

# How We Perform Everyday



For Customers  
For Consumers  
For Shareholders

# High Impact Labels



## IN-MOLD (IML)

Multi-Color is the acknowledged technological and market share leader.

## IN-MOLD (IML)

These labels are applied directly to the bottle as it is being molded at temperatures of up to 400° Fahrenheit.

## HEAT SHRINK

The fastest growing segment of the label industry.

## HEAT SHRINK

Our Uniflex division positions us as one of the top suppliers nationally of Heat Shrink Labels.

## PRESSURE SENSITIVE

This technically-challenging segment of the label industry is a \$2.0 billion market.

## PRESSURE SENSITIVE

These labels are the most versatile and are used across many segments of the industry.



For High  
Impact  
Products

# Financial Performance

## FINANCIAL HIGHLIGHTS FOR FISCAL 2001 INCLUDE:

- Sales Revenue increased 25% to \$66.6 million
- Operating Income increased 94% to \$8.3 million
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) increased 65% to \$10.7 million
- Return on Invested Capital (ROIC) grew to 14%

### OPERATING INCOME



### EBITDA



(amounts in thousands except per share data)

Year ended	2001	2000	1999
Sales Revenue	\$66,618	\$ 53,331	\$ 49,786
Operating Income	\$ 8,305	\$ 4,280	\$ 2,165
EBITDA	\$ 10,679	\$ 6,526	\$ 4,526
Share Price	\$ 11.00	\$ 7.19	\$ 5.88

### SALES REVENUE



# Industry Leading Financial Performance

In last year's annual report, I wrote about positioning ourselves to "break away from the competition" through our long-range strategic plan. This year I am pleased to report that Multi-Color Corporation has not only set itself apart from the competition, but is consistently outperforming them as well. We are right on target with our strategic plan, our recent acquisitions are fully assimilated and accretive to earnings, and we continue to operate in a space within the label industry that few others can occupy. These company-wide, strategic initiatives continue to pay off in tangible, financial results. Simply put, we had a very good year in fiscal 2001 and we've set the stage for continued growth.

## 2001 WAS A RECORD YEAR FOR OUR COMPANY

I am encouraged by our ability to consistently improve sales volume while also steadily increasing shareholder value. Sales Revenue for our company increased 25% for the fiscal year 2001 to \$66.6 million. This is a record-breaking number and we attribute it to the following:

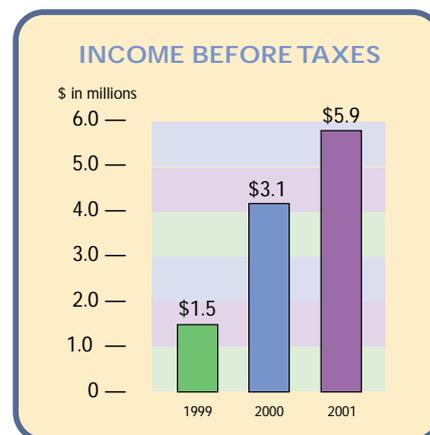
- We were able to participate in several new product launches with our current consumer product customers due to the new technologies we currently offer.
- We added new customer relationships as a result of recent acquisitions.
- We expanded our sales force coverage across various market segments.

Current and prospective customers continue to seek us out because of our ability to employ multiple technologies to meet

their most demanding label needs, our unparalleled technical support team, our commitment to assist them with their own cost reduction programs, and most importantly, our reliability. Again, we are very proud of our financial performance and feel it is a direct reflection of our ability to meet our sales revenue expectations and to operate the company efficiently.

At the core of our operational performance is a hands-on management team dedicated to improving quality, reducing waste, emphasizing safety and increasing productivity. "Sweating the details" is more than a cliché at Multi-Color, it is the corporate-wide adherence to our process plans of control. Our ability to be a low-cost producer enables us to share the benefits of cost-effective label solutions with our customers, while also delivering above-average returns to our shareholders.

Given our outstanding sales growth and continuing efficiency improvements, it's no wonder that our Operating Income increased 94% last year to \$8.3 million. Likewise, our Pre-Tax Income soared more than 90% to \$5.9 million in fiscal 2001. Both are record amounts for our company.



Pre-Tax Income soared more than 90% to \$5.9 million in 2001.

## PERFORMING FOR OUR SHAREHOLDERS

Earnings before interest, taxes, depreciation and amortization (EBITDA) was also up - 65% for the entire year from \$6.5 million last year to \$10.7 million in fiscal 2001. We believe EBITDA is a good indicator of our company's ability to generate cash flow, which is critically important in determining a company's ability to pay down debt and fund growth and investment.

We reduced our bank debt by \$5.5 million this past year and also invested \$2.9 million in new equipment, primarily for our customers' new product launches.

We also increased our Return on Invested Capital (ROIC) an impressive 46% for the year from 9.78% to



Frank Gerace, President & Chief Executive Officer

14.3 %. Our industry averages approximately 7%-8%.

Our share price increased 53% from last year to close at \$11.00/share on 3/30/01. Shares of Multi-Color stock clearly outperformed the S&P 500, the Russell 2000 index, the Dow Jones Industrial Averages and the NASDAQ. This past year was a good year to be a Multi-Color shareholder.

Performing for you, our shareholder, is our ultimate measure of success.

## PERFORMING FOR OUR CUSTOMERS

Last year was another year that clearly demonstrated that the world's most trusted brands trust Multi-Color to perform for them.

Companies such as Colgate-Palmolive, Quaker Oats, Redox (Oxydol), Procter & Gamble and Unilever all came to us with label challenges and Multi-Color delivered in ways that other companies could not. Our long-standing leadership in the in-mold label market segment (IML), coupled with our strategic acquisitions, has translated into trust and performance in other label categories. Indeed, a good deal of our business comes from referrals from other vendors who prefer to work with a proven performer like Multi-Color. This allows us to go back to current customers with NEW SOLUTIONS, as well as approach prospective customers with a more complete offering of labeling options.

In fact, we view our mission as providing new and innovative label solutions to meet the product requirements and marketing needs of our consumer products customers while helping to reduce their overall packaging costs; and we're quite good at it.

## PERFORMING FOR CONSUMERS

Consumers, like you and I, spent hundreds of billions of dollars last year on packaged goods such as food, shampoo, sports drinks, laundry detergent, fabric softener and dishwasher soap ... and Multi-Color labels added value and impact to many of these packages. In fact, the majority of the nation's Top 10 consumer products goods companies use Multi-Color for their labeling needs, including the nation's #1 selling sports drink, the #1 selling laundry detergent, the #1 selling fabric softener, #1 selling automobile antifreeze, and the #1 selling automatic dishwasher soap.

We all use consumer product goods in our daily lives and Multi-Color labels perform for consumers in the following ways:

- They allow us to instantly recognize "our brand" on a shelf crowded with similar product choices.
- They provide the valuable product usage information we want and the nutritional information we need.
- Tamper evident labels also create a "safety shield" on many products, such as food and beverages, which we've come to expect.

As you continue to read through this year's Annual Report and examine the stories about our customer relationships, you'll note that the #1 reason many of our customers come to us is the ability of our company and of our labels to perform for them - day in and day out.

## WHAT TO EXPECT IN 2002

We expect 2002 to be another promising year. We feel we have a business strategy in place that will allow us to side-step some of the business challenges that other companies are now facing as the



Dawn Bertsche, VP, Chief Financial Officer,  
John McKeough, VP, Operations,  
Steve Mulch, Sr. VP, Sales & Marketing

economy fluctuates from quarter to quarter. It is our intention to continue to:

- aggressively increase sales revenue both home and abroad,
- maintain our dominance in the IML label market,
- make additional inroads into the Health and Beauty Aids segment,
- gain additional market share in the Heat Shrink and Pressure Sensitive arenas,
- manage our assets well,
- and focus on increasing shareholder value.

In conclusion, I want to formally thank my associates at Multi-Color for their enduring effort and dedication to success. It is only through their commitment that we can "Perform Everyday" for our shareholders, customers and consumers in this ever-changing marketplace.

Sincerely,

Francis D. Gerace  
President and Chief Executive Officer



# Labeling Solutions for the World

Increasing our sales in countries outside of the United States is part of Multi-Color's long-term strategy for growth and profitability.

International consumer goods companies, like Colgate-Palmolive, Procter & Gamble and Unilever also focus on global markets for added sales and market share growth. They spend billions of dollars annually creating, nurturing

and promoting their unique brands. These global brands represent a huge asset to a company, both in marketing value and emotional appeal. Consumers definitely have "their brands" and are loyal to them.

This past year, three international consumer product giants came to Multi-Color with labeling challenges they felt others couldn't meet.

## EXPANDING OUR GLOBAL POSITION WITH PROCTER & GAMBLE

When Procter & Gamble needed to broaden their supplier base for hair and skin care products, they searched for a partner who was a

proven performer. This was critically important because many of Procter & Gamble's packages incorporate complicated screen-printing with tinted foil stamping.

Because we had been a supplier to Procter & Gamble's household products group for the past 6 years, we were invited to become a label supplier for the health and beauty aids category. A four-person audit team visited our Batavia, Ohio plant to review our processes and procedures. Their task was to examine our technical capabilities and production efficiencies to determine if we could meet their world-class standards for quality on a day-in, day-out basis.



As a result, we have broadened the scope of our supply to Procter & Gamble from cleaning products into the health and beauty aids category.

### COLGATE-PALMOLIVE'S SUAVITEL — #1 IN MEXICO & SOUTH AMERICA

Colgate-Palmolive, the manufacturer of Suavitel, the #1 fabric softener in both Mexico and South America, decided to introduce a new bottle size to their product line and felt this would be a good opportunity to upgrade their label appearance also.

Colgate-Palmolive executives wanted to dramatically improve the appearance of their package and label. This required a different type of label, an in-mold label (IML), which Colgate-Palmolive - South America had never used. They asked their bottle manufacturer (Alpla) to identify a reliable in-mold label supplier.

As the recognized leader in the United States in the IML segment, and with our experience working with Alpla, Multi-Color was recommended to Colgate-Palmolive. Alpla felt Multi-Color had the highest quality and the best service.

Multi-Color is now the exclusive supplier of in-mold labels for the new 250-milliliter bottle for Colgate-Palmolive's Suavitel.

### UNILEVER'S - MIMOSIN (SNUGGLE) LOOKS TO GAIN MARKET SHARE THROUGH UPGRADED LABELS

When Unilever - Andina (Venezuela) was looking for ways to increase market share of their South America version of Snuggle (Mimosin), they initially decided to redesign their bottles. They later realized that the majority of their competitors, like themselves, were using Pressure Sensitive labels, and it was becoming increasingly difficult to make their package stand out on the crowded supermarket shelf.

The answer was to improve the appearance of the package. By adopting IML technology, Unilever was able to offer a package with superior aesthetics and one that stands up to the challenging demands of the supply chain in South America.

Like other consumer products companies, Unilever executives went to their bottle manufacturer to find out who was the best resource for IMLs. Again, the name Multi-Color was the recommendation because of our reliable, high-quality labels. As bottle manufacturers are known to say, they "don't want headaches" and Multi-Color labels are the best aspirin.

We now produce the labels for Unilever's Mimosin that are distributed in Colombia, Ecuador, Puerto Rico and Venezuela.



Expanding our Global Position with Procter & Gamble



Colgate-Palmolive's Suavitel -- #1 in Mexico & South America



Unilever's - Mimosin (Snuggle) Looks to Gain Market Share Through Upgraded Labels



# The World's Most Demanding Companies Demand the Most From Our Labels

As the technological, market share and sales leader in the IML arena, we've developed a reputation for excellence. Our labels perform well, our deliveries are on time, our customer service and support staffs are the finest in the business and we constantly seek new and innovative ways to help our customers meet their label challenges.

We've added new technologies, new products and new customers to our portfolio and are now performing in the specialty Pressure Sensitive and Heat Shrink label categories. By leveraging our operational expertise, we are developing the same reputation for reliability and quality in these new segments.

## ERGONOMICALLY DESIGNED GATORADE EXPERIENCE - THE EDGE

Sports drinks are hot! This segment of the beverage industry is growing at a 6.4% pace, versus 2.0% for soft drinks in general.

Packaging for sports drinks comes in colorful, cutting-edge styles and materials and their labels are just as dynamic ... utilizing the latest Heat Shrink technology. The Heat Shrink category of the labeling industry is a \$300 million market in the United States and growing at a 15% - 20% pace.

These alluring labels are manufactured as sleeves, slid over newly formed bottles and then heated to conform precisely to the contours of the container.

Product categories for Heat Shrink labels include juices, spirits, dairy products and new age beverages.

When The Quaker Oats Company, the maker of Gatorade (the #1 selling sports drink in the United States), decided to update one of their products and create a total redesign of the package, they knew there would be challenges.

First, the bottle shape needed to fit better in the consumer's hand. Next, the cap was upgraded from a pull/push cap to a more ergonomically designed "twist open" cap. And lastly, the label itself needed to move from the bottom of the bottle, where it interfered with the user's grip, to the top.

These new labels were required to run on the highest-speed machines available with no down time. This was a critical factor in determining which company would be chosen to produce these new labels.



Our Uniflex plant had previously produced the protective neckbands for Gatorade and had established a reputation of never missing a delivery.

We took a team approach with Gatorade from the very beginning, and worked closely with Gatorade's internal package development and engineering departments, in addition to their external supply chain members.

Gatorade's faith in our reliability allowed us to participate in this major package redesign, named the EDGE. Gatorade also expects significant growth in the coming year from the new EDGE product.

### **DAWN/IVORY/JOY - RE-LAUNCHING AN AMERICAN STAPLE**

Pressure Sensitive labels, those in which the backing peels off as the label adheres directly to the product surface, is a \$6.0 billion market, of which \$2.0 billion is our target, the technically demanding segment. It is another of the fast-growing specialty label segments that we pursue.

When Procter & Gamble, the maker of Dawn/Ivory/Joy was in the process of reformulating their dishwashing liquid soap, they felt the new formula deserved a new bottle



Multi-Color has the necessary pressure sensitive label technology and specialty expertise to provide the right label solution for Dawn and Joy.

... and with it, of course, new labeling. They needed a label manufacturer with a unique blend of both creativity and dependability.

The new bottles were made of a totally clear plastic material, PET. The advantages were that the new bottle shapes would be more aesthetically pleasing, you could actually see the new reformulated product better, and because it was clear, the new bottle allowed for more upscale graphics; both on the outside and inside of the bottle.

Because the product was reformulated, they also wanted to reposition the product and needed labels that would provide the necessary "stand out shelf appeal" in the extremely crowded light duty liquid (LDL) detergent aisle at neighborhood supermarkets.

They also wanted a label supplier who had been there before: one who could get the new labels to them on time, every time.

They turned to Multi-Color because of our long-standing track record of dependability and our reputation for producing labels that perform in both the factory and on the shelf.

Because of the state-of-the-art equipment in our Batavia plant and our already established leadership position in the IML segment, we had the necessary Pressure Sensitive label technology and specialty expertise to provide the right label solution to Procter & Gamble. This combination allowed us to participate in the relaunch of a product that had been around for decades.



# Oxydol – The Return of an Old Friend

The new owners of Oxydol, Cincinnati, Ohio-based Redox Brands, Inc, were like any typical start-up company. They needed to prove to their investors and major retailers that they could deliver. And, like most new companies, they didn't have all of the internal resources necessary to guide them through what needed to be done.

As most new owners like to do, Redox wanted to make changes. First, they noticed that Oxydol wasn't available as a liquid. Second, they wanted to market the liquid version to a younger consumer. Both these initiatives required new packaging and labeling to give Oxydol a brighter, more modern look.

Because the owners of Oxydol promised investors and retailers to introduce the liquid version by the second quarter of 2001, they only had a few weeks to produce the new labels.

What Redox needed was a proven performer, one who knew the in-mold label market better than anyone else to serve as their partner in this process. And, because they knew they would only get one chance, they absolutely had to have a manufacturer that could guarantee that there would be no mistakes.

Redox didn't have to look far. The name that kept getting recommended to them was also another Cincinnati company, Multi-Color. As the market share leader in the \$100 million IML label market, we had the

state-of-the-art technology necessary to allow the digital artwork for the new labels to be sent electronically from the graphic design studio to our computer-controlled pre-press operations in our Erlanger, Kentucky plant. Our ability to do this saved Redox precious time and money. We were able to deliver the new Oxydol labels in 10 days, not 10 weeks.

All of this allowed Redox to meet its first major milestone and launch Oxydol on schedule in April 2001.

Looking over new Oxydol labels are (from left) Multi-Color plant manager Ken Pizzuco, Redox Brands Inc. Oxydol Marketing Director Mark Winterhalter and Laser Graphic Technician David Smith.



The Cincinnati Enquirer/Tony Jones

## Directors

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**Francis D. Gerace**

President and Chief Executive Officer,  
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**David M. Pease**

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**Thomas J. Vogt**

Vice President of Sales, Specialty Labels

**John Yamasaki**

Vice President of Sales and Product Development,  
Heat-Shrink Labels

## Transfer Agent

Fifth Third Bank  
Cincinnati, Ohio

## Independent Public Accountants

Grant Thornton LLP  
Cincinnati, Ohio



205 West Fourth Street  
Suite 1140  
Cincinnati, OH 45202  
(513) 381-1480



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[www.multicolorcorp.com](http://www.multicolorcorp.com)