the ways we will achieve it.

Our V<sup>2</sup> Continuous Improvement Process is driving Multi-Color to sustain its reputation as the industry's high-value, cost-effective producer. When you read about our many V<sup>2</sup> success stories (see page 7), you see the improvements our teams are creating everyday.

As an example of our productivity gains, today three of our gravure printing presses are doing the work of five presses a year ago.

### We Focus on Strategies for Sustained Growth

Our strategic plan is working and we are poised to achieve long-term growth from each of our key objectives:

#### > Building the Multi-Color brand—

Our spectrum of products and services is more extensive and integrated than ever before. A pipeline of new product developments—from new substrates to “no substrate” technologies—will truly mark the Multi-Color brand as unique and revolutionary.

#### > More productive sales performance—

Our national account and end user sales

teams will continue to expand our Decorating Solutions and Packaging Services customer base, and deliver new market sales with greater productivity.

#### > Imbed continuous improvement—

V<sup>2</sup>'s proven ability to improve productivity will be implemented company-wide throughout FY 2005.

#### > Pursue selective acquisitions that strengthen our core business while achieving our financial objectives.

### Our Drivers of Success

As I reflect on the successes and challenges we experienced for the year just ended, I am confident in our Company's future ability to satisfy markets and sustain long-term growth. Together with a strengthened management team, our 600 talented Multi-Color associates will continue to skillfully execute our strategic plan. On a daily basis our people are the very heart of our success. It is my privilege to be part of this innovative organization.




**Francis D. Gerace**  
President and  
Chief Executive Officer

## Key Highlights:

*Other significant highlights from the year attested to Multi-Color's broad-based strengths:*

- > *Purchased and integrated the heat transfer label business from Tennessee-based International Playing Card and Label Co. Inc. in July 2003.*
- > *Based on the strength of our 5-year averages in return on equity, sales and EPS growth, Multi-Color was rated the "7th Most Up and Coming Company" in Forbes Magazine's 200 Best Small Companies report issued in October 2003.*
- > *In the same report, Forbes rated the Multi-Color Board of Directors with the second highest score for excellence in corporate governance among the 3500 corporations evaluated.*
- > *Multi-Color shares split 3 for 2 in November 2003, increasing liquidity and attesting to Management's confidence in operations going forward.*

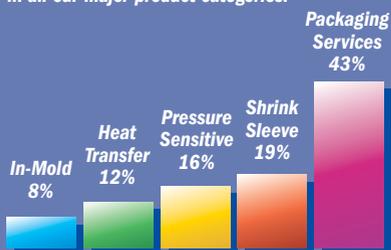
# Satisfying Markets

In achieving record revenues of \$127 million in Fiscal Year 2004, we sustained our six-year performance of double-digit annual sales growth and solid earnings growth. What is especially important to us, and to our growing customer base, is the progress we made toward realizing our Vision—to be a premier global resource of packaging services and decorating solutions.

That progress, through the commitment of 600 Multi-Color associates, has uniquely positioned our businesses to leverage new growth opportunities and to satisfy our markets with the distinctive Multi-Color brand of quality.

## Sales Volume Increases FY 2003 – 2004

Multi-Color's record sales performance in FY 2004 exceeded industry averages in all our major product categories.



Supporting the category increases are Multi-Color executive leaders: (left) Johan Pot, Vice President & General Manager, Packaging Services; (right) Don Kneir, President, Decorating Solutions.

The Snacks & Beverages Division of Procter & Gamble used heat transfer labels (HTL) for the first-time, marking their break-through Folgers AromaSeal™ canister design. HTL allowed in-line label application with the molder, cutting manufacturing time and cost. Our Therimage™ technology created the package's clean and highly-durable "no label" look. This is one of the industry's largest HTL projects of the past decade.

# Like Never Before.

Every day Multi-Color's portfolio of label solutions and packaging services help market over 350 of the world's most well-known consumer brands. Our packaging solutions appear globally on retail shelves, throughout in-store promotions and in grocery aisles—on plastic and glass containers, and packages of all shapes and sizes. Our customers include the world's leading makers of health and beauty, food and beverage, personal care, automotive and household consumer brands.

Each day, millions of consumers admire, touch and ultimately purchase products because of the appeal and benefit that our labels and packaging solutions add to them.

## The Multi-Color Brand Unfolds— With the Attributes of Speed, Quality and Ease of Doing Business.

Multi-Color is fundamentally a more complete, more valuable business resource today than we were five years ago. Our Value Proposition is unmatched in the marketplace. It is both unique and relevant to our customers.

We take a 360-degree packaging approach, surrounding our customers with packaging expertise and technologies that help them market their brands more effectively, lower their packaging costs and accelerate speed to market.

Multi-Color's comprehensive business model gives our customers a single source of integrated packaging resources:

**Decorating Solutions**—A spectrum of label applications, technologies and customer support benefits a growing list of customers worldwide. Our decorating expertise includes in-mold, shrink sleeve, pressure sensitive and heat transfer labels.

**Graphic Services**—Multi-Color's complete digital prepress and cylinder engraving service center, supporting all Company operations and customers.

**Packaging Services**—A market leader in the design of promotional packaging, component sourcing, custom assembly and supply chain management for national retailers and consumer products manufacturers.

Building on this Value Proposition, Multi-Color delivers new dimensions of packaging solutions to more new customers and markets than ever before.



*Bolthouse Farms™ choose shrink-sleeve labels to surround their containers with luscious, colorful graphics and used the label's surface space to promote the benefits of their nutritional fruit juices.*



*For the Tropicana® Purity line of orange juices, our pressure-sensitive label features gravure printing on opaque film for detailed graphics. The label's special 50th anniversary peel-away coupon, a Multi-Color specialty, adds marketing pizzazz.*



*Versatile, durable IML decorations helped launch Dial Corporation's first fabric softener under the well-known Purex® brand name. The new bottle design was decorated with opaque IML film for clean, crisp shelf appeal.*

# Decorating Solutions

## Leveraging Multi-Color's Label Leadership

Multi-Color is the expert in delivering decorating solutions that satisfy global markets—a true consultant to our customers with access to the industry's most sought-after label technologies.

FY 2004 was Multi-Color's sixth consecutive year of record growth in terms of label sales—up 25%. We increased volume in all our major label categories, while successfully integrating and growing our heat transfer label business, our most recent technology acquisitions. This also was a period of consolidation and resource development to ensure future growth.

### **Our Customer Focus— Get Closer and Offer a Custom Fit**

Our Decorating Solutions' sales teams are organized to focus on customer categories—national accounts, container manufacturers, designers and end-use customers.

By integrating our specialized resources into customer teams, we are satisfying market needs and fulfilling emerging customer requirements with speed and ease.

### **Delivering What's Needed and What's Next**

Important market successes resulted from this new organization, driven by “fast track” product commercializations from our Product Leadership Group. We introduced:

#### **Ink-Only Heat Transfer (HT) Labels**

Featured on the new Ocean Spray® line of juice spritzers, these HT labels are applied to plastic containers through a flameless decorating process. The look is crisp and vivid, and opens up graphic real estate on the container.

#### **Transparent In-Mold Labels (IML)**

By replacing a typical IML white film with a special clear film, we developed an attractive label that blends into the

container design. P&G's Febreze® and Johnson's® baby lotion found the label's natural look and our speed to market process attractive.

#### **Folgers AromaSeal™ Heat Transfer (HT)**

This is a technological packaging breakthrough utilizing advanced HT labels in three separate locations on a plastic coffee canister design.

We responded to the customer's need for HTL with special tooling and fiber optic registration that delivered the adhesion and aesthetics this container required. The result has been a true market success, with millions of labels produced.

These and other commercial innovations are actively being applied to our markets, to fuel future sales growth.

### **Enhancing Digital Workflow for Our Customers**

The world of consumer package design and production is increasingly a digital one.



*Multi-Color produces 15 SKUs, over three sizes, of in-mold labels for All® liquid detergent. Citrus Breeze™ is the newest fragrance added to the All product line, keeping with the industry trend to market more fragrances.*

*Our new “ink-only” chemistry for heat transfer creates a crisp, direct print look on new Ocean Spray® Juice Spritzers. This cost-effective technology provides a larger print area for graphics.*

*Head & Shoulders® shampoo maintains its leadership position in Mexico with the help of our pressure-sensitive labels. Metallic inks highlight product variations with colorful, brilliant clarity.*

# to New Growth

Our in-house prepress and engraving operation, leads in digital production to collapse all the steps a label customer must consider—planning, design, application testing, color separation and printing—into one seamless flow.

By investing in advanced, server-based workflow technology, we increased speed and ease to our customer projects by offering online conceptual reviews of their labels in “printed form” before production begins. To accelerate project communications, customers can receive online production schedules and progress reports.

Changing the norms of how we do business is another way Multi-Color provides value-added service to our customers. We see the fast, flexible benefits of full digital production—prepress, file sharing, tools and printing—as a leadership position and growth strategy for Multi-Color.

## V<sup>2</sup> unifies all Multi-Color operations into One Continuous Improvement Culture

Fiscal Year 2004 was the first full year of implementing V<sup>2</sup>, our pursuit of the Continuous Improvement process throughout Multi-Color operations.

V<sup>2</sup> is designed to increase **Velocity** by decreasing operational cycle times and add **Value** by improving quality and reducing costs—it’s all about creating speed and ease for our external and internal customers.

Cross-functional teams, focused on process improvement initiatives, are selected from Product Leadership, Customer Service, Human Resources, Finance, Engineering, and Manufacturing teams. Their outcome-driven focus is already paying significant dividends in achieving higher quality, lower production costs, faster production and delivery, and less waste:

- > **Scottsburg, IN—Production Consolidation**  
*In just 60 days, this V<sup>2</sup> team executed the manufacturing plan that increased printing capacity, consolidating our Las Vegas shrink-sleeve volume with existing equipment. In turn, this leaves open Scottsburg’s new \$4.2 million press for additional business.*
- > **Graphic Services, KY—Cost Reductions**  
*V<sup>2</sup> teams analyzed gravure cylinder utilization, a major cost component, by recycling existing cylinders into production faster through a real-time forecasting process. This reduced capital expenditures and increased return on assets.*
- > **Framingham, MA—Increased Speed**  
*This V<sup>2</sup> team sped up our high-demand heat transfer label production by 33%.*
- > **Scottsburg, IN—Waste Reduction**  
*By simplifying steps within the IML sheeting process, this V<sup>2</sup> team reduced waste and material usage.*

V<sup>2</sup> training will be phased into other areas of the Company to improve quality, reduce costs and enhance customer satisfaction.

## Recognized for Innovation

*Multi-Color label solutions received numerous industry awards in recognition of their quality, innovation and brand appeal:*

**Food & Packaging**  
magazine’s 2003 Package  
of the Year awards:

- > Folgers AromaSeal™  
canister—Food category
- > Dr. Pepper/Seven Up  
Raging Cow™ package—  
Beverage category

**Golden Cylinder Award,**  
The Gravure Association  
of America:

- > Folgers Coffee,  
HT innovation

**Packaging & Label Gravure**  
Association (PLGA) gravure  
printing quality awards:

- > Frito Lay “Finding Nemo”  
merchandising pail,  
HT category

**Excellence in Technical**  
**Achievement**, annual Tag  
& Label Manufacturers  
Institute (TLMI) Printing  
Awards:  
> Febreze® (IML);  
Arnold Palmer Arizona®  
Half & Half (SS); Hulk™  
merchandising label (HT)  
> Environmental Leadership  
Award to Multi-Color and  
our Scottsburg facility for  
our commitment to  
exemplary environmental  
practices



*Arizona Beverage Company is known for innovation. To introduce their new no-carb line of iced tea drinks, they specified clear shrink-sleeve film. Tamper resistant with 360-degree graphic appeal, these labels let the product show through with thirst-quenching clarity.*

# Packaging Services

## Packaging Success with Record Results

Packaging Services helps national retailers and consumer product manufacturers expand their marketing and merchandising programs through our responsive contract packaging resources. Last year we packaged and fulfilled over 14 million units for such winning consumer brands as Victoria's Secret, Bath & Body Works, L'Oreal, Jergens and others.

Since its acquisition in 2002, Packaging Services, or Quick Pak as we are known to our customers, has doubled in sales volume. We delivered record sales—43% growth—and profits in FY 2004. Our sales increases were broad based, derived from both organic growth within existing accounts and new account business. Three key strategies are driving these results:

### Creating Capacity in Quick Order

An important part of our growth was attributed to the additional capacity we created last August in expanding our Cincinnati, Ohio-area operations. In 120

days, we constructed and integrated 90,000 new square feet of just-in-time production, warehousing and distribution space. Converting space and production requirements into added customer volume is critical to our business growth—a prime example of our focus on speed-to-market strategies for our customers.

### Increasing Productivity

Contract packaging is an on-demand business. Quick Pak successfully incorporates continuous improvement and lean manufacturing techniques into our daily production processes to increase productivity and drive down costs. Our V<sup>2</sup> teams are “outcome driven,” able to compress project production steps and timelines, and ramp up to ever higher production and quality standards.

We have consistently improved productivity by adding on-premise management resources to coordinate and develop our diverse temporary workforce.

### Satisfying Customers with Innovation

Our organization of customer service planning teams, dedicated to each of our national accounts, has resulted in greater customer satisfaction. These teams are the customer's “eyes and ears”, aligning customer expectations and specifications to the rest of our internal teams.

Now, undertaking a 30,000-plus unit daily assembly project is a Quick Pak reality. For White Barn Candle's Wallflowers product rollout, we assembled and shipped nearly 850,000 room fragrance starter-refill cartons over a three-week period. Our customer was impressed with the production capacity, speed and the quality with which we delivered their new product promotional sets.

With ever-increasing capacity levels, competitive edges in our packaging engineering resources, and the synergies between our label and packaging businesses, Packaging Services is well positioned to continue to aggressively grow.



*For L'Oreal's Mizani® Beyond™ haircolor system, Quick Pak assembled and distributed this stunning, multi-compartment, introductory prepack to hair salon operators nationally.*



*Quick Pak's innovative design and assembly teams elegantly staged Pure Simplicity™ skincare atop bamboo bowls in this eye-catching, in-store gift set for Bath & Body Works.*

## Corporate Information

### Directors

**Lorrence T. Kellar**  
Chairman of the Board,  
Multi-Color Corporation  
Vice President,  
Continental Properties, Inc.

**Francis D. Gerace**  
President and  
Chief Executive Officer,  
Multi-Color Corporation

**Gordon B. Bonfield**  
President,  
R. A. Jones Company

**Robert R. Buck**  
President and CEO,  
Beacon Roofing Supply, Inc.

**Charles B. Connolly**  
President,  
Connemara Converting

**Roger A. Keller**  
Private Investor

**David H. Pease**  
Retired Chairman,  
Pease Industries, Inc.

### Corporate

**Francis D. Gerace**  
President and  
Chief Executive Officer

**Dawn H. Bertsche**  
Vice President Finance  
and Chief Financial Officer

**Lesha K. Spahr**  
Director, Human Resources

**Thomas J. Vogt**  
Vice President,  
Business Development

**Julie A. Whitehead**  
Corporate Controller

### Decorating Solutions

**Donald E. Kneir**  
President

**John P. Antonucci**  
Vice President Sales

**John R. Voelker**  
Vice President Sales,  
P&G Relationship

### Packaging Services

**Johan G. Pot**  
Vice President,  
General Manager  
Quick-Pak

## Shareholder Information

### Corporate Headquarters

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### Annual Meeting

The annual meeting of  
shareholders will be held  
at the Queen City Club,  
331 E. Fourth Street,  
Cincinnati, Ohio on August  
19, 2004 at 10:30 am E.T.

### Stock Listing

The common shares of  
Multi-Color Corporation  
trade on The NASDAQ  
National Market System  
under the  symbol LABL.

### Transfer Agent

Computershare  
Investor Services, LLC  
Chicago, Illinois

### Independent Public Accountants

Grant Thornton LLP  
Cincinnati, Ohio



#### **Corporate Headquarters**

##### **Multi-Color Corporation**

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