ANNUAL REPORT
2013

Skanem

"We will continue to take deliberate steps so that we can be identified as a preferred and valued partner by our existing and prospective clients."

INTRODUCTION

I am pleased to announce, yet another year of continuous improvements for Skanem. The labelling market like most markets has been challenging in recent years, but our skilled and dedicated people helped us through these challenging times. We are an established company in the labelling industry, and are set to grow and expand based on our experience and recent success. Skanem has 15 factories across 9 countries. We are a unified group, we stand united in our strategy, and that has been our strength. We believe in quality standardization across all Skanem locations and understand unique local requirements as well.

We have improved profits while continuing to invest significantly in strengthening the business for the future. In the past two years we have established a competitive base in Asia & Africa. We plan future investment in these regions, in order to strengthen and expand the business. Despite a slow growth in the European label market, we continue to hold our strong position. The plan is to develop Supply chain as a differentiator and work towards a wider customer portfolio to increase our market share.

We will continue to take deliberate steps so that we can be identified as a preferred and valued partner by our existing and prospective clients. Moving forward, we have and we will take more steps towards Corporate Social Responsibility. Operating in a responsible and ethical way is essential for the success of Skanem. We have successfully established a code of conduct for all Skanem employees and strongly support them to 'Do the right thing'.

You might have noticed new branding for Skanem in all our communication, starting Feb 2014. We have taken a more colourful approach and hopefully you will like our new look. I would like to thank and congratulate all my colleagues for a fantastic performance and encourage them to keep up the good work in the coming years.

Ole Rugland
President & CEO

THOR INGE WILLUMSEN
Board Member

OLE RUGLAND
Board Member /
President & CEO

MORTEN OSMUNDSEN
Board Member

TATIANA ØSTENSEN
Board Member

BOARD OF DIRECTORS' REPORT 2013

NATURE OF THE ENTERPRISE

Skanem AS is a privately owned, international industrial group with the predominant part of its business activities in the field of self-adhesive labels. In addition, the Group also has activities in metal packaging and flexible PVC films and foils.

Skanem AS is headquartered in Stavanger. The Group has 15 production units across Norway, Sweden, Denmark, UK, Germany, Poland, Thailand, India and Kenya, out of which 13 supply self-adhesive labels.

Skanem contributes to increasing value in the customer's value chain. The Group's strategic direction is firmly established. Skanem's aim is to be the preferred supplier of self-adhesive labels based on good customer relations as well as offering smart and cost-effective logistical solutions.

STATEMENT CONCERNING THE ANNUAL ACCOUNTS

The Board confirms that the annual accounts have been submitted under the assumption of continued operation with respect to section 3-3 of the Norwegian Accounting Act.

Skanem's consolidated accounts for 2013 have been prepared pursuant to the rules of the Accounting Act and good accounting practices in Norway. In the Board's opinion, the annual accounts submitted for the 2013 fiscal year provide a true and fair picture of the company's position and the results from its activities.

Results

The Group's pre-tax result for 2013 was NOK 43 million (2012: 13.6). The upturn in the result was to a large extent related to improved profitability in the label business where the pre-tax result increased by NOK 30 million compared to 2012. The Group's EBITDA increased by NOK 34 million and was NOK 136 million (102) in 2013.

The Group's operational revenue for 2013 was NOK 1,330 million (1,267), an increase of 5 % compared to 2012. The major share of the growth in operational revenue came from the Group's core activity of self-adhesive labels, which grew by 8% compared to 2012. The region Asia & Africa was the largest contributor with a 15 % increase in operational revenue.

The Group's margin after raw material costs for 2013 was 48.2 %, as opposed to 46.5 % in 2012. This was primarily due to a reduction in the use of raw materials as well as increased efficiency and better product composition in Western Europe.

Balance sheet and capital adequacy

The Group's total capital at the end of the year was NOK 984 million (963). Of receivables of NOK 255 million (236), 4 million (3) has been reserved for losses.

Throughout 2013, the group has focused on reducing the working capital and achieved a reduction of

NOK 16 million compared to 2012. Total investments in 2013 were NOK 17 million (75), while depreciations were NOK 63 million (63). The Group will continue to optimize production capacity across its production facilities. In 2014, the investment level for production equipment in existing activities is expected to be relatively low, but higher than in previous years. The Group will maintain focus on reducing the interest-bearing debt to secure future growth.

Net interest-bearing debt including leasing agreements converted into NOK was NOK 339 million (416). At the end of 2013, 71 % of debt was secured by fixed interest agreements. Financing is represented in NOK and EURO. As on 31st December, long term financing in EUR comprised 15.3 million. The Group's equity capital at the end of the year was NOK 247 million (199). At the end of 2013, equity capital comprised 25% (21%) of the total capital.

Cash flow and liquidity
Net cash flow from operational activities was NOK 120 million (102). The increase from 2012 is related to considerable improvements in underlying operation, reduction in working capital and change in other accrual items.

Net cash flow from investment activities was NOK 14 million as a result of investment in new production equipment in Kenya and Riflex as well as minor maintenance investments. Interest costs for 2013 were NOK 27.3 million (28.5). At the end of 2013, the group had NOK 149 million (116) in available unused credit.

FINANCIAL RISK

The Group is exposed to changes in currency exchange rates, especially EUR, THB, INR, GBP and PLN. The Group reduced its currency exchange rate risk through balancing purchases and sales in the same currency and through currency-related future contracts and borrowings.

The parent company's equity capital is affected by changes in exchange rates since the company's subsidiaries are primarily based in other European countries.

The Group is exposed to a credit risk to a relatively minor extent. Historically, the Group has not had significant losses on its receivables. Large parts of the receivables are covered by credit insurance.

INFORMATION ABOUT THE ENVIRONMENT

Employees
The Group had at the end of 2013 a total of 1,191 employees. At the end of 2012, there were 1,246 employees at Skanem. The reduction is a result of closing down production in Oslo and Moscow. There are a total of 108 employees in Norway, 669 in Europe excluding Norway and 414 in Asia & Africa.

Sick leave for the Group for 2013 is 5.12% which is lower than in 2012. Short-term sick leave was 2.49% and is lower than in 2012 (3.09 %), while long-term sick leave has increased somewhat and was 2.35 % (2.26%). For the parent company, sick leave was under 1%, unchanged from 2012. The companies operating in Norway cooperate with the Norwegian Labour and Welfare Administration (NAV) on the "Inclusive Working Life" project and other preventative measures for reducing long-term sick leave. The Group registered 39 incidents that led to sick leave in 2013 as opposed to 42 in 2012. Most of the incidents consisted of minor cuts and some back and crushing-type injuries. The individual companies in the Group cooperated with local company health services to reduce the risk of accidents as well as reducing employee sick leave.

Equal Opportunity
The Group's goals include giving all employees equal opportunities. The percentage of female employees is 21.1 %. Of the four Group Board members, one is female.

Discrimination
The Group aims to have a workplace characterized by diversity and openness and free of discrimination on the basis of gender, ethnicity, nationality, origin, skin colour, language, religion, life philosophy or reduced functional abilities. This policy is also laid down in the company's ethical principles (Code of Conduct). Many of Skanem's companies are good examples of multicultural diversity and no circumstances were reported in 2013 which were in conflict with the group's aims.

External environment
The group has not had emissions to the environment from any of the enterprises beyond what is normal for the industry. Emissions are within the limits set by the authorities. Chemicals are treated in line with the national rules for the return of environmentally-hazardous waste.

The Group's future prospects
The world's economy appears to have stabilized during 2013 after several volatile years in the financial markets and both the Eurozone and the US are now officially out of recession. Growth expectations are still low in the mature economies and the IMF (International Monetary Fund) expects global growth in the region of 3-4 per cent in the coming years. Growth expectations for the markets to which the Group is most exposed, the Eurozone and the developing economies in Asia, are 1-2 per cent and 5-6 per cent growth respectively.

The Group's strategy regarding further efforts in growth areas is solidly established. During January 2014, payment for the remaining 49 per cent of the shares in Skanem Interlabels was completed and the Group now has two fully-owned subsidiaries in India and one in Kenya. The Group would like to use this as a starting point for further development of the Group's presence in India and East Africa. In addition the Group would further like to increase its future exposure to growth areas, both through organic growth and new acquisitions or partnerships.

After having restructured the Group's European label business during 2012 and 2013, we are now beginning to see the effects in the form of increased profitability and reductions in tied-up capital.

We expect further improvements in the years ahead as the new organizations mature. The Group is still focusing on being a leading supplier within "Supply Chain" and our goal is to contribute to increased value creation in our customers' value chains by offering smart, cost-effective "Supply Chain" solutions.

The Board will continue to place an emphasis on the Group's market position and a strengthened result development in the mature markets, as well as continued profitable growth in the growth markets.

Allocation of profit

The board proposes the following allocation of the year's results for the parent company Skanem AS comprising NOK 5, 185 000:

Year's results	NOK 5, 185,000
Dividend	NOK 5, 000,000
Transferred to other equity capital	NOK185,000

The company's free equity capital after allocation comprises NOK 110, 707,000 as of 31.12.13.

Stavanger, April 3, 2014

Thor Inge Willumsen
Boardmember

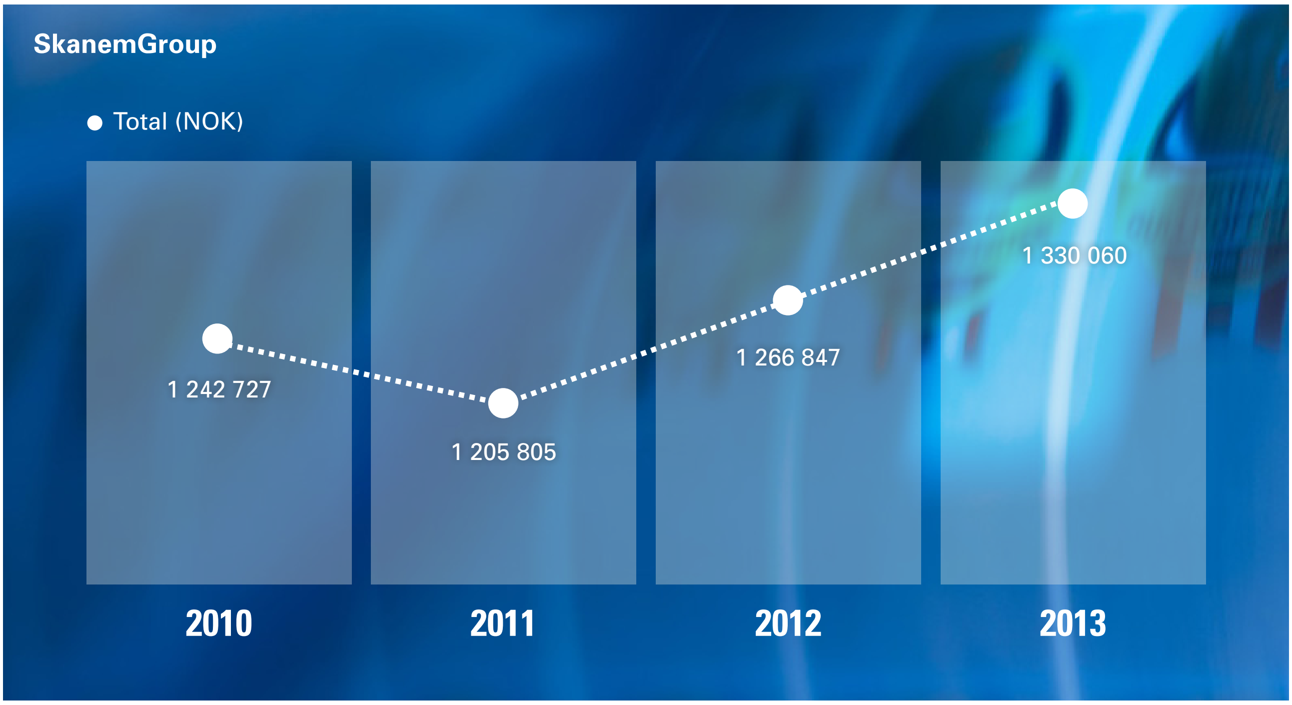
Tatiana Østensen
Boardmember

Ole Rugland
Boardmember /
Managing Director

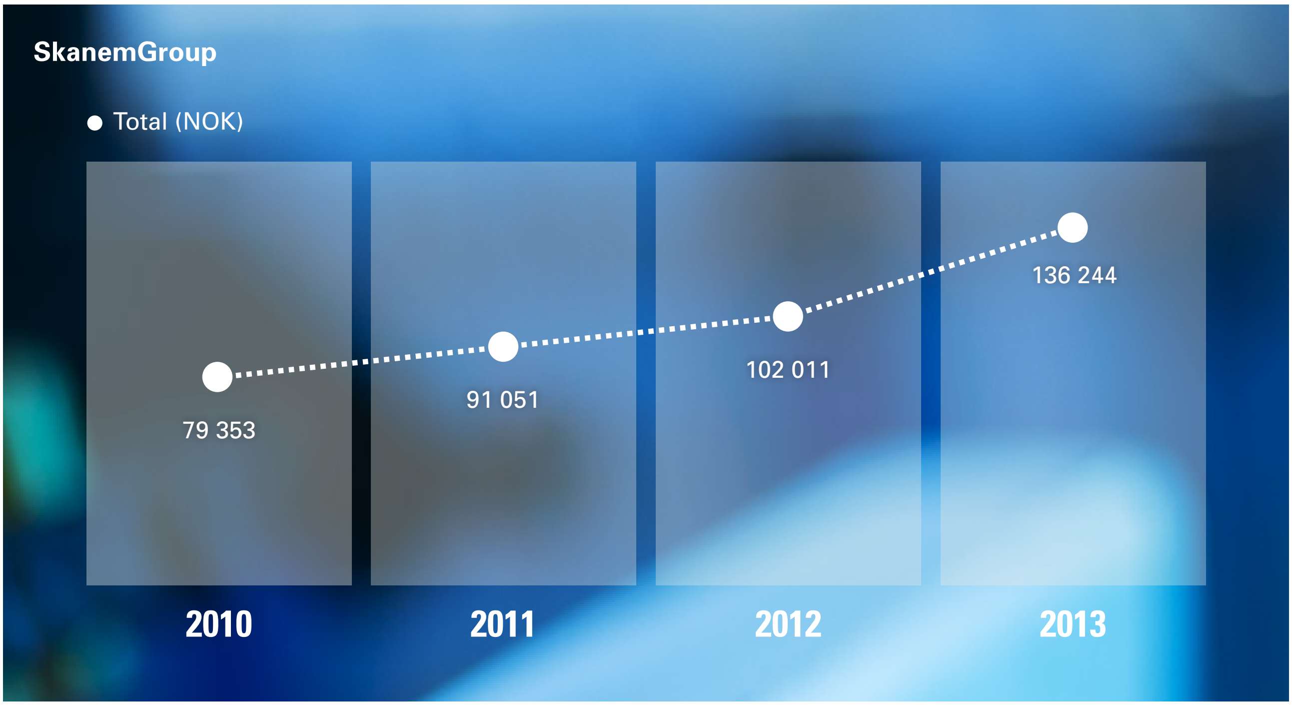
Morten Osmundsen
Boardmember

FINANCIAL HIGHLIGHTS

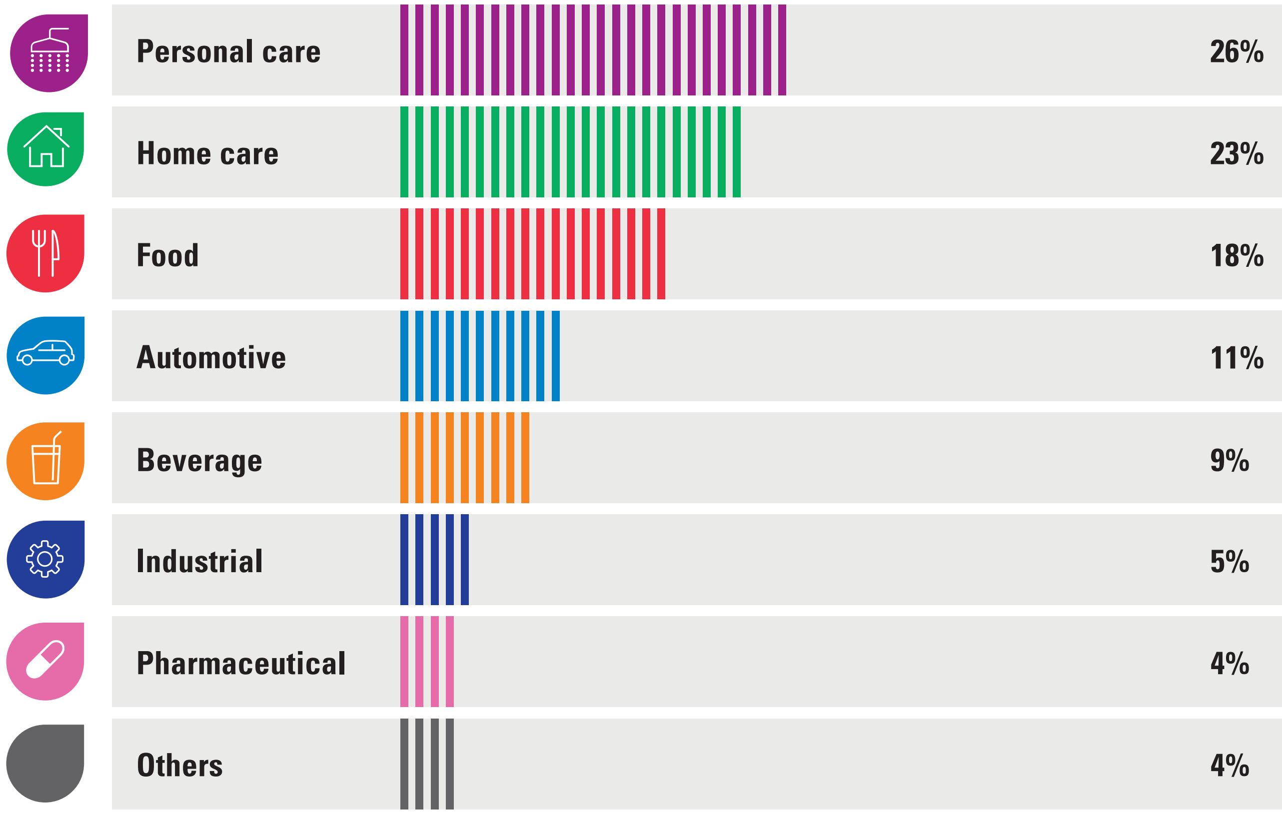
SALES / REVENUE FROM 2010–2013



EBITDA FROM 2010–2013

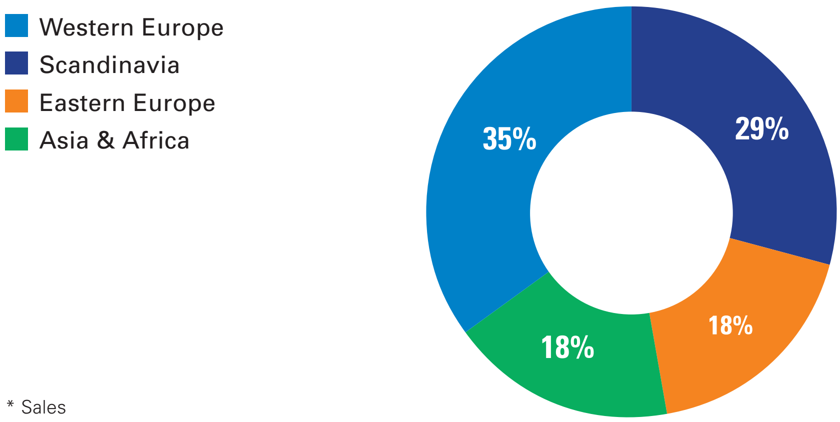


BREAKDOWN BY SEGMENT FOR LABELS



Label Sales: 143M Euro

GEOGRAPHICAL SPLIT *



* Sales

ANNUAL RESULT

All figures in NOK 1 000	2013	2012
Operating Revenue		
Sales Revenue	1 330 060	1 266 847
Total Operating Revenue	**1 330 060**	**1 266 847**
Operating Expenses		
Costs of goods sold	689 950	677 839
Payroll Expenses	338 074	322 108
Depreciation and Amortization	63 291	63 100
Other Operating Expenses	166 793	164 889
Total Operating Expenses	**1 257 107**	**1 227 936**
Operating Profit/(Loss)	**72 953**	**38 910**
Financial Income and Expenses		
Financial Income	54 316	43 096
Financial Expenses	84 090	68 426
Net Financial Items	**29 774**	**25 330**
Profit Before Tax	**43 179**	**13 581**
Tax on Profit	12 220	4 387
Net Profit	**30 959**	**9 193**

BALANCE SHEET

All figures in NOK 1 000	2013	2012
FIXED ASSETS		
Intangible Assets		
Patents	23 254	27 491
Deferred Tax Assets	21 361	23 592
Goodwill	129 895	138 071
Total Intangible Assets	**174 510**	**189 155**
Tangible Assets		
Land, buildings and other real estate	121 090	116 453
Machinery and Inventory	209 578	221 348
Total Tangible Assets	**330 669**	**337 800**
Financial Assets		
Other Financial Assets	391	1 428
Total Financial Assets	**391**	**1 428**
Total Fixed Assets	**505 570**	**528 383**
CURRENT ASSETS		
Inventories	165 486	169 62
Receivables		
Account Receivables	255 098	236 024
Other Current Receivables	29 806	29 173
Prepaid Tax	2 859	0
Total Receivables	**287 762**	**265 197**
Cash and cash equivalents	24 986	0
Total Current Assets	**478 234**	**434 824**
TOTAL ASSETS	983 804	963 207

BALANCE SHEET

All figures in NOK 1 000	2013	2012
EQUITY		
Paid-in Capital		
Share Capital	163 000	163 000
Total Paid-in Capital	**163 000**	**163 000**
Retained Earnings	83 668	35 506
Total Retained Earnings	**83 668**	**35 506**
Total Equity	**246 668**	**198 506**
LIABILITIES		
Provision for Liabilites		
Pension Liabilities	1 837	1 926
Deferred Tax Liabilities	13 604	13 634
Total Provision for Liabilites	**15 441**	**15 560**
Other Non-Current Liabilities		
Liabilities to Credit Institutions	293 280	283 225
Other Long Term Liabilities	32 030	33 050
Total Other Non-Current Liabilities	**325 310**	**316 275**
Short Term Liabilities		
Liabilities to Credit Institutions	41 028	103 605
Account Payables	180 772	156 310
Tax Payable	0	5 574
Public Duties Payable	15 394	18 673
Other Current Liabilities	159 191	148 704
Total Current Liabilities	**396 385**	**432 866**
Total Liabilities	**737 136**	**764 701**
TOTAL EQUITY AND LIABILITIES	983 804	963 207

CASH FLOW STATEMENT

All figures in NOK 1 000	2013	2012
Cash Flow from Operations		
Profit Before Tax	43 179	13 581
Tax Payable	-9 742	-4 009
Depreciation and Amortization	63 291	63 100
Difference between Expensed Pension & Payments Recived & Made	-89	-780
Change in inventories, account receivables and account payables	9 529	-652
Change in other Accrual Items	13 445	30 793
Net Cash Flow from Operations	**119 614**	**102 032**
Cash Flow from Investment Activities		
Investments in Fixed Assets	-16 753	-8 309
Effects of Acquisitions	0	-67 107
Proceeds from Sale of Fixed Assets	1 593	0
Change in Other Investments	1 037	70
Net Cash Flow from Investment Activities	**-14 123**	**-75 347**
Cash Flow from Financial Activities		
New Loans Taken Out (Short & LongTerm)	5 349	0
Downpayment of Old Debt	-18 277	-35 487
Paid Dividend	-5 000	-5 000
Change in Overdraft Facility	-62 577	8 038
Net Cash Flow from Financial Activities	**-80 504**	**-32 449**
Net Change in Liquidity for the Year	**24 986**	**-5 763**
Cash and cash equivalents as at 01.01	0	0
Cash in Acquired Business on the date of acquisition	0	5 763
Cash and cash equivalents as at 31.12	**24 986**	**0**

* The acquisition of Skanem Interlabels Pvt. Ltd. is consolidated from Feb 2012.
The 2012 figures have been adjusted according to the final acquisition cost.

THE SKANEM GROUP

Skanem supplies high quality self adhesive labels to large national and multinational customers.
We work closely with our customers and other partners in the supply chain to add value at every step possible.

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