

# ANNUAL REPORT



## SKAMOL A/S



# 2012

Approved at the annual general meeting on 11/4 2013

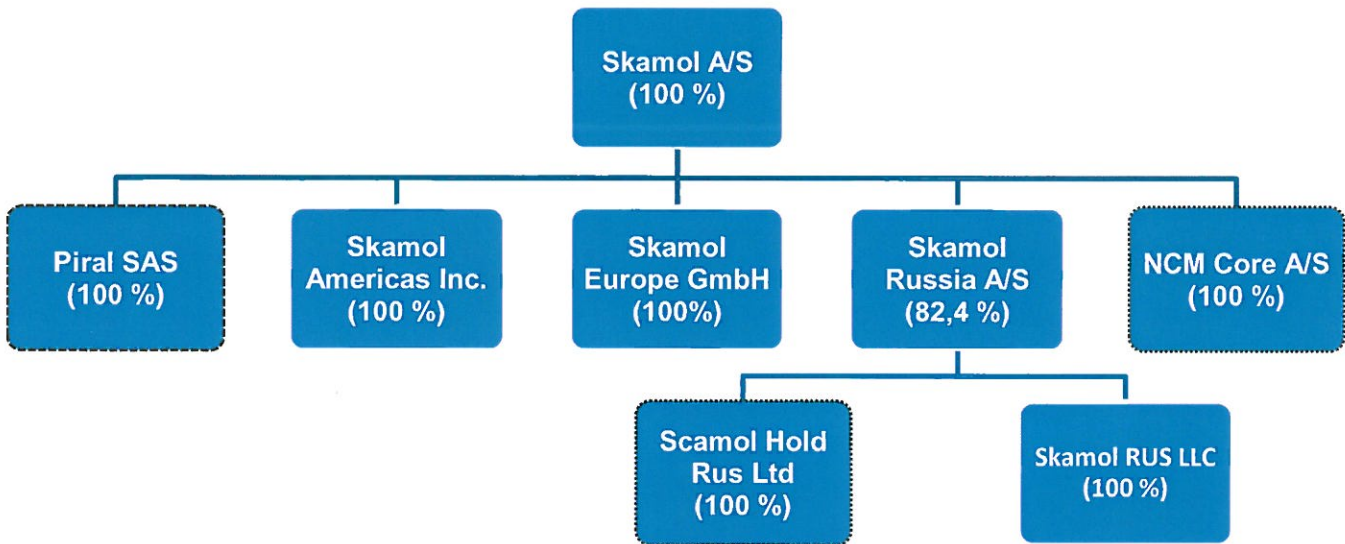
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## CORPORATE OVERVIEW

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Companies without operational activity are marked with a dashed box.

The companies Skamol Europe GmbH and Skamol Americas Inc. are sales companies.

The company Piral SAS has been sold after the close of the financial year

## ADDRESSES

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Skamol A/S - Owner share 100%	Østergade 58-60, 7900 Nykøbing Mors, Denmark Telephone : +45 97 72 15 33 Facsimile : +45 97 72 49 75
Piral SAS - Owner share 100%	485 Route de Chamaras, 07210 Alissas, France Telephone : +33 4 75 64 52 10 Facsimile : +33 4 75 64 57 98
Skamol Americas Inc. -Owner share 100%	10100 Park Cedar Drive, Suite 124, Charlotte, NC.128210, USA Telephone : +1 704 544 1015 Facsimile : +1 704 544 1239
Skamol Europe GmbH -Owner share 100%	Düsseldorfer Str. 88, D-40667 Meerbusch, Germany Telephone : +49 2131 10 640 Facsimile : +49 2131 10 6464
NCM Core A/S -Owner share 100%	Østergade 58-60, 7900 Nykøbing Mors, Denmark Telephone : +45 98 25 25 26 Facsimile : +45 98 25 25 34
Skamol Russia A/S -Owner share 82,4 %	Østergade 58-60, 7900 Nykøbing Mors, Denmark Telephone : +45 97 72 15 33 Facsimile : +45 97 72 49 75
Scamol Rus Hol - Owner share 100 %	12 Kennedy Avenue Kennedy Business Centre, 2 floor, 1087 Nicosia, Cyprus P.O. Box 24293, 1703 Nicosia, Cyprus
Skamol RUS LLC -Owner share 100 %	12 Lomonosova Street, Inza, Ulyanovskaya Oblast 433031, Russian Federation

## KEY FIGURES 2008-2012

### Skamol A/S

DKK 1,000	2012	2011	2010	2009	2008
1. Revenue	303	334	270	242	259
2. EBITDA	77	74	41	23	18
3. Operating profit	58	55	21	8	1
4. Net financials etc.	1	-3	-3	-4	-5
5. Profit/loss before tax	59	52	18	4	-4
6. Net profit/loss after tax	44	35	12	3	-4
7. Balance sheet total	357	329	315	312	238
8. Share capital	43	43	43	43	40
9. Equity	201	156	120	109	77
10. Equity incl. Minorities	208	162	127	114	77
11. Net assets	284	260	243	231	188
12. Investments in property, plant and equipment	8	8	16	51	52
13. Investments in intangible assets	7	8	14	59	-1
14. Net debt	66	88	109	106	102
15. Cash flows from operating activities	45	69	24	69	11
16. Cash flows from investing activities	-13	-16	-27	-107	-52
17. Available cash flow	32	53	-3	-38	-41
18. Number of fulltime employees	404	419	445	171	207
19. EBITDA margin	25%	22%	15%	10%	7%
20. Profit margin	19%	16%	8%	3%	1%
21. ROIC (return on invested capital)	36%	16%	6%	3%	1%
22. Debt ratio	23%	34%	45%	46%	54%
23. Solidity incl. Minority interests	58%	49%	40%	37%	32%
24. Return on equity in %	25%	26%	10%	3%	-4%
25. Return on equity incl. Minorities in %	24%	25%	10%	3%	-4%

Key figures have been calculated in accordance with the recommendations by the Danish Society of Financial Analysts.

NOPAT	=	Operating profit/loss after tax	ROIC	=	$\frac{\text{NOPAT} * 100}{\text{net assets}}$
Net assets	=	Non-current assets + working capital	Debt ratio	=	$\frac{\text{Net debt} * 100}{\text{Net assets}}$
Net debt	=	Interest-bearing debt - cash and cash equivalents and investments	Return on equity in %	=	$\frac{\text{Net profit/loss for the year} * 100}{\text{Average equity}}$
			Operating margin	=	$\frac{\text{Operating profit} * 100}{\text{Turnover}}$
			EBITDA margin	=	$\frac{\text{Operating profit before depreciation} * 100}{\text{Turnover}}$

## Supervisory Board

**Thomas Broe-Andersen**, Chairman, Partner in FSN Capital

**Jussi Salokangas**, Director in FSN Capital

**Bo Rygaard**

**Curt Germundsson**

**Mette Feldstedt**, employee representative

**Ove Justesen**, employee representative

All board members except the employee representatives are designated by FSN Capital.  
The board has taken up its duties in 2013.

## Executive Board

Jesper Kirkeby Hansen, CEO

Per Rahbech, CFO

Claus Arne Jørgensen, COO

## Auditors

PricewaterhouseCoopers

Chartered Public Accountants

## Group structure

The parent immediately above the company in the corporate structure was:

Skamol Holding A/S, Nykøbing Mors

The Skamol Group has been divested to FSN Capital after time of the closing of the accounts.

Polaris Private Equity II K/S owned 95.5% of Skamol Group through P-SKA 2007 A/S.

The rest of Skamol Group was owned by the Board of Directors (2.6%) and Board of Executives (1.9%).

## General guidelines

As a portfolio company of Polaris Private Equity, Skamol A/S basically follows the guidelines of DVCA (Danish Venture Capital and Private Equity Association) for preparing the annual report.

Information about DVCA, see [www.dvca.dk](http://www.dvca.dk)

Information about FSN-Capital, see [www.fsncapital.no](http://www.fsncapital.no)

Information aboutom Skamol, see [www.skamol.com](http://www.skamol.com)

## Corporate Governance

Skamol A/S share capital is not divided into classes.

In 2012, a total of 5 board meetings were held in Skamol. Board committees have not been established.

The general meeting has not adopted specific authorizations for e.g. allocations.

## Objectives and strategy

2012 was an eventful year for Skamol, because on November 30, 2012 after five good years with Polaris as owners the company was sold to FSN Capital with expected takeover in the first quarter of 2013. The new owners and the management all look forward to an exciting future for Skamol, a future where the main theme will be to secure a profitable growth for the company, both on new and existing markets.

Despite a declining turnover compared to last year, 2012 was again a good year for Skamol. The company consolidated its position in a number of key markets at the same time as a number of internal optimisation projects continued. Despite the declining turnover the company succeeded in consolidating itself further through a result after tax, which can be described as the best result for Skamol in the company's 100-year history, measured both absolutely and relatively. At the beginning of 2013 the company stands stronger than ever.

Skamol's business is based on the production of high temperature insulation based on the materials moler, vermiculite and calcium silicate. Besides this the company produces and sells a number of other high-temperature products - including some trade products.

Skamol works on the basis of an overall strategy to ensure growth within high-temperature insulation for the primary aluminium industry, cement, steel and other high-temperature industries, as well as the supply of insulation materials to producers of stoves and fireplaces. In addition, Skamol will continue to secure a role on several markets as supplier of high-temperature insulation materials for the multitude of applications that Skamol products allow.

Skamol's strategy is aimed at growth in areas of the world with a high potential growth of Skamol products, which means that the BRIK countries and other third World countries form an important part of the strategy.

In 2012, Skamol has continued the optimisation work at all plants. The overall principle has been to carry through a higher industrialisation at Skamol's plants, and the work is advanced but not yet finished. This higher degree of industrialisation secures a more homogenous product quality and a higher consistency of supply towards the customers.

The optimisation work has also resulted in a higher capacity at all Skamol plants, and in this way they are now geared for further growth in the years to come.

At the end of 2009 Skamol's production of vermiculite products was relocated from Skarrehave to new modern facilities in Rødning, Salling. 2012 was the

best year at the plant, and the run-in of the plant is now fully commissioned.

The machining department at the Vermiculite plant, where special items are cut to customized shapes, was supplied with ultramodern CNC equipment, and this is the beginning of a higher degree of automation and industrialisation also in this part of Skamol's plants.

Skamol's production of calcium silicate products also developed positively during 2012, and during a longer period in the autumn the plant produced with full capacity utilisation, which resulted in reduced unit costs.

In 2012 Skamol's production of Moler products also developed positively. Some process optimisations have been carried through, and this has reduced bottlenecks in production, and the plant is heading for an increase of the total capacity. At the beginning of 2013 all employees at the Moler Brick Plant have attended a LEAN course, which will also contribute to an optimisation of the plant at Fur.

In 2012 the subsidiary Skamol RUS LLC acquired own excavation rights and started the excavation of own Moler. In this way Skamol reduces the dependence of other suppliers at the same time as the unit costs for the production of bricks declines.

In Russia the energy costs are considerably more competitive than in Denmark, but they are increasing proportionally more than in Denmark. Therefore, a project concerning use of surplus heat has been carried through at the Russian plant. The project has been a success, and in 2013 a similar project will be carried through at the Danish Moler Brick Plant.

Generally, the positive trend is expected to continue in 2013.

## Market development and sales

Skamol's turnover was DKK 303 million in 2012 against DKK 334 million in 2011. The decline in turnover was expected and shall be seen in the light of a significant growth in 2011. The turnover in 2012 is still the second highest in Skamol's history and as such satisfactory.

A number of Skamol's business areas continue developing in 2012, while the decline compared to 2011 was mainly realised within aluminium and wood-burning stoves. The decline within aluminium was global, and also on the Russian market a decline was experienced within this industry.

Skamol's traditionally largest business is the aluminium industry (ALU). After several difficult years with limited project activity there was a good demand for

products to new projects in 2012, and Skamol supplied materials for three significant and large aluminium projects in 2012. Reversely, Skamol experienced a decline in the sales for relining activity (maintenance), which partly can be assigned to a short-term reluctance from the customers to increase capacity due to low aluminium prices on the market, partly is due to a relining activity above average last year.

In 2013 several large players in the business expect increasing growth, which can result in increasing turnover for Skamol within the ALU business area.

Despite increased focus Skamol's sales of products for lining of rotary kilns in paper- and cement plants decreased compared to 2011. The served industries are very cyclic, and they have had a difficult 2012 due to low growth rates on the global market.

After several years with growth the business segment of insulation materials for combustion chambers in fireplaces and stoves developed less favorably in 2012 compared to previous year. On the Scandinavian market the sales were influenced by a winter without longer cold periods, while the Central- and South European market seemed to be stagnant. Skamol's market shares within this segment continue to grow due to systematic sales efforts within the area.

The business segment for fireplace buildups rose again in 2012 due to sales to several countries and a greater market share in established countries. The trend towards replacing brick-built fireplaces with more modern and fire-resistant materials such as calcium silicate continues. At the same time Skamol takes market shares in this market due to Skamol's lightweight, dust-free and strong product that is ideal for rapid and economical construction of a stylish fireplace.

One of Skamol's more recent business areas is calcium silicate to fight mould growth. Skamol has experienced rapid growth in this market, and also in 2012 there was a growth within the market area as a consequence of the introduction of the product in several countries, including Denmark.

The Russian market was difficult in 2012. The high-temperature industries experienced difficult conditions, and Skamol registered both lower relining activity and postponed activity within several leading segments.

An important part of Skamol's strategy is to use the strong position on the Russian market to introduce products produced in Denmark on the Russian market and vice versa. Skamol experienced increasing demand for especially calcium silicate products for among others fireplace surrounds. Also, a larger part of

products produced in Russia were sold on Skamol's traditional markets in Western Europe.

## **Manufacturing and Product Development**

In a global competitive situation Skamol still needs to reduce production costs at all plants regardless of location. Skamol is working with this in all areas, and it is expected that this will result in further competitive improvements for Skamol. The company has worked with and defined projects, which will reduce the energy consumption at Skamol's plants significantly in future. Further, LEAN tools will also be implemented at all Skamol's plants consisting of a greater extent of recipe control with the completed productions.

As regards product development Skamol is working on many interesting projects, which are expected to come into light in 2013. Skamol considers it to be an important mission in the long term to contribute to customers' competitiveness by using Skamol's know-how within high-temperature insulation to secure the customers products of the best possible quality and with the demanded functionality. As an example on this, coated products for wood-burning stoves were introduced in 2012.

## **Risk Management**

The company focuses on both internal and external risks.

The Supervisory Board defines the overall framework for managing interest rates and exchange rate risks and the company's insurance policy is also approved by the Board.

Internal risks are eliminated through policies and procedures that address the issues. Furthermore, the company works with risk management through internal KPI follow-up, among others through follow-up on unsaleable stocks.

Also, the company has established backup in key jobs so that the firm is less person-dependent. At the same time the company is strengthened as regards upgrading relating to personnel, by which Skamol is better prepared for the challenges in future.

The company has also addressed external risks and in 2012 continued the work to secure raw material supplies by securing minimum two suppliers of selected raw materials.

## **Financial Risks**

For the whole Skamol Group the net interest-bearing debt amounted to DKK 66 million at the end of 2012, which is a continued reduction compared to the end of 2011, totaling DKK 22 million. The continued reduction in net debt is realized as a result of the strong



operating results, while the working capital increased after several with decline.

The company follows a financial policy, which operates with a low risk profile, so that currency and credit risks only occur due to commercial circumstances.

As an international company Skamol Group is exposed to risks related to currency transactions in connection with the purchase and sale of goods and services. It is Group policy to undertake identification of currency risks on current transactions. Skamol Group's main currencies are EUR, USD and RUR. The RUR is not secured. The total value of currency contracts at exchange rates applicable at balance date is DKK 0.8 million.

The costs of Skamol's Russian subsidiary are primarily in Roubles, whereas sales are approximately 90 % in RUR and the rest in EUR and USD, which means that Skamol's total earnings are sensitive to fluctuations in the exchange rate of the Rouble. During 2012 RUR has turned out to be a stable currency.

It is Group policy to optimize the loan portfolio through continuous adjustments and to carry out an ongoing assessment of optimization opportunities.

## **Result, Balance and Cash Flow**

*The figures in brackets are 2011-figures*

The turnover decreased in 2012 to DKK 303 million (DKK 334 million), while EBITDA was DKK 77.2 million (74.1 million) corresponding to 25.2 % (22.2 %) of the turnover. Depreciation was DKK 18.9 million (DKK 19.4 million). EBIT was DKK 58.4 million (DKK 54.7 million). The result before tax was DKK 59.4 million (DKK 51.7 million).

The total balance was DKK 356.8 million (DKK 328.8 million).

Cash flows from operating activities were DKK 45.1million (DKK 69 million). The decrease in cash flows from operating activities is primarily attributable to the increase in working capital. After the cash flows from investing activities of DKK 12.7 million (DKK 15.7 million) and financing activities of DKK -22 million (DKK -57.7 million) the change in cash flow amounted to DKK 10.3 million (DKK -4.6 million).

Regarding the remuneration of Executive Board and Supervisory Board, refer to financial statement note 4.

The company is continuously involved in disputes and lawsuits, which are not expected to affect the Group's financial position.

## **Outlook for 2013**

Skamol is optimistic about the development for the coming year, and the company expects increasing turnover in the years to come, including an increasing activity in 2013.

The continued uncertainty of the global economy causes uncertainty about Skamol's sales for especially the cyclic segments, in which the company operates. However, the company expects that the positive indications about growth in both North America and Asia will result in increasing sales of Skamol's products. Cyclic segments, including the aluminium industry, are also indicating expectations of increasing growth, which will influence the company's sales positively.

A major part of the growth is expected to come in emerging markets. This is where projects using Skamol products will first be started. A positive development is also expected in the Russian market.

Skamol makes targeted efforts in these markets, for instance through implementation of market analyses in order to establish a foothold in these markets.

At the same time, the continued focus on emission reducing products will create a steadily increasing demand for Skamol's products, and to be able to deal with the expected increase in demand, the sales organizations in both Denmark and Russia are upgraded in order to meet the growth.

Skamol is a company, who by means of its products can help customers and the surroundings to a more green profile through energy and emission reducing measures.

Therefore, it is natural for Skamol to set an example with a green profiling, and in 2013 the company expects to carry through a number of energy saving projects, which - besides being beneficial to the environment - will strengthen the competitiveness of the company further.

In 2013 Skamol expects a continued increase in EBITDA compared to 2012, and a positive cash flow from operations.

## Corporate Social Responsibility

Skamol recognizes its responsibility to contribute to sustainable development and sees a good correlation between taking on social responsibility, while the company's growth and earnings increase.

Skamol's CSR work is based on the company's core business, Polaris Private Equity's CSR policy and principles of the UN Global Compact. Skamol ensures compliance with human rights and workers' rights through Skamol Code of Conduct, based on UN guidelines for corporate work. Skamol attaches importance to ensuring a well-documented, safe working environment and high safety standards in the production plants and all three plants in Denmark have at a risk-based supervision achieved a green smiley by the Labour Inspectorate.

Skamol undertakes to meet the applicable environmental legislation and to work on sustainable use of raw materials and energy resources, including the reduction of waste in the production processes. At the same time a greater proportion of the remaining product waste is recycled, and now a larger part of the remaining part of the waste - which cannot be reused - is sold to third party, which reduces the remaining part to be deposited.

## Environment & Energy Consumption

Skamol complies with Polaris Equity's Corporate Social Responsibility (CSR) policy.

Skamol's environmental impacts are seen mainly in connection with the emission of substances, consumption of energy and mining of Moler.

Installations for reduction of environmental impacts in the form of dust filtration and sludge treatment plants are found as integral parts of the production. In principle, as much filtered material as possible is reused, whereas waste that cannot be reused is disposed in controlled landfills.

Skamol has developed solutions to eliminate the need for depositing of Moler dust. Much is now reused in the process and the excess is sold to other production.

Skamol has made an agreement with new buyers of waste products, which secures that they will be used for other purposes, by which the amount of waste to be disposed has been limited considerably, which is an advantage to the environment.

Also in 2013 projects will be initiated to reduce energy consumption and environmental impact.

Skamol has a strong focus on reducing the company's impact on internal and external environment. This is done continuously in production through the reduction of waste production and recycling where possible.

In 2012 Skamol has carried through a heat recovery project at the Russian plant. Thus the plant obtains a large reduction in the uses of natural gas to the benefit of the environment.

Skamol also focuses on reducing the consumption of energy and resources by developing new products.

In connection with the divestment of Skamol, the consulting group Cowi has carried through a thorough investigation of the environmental considerations, including work environment and PCB screening on all Skamol plants, both in Denmark and Russia. All matters were in order and in accordance with existing environmental legislation and permissions.

Skamol monitors greenhouse gases such as CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub>, which are all emitted from Skamol's plants.

As a minimum, the company's production is carried out in compliance with the requirements of relevant authorities for environmental and occupational safety. If at key areas no demands are formulated by the authorities, the company evaluates the need to set requirements. For all production sites targets are set for improvement in the environmental and safety areas and plans are made for achieving these goals. The progress is closely monitored to ensure that the objectives are met.

The production of Skamol's products results in relatively high energy consumption and involves the excavation of natural resources in sensitive areas. Skamol considers it top priority for the company that the production is undertaken with the utmost consideration of sustainability and accountability.

Skamol's products are heat insulating and therefore aimed to reduce energy consumption during use. The amount of energy used for production of a Skamol product, is typically saved within the first day of use, while the life of the products typically is between 5 and 25 years. For this reason Skamol products fit very well into the global goals of increased awareness on energy saving measures.

The excavation of Moler is carried out according to excavation and restoration plans established on a voluntary basis in cooperation with a working group with members from the Moler producers, Ministry of Environment, Conservation Authority and relevant municipalities. The working group monitors the excavation and restoration work and holds an annual

meeting to explain the activities of the past year and plans for the coming year. The diatomaceous deposits are on the candidate list to the UNESCO World Heritage of natural heritage, and it is therefore important that the excavation and restoration is carried out in respect for nature.

### **Employee Relations and Relations to the Surrounding Society**

At the end of 2012 Skamol employed 404 employees. Of these, 149 employees in Denmark, 241 employees in Russia and 3 employees in the U.S. Compared to 2011, the total number of employees dropped by 15.

The number of employees in Russia is expected to decrease, while the number of employees in Denmark is expected to be stable.

Skamol complies with the guidelines in the Code of Conduct, based on UN and EU human rights conventions and the ILO (International Labour Organization) conventions protecting labour rights and child labour. This means that Skamol does not tolerate forced labour, child labour and the employment of minors, and that any form of discrimination in employment and working conditions is prohibited. Skamol does not tolerate discrimination under any circumstance, and employees have the right freely to organize, express themselves and participate in or choose people to collective bodies for both cooperation and safety at work. According to Danish legislation the employee representatives participate in the board's work in Skamol A/S, see below.

Skamol regularly visits its key suppliers, focusing on their compliance with the ILO conventions.

Wages and working conditions are determined in Denmark, through national and local agreements. In Russia, the terms and rights are to a greater extent determined by legislation, regulations and codes. As a minimum, Skamol adheres to national law applicable for working hours and freedom. In Russia an action plan for CSR issues has been made and the progress shown in the annual CSR report. Since Skamol's takeover of the company at the end of 2009, a wide range of CSR related improvements have been implemented at the company. For instance, the welfare facilities, such as bathing facilities etc. have been greatly improved, office facilities have been refurbished recently with access to air conditioning at the workstations, excessive noise and dust reduced activity in production have been implemented, and energy saving measures are being implemented in production.

Skamol constantly seeks to ensure the right people for the right jobs. This is done through performance re-

views and HR audits, where the strengths and weaknesses and possible development potential and requirements are identified. Further, in 2012 the management group has carried through a full 360 degree analysis in order to establish strengths and development possibilities.

Skamol intends to secure knowledge resources on a level, which creates a competitive advantage for the company. Therefore, Skamol focuses on competency development, both on group and individual level, where this can contribute to creating a stronger Skamol in future.

Interviews with sick employees are carried out in order to maintain their connection to the company, while the reasons for any work accidents are analysed in order to reduce risks.

At the end of 2012 an employee satisfaction survey was carried through at Skamol. Generally seen, the survey shows that Skamol's employees are very satisfied with their employer. On all measurement points Skamol is placed much above the average for Danish companies.

### **Corruption**

Skamol does not allow corruption in any form. Thus, it is not allowed Skamol employees to accept gifts or the like exceeding triviality level. It is also not allowed Skamol employees to provide improper benefits to customers, business partners, authorities or similar. Likewise, requests for bribes are rejected.

### **Management**

Since 2007 Polaris Private Equity is the owner of Skamol, with a capital share of 95.5 %. The Board is composed of the following members:

Frank Gad. Chairman, CEO in SP Group A/S.

Leif Kirk. Former Sales Director in FLSmidth A/S.

Jørgen Bech Madsen. CEO in Fibertex Nonwovens A/S.

Viggo Nedergaard Jensen, Senior Consultant in Polaris Private Equity.

Ove Justesen, employee representative.

Mette Feldstedt, employee representative.

The Board's work is organised according to the thinking in Polaris' Corporate Governance model. The main purpose is to secure an efficient and productive cooperation between Management and Board, where Polaris as majority shareholder practises an active ownership. At the same time both parties respect the classic division of labour: The Management runs the day-to-day business, works out strategic plans and

reports to the board. The board challenges and supervises both strategic plans and the day-to-day performance and put its experience at the company's disposal. Polaris appoints and evaluates the Board and participates in the Board's work, provide for the correct motivation and incentives to the chief executives, and initiates - in due course - an exit process so that the company can get a new owner, who is able and willing to take care of the company's continued development.

During 2012 the Board has held 5 meetings. Additionally meetings, mostly as phone conferences, have been held monthly/weekly between the chairman of the Board, the Management and the responsible representative from Polaris. The Executive Board does not have subcommittees. This is justified by the size and complexity of the company and the wish to use the experience of the entire Board. This means that the joint Board during the financial reporting process has special focus on accounting processes in key areas and significant accounting estimates, any transactions with related parties, as well as uncertainty and risks. Together with the auditors, the quality of the internal control system of the company is continuously assessed and the independence of the auditors ensured.

Employee representatives are elected for the Skamol A/S Board of Directors. The company complies with the notice about employee representation in public and private companies of the 1st July 2010. The latest election of employee representatives took place in 2011. Two employee representatives are elected to the Board of Skamol A/S.

# ACCOUNTING POLICIES

## **Basis of accounting**

The Annual Report for 2012 has been prepared in accordance with the Statements Act for large companies reporting class C.

## **Recognition and Measurement**

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are described for each item below.

## **Basis of consolidation**

The consolidated financial statements include Skamol A/S (the Parent) and the subsidiaries in which the Parent has direct or indirect stake in the form of at least 50 per cent of the voting rights or in any other way has control. The corporate structure is shown on page 1. Furthermore, enterprises which are owned and managed together with others and in which the parties exercise their control jointly are included through pro rata consolidation in the consolidated financial statements. Pro rata consolidated companies are included in the consolidated financial statements with a share equal to the Group's shareholding in these companies.

The consolidated financial statements are prepared based on the audited financial statements of the parent company, subsidiaries and pro rata consolidated companies through a consolidation of items of similar nature. Intra-group income and expenditure, shareholdings, balances, dividends and unrealised profits and losses have been eliminated.

Income statements of subsidiaries are translated at average exchange rates and balance sheets are translated at the closing exchange rate. Exchange differences arising on translation of subsidiaries' equity beginning of the year and from the translation of subsidiaries' income statements at average exchange rates are recognised directly in equity. On acquisition of new subsidiaries and affiliates, the difference between purchase price and the acquired company's net asset value is calculated at the time of acquisition, after the individual assets and liabilities are adjusted to fair value (purchase method). Positive differences (goodwill) are recognised under intangible assets and depreciated over the expected life, which can represent up to 20 years.

Minority interests include the share of subsidiaries' profit/loss after tax and equity attributable to minority shareholders.

The subsidiary Skamol Russia A/S is consolidated into the accounts based on the management report received. The data have not been reviewed by local accountants, but include operating results for one month only.

## **Foreign currency translation**

The Group's Danish companies convert transactions in foreign currency during the year at average rates. Gains and losses arising between the average and the price of pay-day are recognised in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner at the closing exchange rates. Differences between the closing rate and average rate are recognised in the income statement.

Currency exchange translations of loans and lending in foreign currencies that are considered as security or as addition to investments in foreign subsidiaries are recognised directly in equity.

## **Derivative financial instruments**

Derivative financial instruments are measured at initial recognition in the balance sheet at cost and subsequently

measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables as assets or in other payables under liabilities.

Changes from cost to fair value of derivative financial instruments that are designated and effective as hedges of expected future transactions related to buying and selling in foreign currency are recognised in equity under retained earnings. If the expected future transaction results in the recognition of assets or liabilities, amounts that are recognised in equity will be transferred from equity and recognised in the cost of the asset or the liability. If future transactions result in income or expenses, amounts that are recognised in equity will be transferred to the income statement. The transfer happens in the same period in which the hedged transaction is implemented.

## **Revenue**

Net turnover includes the invoiced turnover if delivery and transfer of risk to the buyer has taken place within the year, and is recorded net of discounts that are directly related to sales.

## **Cost of sales**

Comprises the consumption of raw materials, including delivery costs, repairs and maintenance, payroll, remuneration and other costs of sales as well as depreciation.

## **Sales and distribution costs**

Include costs incurred in connection with marketing and sales, including payroll and remuneration, rent, advertising, freight, customs duties and depreciation

## **Administrative expenses**

Comprise payroll for administrative staff and management plus other office costs, including depreciation, bad debts, IT operations and canteen costs.

## **Research and development costs**

Include remuneration and payroll and other costs, including depreciation, which relate to the Group's research and development activities. These costs also include costs incurred in respect of development projects, where such costs do not fulfil the capitalisation requirements. Also included are costs incurred on an ongoing basis in connection with the maintenance of registration rights in respect of the Group's products.

## **Other operating income**

Includes income of a secondary nature in relation to the companies' main objectives, including profit/loss of non-commercial derivative instruments, the disposal of fixed assets and royalties.

## **Financial income and expenses**

Include interest income, revaluation of portfolio investments (securities etc.) and allowances according to the on-account tax rules.

## **Balance sheet**

## **Intangible assets**

### **Excavation rights, know-how and goodwill**

Excavation rights, know-how and goodwill are measured at cost less accumulated depreciation and impairment losses. Depreciation is calculated linearly over the expected life of the assets, which constitutes 5 to 20 years.

## Development projects

Costs related to development projects, including costs to achieve sales and registration rights etc., are recognised - if certain criteria are met - under intangible assets and measured at cost less accumulated depreciation and amortisation. Activation requires adequate security for future expenses.

## Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses. Cost includes purchase price and costs directly attributable to the acquisition until the date when the asset is ready to be put into operation. The cost of own production of non-current assets includes direct and indirect expenses incurred in respect of wages and salaries, consumption of materials and subcontractors.

Interest expenses on loans taken directly to fund the production of tangible fixed assets are recognised in cost during the production period. All indirectly attributable borrowing costs are recognised in income statement

Depreciation is calculated linearly over the expected lifetime as stated below:

Office and laboratory buildings, residential and rental properties, garages	50 years
Production and factory buildings, roads	15-50 years
Technical plants and machinery	8-20 years
Fixtures and fittings, tools and equipment	3-5 years
Own Moler deposits	20 years

Leases in respect of property, plant and equipment in which the individual enterprises have all the material risks and rewards of ownership (finance leases), are recognised in the balance sheet at the time of acquisition at the present value of future lease payments.

## Impairment of intangible and tangible fixed assets

The carrying amount of intangible and tangible fixed assets are assessed on a continuing basis to decide whether there is an indication of impairment losses in excess of what is expressed in the amortisation and depreciation. In such cases, the asset's recoverable amount is assessed and the asset is written down to the lower of this recoverable amount and the carrying amount. The recoverable amount of the asset is stated as the higher of the expected net selling price and the estimated value in use.

## Financial assets

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method.

The proportionate share of profit/loss for the year, adjusted for unrealised intra-group gains or losses, is recognised under the items "Income from subsidiaries" and "Share of profit/loss in associates".

The balance includes under "Investments in subsidiaries" and "Investments in associates" the pro rata ownership share of the net asset value calculated in accordance with the parent's accounting practices, minus or plus unrealised intra-group gains or losses, plus goodwill.

The total net revaluation of investments in subsidiaries and associates is transferred for profit sharing to " Reserve for net revaluation under the equity method Reserve for net revaluation in accordance with the equity method" under equity.

## Inventories

Inventories are stated at the lower of cost and net realisable value according to the average cost formula. The net realisable value is assessed on an individual basis.

Cost of finished goods and work in progress comprises labour costs, raw materials and energy plus indirect production overheads. Indirect production costs include labour costs in production, maintenance and depreciation etc. Financing costs are not included.

Stock of strategic spare parts are capitalized and included at cost price.

## Receivables

Receivables are measured at amortised cost, which for short unremunerated receivables and floating-rate loans usually corresponds to the nominal value. A write down to net realizable value is performed, if this value is lower. Net realizable value is determined based on an individual assessment of individual receivables.

## Securities (current assets)

The securities portfolio consists of unlisted shares. This item is classified as trading book and is measured at fair value at balance sheet date.

## Equity

### Dividend

Dividend is recognised as a liability at the time of adoption by the general meeting. Proposed dividend for the financial year is shown as a separate item under equity.

### Provisions

Provisions are recognised when the Company as a result of events occurring before or on the balance sheet date has a legal or constructive obligation, and it is likely that it will lose economic benefits to settle the obligation.

### Corporation tax and deferred tax

The parent company is jointly taxed with all Danish group companies. Tax on taxable income is distributed to Danish companies in proportion to their taxable income (full distribution with reimbursement of fiscal deficit). The jointly taxed companies are included in the interim tax-quota scheme.

Current tax payable is based on the taxable profit for the year. The Group's tax liability is calculated using the tax rates at the balance sheet date. The tax for the year, comprising the expected current tax for the year and deferred tax for the year, is recognised in the income statement with the portion attributable to the profit/loss for the year and directly in equity with the portion attributable to items recognised directly in equity.

Current tax is recognised in the balance under receivables where excess on-account tax has been paid and under payables where the on-account tax paid does not cover the current tax.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other

# ACCOUNTING POLICIES

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than in a business combination) of other assets and liabilities when transactions do not affect the tax or accounting result.

The carrying amount of deferred tax assets is reviewed on the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, provided they relate to taxes levied by the same taxation authority and when the Group intends to settle current tax assets and liabilities on a net basis.

## **Liabilities**

All the Company's liabilities are scheduled to be held to maturity, and thus measured at amortised cost.

For fixed rate loans as mortgages and loans from credit institutions the use of amortised cost means that borrowings are recognised at proceeds received deducted transaction costs incurred. In subsequent periods, loans are measured at amortised cost equal to the capitalised value using the effective interest rate, so that the difference between proceeds and the nominal value is recognised in the profit/loss over the loan period.

## **Leasing**

Lease commitments relating to finance leases are recognised in the balance sheet as liabilities and measured at the time of contract at the present value of future lease payments. After the initial recognition the lease obligations will be measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised in the income statement over the duration of the lease as a financial cost.

Lease payments under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

For other payables, the amortised cost is equivalent to the nominal value.

## **Cash flow statement**

The cash flow statement is presented using the indirect method based on net profit and shows cash flows for the year divided into cash flows from operating, investing and financing activities.

Cash flows from operating activities are calculated as profit before tax adjusted for non cash items and changes in working capital, deducted interest paid and tax.

Cash flows from investing activities include cash flows from purchases and sales of fixed assets.

Cash flows from financing activities include cash flows from the raising and repayment of long term debt, profit sharing and dividends.

Cash and cash equivalents comprise cash and investments less the share of the short-term bank debt included in the Company's continuous liquidity management.

The cash flow statement cannot be compiled exclusively on the basis of the published financial statements.

**INCOME STATEMENT AT JANUARY 1-DECEMBER 31**

DKK 1,000	Note	Group		Parent	
		2012	2011	2012	2011
<b>Revenue</b>	1	<b>303.398</b>	333.966	<b>268.449</b>	<b>288.562</b>
Cost of sales	2	<b>-168.907</b>	-197.519	<b>-157.923</b>	<b>-180.588</b>
<b>Gross profit/loss</b>		<b>134.491</b>	136.447	<b>110.526</b>	<b>107.974</b>
Other operating income	3	<b>1.447</b>	400	<b>1.426</b>	<b>391</b>
External costs	5	<b>-18.833</b>	-20.213	<b>-15.665</b>	<b>-16.270</b>
Staff costs	2,4	<b>-39.854</b>	-42.524	<b>-31.286</b>	<b>-35.047</b>
<b>EBITDA</b>		<b>77.251</b>	74.110	<b>65.001</b>	<b>57.048</b>
Depreciation and amortization		<b>-18.901</b>	-19.444	<b>-13.606</b>	<b>-14.929</b>
<b>Operating profit/loss</b>		<b>58.350</b>	54.666	<b>51.395</b>	<b>42.119</b>
Share of profit/loss in subsidiaries		-	-	<b>1.464</b>	<b>4.940</b>
Share of profit/loss in associates		<b>1.444</b>	-20	<b>1.444</b>	<b>-20</b>
Financials	6	<b>-375</b>	-2.910	<b>3.567</b>	<b>-190</b>
<b>Profit/loss before tax</b>		<b>59.419</b>	51.736	<b>57.870</b>	<b>46.849</b>
Tax on profit/loss for the year	7	<b>-14.885</b>	-13.293	<b>-13.336</b>	<b>-10.337</b>
<b>Net profit/loss after tax</b>		<b>44.534</b>	38.443	<b>44.534</b>	<b>36.512</b>
Share of profit/loss attributable to minority interests		<b>-159</b>	-2.992	<b>-159</b>	<b>-1.061</b>
<b>Share of profit/loss for the year, Skamol A/S</b>		<b>44.375</b>	35.451	<b>44.375</b>	<b>35.451</b>
<b>Proposed appropriation of profits:</b>					
Revenue		-	-	-	-
Transferred to retained profits		<b>44.375</b>	35.451	<b>44.375</b>	<b>35.451</b>
<b>Total</b>		<b>44.375</b>	35.451	<b>44.375</b>	<b>35.451</b>



**BALANCE SHEET AS AT DECEMBER 31**

**ASSETS**

DKK 1,000	Note	Group		Parent	
		2012	2011	2012	2011
<b>Non-current assets</b>					
<b>Intangible assets</b>					
	8				
Goodwill		71.234	69.778	-	-
Excavation rights		1.027	881	371	396
Projects		1.565	307	1.565	307
Projects in progress		1.404	1.802	1.404	1.802
<b>Total intangible assets</b>		<b>75.230</b>	<b>72.768</b>	<b>3.340</b>	<b>2.505</b>
<b>Property, plant and equipment</b>					
	9				
Land and buildings		47.404	47.858	39.615	40.600
Technical plant and machinery		73.572	80.435	67.747	76.562
Fixtures and fittings, tools and equipment		3.289	3.223	1.953	1.580
Plant under construction		4.139	2.727	4.102	1.857
<b>Total property, plant and equipment</b>		<b>128.404</b>	<b>134.243</b>	<b>113.417</b>	<b>120.599</b>
<b>Financial assets</b>					
Investments in subsidiaries	10	-	-	54.785	52.993
Investments in associates	10	-	120	-	120
Payable from subsidiaries		-	-	49.271	42.463
Deferred tax asset	7	3.201	3.683	-	-
<b>Total financial assets</b>		<b>3.201</b>	<b>3.803</b>	<b>104.056</b>	<b>95.576</b>
<b>Total non-current assets</b>		<b>206.835</b>	<b>210.814</b>	<b>220.813</b>	<b>218.680</b>
<b>Current assets</b>					
<b>Inventories</b>	11	<b>37.163</b>	<b>37.395</b>	<b>31.591</b>	<b>32.640</b>
<b>Receivables</b>					
Trade receivables		42.860	31.247	41.737	30.355
Receivables from subsidiaries		44.569	34.268	44.569	34.268
Other receivables		2.331	2.700	1.620	1.404
<b>Total receivables</b>		<b>89.760</b>	<b>68.215</b>	<b>87.926</b>	<b>66.027</b>
<b>Cash at bank and in hand</b>		<b>23.059</b>	<b>12.437</b>	<b>12.865</b>	<b>6.970</b>
<b>Total current assets</b>		<b>149.982</b>	<b>118.047</b>	<b>132.382</b>	<b>105.637</b>
<b>Total assets</b>		<b>356.817</b>	<b>328.861</b>	<b>353.195</b>	<b>324.317</b>

**BALANCE SHEET AS AT DECEMBER 31**

**LIABILITIES**

DKK 1,000	Note	Group		Parent	
		2012	2011	2012	2011
<b>Equity</b>					
Share capital	12	43.095	43.095	43.095	43.095
Retained earnings		158.289	112.593	158.289	112.593
<b>Total equity</b>		<b>201.384</b>	155.688	<b>201.384</b>	155.688
<b>Minority interests</b>	13	<b>6.742</b>	6.441	<b>6.742</b>	6.441
<b>Provisions</b>					
Deferred tax	7	7.566	6.585	6.486	5.701
Retirement benefit obligations		609	602	-	-
<b>Total provisions</b>		<b>8.175</b>	7.187	<b>6.486</b>	5.701
<b>Non-current liabilities</b>	14				
Credit institutions		48.199	53.156	48.199	53.156
Mortgage debt		1.190	1.191	1.190	1.191
Long-term bank debt		27.368	34.419	27.368	34.419
Employee bonds		169	314	169	314
<b>Total non-current liabilities</b>		<b>76.926</b>	89.080	<b>76.926</b>	89.080
<b>Current liabilities</b>					
Long-term debt falling due within one year		12.247	11.818	12.247	11.818
Bankgæld		305	-	305	-
Trade payables		31.720	35.357	30.719	32.747
Amounts due to affiliated company		1.032	2.560	-	-
Payables to associates		-	23	-	23
Other payables		14.131	16.341	13.862	16.079
Income taxes payable		4.155	4.366	4.524	6.740
<b>Total current liabilities</b>		<b>63.590</b>	70.465	<b>61.657</b>	67.407
<b>Total debt</b>		<b>140.516</b>	159.545	<b>138.583</b>	156.487
<b>Total liabilities</b>		<b>356.817</b>	328.861	<b>353.195</b>	324.317

Security	18
Contractual, surety and contingent liabilities	19
Related parties	20

## CASH FLOW STATEMENT AT JANUARY 1 - DECEMBER 31

DKK 1,000	Note	Group	
		2012	2011
Net profit/loss for the year after tax		44.375	35.451
Depreciation, amortisation and impairment losses, assets		18.901	19.444
Other adjustment	17	10.976	12.383
Change in working capital	15	-18.410	9.755
<b>Cash flows from ordinary activities</b>		<b>55.842</b>	<b>77.033</b>
Income taxes paid		-10.754	-8.256
<b>Cash flows from operating activities</b>		<b>45.088</b>	<b>68.777</b>
Køb af associeret andel			
Acquisition of intangible assets	8	-6.830	-7.955
Acquisition of property, plant and equipment	9	-8.467	-7.733
Sale of property, plant and equipment		1.115	-
Salg af aktier i associerede selskaber		1.437	-
<b>Cash flows from investing activities</b>		<b>-12.745</b>	<b>-15.688</b>
<b>Available cash flows</b>		<b>32.343</b>	<b>53.089</b>
Raising and repayment of long-term debt, net		-11.725	-25.123
Injected capital		-10.301	-32.647
<b>Cash flows from financing activities</b>		<b>-22.026</b>	<b>-57.770</b>
<b>Change in Cash at bank and in hand</b>		<b>10.317</b>	<b>-4.681</b>
Cash at bank and in hand at January 1	16	12.437	17.118
<b>Cash at bank and in hand at December 31</b>		<b>22.754</b>	<b>12.437</b>

## EQUITY STATEMENT

Amounts are DKK 1,000 unless otherwise stated

### Parent and Group

	Share capital	Retained earnings	Proposed dividend for the financial year	Total
Equity at January 1, 2012	43.095	112.593		155.688
Exchange rate adjustment related to subsidiaries and associates		709		709
Adjustment of security instruments at fair value, end of year		665		665
Tax on changes in equity		-53		-53
Net profit/loss for the year		44.375		44.375
Equity at December 31, 2012	43.095	158.289	0	201.384
Equity at January 1, 2011	43.095	76.854		119.949
Exchange rate adjustment related to subsidiaries and associates		-314		-314
Adjustment of security instruments at fair value, end of year		397		397
Tax on changes in equity		205		205
Net profit/loss for the year		35.451		35.451
Equity at December 31, 2011	43.095	112.593	0	155.688

The share capital consists of 430,950 shares at DKK 100 each.

# NOTES ON THE ACCOUNTS 2012

Amounts are DKK 1,000 unless otherwise stated

## Note 1. Revenue

	Group		Parent	
	2012	2011	2012	2011
NAFTA- countries	36.105	39.716	36.105	39.716
Europe	169.881	173.689	169.881	173.689
Other	97.412	120.561	62.463	75.157
<b>Total</b>	<b>303.398</b>	<b>333.966</b>	<b>268.449</b>	<b>288.562</b>

## Note 2. Production costs

	Group		Parent	
	2012	2011	2012	2011
Product consumption	124.877	145.607	121.085	136.177
Write-down of inventories	740	1.576	740	1.603
Personnel costs	43.290	50.336	36.098	42.808
<b>Total</b>	<b>168.907</b>	<b>197.519</b>	<b>157.923</b>	<b>180.588</b>

## Note 3. Other operating income

	Group		Parent	
	2012	2011	2012	2011
Proceeds on disposal of non-current assets	1.172	-	1.151	-
Other income	275	400	275	391
<b>Total</b>	<b>1.447</b>	<b>400</b>	<b>1.426</b>	<b>391</b>

## Note 4. Expenses

Personnel costs include the following main items:

	Group		Parent	
	2012	2011	2012	2011
Remuneration to Board of Executives and Board of Directors	3.918	4.057	3.918	4.057
Other wages and salaries	71.065	79.574	55.451	65.177
Remuneration to the Board	325	325	325	325
Social security expenses	3.083	3.100	2.631	2.700
Retirement benefit contributions and insurance	5.246	5.804	5.059	5.596
<b>Total staff costs</b>	<b>83.637</b>	<b>92.861</b>	<b>67.384</b>	<b>77.855</b>

Personnel costs are distributed as follows:

	2012	2011	2012	2011
Production costs	43.290	50.336	36.098	42.808
Sales & administrative costs	40.347	42.524	31.286	35.047
<b>Personnel costs total</b>	<b>83.637</b>	<b>92.861</b>	<b>67.384</b>	<b>77.855</b>

Members of the Board of Executives and other senior executives have a company car at their disposal.

In the course of the year, the average number of employees was 164 in the parent company and 404 in the group.

	2011	arrivals	departures	2012
Skamol A/S	161	9	-21	149
USA	3	0	0	3
Skamol RUS	255	0	-3	252
<b>i alt</b>	<b>419</b>	<b>9</b>	<b>-24</b>	<b>404</b>

## Note 5. Expenses external

Remuneration of auditors elected by the general meeting

	Group		Parent	
	2012	2011	2012	2011
Audit of annual report	188	207	188	207
Audit, other services	-	81	-	81
Other audit firms, audit of annual report	121	101	-	-
Other audit firms, other services	59	62	-	-
<b>Total</b>	<b>369</b>	<b>451</b>	<b>188</b>	<b>288</b>

## NOTES ON THE ACCOUNTS 2012

Amounts are DKK 1,000 unless otherwise stated

Note 6. Net financials	Group		Parent	
	2012	2011	2012	2011
<b>Interest receivable and similar income</b>				
Interest income from Group companies	1.064	508	5.194	4.306
Interest receivable	303	81	167	81
Capital gains, currency	2.621	3.654	2.479	2.589
<b>Total</b>	<b>3.988</b>	<b>4.243</b>	<b>7.840</b>	<b>6.976</b>
<b>Interest payable and similar expenses</b>				
Interest payable to affiliates	-	-	-40	-295
Interest payable	-2.373	-3.596	-2.444	-3.314
Capital losses, currency	-1.990	-3.557	-1.789	-3.557
<b>Total</b>	<b>-4.363</b>	<b>-7.153</b>	<b>-4.273</b>	<b>-7.166</b>
<b>Total net financials</b>	<b>-375</b>	<b>-2.910</b>	<b>3.567</b>	<b>-190</b>

Note 7. Tax	Group		Parent	
	2012	2011	2012	2011
Current tax	13.493	14.304	12.551	11.240
Adjustment relating to previous years	1.392	-1.216	785	-1.108
<b>Tax for the year</b>	<b>14.885</b>	<b>13.088</b>	<b>13.336</b>	<b>17.027</b>
Broken down as follows:				
Income tax	14.833	13.293	13.284	10.337
Tax on equity changes	52	-205	52	-205
	<b>14.885</b>	<b>13.088</b>	<b>13.336</b>	<b>10.132</b>

Deferred tax and deferred tax asset	Deferred tax Group		Deferred tax asset Parent	
	2012	2011	2012	2011
Intangible non-current assets	486	60	359	50
Property, plant and equipment	4.774	4.426	4.050	3.770
Inventories and internal profit	2.510	2.197	2.205	1.980
Other	-3.405	-3.781	-128	-99
	<b>4.365</b>	<b>2.902</b>	<b>6.486</b>	<b>5.701</b>
Broken down as follows:				
Deferred tax asset	-3.201	-3.683	-	-
Deferred tax	7.566	6.585	6.486	5.701
	<b>4.365</b>	<b>2.902</b>	<b>6.486</b>	<b>5.701</b>

# NOTES ON THE ACCOUNTS 2012

Amounts are DKK 1,000 unless otherwise stated

Note 8. Intangible assets	Group				Parent		
	Goodwill	Excavation rights	Development projects	Dev.projects in progress	Excavation rights	Development projects	Dev.projects in progress
<b>Cost price</b>							
At January 1	77.155	3.807	1.439	1.802	4.086	1.439	1.802
Exchange rate adjustment	0	21	0	0	0	0	0
Disposals during the year	0	-530	-141	-1.802	-530	-141	-1.802
Additions during the year	5.492	197	1.539	1.404	0	1.539	1.404
Cost price at December 31	82.647	3.495	2.837	1.404	3.556	2.837	1.404
<b>Amortisation and impairment losses</b>							
At January 1	7.377	2.926	1.132	0	3.690	1.132	0
Exchange rate adjustment	0	1	0	0	0	0	0
Additions for the year	0	-530	-141	0	-530	-141	0
Amortisation for the year	4.036	71	281	0	25	281	0
At December 31	11.413	2.468	1.272	-	3.185	1.272	-
Carrying amount at December 31	71.234	1.027	1.565	1.404	371	1.565	1.404

Note 9. Property, plant and equipment	Group				
	Land and buildings	Technical plant and machinery	Fixtures, tools and equipment	Property, plant and equipment under construction /prepayment	Property, plant and equipment total
<b>Cost price</b>					
At January 1	89.468	248.259	25.567	2.727	366.021
Exchange rate adjustment	313	196	84	36	629
Disposals during the year	-72	-460	-477	-2.726	-3.735
Additions during the year	475	5.192	1.424	4.102	11.193
At December 31	90.184	253.187	26.598	4.139	374.108
<b>Depreciation and impairment losses</b>					
At January 1	41.610	167.824	22.344	-	231.778
Exchange rate adjustment	12	35	16	-	63
Disposals during the year	-29	-136	-477	-	-642
Additions during the year	1.187	11.892	1.426	-	14.505
At December 31	42.780	179.615	23.309	-	245.704
Carrying amount at December 31	47.404	73.572	3.289	4.139	128.404

Note 9. Property, plant and equipment	Parent				
	Land and buildings	Technical plant and machinery	Fixtures, tools and equipment	Property, plant and equipment under construction /prepayment	Property, plant and equipment total
<b>Cost price</b>					
At January 1	81.921	243.535	23.012	1.857	350.325
Disposals during the year	-72	-	-477	-1.857	-2.406
Additions during the year	55	2.497	1.365	4.102	8.019
At December 31	81.904	246.032	23.900	4.102	355.938
<b>Depreciation and impairment losses</b>					
At January 1	41.321	166.973	21.432	-	229.726
Disposals during the year	-29	-	-477	-	-506
Additions during the year	997	11.312	992	-	13.301
At December 31	42.289	178.285	21.947	-	242.521
Carrying amount at December 31	39.615	67.747	1.953	4.102	113.417
Of which finance leases 38,780	-	-	-	-	-

Cash valuation at October 2010 for land and buildings represents to the parent company 49,042

# NOTES ON THE ACCOUNTS 2012

Amounts are DKK 1,000 unless otherwise stated

Note 10. Financial assets	Group			Parent			
	Invest- ments in associates	Receiv- ables in associates	Financial assets Total	Capital share in subsidiaries	Invest- ments in associates	Receiv- ables in associates	Financial assets Total
<b>Cost price</b>							
At January 1	63	-	63	85.826	63	42.463	128.352
Disposals during the year	-	-	-	-	-	-	-
Dividend received	-	-	-	-12	-63	-	-75
Additions during the year	-63	-	-63	-	-	6.808	6.808
At December 31	-	-	-	85.814	-	49.271	135.085
<b>Re- and devaluation</b>							
At January 1	57	-	57	-33.281	57	-	-33.224
Exchange rate adjustment	-	-	-	-232	-	-	-232
Depreciation	-341	-	-341	1.464	-341	-	1.123
Profit/loss for the year after tax	-	-	-	801	-	-	801
Dividend received	284	-	284	-	284	-	284
At December 31	-	-	-	-31.248	-	-	-31.248
Carrying amount at December 31	-	-	-	54.566	-	49.271	103.837

## Parent company investments in subsidiaries and associates at December 31, 2012

	Equity	Profit/loss for year	Investment
Piral SAS., Alissas, Frankrig	-671	33	100%
Skamol Americas Inc., Charlotte, USA	15.430	278	100%
Skamol Europe GmbH, Meerbusch, Tyskland	789	23	100%
NCM Core, Vodskov, Danmark	1.073	-2	100%
Skamol Russia A/S, Nykøbing Mors	38.163	902	82%

Note 11. Inventories	Group		Parent	
	2012	2011	2012	2011
Finished goods	31.037	29.024	25.670	24.844
Raw materials	5.085	7.150	4.949	6.714
Packaging materials	1.041	1.222	972	1.082
Total	37.163	37.395	31.591	32.640

Note 12. Equity	Group		Parent	
	2012	2011	2012	2011
Share capital (430.950 shares of 100 DKK each)	43.095	43.095	43.095	43.095

Note 13. Minority interests	Group	
	2012	2011
At January 1	6.441	6.595
Disposals during the year	-	-3.025
Additions during the year	-	-
Exchange rate adjustment	142	-120
Share of profit/loss for the year	159	2.991
At December 31	6.742	6.441



## NOTES ON THE ACCOUNTS 2012

Amounts are DKK 1,000 unless otherwise stated

Note 14. Non-current liabilities	Group		Parent	
	2012	2011	2012	2011
Non-current liabilities at December 31, 2011 falling due after more than 5 years:				
Mortgage debt	10.516	34.055	10.516	34.055
Credit institutions	1.371	7.040	1.371	7.040
<b>Total</b>	<b>11.887</b>	<b>41.095</b>	<b>11.887</b>	<b>41.095</b>

Note 15. Changes in working capital	Group	
	2012	2011
Change in receivables	-11.244	3.034
Change in inventories	232	4.065
Change in trade payables etc.	-7.398	2.656
<b>Total</b>	<b>-18.410</b>	<b>9.755</b>

Note 16. Liquidity	Group	
	2012	2011
Liquidity at January 1, 2011	22.754	17.118
Exchange rate adjustment	-	-
Liquidity at December 31, 2011	22.754	17.118
<b>Liquidity at December 31 includes</b>		
Cash	23.059	12.437
Bank debt	-305	-
Liquidity at December 31	22.754	12.437

The group has unused drawing rights of 31,854 at December 31, 2011

Note 17. Other adjustments	Group	
	2012	2011
Share associates	120	20
Exchange rate adjustments subsidiaries etc.	-709	-711
Tax on profit/loss for the year	14.885	13.293
Other	-3.320	-219
<b>Total</b>	<b>10.976</b>	<b>12.383</b>

### Note 18. Security

As security for bank debt is deposited owner mortgage nom. 5,000 in excavation of Moler at various locations.  
As security for credit institution debt is deposited mortgages nom. 55,510 in properties at book value of 39,615.

### Note 19. Contractual, guarantee and contingent liabilities

The parent company has guarantee obligation for restoration of Moler areas to the amount of 750.  
The parent company has guarantee obligation for product security to the amount of 3,061  
The parent company has lease obligation in the amount of 2,661 for the years 2013-2017

The parent company has contractual obligations in connection with the acquisition of minority interests in the production unit in Russia.  
These contractual obligations are expected to be settled in the financial year 2012.

### Note 20. Related parties

Related parties with controlling influence on the company include Polaris Private Equity II K/S, Copenhagen, which through a majority stake in the P-SKA 2007 A/S has a majority of voting rights in the parent Skamol Holding A/S.

Related parties with significant influence include affiliates and associates, as well as the Board of Directors and Executives of the Company.  
Group internal transactions made with affiliated companies and pro rata consolidated associated company have been eliminated in the Group accounts of the company or Skamol Holding A/S. Transactions with Management include remuneration, as explained in separate note.

## Management's endorsement

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Executive and supervisory boards have today discussed and approved the annual report for 2012 for Skamol A/S.

The annual report has been prepared in accordance with Statements Act. We consider the applied accounting policies to be appropriate and the accounting estimates to be sound.

We also consider the overall presentation of the annual report to be accurate.

On this basis we find that the annual report gives a true picture of the Group's assets and liabilities, the financial position and results of the Group's operations and cash flows.

The annual report has been submitted for approval of the general meeting.

Nykøbing Mors, April 11, 2013

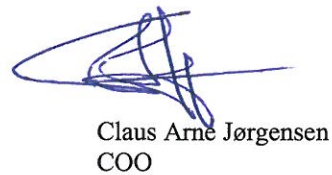
### Executive Board:



Jesper Kirkeby Hansen  
CEO

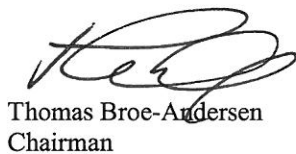


Per Rahbech  
CFO



Claus Arne Jørgensen  
COO

### Supervisory Board:



Thomas Broe-Andersen  
Chairman




Jussi Salokangas



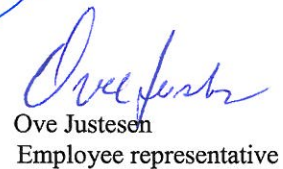
Bo Rygaard



Curt Germundsson



Mette Feldstedt  
Employee representative



Ove Justesen  
Employee representative

**To the Shareholders of Skamol A / S**

We have audited the annual report of Skamol A/S for the financial year January 1 – December 31, 2012, which comprises income statement, balance sheet, equity statement, cash flow statement, notes and accounting policies. The annual report has been prepared in accordance with the Financial Statements Act. The Management Review, which is not covered by the audit, has also been prepared in accordance with the Financial Statements Act.

**Management's Responsibility**

Management is responsible for the preparation and fair presentation of this annual report in accordance with the Statements Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Management is also responsible for preparation of Management's Review in accordance with the Statements Act.

**Auditor's Responsibility and Basis of Opinion**

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish auditing standards. The standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatements.

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

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

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the annual report gives a true and fair view of the company and the group's assets, liabilities and financial position as at December 31, 2012 and of the results and the cash flows of the group and the parent company for the financial year January 1, 2012 – December 31, 2012 in accordance with the Statements Act.

**Statement on Management's Review**

We have read the Management's Review according to the Accounts Act. We have made no further actions in addition to the completed audit of the annual report. On this basis, we believe that the information contained in the Management's Review is consistent with the annual report.

Nykøbing Mors, April 11, 2013

**PricewaterhouseCoopers**

Chartered Public Accountants

  
Peter Christensen

State Authorised Public Accountant

  
Martin Furbo

State Authorised Public Accountant

## **Skamol A/S**

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