SKAKO

SKAKO A/S
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ANNUAL REPORT 2012

SKAKO

SKAKO A/S CVR NO. 36 44 04 14

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STATEMENTS

ANNUAL ACCOUNTS, 1 JANUARY–31 DECEMBER

THIS IS A TRANSLATION OF THE OFFICIAL DANISH ANNUAL REPORT . IN CASE OF DISCREPANCIES BETWEEN THE ORIGINAL DANISH WORDING AND THE ENGLISH TRANSLATION, THE DANISH TEXT SHALL PREVAIL.

MANAGEMENT REPORT

FIVE-YEAR SUMMARY FOR THE GROUP

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HIGHLIGHTS	**2012**	**2011**	**2010**	**2009**	**2008**
Net revenue	47,321	44,649	42,412	55,574	98,572
Gross profit	10,022	10,265	8,168	5,616	15,423
Profit on primary operations	1,592	2,314	-1,852	-8,392	572
Profit on financial items	-658	-276	-426	-56	-240
Profit before tax	933	2,038	-2,279	-8,448	332
Profit for the year on continuing operations	648	1,555	-2,589	-8,552	-2,161
Profit for the year on discontinued operations	388	-5,775	-5,197	-	-
NET PROFIT FOR THE YEAR	**1,036**	**-4,221**	**-7,787**	**-8,552**	**-2,161**
Non-current assets	11,559	10,314	10,723	11,671	11,137
Current assets	21,602	22,930	30,153	40,499	52,342
Assets held for sale	579	2,370	-	-	-
TOTAL ASSETS	**33,740**	**35,615**	**40,876**	**52,170**	**63,479**
Share capital	3,266	3,266	6,096	6,096	6,096
EQUITY	**9,860**	**8,782**	**12,664**	**20,369**	**29,093**
Non-current liabilities	3,931	5,512	4,154	4,488	1,792
Current liabilities	19,702	18,954	24,058	27,313	32,594
Liabilities concerning assets held for sale	248	2,366	-	-	-
Net interest-bearing debt	5,426	7,249	7,506	6,907	-2.389
Net working capital (NWC)	4,377	6,684	9,716	15,898	17,406
Investments in property, plant and equipment	1,569	992	131	2,032	6,768
Depreciation on property, plant and equipment	823	714	788	766	501
Cash flow from operations	2,690	813	4,368	-7,679	-1,560
Cash flow from investment	-193	-191	4,807	184	-1,752
FREE CASH FLOW	**2,496**	**623**	**9,175**	**-7,495**	**-3,312**
Cash flow from financing	-573	1,468	-506	4,663	-2,784
TOTAL CASH FLOWS	**1,923**	**2,091**	**8,669**	**-2,832**	**-6,096**
AVERAGE NUMBER OF EMPLOYEES	**192**	**191**	**281**	**352**	**422**

KEY FIGURES	**2012**	**2011**	**2010**	**2009**	**2008**
Growth in revenue	6.0%	5.3%	-23.7%	-43.6%	-84.5%
Net profit ratio	3.4%	5.2%	-13.1%	-15.1%	0.6%
Liquidity ratio	109.6%	121.0%	125.3%	148.3%	160.6%
Solvency ratio	29.2%	24.7%	31.0%	39.0%	45.8%
Return on equity	11.1%	-39.4%	-47.1%	-34.6%	-6.8%
NWC/revenue	9.3%	15.0%	18.5%	28.6%	17.7%
Earnings per share (EPS), DKK	0.43	-1.88	-3.49	-3.83	-0.95
Book value per share, year end, DKK	4.3	3.9	5.6	9.0	12.8
Market price, year end, DKK	4.1	2.3	3.5	5.9	13.4
Dividend per share, DKK	0.00	0.00	0.00	0.00	0.00
Price/Book Value (P/BV)	0.9	0.6	0.6	0.7	1.0

Comparative figures for discontinued operations have been adjusted in the income statement and cash flows for 2010; other comparative figures have not been adjusted.

COMPANY INFORMATION

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DENMARK
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FAX: +45 63 11 38 70
E-MAIL: SKAKO.DK@SKAKO.COM
WEB: WWW.SKAKO.COM
CVR-NO. 36 44 04 14
REGISTERED OFFICE: FAABORG-MIDTFYN, DENMARK

GROUP OVERVIEW AT 31 DECEMBER 2012:

Company name and registered office	Company capital Sum (1,000)	currency	Parent company share in %	Participating interest in %
Active companies				
SKAKO Concrete A/S, Faaborg, Denmark	**90,920**	**DKK**	**100**	
SKAKO GmbH, Kaufungen, Germany	51	EUR		100
SKAKO Concrete Inc., San Diego, USA	510	USD		100
SKAKO Concrete S.A., Lille, France	721	EUR		100
SKAKO Vibration A/S, Faaborg, Denmark	2,000	DKK		100
SKAKO Vibration Ltd., Tadcaster, England	15	GBP		100
SKAKO Vibration S.A., Strasbourg, France	299	EUR		100
Inactive companies				
Aktieselskabet af 01.04.2012, Faaborg, Denmark	**5,000**	**DKK**	**100**	
SKAKO Lift Inc., Kingwood, Texas, USA	1	USD		100
Gram Holding Vojens A/S, Faaborg, Denmark	**1,000**	**DKK**	**100**	

MANAGEMENT REPORT, CONTINUED

SUMMARY

THE YEAR IN BRIEF

- In 2012, the Group's continuing segments generated a profit and showed increasing levels of activity, with revenue rising by 6%. Revenue totalled EUR 47.3 million, compared to EUR 44.6 million in 2011.

PROFITS

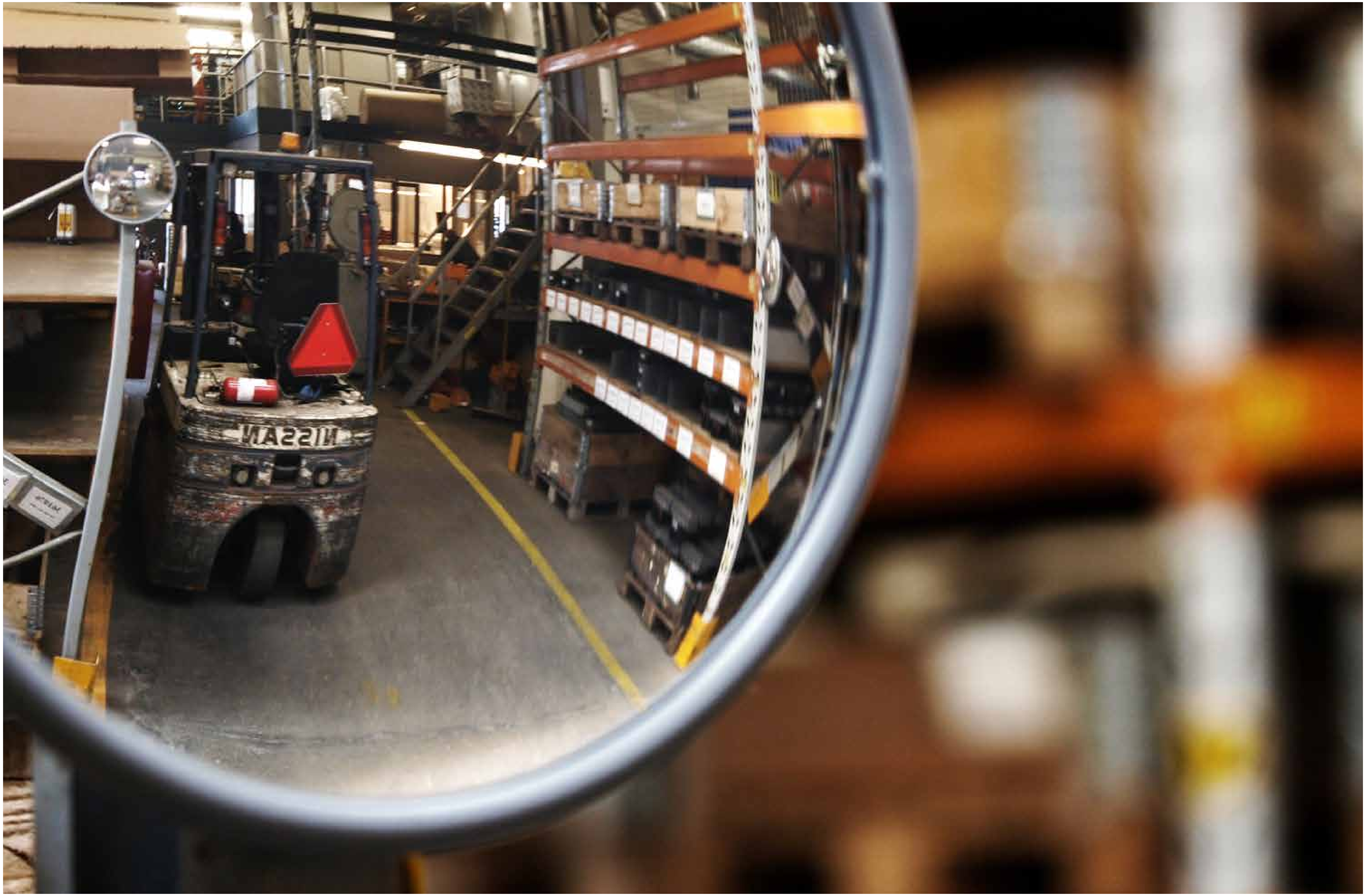
- The consolidated result for the SKAKO Group after tax was a profit of EUR 1.0 million, compared to a loss of EUR 4.2 million in 2011.
- The Group generated a profit on primary operations (EBIT) of EUR 1.6 million, compared to a profit of EUR 2.3 million in 2011.
- The Group's free cash flow amounts to EUR 2.5 million, compared to EUR 0.6 million in 2011.
- The Group has reduced its interest-bearing debt from EUR 7.2 million to EUR 5.4 million.
- The Group's discontinued segment generated a profit after tax of EUR 0.4 million, compared to a loss of EUR 5.8 million in 2011.
- The Board of Directors considers the consolidated result to be less than satisfactory.
- The Board of Directors proposes that no dividend be paid for 2012.

EXPECTATIONS

- It is expected that the market and product development programmes launched for Concrete and Vibration will result in an increasing level of activity for the Group in 2013. Improved profits are expected in 2013.

ACCOUNTING PRINCIPLES

The annual report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements on annual reports for listed companies.



FINANCIAL DEVELOPMENT OF THE GROUP

The SKAKO Group operates actively within two continuing business segments:

- SKAKO Vibration – Vibration equipment for industrial use
- SKAKO Concrete – Machinery and complete plants for production of concrete

CONTINUING BUSINESS SEGMENTS (SKAKO VIBRATION AND SKAKO CONCRETE)

In 2012, the SKAKO Group experienced an increase in activity within its continuing business segments, with revenue rising by 6%. Revenue amounted to EUR 47.3 million, compared to EUR 44.6 million in 2011. A total of 92% of this revenue was generated outside Denmark.

Revenue was distributed as follows: EUR 29.7 million from Concrete plants and EUR 18.9 million from Vibration equipment. These figures represent changes of 10.0% and 0.0%, respectively.

The segments generated a profit on primary operations (EBIT) of EUR 1.6 million, compared to a profit of EUR 2.3 million in 2011. The contributions from the individual segments were: EUR 2.0 million from Vibration equipment and EUR -0.3 million from Concrete plants. The contribution from operation of the parent company totalled EUR -0.2 million. The corresponding figures for 2011 were EUR 3.2 million, EUR -0.1 million and EUR -0.8 million, respectively.

It should be noted that profits for 2011 were positively impacted by the amount of EUR 0.7 million from projects in Vibration that were actually started up in November/December 2010 but could not be recognised until delivery and risk transfer in 2011. There was no corresponding postponement around the change of the year 2011/2012. Moreover, 2012 saw additional investment in initiatives intended to promote development on new markets.

Profit on primary operations is in line with the expectations expressed for profits on primary operations (EBIT) in the region of EUR 1.3–2.7 million.

For a more detailed description of the results generated by the individual segments, see the section entitled "Development in the Group's segments".

DISCONTINUED OPERATIONS

Production activity in the Lift segment was terminated at the end of March 2012. Activities in the American subsidiary were sold to the management of the local company in August 2012.

The Group's discontinued segment generated a profit after tax of EUR 0.4 million, compared to a loss of EUR 5.8 million in 2011.

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MANAGEMENT REPORT, CONTINUED

THE GROUP

The consolidated result for the Group after tax was a profit of EUR 1.0 million, compared to a loss of EUR 4.2 million in 2011.

The Board of Directors considers the consolidated result to be less than satisfactory.

The Group's free cash flow amounts to EUR 2.5 million, compared to EUR 0.6 million in 2011.

Group equity at 31 December 2012 totals EUR 9.9 million, compared to EUR 8.8 million at year end 2011. The positive development is attributable to the Group's profits for the year.

At 31 December 2012, the Group's total assets amounted to EUR 33.7 million, compared to EUR 35.6 at year end 2011, while interest-bearing net obligations fell by EUR 1.8 million over the year to EUR 5.4 million at 31 December 2012.

The Group's solvency ratio improved in 2012, rising to 29.2% at the end of the year 2012, compared to 24.7% at year-end 2011.

THE GROUP'S STRATEGY AND BUSINESS AREAS

SKAKO A/S is active in two segments:
- Vibration equipment for industrial use – SKAKO Vibration
- Machinery and complete plants for production of concrete – SKAKO Concrete

These two segments are in different phases from the perspectives of both business and development. For this reason, the Group is operating separate strategies for each segment.

The segment for **Vibration equipment for industrial use** has production facilities in Faaborg, Denmark, and Strasbourg, France, and is based on application know-how and technology developed in-house.

The segment develops, designs and sells vibration equipment for industrial uses. The market is cultivated on the basis of a niche strategy, where the target group comprises businesses in selected segments that use vibration equipment for industrial purposes. Traditionally, geographical coverage has comprised the principal markets of the EU and North Africa.

- **Market:** In 2012, SKAKO Vibration commenced expanding into new markets outside its principal markets. The initiative involves expansion of the external sales organisation, expansion of the network of dealers and agents, and strengthening of the internal functions in both Strasbourg and Faaborg to support the increased level of activity. The plan is to continue the expansion project in 2013 and 2014.

Machinery and complete plants for the production of concrete account for the majority of SKAKO's operations. The company is largely a project sales and engineering business, where significant portions of the production processes for steel constructions are outsourced to an international network of approved subcontractors. In 2010, production of key components was concentrated at the new main factory in Lille, France. In 2012, the Group has implemented a wide range of initiatives under the following headings:

- **Profitability:** Standardisation of the product range has almost been completed, such that the Group now has one single, consolidated palette of products rather than two distinct ones, as previously. This will generate savings throughout the value chain. Outsourcing of individual processes has continued with a view to reducing unit prices.

- **Market:** The work to consolidate sales and marketing input worldwide was completed in 2012, with all the companies now being marketed under the same brand: SKAKO Concrete. At the same time, the Group launched a project to expand its markets into the principal markets of the USA, Russia, Germany and Africa, where there are expectations for positive growth over the coming years. Following the positive market development in the first half of 2012, the segment experienced a decline – particularly in the European markets – in the fourth quarter of the year. As a result, the organisation has been adapted to match a slightly lower level of activity as from the start of 2013. The negative development from the fourth quarter of 2012 has not continued into the first quarter of 2013, where the company is experiencing a more normal situation with regard to the flow of orders.
- **Innovation:** At the end of 2012, SKAKO Concrete launched its largest introduction of new products and product updates in recent times. In 2012, the segment has introduced a completely new concrete distributor under the name of DISTRIBETON, as well as a new concrete bucket conveyor under the name of CONFLEX Eco. Finally, throughout 2012 the segment has been intensively testing a new and innovative concrete mixer (patent applied for) with improved mixing properties. This new model is to be introduced in early 2013 under the name of ROTOCONIX. In the opinion of the management, the continued development of new products will have a positive influence on the company's future earnings.

MANAGEMENT REPORT, CONTINUED

DEVELOPMENT IN THE GROUP'S SEGMENTS

VIBRATION EQUIPMENT

SKAKO Vibration develops, designs and sells vibration machinery and installations for industrial use.

The segment operates production facilities in Faaborg, Denmark, and Strasbourg, France.

During the first three quarters of 2012, the segment experienced a high level of activity, although orders in the fourth quarter stagnated and remained at a low level.

Revenue totalled EUR 18.9 million in 2012, compared to EUR 18.8 million in 2011. Of this, trade with companies linked to the Group accounted for 6.0%, compared to 5.4% in 2011.

Profit on primary operations amounted to EUR 2.0 million, compared to EUR 3.2 million in 2011. It should be noted that profits for 2011 were positively impacted by the amount of EUR 0.7 million from projects in Vibration that were actually started up in November/December 2010 but could not be recognised until delivery and risk transfer in 2011. There was no corresponding postponement around the change of the year 2011/2012. Moreover, 2012 saw additional investment in initiatives intended to promote development on new markets. Despite the fall in 2012, the profits for this segment are still considered satisfactory.

Profit for the year amounted to EUR 1.4 million, compared to EUR 2.3 million in 2011.

The average number of employees in the segment totalled 74 in 2012, up from 66 in 2011.

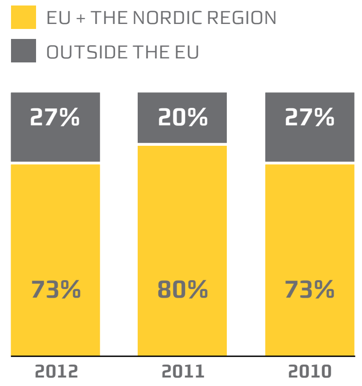
The market is cultivated on the basis of a niche strategy, where the target group comprises businesses in selected segments that use vibration equipment for industrial purposes.

Market development initiatives have been launched on selected markets including those of South Africa, Russia, North America and selected countries in Asia and South America. It is expected that these initiatives will have a positive effect on profits in SKAKO Vibration over the coming years.

For a more detailed description of the company's business areas, products, etc. visit the SKAKO website at: **www.skako.com**

SKAKO VIBRATION mEUR	2012	2011	2010
Revenue	18.9	18.8	15.7
Profit on primary operations	2.0	3.2	1.3
Profit before tax	2.0	3.1	1.1
Net profit for the year	1.4	2.3	0.8
Equity, year end	10.3	8.8	7.3
Total assets	16.3	14.7	13.4
Total full-time employees	74	66	59

SKAKO VIBRATION
REVENUE BY MARKETS



MANAGEMENT REPORT, CONTINUED

DEVELOPMENT IN THE GROUP'S SEGMENTS, CONTINUED

SKAKO CONCRETE

CONCRETE PLANTS

The concrete segment comprises the development, marketing and delivery of machinery and complete plants for the production of concrete – both ready mix concrete and concrete for the production of concrete elements, pipes, paving tiles, roofing tiles, etc.

All facilities for the production of key components and strategic equipment are located in Lille, France. Manufacture of the other steel constructions has been outsourced to a network of regional subcontractors in Eastern Europe, North America and the Far East.

Revenue totalled EUR 29.7 million, compared to EUR 26.8 million in 2011.

Primary operations generated a loss of EUR 0.3 million, compared to a loss of EUR 0.1 million in 2011. This is considered unsatisfactory and is primarily attributable to a decline in orders in the second half of the year.

The result for the year was a loss of EUR 0.5 million, compared to a loss of EUR 0.2 million in 2011.

Following a rise in activity in the first six months of 2012, the fourth quarter of the year was distinguished by a low level of activity. The decline was most noticeable in Western Europe, while orders from the USA and new markets in Africa showed positive progress.

The lower level of activity in the fourth quarter of 2012 necessitated a minor adaptation of the organisation in Denmark and France in the beginning of 2013. The average number of employees in the segment totalled 113 in 2012, down from 119 in 2011.

MANAGEMENT REPORT, CONTINUED

The market development initiatives launched on selected markets including those of the USA, Russia and Africa are to be strengthened in 2013. As a consequence of this, SKAKO Concrete reinforced its sales organisations on the American and Russian markets in 2012. SKAKO Concrete has made a market breakthrough in the form of a number of minor orders from several countries in Southern Africa. The segment plans to strengthen its sales organisation and network of agents in Africa in 2013.

SKAKO Concrete expects the German market to develop positively in the future. As a result, the organisation was strengthened in 2012 through the addition of the German company SKAKO GmbH, which is to handle sales and service for SKAKO Concrete in Germany.

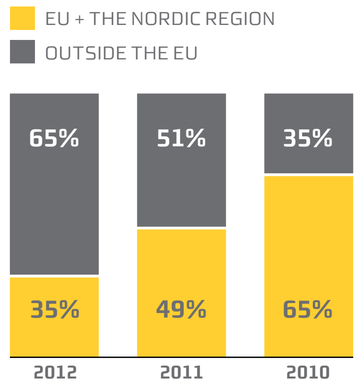
The company is still working to optimise the production of mixers and other strategic equipment at the factory in Lille. Focus in 2013 will be placed on additional outsourcing of production to low-cost countries.

Since the middle of 2011, the management has been ramping up input within the development of new products and processes. This product development work resulted in SKAKO Concrete introducing a range of new products in 2012. In the opinion of the management, the continued development of new products will have a positive influence on the company's future earnings.

For a more detailed description of the company's history, business areas, products, etc. visit the SKAKO website at: **www.skako.com**

SKAKO CONCRETE mEUR	**2012**	**2011**	**2010**
Revenue	29.7	26.8	27.1
Profit on primary operations	-0.3	-0.1	-1.8
Profit before tax	-0.7	-0.6	-2.4
Net profit for the year	-0.5	-0.2	-2.3
Equity, year end	1.9	1.9	1.9
Total assets	18.7	20.8	20.5
Total full-time employees	113	119	151

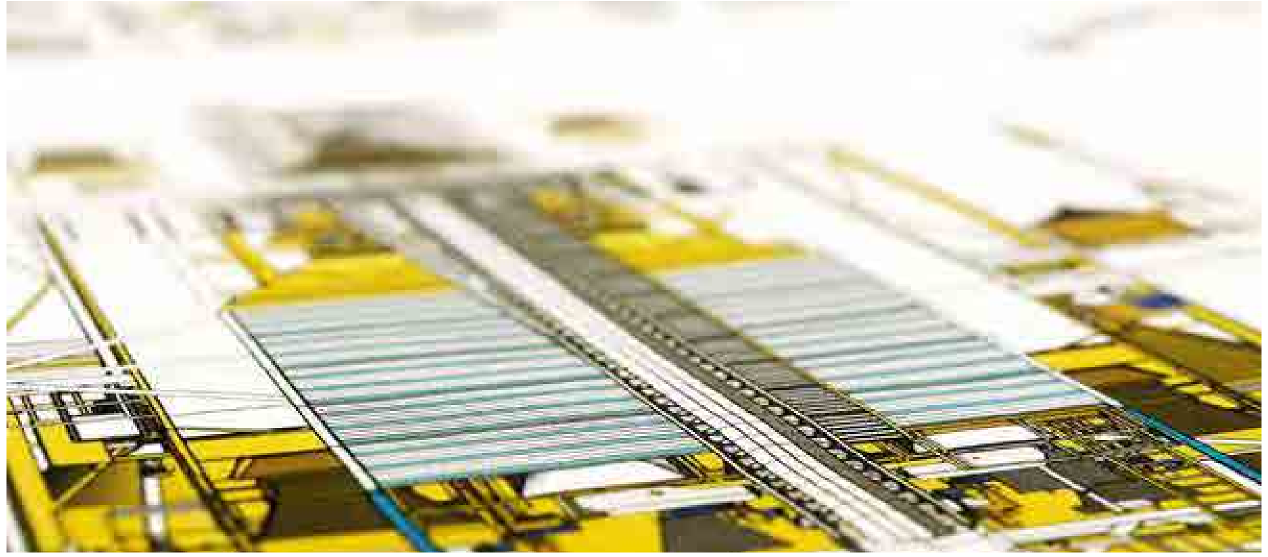
SKAKO CONCRETE
REVENUE BY MARKETS



DISCONTINUED OPERATIONS

PERSONNEL LIFTS
Production activity in SKAKO Lift was terminated at the end of March 2012. Activities in the American sales and service company SKAKO Lift Inc. were sold to the management of the local company in August 2012.

The Group's discontinued segment generated a profit after tax of EUR 0.4 million, compared to a loss of EUR 5.8 million in 2011.



CORPORATE GOVERNANCE

The Board continuously evaluates the recommendations for good corporate governance, and assesses the extent to which the recommendations should be implemented within the company. According to the recommendations, it is acceptable to exercise corporate governance in a manner other than in accordance with the recommended guidelines, as long as the company explains the background for the deviation ("comply or explain" principle).

The company has chosen to publish a single, consolidated report on corporate governance on the company's website at the direct address http://www.skako.com/Webnodes/en/Web/COMMON/Investor+Relations/Stamdata and under the designation of "Lovpligtig redegørelse for virksomhedsledelse 2012, jf. årsregnskabslovens § 107 b". This statutory report constitutes a part of the present management report.

REPORT ON THE KEY ELEMENTS IN THE GROUP'S INTERNAL CONTROLS AND RISK MANAGEMENT IN CONNECTION WITH THE ACCOUNTS PRESENTATION PROCESS

The Board of Directors and the Executive Board have overriding responsibility for the Group's risk management and internal control in connection with the accounts presentation process, including responsibility for compliance with relevant legislation and other regulations pertaining to this area.

The overriding risk assessment and establishment of internal controls is deployed within SKAKO A/S, while the practical implementation is performed in collaboration with the Group's operating companies.

With a view to ensuring a high level of quality in the Group's financial reporting, the management has adopted a range of procedures and guidelines for the presentation of accounts and internal controls, which are to be followed by the Group's subsidiaries in their reporting processes. These include

- Monthly follow-up on goals and results achieved in relation to approved budgets and quarterly estimates of profits, balance sheets, cash flows and key figures
- Ongoing follow-up on projects, including risk management and the accounts-related processing of same
- Reporting instructions
- Instructions for closing accounts

MANAGEMENT REPORT, CONTINUED

The Group's risk management and internal control systems in connection with the accounts presentation process can only provide reasonable – but not absolute – certainty that the inappropriate use of assets, losses and/or significant faults and defects in connection with the presentation of the accounts have been avoided.

The Board of Directors and the Executive Board continuously assess significant risks and internal controls in connection with the Group's operations, along with the potential influence of same on the accounts presentation process.

The audit committee comprises Per Egebæk Have (chairman) and Kaare Vagner Jensen (member). The audit committee continuously monitors the accounts presentation process and the sufficiency and efficiency of the internal controls established, including new accounting standards, accounting principles and accounting estimates.

AUDIT

The independence and competence of the auditors are constantly assessed as the background for the Board's recommendation to the General Meeting. Agreements for audit services – including consolidated audits – are concluded between the company's audit committee and the auditors and then presented to the Board of Directors for approval.

Non-audit services are evaluated continuously and agreed on a case-by-case basis, which, in the opinion of the Board of Directors, helps to assure the independence of the auditors.

REGULATIONS FOR CHANGES TO THE ARTICLES OF ASSOCIATION

In the absence of any statement to the contrary in legislation or pursuant to the company's articles of association, all matters dealt with at the General Meeting are decided through a simple majority of votes.

SHAREHOLDER CONDITIONS

SKAKO is listed on NASDAQ OMX Copenhagen A/S under ID code DK0010231877. The share capital in the company amounts to DKK 24,361,490, divided on 2,436,149 shares @ DKK 10. There is only one share class.

At the end of 2012, the company had 1,137 shareholders registered by name. Together, these shareholders held 85.60% of the capital.

The Board of Directors has been authorised by the General Meeting to acquire up to 10% of the company's own shares at market price +/- 10%. This authorisation is valid until the ordinary General Meeting in 2015.

Under this authorisation, the company has acquired a total of 29,167 of its own shares, equivalent to 1.20% of the share capital in the company, at an average rate of DKK 30.6.

SHAREHOLDERS WITH MORE THAN 5% OF THE SHARES

LD (PLD), Copenhagen K, Denmark:	19.99%
The Danske Bank Group (Danica Pension, life insurance), Copenhagen K, Denmark:	18.40%
Maj Invest Holding A/S:	9.72%

DIVIDEND

The Board of Directors proposes that no dividend be paid for 2012.

MANAGEMENT REPORT, CONTINUED

COMPANY ANNOUNCEMENTS ISSUED:

2012
01 – Write-down of receivable from the sale of Denka activities (discontinued operation)
02 – Annual report 2011
03 – Alteration of the financial calendar for 2012
04 – Insider trading of SKAKO shares
05 – Insider trading of SKAKO shares
06 – Notice of Annual General Meeting
07 – Annual General Meeting
08 – Major order for SKAKO in Australia
09 – Interim report, first quarter 2012
10 – Interim report for the period 1 January–30 June 2012
11 – Insider trading of SKAKO shares
12 – Major shareholder announcement, Maj Invest
13 – Major shareholder announcement, Bram Gruppen
14 – Interim report for the period 1 January–30 September 2012
15 – Insider trading of SKAKO shares
16 – Insider trading of SKAKO shares
17 – Financial calendar 2013

The company announcements are published on the company website: **www.skako.com**

FINANCIAL CALENDAR 2013

• Annual report 2012	22 March 2013
• Annual General Meeting 2013	25 April 2013
• Interim report for the period 1 January–31 March 2013	21 May 2013
• Interim report for the period 1 January–30 June 2013	23 August 2013
• Interim report for the period 1 January–30 September 2013	30 October 2013

INVESTOR CONTACTS

Kaare Vagner Jensen, Chairman of the Board of Directors, and Lars Bugge, CEO
Tel. +45 63 11 38 60
E-mail: skako.dk@skako.com

The company's register of owners is kept by VP Investor Services.

MANAGERIAL POSITIONS

THE BOARD OF DIRECTORS:

KAARE VAGNER JENSEN (CHAIRMAN)
BORN IN 1946

MANAGERIAL POSITIONS IN OTHER COMPANIES:

MEMBER OF THE BOARD OF THE COMPANY SINCE 2010
CHAIRMAN OF THE BOARD:
ERRIA A/S
Strandøre Invest A/S
Nordatlantisk Venture A/S
DEPUTY CHAIRMAN:
Mols-Linien A/S
Greenpark Petrochemical Company Ltd
BOARD MEMBER:
Riegens A/S
Riegens Invest A/S
Investment Committee K/S LDI Vietnam Fond (member)
General Partner Equity Vietnam ApS
OTHER POSITIONS:
N&V Holding ApS, Managing Director

CHRISTIAN HERSKIND JØRGENSEN (DEPUTY CHAIRMAN)
BORN IN 1961

MEMBER OF THE BOARD OF THE COMPANY SINCE 2009
CHAIRMAN OF THE BOARD:
Mannaz A/S
DEPUTY CHAIRMAN:
Fonden Soldaterlegatet
BOARD MEMBER:
COOR Service Management A/S (commissioned)
Sumisura A/S
OTHER POSITIONS:
Refshaleøen Holding A/S, Managing Director
Refshaleøens Ejendomsselskab A/S, Managing Director
REDA A/S, Managing Director
REDA II A/S, Managing Director
Britannia Invest A/S, CEO
Mars & Merkur, President
Herskind Venture Capital ApS, Director

THE BOARD OF DIRECTORS:

PER EGEBÆK HAVE
BORN IN 1957

MANAGERIAL POSITIONS IN OTHER COMPANIES:

MEMBER OF THE BOARD OF THE COMPANY SINCE 2009
BOARD MEMBER:
Sauer-Danfoss Inc.
Danfoss Holding Inc.
BMC Holding, Nordborg A/S
BMC Invest A/S
BMC Ventures A/S
Sønderborg Havneselskab A/S
Universe Fonden
PFA Invest A/S
OTHER POSITIONS:
Danfoss Group, CFO
Bitten og Mads Clausen's Fond, CEO

JENS WITTRUP WILLUMSEN
BORN IN 1960

MEMBER OF THE BOARD OF THE COMPANY SINCE 2010
CHAIRMAN OF THE BOARD:
Air Greenland A/S
Mediehuset Ingeniøren A/S
Visit Denmark
Aqualife A/S
Copenhagen Wine A/S
DEPUTY CHAIRMAN:
Atlantic Airways P/F
BOARD MEMBER:
Charlotte Sparre A/S
FDM Travel
Dansk Danse Teater
Marketsoft A/S

HENRIK ØSTENKJÆR LIND
BORN IN 1975

MEMBER OF THE BOARD OF THE COMPANY SINCE 2011
CHAIRMAN OF THE BOARD:
Danske Commodities A/S
Lind Capital A/S
Cornerstone Properties Germany Holding A/S
Kristensen Partners III A/S
BOARD MEMBER:
Dbh Technology A/S
Hemonto A/S
Aros Capital Partners Holding ApS
4U Development
OTHER POSITIONS:
Lind Invest A/S, Director

MANAGERIAL POSITIONS, CONTINUED

EXECUTIVE BOARD: | MANAGERIAL POSITIONS IN OTHER COMPANIES:

LARS BUGGE
BORN IN 1960

CEO SINCE 1 JUNE 2010
BOARD MEMBER:
Vald. Birn Jernstøberier A/S
Knud Wexøe A/S

CARL CHRISTIAN GRAVERSEN
BORN IN 1955

CFO SINCE 1 JUNE 2010

RISK CONDITIONS

FINANCIAL RISKS

The Group's operations result in financial risks in connection with trade receivables and liabilities, deposits, work in progress, credit and loans at credit institutions in both Danish kroner (DKK) and foreign currency.

On the basis of ongoing dialogue with sources of financing, the assessment is that the Group will continue to be able to achieve the necessary financing on standard market terms.

The Group is affected to a minor extent by fluctuations in interest levels, and fluctuations in currency exchange rates have an effect on the Group's cash flows. The Group's receivables are distributed in such a way that the Group's credit risks are not considered to be unusual.

The Group does not perform speculative currency transactions and acts solely on the basis of commercial requirements.

Currency risks in individual subsidiaries are covered by continuously entering into foreign exchange futures contracts, and through bank financing in currency that matches currency receivables and liabilities, as well as concluded and expected sales and purchase orders in foreign currency.

PRODUCT DEVELOPMENT

The Group works constantly to improve the functionality and quality of its products, by paying attention to the needs of the market and by investing time and resources in product development.

Since the middle of 2011, the Group has been ramping up input within the development of new products and processes. As a result of this commitment to development, SKAKO Concrete was able to launch a range of new products in 2012 and plans to introduce additional products in 2013, including a mixer featuring a completely new principle that is scheduled to be unveiled at the Bauma trade fair in Munich in April 2013. See the description of new products for SKAKO Concrete on page 15.

ENVIRONMENT

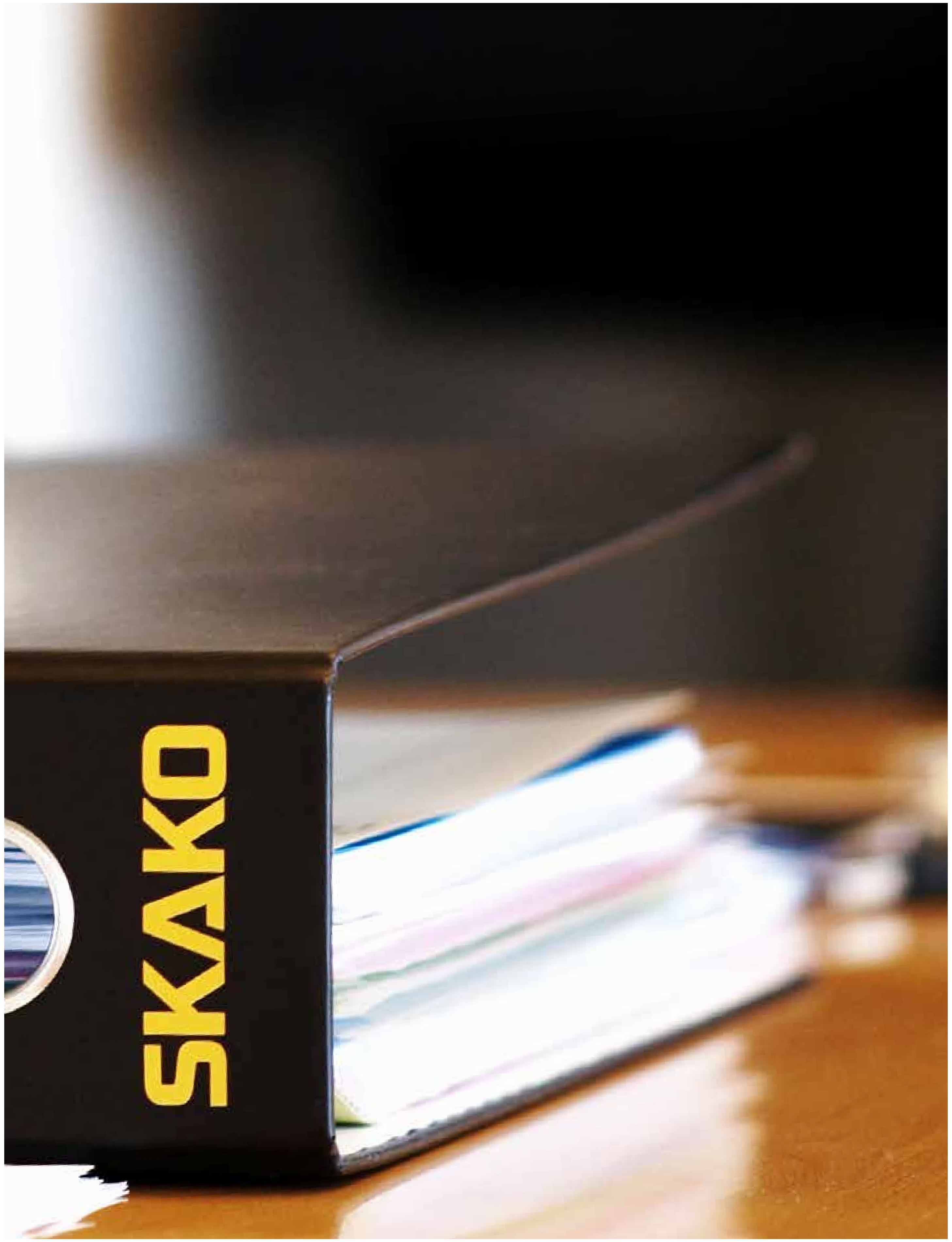
- **PRODUCTION:** Generally speaking, the Group is a know-how and engineering enterprise involving the production of key components. Production primarily comprises installation and testing and does not, therefore, include energy-intensive or polluting processes. Apart from a the work done in a single wet painting cabin at the factory in Lille, France, all surface treatment processes have been outsourced to subcontractors.

- **HEATING:** In 2012, the Group implemented a range of energy-saving initiatives with a view to reducing heating expenses. For example, new and more efficient gas burners have been introduced and new, energy-saving windows have been installed at the Faaborg facility. Measurement of the savings achieved will be carried out in 2013.

- **TRANSPORT:** The company generates significant indirect environmental impact from incoming and outgoing traffic in the form of goods vehicles, ships and, to a lesser extent, aircraft. As the markets in Western Europe have been in recession in recent years, orders have increasingly stemmed from more distant markets in Africa, the Far East and the USA. This has naturally entailed sending shipments over longer distances with the associated rise in support expenses and environmental impact. In 2012, with a view to counteracting this tendency – and the attendant competitive considerations – SKAKO Concrete in particular built up a network of subcontractors to supply steel constructions, especially in South-East Asia and the United States, as a supplement to the network of subcontractors in Eastern Europe.

- **AIR TRAVEL:** In order to boost interdepartmental collaboration and to reduce air travel for the Group's employees, the Group has invested in modern, advanced video conferencing equipment for its three main locations in Faaborg, Strasbourg and Lille.

In the opinion of the Group, we all have a responsibility to contribute to improving the environment. The companies within the Group are therefore maintaining constant focus on the environment.


SKAKO








CORPORATE SOCIAL RESPONSIBILITY

The Group's policies in the field of occupational health and safety and in relation to the Group's employees involve strong focus on the establishment and maintenance of a healthy working environment, where measures are applied to prevent accidents and injuries, and where efforts are made to generate positive relations to the workplace in general.

In 2011, the Group set up a working environment committee to organise the working relationship between management and employees to improve health and safety of the Group. Defibrillators were installed throughout the Group's facilities in 2012, and a number of employees have taken part in first aid courses to boost safety conditions for the staff. It has not yet been possible to measure the impact of these measures. At the factory in Lille, France, where the majority of production is carried out, the Group worked hard in the period 2010–12 to build up and implement a safety system and a safety culture. This work has significantly reduced the number of industrial accidents and injuries, as has been confirmed by an external audit performed in January 2013.

In 2012, Employee Appraisal Interviews were carried out to boost collaboration and well-being at work, and to chart employees' objectives and skills.

Collaboration Committee meetings are held to increase the dialogue between management and employees, and information meetings are carried out every quarter. At these meetings, the management informs all employees about the current status of the Group.

The Group has not formulated specific corporate social responsibility policies for areas other than occupational health and safety.

OUTLOOK FOR 2013

It is expected that the market development programmes launched for Concrete and Vibration will result in an increasing level of activity for the Group in 2013.

Improved profits are expected in 2013.

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Board have today considered and adopted the annual report of SKAKO A/S for the period 1 January–31 December 2012.

The annual report is prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

It is our opinion that the consolidated financial statement and the parent company financial statement give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2012, and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January–31 December 2012.

In our opinion, the management report includes a true and fair account of the development in the operations and financial circumstances of the Group and the company, of the results for the year and cash flows, and of the financial position as a whole, as well as a description of the most significant risks and elements of uncertainty facing the company and the Group.

We recommend that the annual report be approved by the Annual General Meeting.

Faaborg, 22 March 2013

EXECUTIVE BOARD:

Lars Bugge
CEO

Carl Christian Graversen
CFO

THE BOARD OF DIRECTORS:

Kaare Vagner
Chairman

Christian Herskind
Deputy Chairman

Per Have

Jens Wittrup Willumsen

Henrik Lind

THE INDEPENDENT AUDITOR'S REPORT

To the shareholders in SKAKO A/S

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and the parent company financial statements for SKAKO A/S for the financial year 1 January–31 December 2012, which comprise income statement, comprehensive income statement, balance sheet, equity statement, cash flow statement and notes, including accounting principles, for both the Group and the company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS AND COMPANY FINANCIAL STATEMENTS

The management is responsible for the preparation of the consolidated financial statements and the parent company financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies. The management is also responsible for the internal controls that the management considers necessary to enable the preparation of consolidated financial statements and parent company financial statements free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We have conducted the audit in accordance with international standards on auditing and additional requirements under Danish audit legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the consolidated financial statements and the parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

STATEMENTS, CONTINUED

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

The audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2012, and of the results from the Group's and the parent company's operations and cash flows for the financial year 1 January–31 December 2012 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT REPORT

We have read the management report in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the management report is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 22 March 2013
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Gert Fisker Tomczyk State-authorised public accountant	Henrik Ødegaard State-authorised public accountant

INCOME STATEMENT FOR THE PERIOD 1 JANUARY–31 DECEMBER

PARENT COMPANY		NOTE	kEUR	GROUP	
2011	2012			2012	2011
0	0	3;4	**NET REVENUE**	47,321	44,649
0	0	5	Production expenses	-37,299	-34,383
0	0		**GROSS PROFIT**	10,022	10,265
788	1,267	7	Other operating income	194	136
0	0	5	Distribution expenses	-4,643	-4,076
-1,544	-1,426	5;6	Administrative expenses	-3,982	-4,011
-756	-159		**PROFIT ON PRIMARY OPERATIONS**	1,592	2,314
1,748	1,519	8	Financial income	84	308
-160	-370	9	Financial expenses	-742	-585
832	991		**PROFIT BEFORE TAX**	933	2,038
0	68	10	Tax on profit for the year	-285	-483
832	1,059		**PROFIT FOR THE YEAR ON CONTINUING OPERATIONS**	648	1,555
			DISCONTINUED OPERATIONS		
-5,801	0	11	Profit for the year on discontinued operations	388	-5,775
-4,969	1,059		**NET PROFIT FOR THE YEAR**	1,036	-4,221
		12	**EARNINGS PER SHARE** (current and diluted) from continuing operations		
			Earnings per share, current	0.27	0.69
			Earnings per share, diluted	0.21	0.53
			PROPOSED DISBURSEMENT OF PROFITS		
0	0		Proposed dividend: EUR 0 per share		
-4,969	1,059		Retained earnings		
-4,969	1,059				

COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD 1 JANUARY–31 DECEMBER

PARENT COMPANY		NOTE	kEUR	GROUP	
2011	2012			2012	2011
-4,969	1,059		**NET PROFIT FOR THE YEAR**	1,036	-4,221
			OTHER COMPREHENSIVE INCOME		
0	0		Exchange rate regulations from conversion of foreign entities	35	-31
			Value regulation of hedging instruments:		
0	0		Value regulation for the year	95	-105
0	0		Tax on other comprehensive income	-24	26
0	0		**OTHER COMPREHENSIVE INCOME AFTER TAX**	106	-110
-4,969	1,059		**TOTAL COMPREHENSIVE INCOME**	1,142	-4,330

BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY 2011	PARENT COMPANY 2012	NOTE	kEUR ASSETS	GROUP 2012	GROUP 2011
			NON-CURRENT ASSETS		
0	0	**13**	Intangible assets	251	100
90	127	**14**	Property, plant and equipment	8,559	8,110
10,882	12,226	**15**	Participating interests in associated companies	-	-
4	0		Receivables from associated companies	-	-
0	0	**20**	Deferred tax	2,598	1,956
46	46	**16**	Other receivables	151	149
11,021	12,399			11,559	10,314
			CURRENT ASSETS		
0	0	**17**	Inventories	6,530	6,409
4	0		Trade receivables	9,064	11,133
0	0	**18**	Work in progress on behalf of third parties	1,209	1,430
1,216	1,114		Receivables from associated companies	-	-
0	0		Tax receivable	45	35
16	51		Other receivables	1,073	1,261
131	136		Prepayments and accrued income	377	380
0	0	**11**	Assets held for sale	579	2,370
12	10		Securities	10	12
0	0		Cash at bank and in hand	3,295	2,271
1,379	1,312			22,181	25,301
12,400	13,710		**TOTAL ASSETS**	33,740	35,615

BALANCE SHEET AT 31 DECEMBER

PARENT COMPANY 2011	PARENT COMPANY 2012	NOTE	kEUR EQUITY AND LIABILITIES	GROUP 2012	GROUP 2011
		19	**EQUITY**		
3,266	3,266		Share capital	3,266	3,266
0	0		Hedging reserve	-8	-79
0	0		Translation reserve	-178	-213
3,048	3,048		Capital reduction reserve	3,048	3,048
1,816	2,810		Retained earnings	3,732	2,760
8,130	9,124		**TOTAL EQUITY**	9,860	8,782
			NON-CURRENT LIABILITIES		
0	0	**20**	Deferred tax	67	36
1,525	0	**21**	Convertible bonds	0	1,525
0	0	**22**	Pensions and similar obligations	230	215
0	0	**23**	Other provisions	145	250
0	0	**24**	Credit institutions	2,634	3,129
0	75	**24**	Leasing debt	855	357
1,525	75			3,931	5,512
			CURRENT LIABILITIES		
0	0	**23**	Other provisions	608	854
75	36	**24**	Short-term section of debts to credit institutions and leasing	960	950
72	109	**24**	Credit institutions	2,601	3,571
0	1,681	**21**	Convertible bonds	1,681	0
0	0	**18**	Prepayments from customers	2,390	2,273
146	153		Trade payables	7,050	6,877
2,303	2,420		Debt to associated companies	-	-
0	0		Corporation tax	308	10
149	112	**25**	Other payables	4,058	4,399
0	0	**11**	Obligations concerning assets held for sale	248	2,366
0	0		Prepayments and accrued income	45	20
2,745	4,512			19,950	21,320
4,270	4,587		TOTAL LIABILITIES	23,881	26,832
12,400	13,710		**TOTAL EQUITY AND LIABILITIES**	33,740	35,615

26 CONTINGENT ASSETS
27 CONTINGENT LIABILITIES AND SECURITIES
32-35 NOTES WITHOUT REFERENCE

CASH FLOW STATEMENT

PARENT COMPANY		NOTE	kEUR	GROUP	
2011	**2012**			**2012**	**2011**
832	991		Profit before tax	933	2,038
-1,594	-1,136	**28**	Adjustments	446	1,042
-60	89	**29**	Change in operating capital	2,356	-2,012
-822	-55		Cash flow from operations before financial items	3,735	1,068
406	177		Interest received, etc.	84	308
-160	-368		Interest paid, etc.	-520	-627
-575	-246		Cash flow from operations	3,299	749
0	68		Corporation tax paid	-609	64
-575	-178		**Cash flow from operating activities**	2,690	813
8	0		Disposal of property, plant and equipment	339	48
-46	0		Change in other non-current assets	-2	27
0	0	**30**	Purchase of intangible assets	-260	0
-13	-15	**30**	Purchase of property, plant and equipment	-270	-266
-51	-15		**Cash flow from investing activities**	-193	-191
0	0		Repayment of long-term loans and bank loans	-510	-507
-150	220		Change in Inter-company balance	-	-
1,528	0	**21**	Issue of convertible bonds	0	1,528
369	0		New subscription of shares	0	369
1	1		Dividend received	1	1
77	-65		Trade in own shares	-65	77
1,825	156		**Cash flow from financing activities**	-573	1,468
1,199	-37		**Cash flow from continuing operations**	1,923	2,091
0	0	**11**	**Cash flow from discontinued operations**	-410	185
1,199	-37		**Change in cash at bank and in hand**	1,513	2,275
0	0		Exchange rate adjustments of cash at bank and in hand	4	2
-1,271	-72		Cash at bank and in hand, opening balance	-735	-3,012
-72	-109	**31**	**Cash at bank and in hand, closing balance**	782	-735

EQUITY STATEMENT

kEUR

GROUP	SHARE CAPITAL	HEDGING RESERVE	TRANSLATION RESERVE	CAPITAL REDUCTION RESERVE	RETAINED EARNINGS	TOTAL
EQUITY AT 1 JANUARY 2011	6,096	0	-182	0	6,750	12,664
CHANGES IN EQUITY IN 2011						
Total comprehensive income	0	-79	-31	0	-4,221	-4,330
Capital reduction	-3,048	0	0	3,048	0	0
New subscription of shares	217	0	0	0	185	402
Transaction expenses	0	0	0	0	-33	-33
Equity element, convertible bonds	0	0	0	0	3	3
Sale of own shares	0	0	0	0	77	77
TOTAL CHANGES IN EQUITY IN 2011	-2,831	-79	-31	3,048	-3,989	-3,882
EQUITY AT 1 JANUARY 2012	**3,266**	**-79**	**-213**	**3,048**	**2,760**	**8,782**
CHANGES IN EQUITY IN 2012						
Total comprehensive income	0	71	35	0	1,036	1,142
Purchase of own shares	0	0	0	0	-65	-65
TOTAL CHANGES IN EQUITY IN 2012	0	71	35	0	972	1,077
EQUITY AT 31 DECEMBER 2012	**3,266**	**-8**	**-178**	**3,048**	**3,732**	**9,860**

PARENT COMPANY	SHARE CAPITAL	RETAINED EARNINGS	CAPITAL REDUCTION RESERVE	TOTAL
EQUITY AT 1 JANUARY 2011	6,096	6,554	0	12,650
CHANGES IN EQUITY IN 2011				
Total comprehensive income	0	-4,969	0	-4,969
Capital reduction	-3,048	0	3,048	0
New subscription of shares	217	185	0	402
Transaction expenses	0	-33	0	-33
Equity element, convertible bonds	0	3	0	3
Sale of own shares	0	77	0	77
TOTAL CHANGES IN EQUITY IN 2011	-2,831	-4,738	3,048	-4,520
EQUITY AT 1 JANUARY 2012	**3,266**	**1,816**	**3,048**	**8,130**
CHANGES IN EQUITY IN 2012				
Total comprehensive income	0	1,059	0	1,059
Purchase of own shares	0	-65	0	-65
TOTAL CHANGES IN EQUITY IN 2012	0	994	0	994
EQUITY AT 31 DECEMBER 2012	**3,266**	**2,810**	**3,048**	**9,124**

NOTES

Note

1 **ACCOUNTING PRINCIPLES**

The annual report for SKAKO A/S, which comprises both the annual accounts for the parent company and the consolidated accounts, has been prepared in accordance with the International Financial reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for listed companies.

The official annual report is presented in Danish kroner (DKK), which is the functional currency for the parent company and the Danish subsidiaries. This translated annual report is presented in EUR. For conversion from DKK to EUR the exchange rate at year-end 2012 (DKK/EUR 746.04) is used.

Change in accounting principles, including the presentation and implementation of accounting standards

The accounting principles for SKAKO A/S, including presentation, are unchanged in relation to last year, although changes have been made to comparative figures for 2011 as regards Inter-company services between continuing and discontinued operations. In the 2011 income statement, an additional expense of kEUR 391.1 has been recognised under discontinued operations, and a corresponding figure has been recognised as income under continuing operations. This change has not affected equity.

Implementation of new accounting standards

SKAKO A/S has implemented the accounting standards approved by IASB and the EU, as well as changes to same and the interpretations that came into effect in the financial year 2012.
Implementation of new and updated accounting standards has had no effect on the amounts of the calculated profits, assets and liabilities, or equity in connection with the presentation of the accounts for the financial years in question.

Most recently adopted accounting standards (IFRS) and interpretations (IFRIC) for implementation in subsequent accounts periods

At the end of January 2013, IASB issued the following new accounting standards and interpretations, which may be of relevance to SKAKO A/S.

- Amendment to IAS 1 – This amendment gives rise to requirements concerning the presentation of items under “other comprehensive income” that are to be recirculated to the income statement separated from items that are not to be recirculated.
- IAS19 – All actuarial gains/losses are recognised in other comprehensive income (discontinuation of the corridor method) and the calculation of interest on the net obligation.
- IFRS 9 – The number of categories for financial assets is to be reduced to two: amortised cost and fair value.
- IFRS 10 – Specification of the definition of control of another company. Control exists when the following conditions are fulfilled.
- Controlling influence over the company.
- Risk associated with or right to variable return.
- Ability to use controlling influence over the company to influence returns.
- IFRS 12 – Disclosure requirements concerning ownership shares in other entities, including subsidiaries, joint operations, joint ventures and associated companies.
- IFRS 13 – General standard that lays down the principles for fair value calculation.
- Amendment to IAS 27 – The consolidation regulations have been replaced by IFRS 10, and the standard hereafter comprises the regulations concerning parent company accounts from the current IAS 27.
- Changes to IFRS 10, 11 and 12, which specify that the date for the first application of the standards is the first day of the financial year in which the standards are implemented.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

- Changes to IFRS 10 and 12, and IAS 27, which exempt investment enterprises from the consolidation obligation. Instead, the investments are recognised at fair value.
- The annual improvements comprise:
  – IAS 1, specification of comparable information when three-year balance sheets are presented.
  – IAS 16, parts and equipment for use in servicing property, plant and equipment are not to be capitalised as equipment but as property, plant and equipment when they fulfil the definition for same.
  – IAS 32, specification of tax in the income statement and equity.
  – IAS 34, segment information in interim reports.

The standards an interpretations issued by IASB, but which are not relevant to SKAKO A/S, comprise IFRS 1, IFRS 7, IFRS 11, changes to IAS 28 and IFRIC 20.

The standards and interpretations stated have been approved by the EU, with the exception of IFRS 9 and the annual improvements.

SKAKO A/S expects to implement the new standards and interpretations when their use becomes mandatory.

Consolidated accounts
The consolidated accounts comprise the parent company (SKAKO A/S) and associated companies in which SKAKO holds controlling influence. Controlling influence is achieved through directly or indirectly owning or controlling more than 50% of the votes, or otherwise exercising control over the company in question.

The consolidated accounts are prepared as a summary of the financial statements of the parent company and the individual associated companies, calculated on the basis of the Group's accounting principles, with the elimination of Inter-company income and expenses, shareholdings, intercompany balances and dividends, as well as realised and unrealised profits on transactions between consolidated enterprises. Unrealised losses are eliminated in the same way as unrealised profits to the extent that there has been no value impairment.

The setting-off of participating interests in associated companies is performed using the proportionate share of the subsidiary's fair value of identifiable net assets and included obligations at the time of acquisition.

Amalgamations
Newly acquired or newly founded companies are recognised in the consolidated accounts from the date on which they were acquired. Sold or discontinued companies are recognised in the consolidated income statement up until the date of disposal. Comparative figures are not corrected for newly acquired, sold or discontinued companies. Discontinued operations are, however, presented separately – see below.

For purchases of new companies where the parent company achieves controlling influence of the purchased company, the take-over method is applied. The identifiable assets, obligations and contingent liabilities of the purchased company are recognised at fair value on the take-over date. Identifiable intangible assets are recognised to the extent that they can be separated or stem from a contractual right, and on condition that the fair value can be calculated reliably. Deferred tax is included for the re-evaluations performed.

For amalgamations performed on or after 1 January 2004, positive differences (goodwill) between the cost of the company and the fair value of the identifiable assets, obligations and contingent liabilities acquired are recognised as "goodwill" under intangible assets. Goodwill is not amortised, but is tested once a year for value impairment. The first value impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is attributed to the cash-generating entities that subsequently form the basis for the value impairment test.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Profits or losses from the sale or discontinuation of subsidiaries and associated companies are calculated as the difference between the sales price or winding-up price and the book value of the net assets, including goodwill, at the time of sale, as well as expenses associated with the sale or winding-up process. If goodwill from company acquisitions performed before 1 January 2004 has been immediately amortised directly over equity, the book value at the time of sale will be EUR 0.

Translation of foreign currency
A functional currency is set for each of the reported companies in the Group. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currency.

Transactions in foreign currency are initially translated into the functional currency at the exchange rate at the date of transaction. Exchange adjustments arising due to differences between the transaction date rates and the rates at the dates of payment are recognised as financial income or financial expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rate at the balance sheet date. Exchange adjustments arising due to differences between the rates at the balance sheet date and the transaction date rates are recognised as financial income or financial expenses in the income statement.

On recognition in the consolidated accounts of foreign enterprises with a functional currency that differs from SKAKO A/S' presentation currency, the income statements are translated at transaction date rates, and balance sheet items are translated at the exchange rate at the balance sheet date. The transaction date rates are based on the average rates for the individual months to the extent that this does not materially distort the presentation of the underlying transaction.
Exchange rate differences arising on the translation of the opening equity of foreign enterprises at exchange rates at the balance sheet date and on the translation of income statements from transaction date rates to exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of balances with foreign enterprises that are treated as part of the total net investment in the enterprise in question are recognised directly in equity in the consolidated accounts, on condition that the balance is denominated in the functional currency of the parent company or the foreign enterprise.
Similarly, exchange gains and losses on the part of loans and derivative financial instruments entered into in order to hedge the net investment in foreign enterprises with a functional currency other than the one used by SKAKO A/S, and which effectively hedge against corresponding exchange gains/losses on the net investment in the enterprise, are recognised directly in equity under a separate translation reserve.

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and positive and negative values are set off only where the enterprise has the right and intention to settle several financial instruments on a net basis (in the case of cash settlement). Fair values for derivative financial instruments are calculated on the basis of market data as well as recognised valuation methods.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the value of the hedged asset or the hedged liability related to the hedged risk.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Changes in that part of the fair value of derivative financial instruments that are designated and qualify as hedges of expected future cash flows and effectively hedge changes in the value of the hedged item are recognised in equity. Profits or losses on such hedging transactions are transferred from equity on realisation of the hedged transaction and are recognised in the same entry as the hedged item. However, on hedging proceeds from future borrowing, profits or losses on hedging transactions are transferred from equity over the term of the loan.

Changes in the fair values of derivative financial instruments that do not qualify for hedge accounting are recognised as they arise in financial income and expenses in the income statement.

Changes in fair values of derivative financial instruments that are used for hedging net investments in foreign subsidiaries or associated companies, and which provide effective hedging against exchange rate differences in these companies, are recognised directly in equity under a special translation reserve.

Income statement

Net revenue
Net revenue from the sale of commodities and finished goods is recognised in the income statement provided that risk has been transferred to the buyer prior to year end, and provided that income can be measured reliably and is expected to be received.

Revenue concerning services – comprising service packages and extended warranties on sold products and contracts – is recognised on a linear basis in step with the delivery of the services.

Net revenue is measured excluding VAT and duties collected on behalf of a third party. All forms of discounts granted are recognised in net revenue on an ongoing basis.

Work in progress on behalf of third parties is recognised in net revenue in step with performance of the associated production such that the net revenue corresponds to the sales value of the work completed during the year (production method).
Net revenue is recognised when the total income and expenses on a construction contract and the degree of completion at balance sheet date can be estimated reliably, and it is likely that the financial benefits, including payment, will accrue to the Group.

Production expenses
Production expenses comprise costs paid to achieve the net revenue for the year. These include direct and indirect expenses for raw materials and consumables, wages and salaries, rental and leasing expenses, and depreciation of production facilities. The commercial companies include consumption of goods.

Furthermore, production expenses include research and development costs that do not qualify for capitalisation, as well as amortisation and impairment on capitalised development costs.

Provisions for losses on construction contracts are also included.

NOTES, CONTINUED

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Distribution expenses
Distribution expenses comprise expenses incurred for the distribution of goods sold during the year, as well as expenses for sales campaigns, etc. completed during the year. This includes expenses for sales staff, advertising and exhibition costs, and depreciation.

Administrative expenses
Administrative expenses comprise expenses incurred during the year for management and administration, including expenses for administrative staff, office premises, office expenses and depreciation.

Other operating income and expenses
Other operating income and expenses comprise items of secondary nature in relation to the company's operations.

Dividends on participating interests in associated companies in the parent company's financial statement
Dividends on participating interests in associated companies are recognised as income in the parent company's income statement for the financial year in which the dividends are declared.

Financial income and expenses
Financial income and expenses comprise interest, exchange gains and losses and impairment losses on securities, debt and foreign currency transactions, amortisation of financial assets and liabilities, as well as extra payments and repayments under the on-account taxation scheme. They also include realised and unrealised gains and losses concerning derivative financial instruments that are not designated hedging agreements.

Tax on profit/loss for the year
SKAKO A/S is taxed jointly with the associated Danish companies. The current corporation tax is divided between the jointly taxed companies in relation to the taxable income of said companies (full distribution with reimbursement in the event of tax losses). The jointly taxed companies participate in the on-account taxation scheme.

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement in the amount that can be attributed to the profit/loss for the year and directly in "other comprehensive income" in the amount that can be attributed to items directly in "other comprehensive income".

Balance sheet

Intangible assets

Software
Software is recognised at cost less accumulated depreciation, or at utility value when this is lower for reasons that cannot be assumed to be transitory.

Depreciation of software is calculated on a straight-line basis over the expected useful life of the assets, i.e. 3–5 years.

Development projects
Development projects that are clearly defined and identifiable – where the technical feasibility, sufficient resources and a potential future market or application option in the Group can be proven, and where the intention is to produce, market or use the product – are recognised as intangible assets if the cost can be measured reliably, and if there is sufficient certainty that the future earnings or net sales price will be able to cover the production, sale, administrative and development expenses. Other development expenses are recognised in the income statement progressively as said expenses are incurred.

Recognised development expenses are measured at cost less accumulated depreciation and impairment losses. Cost comprises salaries, depreciation and other expenses that can be attributed to the Group's development activities and loan expenses from specific and general loans that directly concern the development of development projects.

Note kEUR

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Development projects, continued
On completion of the development work, depreciation of development projects is calculated on a straight-line basis over the expected useful financial life as from the time when the asset is ready for use. The depreciation period is usually 5–10 years. The basis of depreciation can be reduced by impairment losses, if any.

Goodwill
Goodwill is recognised on the first inclusion in the balance sheet at cost. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The book value of goodwill is allocated to the Group's cash-generating units at the time of acquisition. Identification of cash-generating units is based on management structure and internal financial management.

On the sale of companies acquired prior to 1 January 2004, where goodwill was immediately depreciated over equity in accordance with the accounting principles applicable at the time, and where reactivation has not been performed in accordance with the exception provisions in IFRS 1, the immediately depreciated value of goodwill is recognised at book value (EUR 0) in the calculation of profit or loss on the sale of the company.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for materials, components, subcontractors and labour. Estimated expenses for dismantling and disposing of the asset and for re-establishment are added to cost to the extent that they are recognised as a provision. Where individual components of an item of property, plant and equipment have different useful lives, the cost of the item is broken down into separate components which are depreciated separately.

The cost of assets held under finance leases is calculated at the lower of the fair value of the leased asset and the net present value of the future minimum lease payments computed by applying the interest rate implicit in the lease or an approximated value thereof as the discount rate.

Subsequent expenses, e.g. in connection with the replacement of components of an item of property, plant and equipment, are recognised in the book value of the asset in question when it is probable that the expenses incurred will result in future economic benefits to the Group. The book value of the replaced components is derecognised in the balance sheet and recognised in the income statement. All other expenses incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings:	10–40 years
Plant and machinery:	3–10 years
Tools and equipment:	3–10 years
Lease assets:	3–10 years
Furnishing of leased premises:	3–10 years

Land is not depreciated.

The basis of depreciation is calculated taking into account the residual value of the asset less any impairment losses. The residual value is determined at the time of acquisition and is reassessed annually. Where the residual value exceeds the book value of the asset, depreciation is discontinued.
If the depreciation period or the residual value has changed, the effect on depreciation is recognised prospectively as a change of accounting estimate.
Depreciation is recognised in the income statement under production, distribution as well as administrative expenses, to the extent that depreciation is not included in the cost of assets of own construction.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Participating interests in associated companies in the parent company's annual accounts
Participating interests in associated companies are measured at cost. Where cost exceeds recovery value, this is written down to the lower value.

Cost is similarly written down to the extent that the dividend paid exceeds the accumulated revenue after the date of acquisition.

Inventories
Inventories are measured at cost, using the FIFO method. If the net realisable value (NRV) is lower than cost, this is written down to the lower value.

The cost of goods for resale, raw materials and consumables comprises direct costs and transportation expenses.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and indirect production expenses. Indirect production expenses comprise indirect materials and labour expenses as well as maintenance and depreciation of machinery, factory buildings and equipment used in the manufacturing process, together with costs of factory administration and management.

The NRV of inventories is measured at sales price less costs of completion and selling costs. NRV is determined taking into account marketability, obsolescence and development in the expected sales price.

Trade receivables
Trade receivables are measured at amortised cost less losses from value impairment.

Work in progress on behalf of third parties
Construction contracts in process are measured at the sales price of the work performed, less interim billing and expected losses.

The sales price is measured on the basis of the stage of completion at balance sheet date and the total expected income on the individual work in progress. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses.

Where it is probable that the total contract expenses will exceed total income from a contract, the expected loss is recognised immediately as an expense in the income statement.

Where the sales price of a contract cannot be calculated reliably, the sales price is measured as the expenses incurred to date which it is considered likely that the company will recover.

Work in progress for which the sales price of the work performed exceeds interim billings and expected losses is recognised as assets. Work in progress for which interim billings and expected losses exceed the sales price is recognised as liabilities.

Prepayments from customers are recognised as liabilities.

Expenses related to sales work and the securing of contracts are recognised in the income statement as incurred.

Prepayments and accrued income
Prepayments and accrued income recognised under assets comprise expenses paid with regard to subsequent financial years.

Securities
Shares and bonds included in the Group's trading book are recognised under current assets at cost on the date of transaction and are subsequently measured at fair value corresponding to the market price for listed securities and at an estimated fair value calculated on the basis of market data and recognised valuation methods for unlisted securities. Changes in the fair value are recognised continuously in the income statement under financial items.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Impairment losses on non-current assets
Intangible assets with undefinable useful lives are tested annually for impairment losses. Development projects in progress, deferred tax assets and financial assets are correspondingly tested annually for impairment losses.

Other non-current assets are tested when there are indications of impairment. When such indications are identified, the recovery value of the asset is calculated. The recovery value is the higher of fair value less the expected selling expenses and capital value.

An impairment loss is recognised when the book value of an asset or a cash-generating unit exceeds the recovery value of the asset or the cash-generating unit in question. Losses from impairment on subsidiaries are recognised in the income statement under financial expenses. Losses from impairment on other assets are recognised under production, distribution and administrative expenses.

Impairment losses on non-current assets are reversed to the extent that changes have occurred in the preconditions and estimates that led to the impairment. Impairment losses are only reversed to the extent that the new book value of the asset does not exceed the book value that would have been ascribed to the asset after depreciation if the asset had not incurred impairment losses.

Equity

Dividend
A proposed dividend is recognised as a liability at the time of adoption at the Annual General Meeting (declaration date). The dividend distribution proposed for the year is disclosed as a separate item under equity.

Translation reserve
The translation reserve in the consolidated accounts comprises exchange adjustments arising on the translation of the financial statements of foreign enterprises from their functional currencies into the presentation currency of the SKAKO Group (DKK).

Upon full or part realisation of the net investment, exchange adjustments are recognised in the income statement.

The translation reserve was reset to zero on 1 January 2004 in accordance with IFRS 1.

Capital reduction reserve
At the extraordinary General Meeting held on 10 November 2011, it was decided to reduce the share capital in the company by EUR 3,011,903 and to change the nominal value of the shares in the company from DKK 20 to DKK 10 per share. The special capital reduction reserve can be dissolved and transferred to unrestricted reserves through a decision by the General Meeting.

Own shares
Purchase and sales sums as well as dividends relating to own shares are recognised directly under retained earnings in equity.

Pension obligations
Obligations referring to defined contribution plans are recognised in the income statement in the period to which they relate, and any contributions outstanding are recognised in the balance sheet under other payables.

For defined benefit plans, an annual actuarial calculation is performed of the net present value of the future benefits that are to be paid out under the defined benefit plan. Net present value is calculated based on assumptions of the future development in, for example, salary level, interest rates, inflation and mortality. The net present value is calculated only for benefits earned by employees from their employment to date with the Group. The actuarially calculated net present value less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

In the income statement, the pension expense for the year is recognised based on the actuarial estimates and financial expectations at the beginning of the year. The accumulated actuarial gains or losses are also recognised.

Corporation tax and deferred tax
Current tax liabilities and receivables are recognised in the balance sheet at the amounts calculated on the taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account.

Deferred tax is measured using the temporary differences between the book value and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes, office premises and other items – apart from business acquisitions – where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax assets, including the tax base of any tax loss carry-forwards, are recognised in other non-current assets at the value at which the asset is expected to be realised, either by elimination of tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Adjustments are made to deferred tax to take account of the elimination of unrealised Inter-company profits and losses.

Deferred tax is measured on the basis of the tax rules and the tax rates of the respective countries that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes to deferred tax due to changes to tax rates are recognised in the income statement.

Provisions
Provisions primarily comprise warranty provisions.

Provisions are recognised when – in consequence of an event that has occurred before or on the balance sheet date – the Group has a legal or constructive obligation and it is probable that there will be an outflow of the Group's financial resources to settle the obligation.

Provisions are measured at the management's best estimate of the expenses required to settle the obligation.

Warranty provisions are recognised in step with the sale of goods and services based on warranty expenses paid in previous financial years.

Financial obligations
Convertible bonds are recognised in the balance sheet at amortised cost, based on the current market interest rate, and recognised in the income statement in step with the bonds' maturity period and time of redemption.

Loans from credit institutions, etc. are recognised at the time of borrowing at the value of the proceeds received net of transaction expenses incurred. Subsequently, the financial obligations are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses in the income statement over the loan period.

Financial obligations also include the capitalised remaining lease obligations on financial lease contracts.

Financial warranties issued by the parent company to third parties concerning loans to subsidiaries are recognised at fair value at the time of establishment. Subsequently, warranties issued are measured at the higher of the original fair value less amortisation or the expected loss.

Other obligations are measured at net realisable value.

Prepayments and accrued income
Prepayments and accrued income recognised under liabilities comprise payments received relating to income in subsequent years.

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Assets held for sale
Assets held for sale comprise property, plant and equipment and "sale groups" owned held for sale.
A "sale group" is a group of assets that are to be disposed of together through a single sale transaction or similar, and obligations directly linked to these assets that will be transferred as part of the transaction.
Assets are classified as "held for sale" when their book value will primarily be recovered through sale within twelve (12) months in accordance with a formal plan, rather than through continued use.
Assets or "sale groups" that are held for disposal are measured at the lower of book value or fair value less selling expenses. No depreciation or amortisation is performed on assets from the time when they are classified as "held for sale".
Impairment losses that arise on the initial classification as "held for sale", and gains or losses from subsequent measurement at the lower of book value or fair value less selling expenses, are recognised in the income statement in the items they concern. Gains and losses are stated in the notes.
Assets and associated obligations are highlighted on separate lines in the balance sheet, and the main items are specified in the notes.

Presentation of discontinued operations
Discontinued operations constitute a unit whose activities and cash flows, from operational and accounting perspectives, can be clearly separated from those of the rest of the business, and where the unit has either been sold or separated held for sale, and the sale is expected to be completed within one (1) year according to a formal plan. Discontinued operations also include companies purchased with a view to sale.
Profits and value adjustments after tax on discontinued operations are disclosed on a separate line in the income statement with comparative figures. Revenue, expenses and tax for the discontinued operation are disclosed in the notes.
Similarly, assets and the associated obligations are highlighted on separate lines in the balance sheet – cf. the "Assets held for sale" section – and the main entries are specified in the notes.
Cash flows from operating, investing and financing activities for the discontinued operations are disclosed in a note.
Comparative figures for discontinued operations are only adjusted in the income statement and cash flows in the consolidated accounts for the year prior to reclassification of the operation.

Cash flow statement
The cash flow statement shows cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents, as well as cash and cash equivalents at the beginning and at end of the year.
The effect on liquidity of purchase and sale of enterprises is shown separately under cash flows from investing activities.
Cash flows relating to acquired enterprises are recognised from the date of acquisition, while cash flows related to enterprises disposed of are recognised until the date of disposal.

Cash flow from operating activities
Cash flows from operating activities are calculated as the profit/loss before tax adjusted for non-cash operating items, changes in operating capital, interest paid and corporation tax paid.

Cash flow for investing activities
Cash flows for investing activities comprise payments made in connection with the purchase and sale of enterprises and operations, acquisitions and disposals of intangible assets, property, plant and equipment as well as other non-current assets and purchase and sale of securities that are not included under cash and cash equivalents.

Cash flow for financing activities
Cash flows for financing activities comprise changes to the amount or composition of the share capital and related expenses, as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of own shares, and distribution of dividends to shareholders.

Cash at bank and in hand
Cash at bank and in hand comprises deposits on bank accounts and current overdraft facilities that are included in ongoing cash management.

NOTES, CONTINUED

Note

1 **ACCOUNTING PRINCIPLES, CONTINUED**

Segment information
Information about business segments is prepared in accordance with the Group's accounting principles.

Segment income and expense, as well as segment assets and liabilities, comprise the items that can be directly attributed to the individual segment, as well as the items that can be allocated to the individual segment on a reliable basis. Non-allocated items primarily include assets and liabilities as well as income and expense concerning the Group's administrative functions, investing activities, income taxes, etc.

Assets in the segment include the non-current assets that are used directly in the segment's operations, including intangible assets, property, plant and equipment, and participating interests in associated companies, as well as current assets that are used directly in the segment's operations, including inventories, trade receivables, other receivables, prepayments and cash and cash equivalents.

Segment liabilities comprise the obligations that arise from the segment's operations, including obligations to suppliers of goods and services and other payables.

Calculation of key figures
The figures stated in the five-year summary are calculated as follows:

Net interest-bearing debt:	Liabilities to credit institutions, leasing debt and convertible bonds, less deposits on bank accounts and interest-bearing receivables
Growth in revenue:	$\frac{\text{Net revenue current year x 100}}{\text{Net revenue previous year}} - 100$
Net profit ratio:	$\frac{\text{Profit on primary operation x 100}}{\text{Net revenue}}$
Liquidity ratio:	$\frac{\text{Current assets, year end x 100}}{\text{Current liabilities, year end}}$
Solvency ratio :	$\frac{\text{Equity excl. minority interests, year end x 100}}{\text{Total assets, year end}}$
Return on equity:	$\frac{\text{Group share of profit for the year x 100}}{\text{Average equity, excl. minority interests}}$
NWC/revenue:	$\frac{\text{NWC at year end}}{\text{Revenue}}$
Earnings per share (EPS):	$\frac{\text{Group share of profit for the year}}{\text{Average number of outstanding shares}}$
Book value per share, year end:	$\frac{\text{Equity excl. minority interests, year end}}{\text{Number of shares, year end}}$
Market price, year end:	Price of listed shares, year end
Dividend per share, EUR:	$\frac{\text{Dividend percentage x nominal share value}}{100}$
Price/Book Value (P/BV):	$\frac{\text{Market price, year end}}{\text{Internal book value, year end}}$

Earnings per share (EPS) is calculated in accordance with IAS 33.

Note

2 **ACCOUNTING ESTIMATES AND ASSESSMENTS**

Estimated uncertainties
The calculation of the book value of certain assets and liabilities requires estimates of how future events will affect these assets and liabilities at balance sheet date. Estimates that are important to the presentation of accounts by the Group are performed, for example, by calculating impairments and depreciation, the sales value of construction contracts, the recognition of deferred tax assets, pensions and similar obligations, provisions and contingent liabilities and contingent assets. Estimates that are important to the presentation of accounts by the parent company are performed, for example, by establishing impairment requirements on participating interests in subsidiaries.

The estimates applied are based on assumptions that the management considers reasonable, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties which may lead to actual results deviating from these estimates. Such estimates comprise, for example, the assessment of the future realisation of deferred tax assets in the amount of EUR 2.6 million (recognised) and EUR 8.0 million (not recognised), depreciation period and realisation of development projects in the amount of EUR 0.3 million, inventories in connection with the sale of discontinued operations in the amount of EUR 0.5 million, provisions for ongoing cases, and warranties recognised in the total amount of EUR 0.8 million. Special risks for the SKAKO Group are mentioned in the management report (page 26) and in Note 34.

Accounting principles and assessments
As a part of the application of the Group's accounting principles, the management makes assessments – over and above estimated assessments – which may have a significant influence on the sums recognised in the annual report. Such assessments include, for example, when income and expenses in relation to contracts with third parties are to be dealt with in accordance with the production method, and the extent to which lease contracts are to be treated as operational or financial leases.

Note **kEUR**

3 **SEGMENT INFORMATION**

Operations 2012

	Concrete plants	Vibration equipment	Not distri-buted, incl. parent company	Elimina-tions	Continuing operations	Dis-continued operations	Group total
Net revenue, external	29,514	17,808	0	0	47,321	2,010	49,331
Net revenue, internal	184	1,126	0	-1,310	0	0	0
Depreciation	763	80	89	0	932	0	932
Profit on primary operations	-271	2,024	-162	0	1,592	-106	1,486
Financial income	58	156	198	-328	84	86	170
Financial expenses	-509	-191	-370	328	-742	-50	-792
Profit before tax	-722	1,989	-333	0	933	-70	864
Tax on profit/loss for the year	229	-582	68	0	-285	458	173
Net profit for the year	-493	1,407	-266	0	648	388	1,036
Segment assets	18,727	16,279	14,067	-15,911	33,161	579	33,740
Segment obligations	16,807	6,005	4,587	-3,765	23,633	248	23,881
Acquisition of intangible assets, property, plant and equipment for the year	1,581	123	126	0	1,830	0	1,830
Average number of employees	113	74	5	0	192	5	197

Operations 2011

	Concrete plants	Vibration equipment	Not distri-buted, incl. parent company	Elimina-tions	Continuing operations	Dis-continued operations	Group total
Net revenue, external	26,811	17,838	0	0	44,649	8,513	53,162
Net revenue, internal	5	1,008	0	-1,013	0	0	0
Depreciation	620	90	100	0	810	33	843
Profit on primary operations	-115	3,187	-758	0	2,314	-5,521	-3,207
Financial income	24	83	689	0	796	82	878
Financial expenses	-498	-152	-160	0	-809	-336	-1,145
Profit before tax	-588	3,118	-492	0	2,038	-5,775	-3,738
Tax on profit/loss for the year	349	-832	0	0	-483	0	-483
Net profit for the year	-239	2,286	-492	0	1,555	-5,775	-4,221
Segment assets	20,770	14,697	12,740	-14,962	33,244	2,370	35,614
Segment obligations	18,417	5,854	4,270	-4,075	24,466	2,366	26,832
Acquisition of intangible assets, property, plant and equipment for the year	906	73	13	0	992	0	992
Average number of employees	119	66	6	0	191	55	246

Transactions between segments are completed on market terms.

Note kEUR

3 **SEGMENT INFORMATION, CONTINUED**

Revenue and non-current assets are distributed as follows:

	NET REVENUE		NON-CURRENT ASSETS	
COUNTRY	**2012**	**2011**	**2012**	**2011**
Denmark	3,885	3,174	1,921	2,447
Other Nordic region	6,348	8,155	0	0
France	12,012	10,738	9,407	7,788
Great Britain	2,787	3,926	23	35
Germany	2,658	3,016	34	35
Other Western Europe	3,868	3,206	0	0
USA	5,037	2,089	175	9
Eastern Europe	1,354	2,657	0	0
Far East	746	1,140	0	0
Other markets	8,627	6,547	0	0
	47,321	44,649	11,559	10,314

4 **NET REVENUE**

Parent company			Group	
2011	**2012**	**Net revenue comprises:**	**2012**	**2011**
0	0	Sale of goods	33,769	29,767
0	0	Sale of services	5,577	7,745
0	0	Sales value of the year's production of construction contracts	7,290	6,721
0	0	Lease income	685	416
0	0		47,321	44,649

5 **EXPENSES**

Parent company			Group	
2011	**2012**	**Production expenses**	**2012**	**2011**
0	0	Consumption of goods for the year	19,657	23,224
0	0	Write-downs on inventories for the year	607	573
0	0	Reversed write-downs on inventories	521	390
		Reversal of write-downs is attributable to movements on written down item numbers		
		Research and development expenses		
0	0	Research and development expenses paid	259	43
0	0	Development expenses recognised under intangible assets	-206	0
0	0	Depreciation and impairment losses on recognised development expenses	17	0
0	0	**Research and development expenses for the year recognised in the income statement**	70	43

Note kEUR

5 **EXPENSES, CONTINUED**

Parent company			Group	
2011	**2012**	**Staff costs**	**2012**	**2011**
976	785	Wages and salaries	12,696	12,487
54	57	Contribution-based pensions	585	564
0	0	Defined benefit pensions	14	39
7	6	Other staff costs	432	375
1,037	848		13,727	13,465
		Staff costs are recognised as follows:		
0	0	Production expenses	8,091	7,995
0	0	Distribution expenses	3,156	2,927
1,037	848	Administrative expenses	2,480	2,542
1,037	848		13,727	13,465
6	5	Average number of employees	192	191

Remuneration of Board of Directors and Executive Board

Parent company			Group	
2011	**2012**	**Executive Board**	**2012**	**2011**
338	273	Lars Bugge, CEO	273	338
206	167	Carl Christian Graversen, CFO	167	206
544	440		440	544
		Board of Directors		
67	67	Kaare Vagner (Chairman)	67	67
34	34	Christian Herskind (Deputy Chairman)	34	34
20	25	Per Have	25	20
20	20	Jens Wittrup Willumsen	20	22
3	20	Henrik Østenkjær Lind (joined the Board on 10 November 2011)	20	3
20	0	Torben Nørgaard Hansen (stepped down from the Board on 10 November 2011)	0	22
164	166	Total remuneration	166	168

Overriding guidelines for Executive Board bonuses were adopted by the General Meeting on 25 April 2008. Bonuses will be paid in accordance with the guidelines adopted.

There are no special severance programmes for the Executive Board.

The Board fees paid to Per Have in 2012 include remuneration for chairing the audit committee.

No share options were issued.

Note kEUR

6 FEES TO AUDITORS SELECTED BY THE GENERAL MEETING

Parent company 2011	Parent company 2012		Group 2012	Group 2011
53	56	Total fees, PricewaterhouseCoopers	121	158
0	0	Total fees, other auditors	53	57
53	56		174	215
		Distribution of fees:		
20	20	Statutory audit	67	103
3	0	Other reporting assignments with assurance	0	3
3	5	Tax consultancy	6	6
27	31	Other services	48	46
53	56		121	158

7 OTHER OPERATING INCOME

Parent company 2011	Parent company 2012		Group 2012	Group 2011
779	1,267	Management fee and IT	113	128
8	0	Profit from sale of property, plant and equipment	15	8
0	0	Public subsidy	66	0
788	1,267		194	136

8 FINANCIAL INCOME

Parent company 2011	Parent company 2012		Group 2012	Group 2011
406	176	Interest income from associated companies	36	263
1,340	1,340	Reversal of write-downs on participating interests	-	-
1	1	Exchange gains on securities, net (fair value)	1	1
0	1	Other interest income	46	44
1,748	1,519		84	308

9 FINANCIAL EXPENSES

Parent company 2011	Parent company 2012		Group 2012	Group 2011
87	184	Interest paid to associated companies	38	-
0	0	Write-downs on participating interests in associated companies	-	-
1	0	Exchange losses	62	43
3	154	Interest on financial leasing	178	9
69	32	Other interest expenses	465	532
160	370		742	585

NOTES, CONTINUED

Note kEUR

10 TAX ON PROFIT/LOSS FOR THE YEAR

Parent company 2011	Parent company 2012		Group 2012	Group 2011
0	-68	Tax on continuing operations	285	483
0	-68	**Tax on profit/loss for the year**	285	483
		Specified as follows:		
0	0	Tax on taxable income for the year	547	748
0	0	Adjustment of deferred tax	-284	-265
0	-68	Correction concerning tax for prior years	23	0
0	-68	**Tax on profit/loss for the year**	285	483
208	248	25% tax on profit/loss for the year before tax	233	412
0	0	Difference between Danish and foreign corporation tax rate	101	65
0	-68	Received in joint taxation	0	0
0	0	Correction concerning prior years	23	0
127	-247	Write-down on deferred tax assets/reversed	-105	-1
-335	0	Permanent differences	33	8
0	-68	**Tax on profit/loss for the year**	285	483

Note kEUR

11 **DISCONTINUED OPERATIONS**

Parent company 2011	Parent company 2012	Profit/loss from discontinued operations comprises:	Group 2012	Group 2011
0	0	Revenue	2,010	8,513
0	0	Other operating income	0	3
0	0	Production expenses	-1,662	-9,591
0	0	Distribution expenses	-202	-1,500
0	0	Administration expenses	-252	-1,415
0	0	Financial income	86	82
-5,801	0	Financial expenses	-50	-336
-5,801	0	Profit before tax	-70	-4,242
0	0	Tax	458	0
-5,801	0		388	-4,242
		Gains/losses on sale of operations	0	-1,533
		Profit/loss	388	-5,775
		Key figures for discontinued operations		
0	0	Cash flow from operations	-453	-593
0	0	Cash flow for investment	42	129
-5,801	0	Cash flow for financing	0	648
-5,801	0	Total cash flow	-410	185
0	0	Property, plant and equipment	0	0
4	0	Other non-current assets	0	42
0	0	Inventories	452	324
0	0	Trade receivables	39	1,298
0	0	Cash at bank and in hand	88	706
4	0	Total assets	579	2,370
0	0	Credit institutions	0	142
0	0	Provisions	115	325
0	0	Other obligations	133	1,899
0	0	Total obligations	248	2,366

On 16 March 2011, SKAKO Lift A/S and a group of investors from Zealand, Denmark, entered into a conditional agreement for the purchase of the trailerlift operations marketed under the Denka Lift brand. On 5 July 2011, SKAKO A/S announced that it wished to sell off the final part of the lift operations marketed under the Falcon Spider brand before the end of 2011.

The Falcon Spider operations in SKAKO Lift were sold to the management of SKAKO Lift on 24 August 2011.

The sale of Denka Trailerlifte to Denka Lift Denmark A/S was finalised on 19 September 2011. In March 2012, Denka Lift Denmark A/S filed a petition in bankruptcy, after which the company reclaimed the stocks with reference to retention of title. In September 2012, the company entered into a consignment agreement with Kipech Mounting s.r.o. concerning sale of the stocks.

In connection with the termination of operations in Denmark, SKAKO Lift A/S changed its name to Aktieselskabet af 01.04.2012.

Operations in the American sales company were sold to the management of the local company as of 31 August 2012.
At year end, the company's operations are limited to the sale of the remaining inventories and receivables.

NOTES, CONTINUED

Note kEUR

12 **EARNINGS PER SHARE**

	Group 2012	Group 2011
The calculation of earnings per share for continuing and discontinued operations is based on the corresponding key figures as for earnings per share:		
Profit/loss on discontinued operations	388	-5,775
Profit/loss on continuing operations	648	1,555
Net profit for the year	1,036	-4,221
Average number of shares	2,436,149	2,283,446
Average number of own shares	-16,801	-43,685
Average number of shares outstanding	2,419,348	2,239,761
Dilution effect of convertible bonds	670,270	670,270
Diluted average number of shares outstanding	3,089,618	2,910,031
Continuing operations:		
Earnings per share	0.27	0.69
Diluted earnings per share	0.21	0.53
Discontinued operations:		
Earnings per share	0.16	-2.58
Diluted earnings per share	0.13	-1.98
Net profit for the year:		
Earnings per share	0.43	-1.88
Diluted earnings per share	0.34	-1.45

Note kEUR

13 **INTANGIBLE ASSETS**

	Group		
	Development projects	Software	Total
Cost at 1 January 2011	141	2,879	3,021
Exchange adjustments	0	-1	-1
Transferred to assets held for sale	-141	0	-141
Cost at 31 December 2011	0	2,879	2,879
Depreciation at 1 January 2011	141	2,651	2,793
Exchange adjustments	0	-1	-1
Transferred to assets held for sale	-141	0	-141
Depreciation	0	129	129
Depreciation at 31 December 2011	0	2,779	2,779
Net book value at 31 December 2011	0	100	100
Of which, financial lease assets	0	0	0
Cost at 1 January 2012	0	2,879	2,879
Exchange adjustments	0	1	1
Additions	206	54	260
Transferred to assets held for sale	0	0	0
Cost at 31 December 2012	206	2,933	3,139
Depreciation at 1 January 2012	0	2,779	2,779
Exchange adjustments	0	1	1
Transferred to assets held for sale	0	0	0
Depreciation	17	92	109
Depreciation at 31 December 2012	17	2,872	2,888
Net book value at 31 December 2012	190	61	251
Of which, financial lease assets	0	0	0
Depreciated over	5 years	2-10 years	-

DEPRECIATION IS RECOGNISED AS FOLLOWS:

	Group	
	2012	**2011**
Production expenses	86	96
Distribution expenses	11	14
Administrative expenses	13	19
	109	129

NOTES, CONTINUED

Note kEUR

14 **PROPERTY, PLANT AND EQUIPMENT**

	Group						
	Land and buildings	Plant and machinery	Lease assets	Tools and equipment	Furnishing of leased premises	Property, plant and equipment in progress	Total
Cost at 1 January 2011	8,159	4,201	0	2,840	598	3	15,800
Reclassification	0	0	0	0	0	-3	-3
Exchange adjustments	-22	-13	0	-1	0	0	-36
Additions	0	8	727	81	0	176	992
Disposals	0	-106	0	-140	0	0	-247
Transferred to assets held for sale	0	-402	0	-251	-79	0	-731
Cost at 31 December 2011	8,136	3,687	727	2,530	519	176	15,777
Depreciation at 1 January 2011	1,710	3,315	0	2,206	522	0	7,753
Exchange adjustments	-5	-11	0	1	0	0	-14
Disposals	0	-106	0	-104	0	0	-210
Depreciation	212	159	92	238	13	0	714
Transferred to assets held for sale	0	-348	0	-204	-24	0	-575
Depreciation at 31 December 2011	1,917	3,009	92	2,138	511	0	7,667
Net book value at 31 December 2011	6,219	679	635	392	8	176	8,110
Of which, financial lease assets	0	0	635	74	0	0	709
Cost at 1 January 2012	8,136	3,687	727	2,530	519	176	15,777
Reclassification	0	0	180	0	-3	-177	0
Exchange adjustments	24	4	3	0	0	1	31
Additions	0	213	1,188	164	0	4	1,569
Disposals	0	-492	-447	-375	0	0	-1,314
Cost at 31 December 2012	8,160	3,412	1,650	2,320	516	4	16,063
Depreciation at 1 January 2012	1,917	3,009	92	2,138	511	0	7,667
Reclassification	0	0	3	0	-3	0	0
Exchange adjustments	2	2	0	-1	0	0	4
Disposals	0	-492	-134	-363	0	0	-990
Depreciation	213	138	277	191	3	0	823
Depreciation at 31 December 2012	2,133	2,657	238	1,965	512	0	7,504
Net book value at 31 December 2012	6,028	756	1,412	355	5	4	8,559
Of which, financial lease assets	0	0	1,412	105	0	0	1,517
Depreciated over	10-40 years	3-10 years	3-10 years	3-10 years	3-10 years	-	-

Lease assets consist of concrete mixers on financial leases that are used for hiring out. Irrevocable hire agreements are as follows:

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	0-1 year	441	275
0	0	1–5 years	168	0
0	0		609	275

The income statement for the Group recognises kEUR 685 (2011: kEUR 416) in revenue relating to leasing assets.

Note kEUR

14 **PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

	Parent company
	Tools and equipment
Cost at 1 January 2011	254
Additions	13
Disposals	-38
Cost at 31 December 2011	230
Depreciation at 1 January 2011	78
Disposals	-38
Depreciation	100
Depreciation at 31 December 2011	140
Net book value at 31 December 2011	90
Of which, financial lease assets	74
Cost at 1 January 2012	230
Additions	126
Disposals	-171
Cost at 31 December 2012	186
Depreciation at 1 January 2012	140
Disposals	-171
Depreciation	89
Depreciation at 31 December 2012	59
Net book value at 31 December 2012	127
Of which, financial lease assets	105
Depreciated over	3-5 years

DEPRECIATION IS RECOGNISED AS FOLLOWS:

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Production expenses	649	490
0	0	Distribution expenses	56	58
100	89	Administrative expenses	118	133
0	0	Discontinued operations	0	33
100	89		823	714

NOTES, CONTINUED

Note kEUR

15 **PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES**

Parent company		
2011	**2012**	
39,585	43,606	Cost at 1 January
4,021	4,879	Group contributions
43,606	48,485	**Cost at 31 December**
-30,043	-32,724	Impairments at 1 January
1,340	1,340	Reversal of impairments
-4,021	-4,875	Impairments
-32,724	-36,259	**Impairments at 31 December**
10,882	12,226	**Net book value at 31 December**

Impairments in 2011 concern participating interests in Aktieselskabet af 01.04.2012 (formerly SKAKO Lift A/S). Reversal of impairments in 2011 and 2012 concerns SKAKO Concrete A/S and is attributable to the profit for 2011 and 2012 and expectations of future profits.

Impairments in 2012 concern participating interests in Aktieselskabet af 01.04.2012. The impairment does not affect the profit/loss in the parent company – SKAKO A/S – as the negative value in previous years has been offset against the receivable in the subsidiary.

The impairments are recognised under financial expenses – cf. Note 9 – while reversed impairments are recognised under financial income, cf. Note 10.

Ownership share			
2011	**2012**	**Name**	**Registered office**
100%	100%	SKAKO Concrete A/S	Faaborg, Danmark
		Inactive companies:	
100%	100%	Aktieselskabet af 01.04.2012	Faaborg, Danmark
100%	100%	Gram Holding Vojens A/S	Faaborg, Danmark

Some of the foreign subsidiaries are audited by local companies of auditors.

Note kEUR

16 **OTHER RECEIVABLES**

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	46	Cost at 1 January	149	220
0	0	Exchange adjustments for the year	0	0
46	0	Additions	2	2
0	0	Transferred to assets held for sale	0	-44
0	0	Disposals	0	-29
46	46	**Net book value at 31 December**	151	149

17 **INVENTORIES**

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Raw materials and consumables	3,300	3,139
0	0	Work in progress	1,865	2,081
0	0	Finished goods and commodities	1,365	1,189
0	0		6,530	6,409
0	0	Net book value of inventories recognised at net realisable value	1,352	1,487

18 **WORK IN PROGRESS ON BEHALF OF THIRD PARTIES**

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Customer orders on behalf of third parties	12,981	12,280
0	0	Interim billings	-14,162	-13,123
0	0		-1,181	-843
		Recognised as follows:		
0	0	Customer orders on behalf of third parties, net	1,209	1,430
0	0	Prepayments from customers	-2,390	-2,273
0	0		-1,181	-843
0	0	Expenses related to the projects	9,638	9,622
0	0	Prepayments included	2,626	1,609

Note kEUR

19 **EQUITY**

Financial management
The Group continuously assesses the need to adapt the capital structure to balance the higher demands for return on equity with the increased uncertainty that is linked to external financing. At the end of 2012, the equity share of the total assets amounted to 29.2% (2011: 24.7%).
Return on equity in 2012 totalled 11.2% (2011: -39.4%).

Share capital

Specification of movements in share capital:

	2012	2011	2010	2009	2008
Share capital at 1 January	3,266	6,096	6,096	6,096	6,096
New subscription of shares	0	217	0	0	0
Capital reduction	0	-3,048	0	0	0
Share capital at 31 December	3,266	3,266	6,096	6,096	6,096

The share capital consists of 2,436,149 shares @ DKK 10

All shares rank equally.

Own shares	Number		Nominal value (kEUR)		% of share capital	
	2012	2011	2012	2011	2012	2011
1 January	14,328	45,408	19	122	0.6%	2.0%
Change in share denomination	0	0	0	-61	0.0%	0.0%
Change in new subscription of shares	0	0	0	0	0.0%	-0.1%
Purchase	14,839	0	20	0	0.6%	0.0%
Sale	0	-31,080	0	-42	0.0%	-1.3%
31 December	29,167	14,328	39	19	1.2%	0.6%

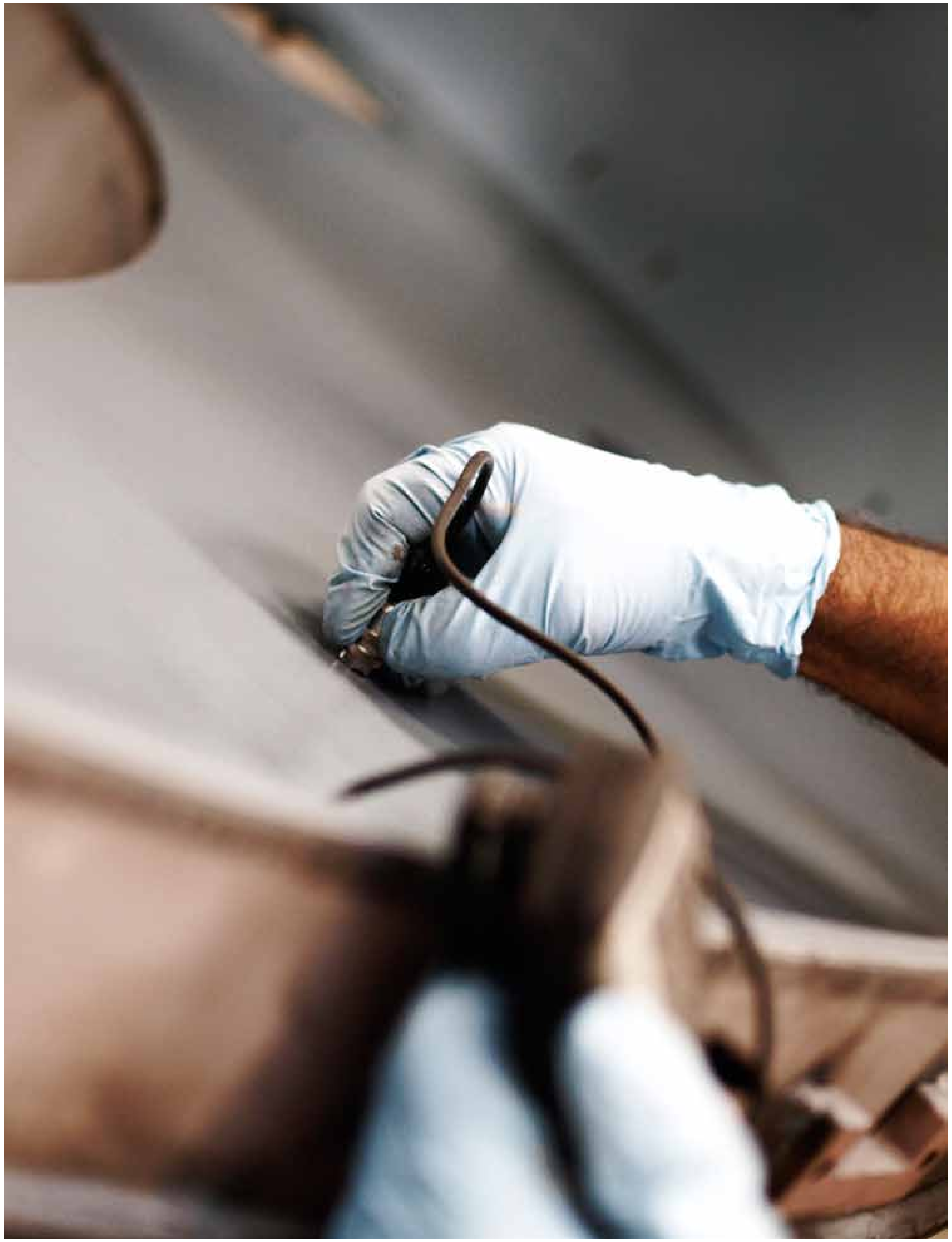
Dividend
It is proposed that a dividend of EUR 0 (2011: EUR 0) be paid, corresponding to a dividend per share of EUR 0 (2011: EUR 0).

The distribution of dividends to SKAKO's shareholders has no tax-related consequences for SKAKO A/S.

Hedging reserve
The hedging reserve includes the accumulated net change in the fair value of hedging transactions that qualify as hedges of expected future cash flows, where the hedged transaction has not yet been realised. The sum has been realised including tax.

Translation reserve
The translation reserve includes all exchange rate adjustments arising on the translation of the financial statements of foreign enterprises from their functional currencies into the presentation currency of the SKAKO Group (DKK), and exchange adjustments concerning assets and liabilities that constitute a part of the Group's net investment in a foreign entity.

Capital reduction reserve
The capital reduction reserve includes proceeds from the capital reduction arising from changing the nominal value of the shares from DKK 20 to DKK 10 per share.



Note kEUR

20 **DEFERRED TAX**

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Tax asset	-2,598	-1,956
0	0	Deferred tax, liability	67	36
0	0	**Deferred tax at 31 December**	-2,531	-1,919
0	0	Intangible assets	108	107
0	0	Property, plant and equipment	-2,120	-1,990
0	0	Inventories	-156	35
0	0	Trade receivables	459	937
0	0	Securities	0	0
0	0	Provisions and debt	-786	-571
0	0	Tax loss carry-forwards	-37	-437
0	0	**Deferred tax at 31 December**	-2,531	-1,919
0	0	Movements in deferred tax	-612	295
0	0	Exchange rate adjustments, etc.	-3	2
0	0	Tax losses for recapture under joint taxation	330	-562
0	0	**Allocated**	-284	-265
		Time horizon for expected allocation of recognised deferred tax assets:		
0	0	0 - 1 year	402	402
0	0	1 - 5 years	2,196	1,554
0	0		2,598	1,956
		Deferred tax assets not recognised in the balance sheet relate to:		
0	0	Intangible assets	883	883
17	17	Property, plant and equipment	95	395
0	0	Inventories	0	178
0	0	Trade receivables	0	189
33	33	Provisions and debt	86	41
385	385	Tax losses (unlimited carry-over)	6,946	6,337
435	435		8,010	8,022

21 **Convertible bonds**

At the end of December 2011, SKAKO A/S issued 2-year convertible bonds on the following terms: Interest is paid on the loan sum at a variable rate corresponding to the interest rate on SKAKO A/S' business credit less 0.5 percentage points. The loan and the bond are subordinated in relation to SKAKO A/S's unsecured creditors, but the lender is entitled to settlement in advance of creditors who are subordinate to unsecured claims in the event of bankruptcy, as well as any accountable or subordinated loans.

During the first year, the bonds cannot be converted into shares in SKAKO A/S unless a public purchase offer is made to the shareholders in SKAKO A/S. The conversion premium was set by the Board of Directors of SKAKO A/S on the date of issue, and amounts to DKK 18.50 per share, which corresponds to the market price at the time of issue. If the lender has not issued notification of conversion of the loan, the loan sum and the accrued, unpaid interest shall fall due for payment at the end of the 2-year period from the time of issue.

Note kEUR

22 **PENSIONS AND SIMILAR OBLIGATIONS**

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Current value of defined benefit plans	250	235
0	0	Fair value of plan assets	-20	-20
0	0	**Net obligation recognised in the balance sheet**	230	215
		Development in current value of defined benefit obligation		
0	0	Obligation at 1 January	235	197
0	0	Exchange adjustments	1	-1
0	0	Pension costs concerning the current financial year	14	39
0	0	**Obligation at 31 December**	250	235
		Development in fair value of pension assets		
0	0	Pension assets at 1 January	20	19
0	0	Actuarial gains/losses	0	1
0	0	**Pension assets at 31 December**	20	20
		Pension expense recognised in the income statement		
0	0	Pension costs concerning the current financial year	14	39
0	0	Calculated interest relating to the obligation	0	0
0	0	Total recognised for defined benefit plans	14	39
54	57	Total recognised for defined contribution plans	585	564
54	57	**Total allocated**	599	603

The expense is recognised in the accounts as follows:

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	Production expenses	367	355
0	0	Distribution expenses	105	91
54	57	Administrative expenses	127	156
54	57		599	603

Note | kEUR

22 **PENSIONS AND SIMILAR OBLIGATIONS, CONTINUED**

Parent company 2011	Parent company 2012		Group 2012	Group 2011
		The following accumulated actuarial gains/losses since 1 January 2006 have been recognised in the statement of recognised gains and losses:		
0	0	Accumulated actuarial gains/losses	-2	-2
		Pension assets are composed as follows:		
0	0	European shares	20	20
0	0	**Pension assets at 31 December**	20	20
		Return on pension assets:		
0	0	Actual return on plan assets	0	1
0	0	**Actuarial losses on plan assets**	0	1
		The assumptions underlying actuarial calculations at the balance sheet date are as follows:		
		Average discount rate applied	4.0%	4.0%
		Estimated return on plan assets	4.0%	4.0%

The sums for the current year and the prior 4 years for the Group pension obligations are as follows:

	2012	2011	2010	2009	2008
Actuarially calculated pension obligations	250	235	197	171	102
Pension assets	-20	-20	-19	-19	-18
Deficit cover	**230**	**215**	**178**	**152**	**84**
Changes to obligations based on experience	0	0	0	0	0
Changes to pension assets based on experience	0	1	0	1	1

NOTES, CONTINUED

Note | kEUR

23 **OTHER PROVISIONS**

Parent company 2011	Parent company 2012		Group 2012	Group 2011
0	0	Warranty provisions at 1 January	807	879
0	0	Used during the year	-423	-418
0	0	Unused warranty provisions reversed	-159	-103
0	0	Provisions for the year	468	682
0	0	Transferred to liabilities concerning assets held for sale	0	-234
0	0	**Warranty provisions at 31 December**	693	807
0	0	Misc. provisions at 1 January	298	286
0	0	Used during the year	-231	-220
0	0	Unused provisions reversed	-32	-27
0	0	Provisions for the year	25	258
0	0	**Misc. provisions at 31 December**	60	298
0	0	**Other provisions at 31 December**	753	1,104
		The due dates for other provisions are expected to be:		
0	0	0 - 1 year	608	854
0	0	1 - 5 years	145	250
0	0		753	1,104

Warranty provisions include obligations for the standard 1–3-year warranty on the Group's products.

Misc. provisions include provisions for ongoing disputes.

Note kEUR

24

DEBT TO CREDIT INSTITUTIONS AND OTHER LEASING DEBT

Parent company			Group	
2011	**2012**	Debt to credit institutions and other leasing debt is recognised as follows in the balance sheet:	**2012**	**2011**
0	0	Non-current liabilities	3,489	3,485
75	36	Current liabilities	3,560	4,521
75	36		7,050	8,006
75	36	Fair value	7,032	7,986

At 31 December, the Group has the following loans and credits:

Loans and credits	Matu-rity	Fixed/ variable	Nominal interest rate	Net book value 2012 kEUR	Net book value 2011 kEUR	Fair value 2012 kEUR	Fair value 2011 kEUR
Credits:							
DKK		Variable	Danske BOR+5.35%	868	488	868	488
USD		Variable	Danske BOR+5.35%	1,254	2,080	1,254	2,080
EUR		Variable	Danske BOR+5.35%	14	247	14	247
NOK		Variable	Danske BOR+5.35%	89	123	89	123
SEK		Variable	Danske BOR+5.35%	90	76	90	76
GBP		Variable	Danske BOR+5.35%	287	558	287	558
Loans:							
EUR	2019	Fixed	4.11%	3,287	3,750	3,269	3,737
EUR	2015	Fixed	0.00%	0	32	0	24
				5,888	7,352	5,870	7,332

Obligations relating to financial leasing are recognised in the debt obligations as follows:

kEUR	2012 Leasing instalment	2012 Interest	2012 Net book value	2011 Leasing instalment	2011 Interest	2011 Net book value
0-1 year	367	60	307	307	10	297
1-5 years	1,023	168	855	372	15	357
	1,390	228	1,162	679	25	654

Parent company			Group	
2011	**2012**	The due dates for non-current liabilities:	**2012**	**2011**
0	0	1 - 5 year	3,239	2,738
0	0	> 5 years	250	747
0	0		3,489	3,485

NOTES, CONTINUED

Note kEUR

25 **Other payables**

Other payables under current liabilities primarily comprise VAT and duties, as well as items related to wages and salaries.

26 **Contingent assets**

As a result of uncertainty concerning future utilisation, deferred tax assets totalling EUR 8.0 million are not recognised, cf. Note 20.

27 **Contingent liabilities and securities**

As security for all accounts outstanding with Danske Bank, SKAKO A/S has posted unlimited joint surety for SKAKO Concrete A/S and SKAKO Vibration A/S.

SKAKO A/S, SKAKO Concrete A/S and SKAKO Vibration A/S have jointly posted a company pledge towards Danske Bank in the amount of EUR 6.7 million, with liens in unsecured claims, inventories, property, plant and equipment, and intellectual property rights.

The Group's repurchase commitments concerning leased assets total EUR 0.2 million.

The Group has posted security for goods deliveries, prepayments, etc. in the total amount of EUR 3.6 million.

28

ADJUSTMENTS

Parent company			Group	
2011	**2012**		**2012**	**2011**
100	89	Depreciation	932	810
0	0	Change in other provisions	-338	212
-1,748	-1,519	Financial income	-84	-308
160	370	Financial expenses	742	585
-8	0	Accounting gains on sale of operating plant	-15	-8
-98	-75	Instalments, financial leasing	-791	-246
0	0	Other adjustments	-1	-2
-1,594	-1,136		446	1,042


SKAKO

NOTES, CONTINUED

Note kEUR

29 **CHANGE IN OPERATING CAPITAL**

Parent company 2011	Parent company 2012		Group 2012	Group 2011
0	0	Change in inventories	-110	1,227
-65	-37	Change in receivables	2,522	-3,273
5	126	Change in current liabilities, excl. bank debt and tax	-56	33
-60	89		2,356	-2,012

30 **NON-CASH TRANSACTIONS**

Parent company 2011	Parent company 2012		Group 2012	Group 2011
0	0	Acquisition of intangible assets, cf. Note 13	260	0
13	126	Acquisition of property, plant and equipment, cf. Note 14	1,569	992
0	0	Acquisition of property, plant and equipment recognised in liabilities	0	0
0	-111	Of which, financial lease assets	-1,299	-727
13	15	**Paid relating to acquisition of intangible assets, property, plant and equipment**	531	266
0	111	Proceeds from raising financial liabilities	1,299	727
0	-111	Of which, leasing debt	-1,299	-727
0	0	**Proceeds from raising financial liabilities**	0	0

31 **CASH AT BANK AND IN HAND, CLOSING BALANCE**

Parent company 2011	Parent company 2012		Group 2012	Group 2011
0	0	Cash at bank and in hand	3,295	2,271
0	0	Cash at bank and in hand classified as asset held for sale	88	565
-72	-109	Bank debt	-2,601	-3,571
-72	-109		782	-735

NOTES WITHOUT REFERENCE

32 **Closely related parties**

SKAKO A/S has no closely related parties with controlling influence on the company.
The company's closely related parties with significant influence include the Board of Directors and Executive Board of the company and these people's immediate family members.
Closely related parties also include companies in which the persons mentioned above have significant interests.

Over and above salaries and fees in 2012 – as well as interest accumulated on convertible bonds – no agreements have been reached and no deals or transactions have been completed with other closely related parties.

In addition, closely related parties include the associated companies – cf. Note 15 – where SKAKO A/S holds controlling or significant interest.

Trade with associated companies has included the following:

Parent company 2011	Parent company 2012	
779	1,267	Sale of services
319	-8	Interest on accounts outstanding
1,098	1,260	

Transactions with associated companies are eliminated in the consolidated accounts.

In 2012, SKAKO A/S received no dividend from associated companies (2011: kEUR 0).

33 **MANAGEMENT HOLDINGS OF SHARES AND CONVERTIBLE BONDS IN SKAKO A/S**

SHARE HOLDINGS:	Movements for the year (number)	Number of shares held	Number of votes	Market price at 31 December 2012, EUR
Lars Bugge, CEO	0	81,131	81,131	332,772
Carl Christian Graversen, CFO	0	13,514	13,514	55,430
Kaare Vagner, Chairman of the Board	1,840	5,040	5,040	20,672
Christian Herskind, Deputy Chairman of the Board	11,454	118,657	118,657	486,690
Per Have, Board member	6,250	19,764	19,764	81,065
Jens Wittrup Willumsen, Board member	0	29,076	29,076	119,260
Henrik Lind, Board member	5,500	5,500	5,500	22,559

CONVERTIBLE BONDS:	Nominal value (EUR)
Kaare Vagner, Chairman of the Board	67,021
Henrik Lind, Board member	1,340,411

NOTES WITHOUT REFERENCE, CONTINUED

34 **CURRENCY AND INTEREST RISKS, AND THE APPLICATION OF DERIVATIVE FINANCIAL INSTRUMENTS**

The Group's risk management policy
As a result of its operations, investments and financing activities, the Group is exposed to the effects of changes in exchange and interest rates. It is Group policy not to enter into active speculation in financial risks. The Group's financial management is thus directed solely towards the management of financial risks relating to operations and financing. Management is performed in the individual associated companies.

When choosing between several types of financial instrument with the capacity to achieve a specific level of coverage, simplicity is considered crucial.

For a description of accounting principles and methods – including the recognition criteria and measurement bases used – see the information presented under "Accounting principles".

Liquidity risks
The Group's liquidity reserve consists of deposits and fixed, agreed overdraft facilities at major credit institutions. The Group's liquidity reserve totals EUR 7.7 million.

Securities are recognised at fair value, based on the official market price, corresponding to level one in the IFRS fair value hierarchy.

Currency risks
The Group's foreign enterprises are not significantly affected by exchange rate fluctuations, as both income and expenses are calculated in local currency. Operations performed by Danish companies are affected by exchange rate fluctuations, as revenue is primarily generated in foreign currency, while expenses – including payroll expenses – are paid in Danish kroner (DKK).

The Group is also affected by exchange rate changes because the profits of the foreign associated companies are translated into Danish kroner (DKK) at the end of the financial year on the basis of average exchange rates.

The Group's currency risks are primarily covered by recognising income and expenses in the same currency. The coverage is principally applied via currency credits and foreign exchange futures contracts.

The Group's currency risks in the balance sheet
31 December 2012

	Nominal position					Sensitivity		
Currency	Securities, cash and cash equivalents	Receivables	Liabilities	Covered via foreign exchange futures contracts and currency swaps (notional principal)	Net position	Change in exchange rate	Hypothetical effect on profit for the year	Hypothetical effect on equity*
	kEUR	kEUR	kEUR	kEUR	kEUR			
USD	1,019	666	-1,361	0	324	10%	32	111
SEK	4	90	-96	0	-2	5%	0	0
NOK	4	138	-95	0	47	5%	2	2
EUR	1,923	7,644	-12,440	0	-2,873	1%	-29	57
GBP	304	419	-848	0	-125	10%	-12	28
Other	3	206	-27	0	182	5%	9	9
	3,256	9,163	-14,867	0	-2,448			

* Includes effect on participating interests.

NOTES WITHOUT REFERENCE, CONTINUED

34 **CURRENCY AND INTEREST RISKS, AND THE APPLICATION OF DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED**

The Group's currency risks in the balance sheet, continued
31 December 2011

	Nominal position					Sensitivity		
Currency	Securities, cash and cash equivalents	Receivables	Liabilities	Covered via foreign exchange futures contracts and currency swaps (notional principal)	Net position	Change in exchange rate	Hypothetical effect on profit for the year	Hypothetical effect on equity*
	kEUR	kEUR	kEUR	kEUR	kEUR			
USD	362	251	-2,123	0	-1,509	10%	-195	-154
SEK	1	66	-87	0	-19	5%	-1	-1
NOK	47	120	-123	0	44	5%	2	2
EUR	1,543	9,627	-11,382	0	-211	1%	33	121
GBP	309	757	-757	0	309	10%	-3	40
Other	2	1,206	-26	0	1,181	5%	59	59
	2,265	12,027	-14,497	0	-206			

* Includes effect on participating interests.

With the exception of derivative financial instruments established for the purpose of hedging currency risks in the balance sheet, no changes in the fair value of unlisted financial assets and liabilities have been recognised in the income statement.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34 **CURRENCY AND INTEREST RISKS, AND THE APPLICATION OF DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED**

Interest risk
The Group's interest-bearing financial assets and liabilities have the following term to contractual review or maturity, depending on which date occurs first.

31 DECEMBER 2012

Accounting value in mEUR	Term to review or maturity, if earlier				
Category	0-1 year	1-5 years	> 5 years	Total	Effective interest rate (%)
Trade receivables	10.3	0.0	0.0	10.3	0 - 4
Cash at bank and in hand	3.3	0.0	0.0	3.3	0 - 4
Securities	0.0	0.0	0.0	0.0	0
Financial assets	13.6	0.0	0.0	13.6	
Trade payables	7.0	0.0	0.0	7.0	0 - 4
Convertible bonds	1.7	0.0	0.0	1.7	5 - 6
Bank debt	3.1	2.5	0.3	5.9	3 - 6
Leasing debt	0.4	0.8	0.0	1.2	6 - 8
Financial obligations	12.2	3.3	0.3	15.7	

31 DECEMBER 2011

Accounting value in mEUR	Term to review or maturity, if earlier				
Category	0-1 year	1-5 years	> 5 years	Total	Effective interest rate (%)
Trade receivables	12.6	0.0	0.0	12.6	0 - 4
Cash at bank and in hand	2.3	0.0	0.0	2.3	0 - 4
Securities	0.0	0.0	0.0	0.0	3 - 4
Financial assets	14.9	0.0	0.0	14.9	
Trade payables	6.9	0.0	0.0	6.9	0 - 4
Convertible bonds	0.0	1.5	0.0	1.5	4 - 5
Bank debt	4.1	2.5	0.7	7.4	3 - 5
Leasing debt	0.3	0.3	0.0	0.6	6 - 8
Financial obligations	11.3	4.4	0.7	16.4	

Credit risks
The Group's credit risk relates in part to primary financial assets, and in part to derivative financial instruments with positive fair value. Credit risks linked to financial assets correspond to the values recognised in the balance sheet.

The Group has no significant risks relating to an individual customer or partner. As a result of the Group's policy for taking on credit risks, the credit worthiness of all major customers and other partners is reviewed continuously, and the Group also takes out credit insurance to a certain extent.

NOTES WITHOUT REFERENCE, CONTINUED

34 **CURRENCY AND INTEREST RISKS, AND THE APPLICATION OF DERIVATIVE FINANCIAL INSTRUMENTS, CONTINUED**

Credit risks, continued

Receivables from sales are distributed by credit quality (kEUR) as follows:

Parent company			Group	
2011	**2012**		**2012**	**2011**
4	0	Denmark	1,885	1,526
0	0	Euro-zone countries	4,216	3,878
0	0	Great Britain	429	781
0	0	Rest of Europe	861	647
0	0	USA	382	213
0	0	Other countries	2,581	4,089
4	0		10,353	11,133

At the end of the financial year, the age distribution of receivables from sales and provisions to cover losses on same was:

	Gross 2012	Provisions 2012	Gross 2011	Provisions 2011
Not due	7,285	0	8,953	0
Fallen due, 0–30 days	1,331	0	903	0
Fallen due, 31–120 days	1,480	47	1,224	58
Fallen due between 121 days and 1 year	307	86	91	12
Fallen due, more than 1 year	340	257	328	296
	10,744	390	11,500	367

The movements for the year in provisions to cover losses on receivables from sales can be specified as follows:

Parent company			Group	
2011	**2012**		**2012**	**2011**
0	0	1 January	367	1,052
0	0	Provisions for the year	-63	-48
0	0	Used during the year	87	-489
0	0	Transferred to assets held for sale	0	-148
0	0	Balance at 31 December	390	367

Price risks
The Group has a normal price risk on purchases and products sold. The opportunities to pass price increases onto sales prices depend on factors including the market situation. The Group's policy is to ensure that, where possible, long-term contracts with customers and suppliers contain the right to renegotiation in the event of significant changes in raw material prices.

35 **OPERATIONAL LEASING**

Irrevocable operational leasing instalments are as follows:

Parent company			Group	
2011	2012		2012	2011
226	227	0-1 years	696	773
33	7	1-5 years	650	850
0	0	> 5 years	190	208
260	234		1,537	1,831

The Group leases tools and equipment under operational leasing contracts. The leasing period is typically between three and six years, with the option to extend on expiry of the period. None of the leasing contracts contains conditional rent instalments.

The income statement for the parent company recognises kEUR 234 (2011: kEUR 223) relating to operational leasing.

The income statement for the Group recognises kEUR 803 (2011: kEUR 783) relating to operational leasing.

The SKAKO Group's total rent obligations amount to EUR 0.2 million, and all will fall due within one (1) year. The SKAKO Group's total ground rent obligation until the end of 2023 amounts to EUR 0.4 million.

GROUP OVERVIEW, ACTIVE COMPANIES

AT 31 DECEMBER 2012