Annual Report 2012

aalborgportland
CEMENTIR HOLDING

This document is a translation of the original Danish document "Årsrapport 2012" where the wording has been translated from the original Danish into English language. The original Danish document shall be the governing for all purposes and in case of any discrepancy the Danish document shall be applicable. A copy of the original Danish document can be obtained from Aalborg Portland A/S.

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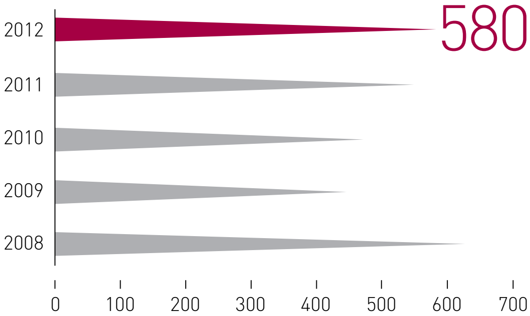
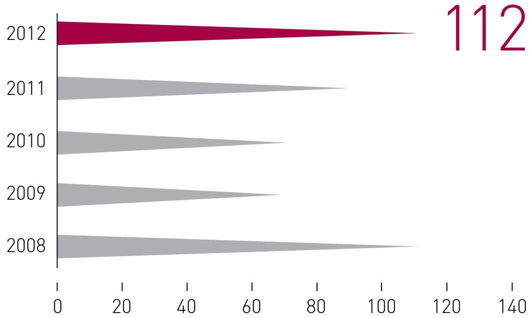
A sound financial position provides strength, security for our partners and flexibility for long-term decision-making and innovative initiatives

Net sales (EURm)



Operating profit – EBITDA (EURm)








NORDIC & BALTIC

A leading cement producer in the Nordic region

Nordic Cement (Aalborg Portland) produces grey and white cement at its plant in Aalborg, Denmark.

The products are sold in Denmark and neighbouring markets.

1,300,000
tonnes of grey cement

520,000
tonnes of white cement

Leading supplier of ready-mixed concrete in the Nordic region

Nordic RMC (Unicon) is market leader in the Nordic region. Production takes place at 80 plants in Denmark, Norway and Sweden.

Furthermore, aggregates – mainly granite and gravel – are quarried and sold from 15 sites in Denmark and Sweden.

1,995,000
m^3 of ready-mixed concrete

3,490,000
tonnes of aggregates

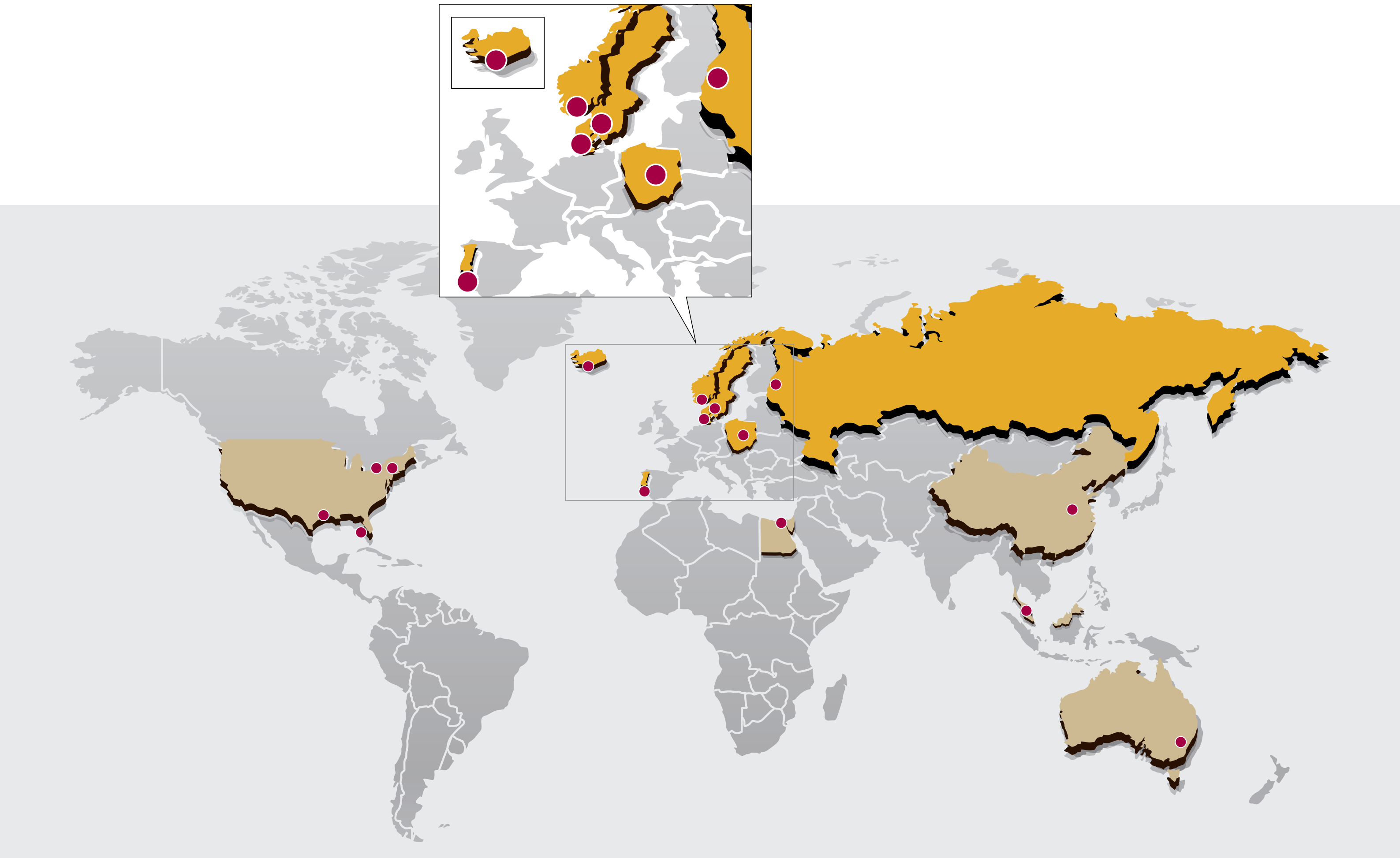
OVERSEAS

World leading producer of white cement

The Group is the world's largest supplier of white cement, which is produced in Denmark, USA, Egypt, Malaysia and China.

The white cement is sold to a number of markets worldwide.

1,408,000
tonnes of white cement



Grey cement

is the most important construction material for strengthening infrastructure, building homes and bridges, creating harbours and expanding airports.

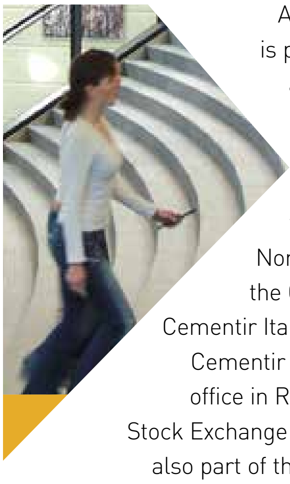
Ready-mixed concrete

is delivered to site ready for casting and is the efficient solution when high-reliability, quality concrete is needed in large volumes.

White cement

is for solutions ranging from aesthetics to safety - from terrazzo or bathroom tile grouts to highway safety barriers whose whiteness ensures high visibility night and day in all weathers.

Part of Cementir Group



Aalborg Portland, Denmark, is part of the Cementir Group, an international supplier of cement and concrete (www.cementirholding.it). Besides Aalborg Portland, which contains the Group's Nordic and overseas activities, the Cementir Group comprises Cementir Italia and Çimentaș in Turkey. Cementir Holding S.p.A. has its head office in Rome, is listed on the Italian Stock Exchange in Milan (code CEM) and is also part of the listed Caltagirone Group. In order to strengthen the creation of value in the individual companies certain functions are increasingly being combined and coordinated within the Cementir Group.

The Aalborg Portland Group develops, manufactures and markets a wide range of cement, concrete, granite and gravel products

The unlimitless possibilities

of cement-based products have been explored and harnessed for centuries, and every day architects, engineers and manufacturers are searching for new potential applications.

Ongoing innovation

Aalborg Portland's ongoing innovation involves all aspects of the product life cycle, from sustainable use of raw materials and CO_2 neutral fuels to energy-efficient production and use of concrete in building.

Together with customers

Aalborg Portland's employees and partners are continuously challenging the potential of cement and concrete. Their common aim is to develop sustainable, durable and attractive buildings.

The most widely used construction materials

Cement, concrete and other cement-based materials are the world's most widely used construction materials, and global consumption is growing steadily.

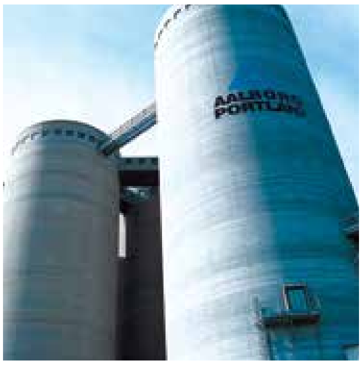
The positive environmental properties

of cement and concrete have been researched and documented. After just a few years the total energy consumption for constructing and operating concrete structures is lower than for similar structures made of other materials.

Long traditions of responsibility

Aalborg Portland has long traditions of social and environmental responsibility. With an ambitious climate strategy and an ongoing active development programme the Group wishes to participate in realising society's climate goals.

With reasonable conditions for competition and profitable operation, Aalborg Portland is ready for new long-term investments in product development and environmental improvements



35%
of Aalborg Portland's value added goes to Danish society

4%
lower emission of CO_2 per tonne of cement, corresponding to 76,000 tonnes of CO_2

19%
lower emission of NO_X per tonne cement

Value to society

- Cement from Aalborg Portland is a socially beneficial product manufactured with minimal environmental impact.
- Aalborg Portland offers high-quality products and security of supply.
- 35% of Aalborg Portland's value added goes to Danish society, 18% to the employees.
- 90% of Danish white cement is exported, benefitting the Danish balance of payments.
- Each year the Group recycles several hundred thousand tonnes of by-products from other manufacture, thereby reducing landfill volumes and the environmental impact from production.
- Large quantities of waste heat from production, enough to heat many thousands of households, are supplied to the city of Aalborg.
- Chimneys with clean smoke are better for society than no chimneys.

Innovation

- Danish cement technology leads the way worldwide due to productive cooperation between research and manufacture.
- Product development in the Group is continuously focused on both customer needs and environmental considerations.
- Low-alkali cement, which is primarily used for infrastructure, is produced with 30% less CO_2 emission, 70% less NO_X emission and 40% less power consumption than previously.
- The 'Cement of the Future' is the title of a longstanding research programme focused on reducing CO_2 and NO_X emission in the manufacture of cement, while retaining the material's useful properties.
- Development of steel-fibre cement for load-bearing tasks will reduce the use of steel reinforcement, thereby cutting construction costs and, in turn, decreasing environmental impact.





Responsibility

- Aalborg Portland wishes to participate actively in realising society's climate goals.
- Working in an open and constructive partnership with authorities, Aalborg Portland participates in solving the tasks linked to energy-intensive production.
- In order to reduce the burden on society's energy resources Aalborg Portland is investigating the possibilities of building wind turbines to deliver around 40% of the power consumption used in cement production in Aalborg. This investment is dependent upon conducive conditions for continued production in Denmark.
- Aalborg Portland wishes to be an attractive workplace for all employees by offering stimulating tasks, safe working conditions, and good opportunities for personal development.
- The culture among employees and managers is characterised by ongoing renewal, a high level of professionalism and ambitious targets.

Environment and climate

- Aalborg Portland maintains ongoing focus on environmental and energy improvements. The company has therefore invested heavily over many years in reducing CO_2, SO_2, NO_X and other emissions.
- In 2012 investments of more than EUR 3m in a new cooler and changed process control reduced fuel consumption by 6% and the emission of CO_2 by more than 20,000 tonnes.
- As a result of massive investments, primarily before 2010, NO_X emission per tonne of cement produced has been reduced by 60% in just the last five years.
- Alternative fuels are increasingly being used, thereby reducing fossil fuel consumption.
- Aalborg Portland consistently utilises the best available technology in accordance with EU norms.
- The Group's factories in China, Malaysia and Egypt can meet European energy and environmental requirements even though compliance is not mandatory.

Sound financial position

- For any company, a sound financial position is the foundation for its continued development.
- Aalborg Portland is a competitive company – but must have the same conditions as its competitors.
- By contrast, distortion of competition leads to loss of orders and jobs, reduced investment, and import of products manufactured under conditions which are less environmentally sustainable than in Denmark.
- The ongoing drive to optimise production, maintenance and energy consumption embraces all parts of the Group.
- Net sales increased by 6% in 2012, operating profit by 23%.
- Return on capital employed (ROCE) was 10% in 2012.
- Unrelenting focus on optimising operations and strong cash flow is providing a sound financial base for the company.
- Interest-bearing debt remained at a low level in relation to the company's extensive activities.

1

Management report

Financial highlights

	EURm					DKKm	
	2008	2009	2010	2011	**2012**	2011	**2012**
CONSOLIDATED INCOME STATEMENT							
Net sales	625.2	445.1	477.3	549.9	580.3	4,097	4,320
Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)	**113.3**	**71.4**	**72.9**	**91.0**	**111.5**	**678**	**830**
EBITDA ratio	18.1%	16.0%	15.3%	16.6%	19.2%	16.6%	19.2%
Earnings before interest and tax (EBIT)	**72.3**	**27.3**	**28.2**	**45.7**	**64.7**	**341**	**482**
EBIT ratio	11.6%	6.1%	5.9%	8.3%	11.1%	8.3%	11.1%
Earnings before tax (EBT)	**66.9**	**26.8**	**30.8**	**49.1**	**66.4**	**367**	**499**
Profit for the year	**52.0**	**18.2**	**25.7**	**36.3**	**55.0**	**270**	**410**
CASH FLOWS							
Cash flows from operating activities (CFFO)	99.2	89.0	66.4	85.9	104.4	640	777
Cash flows from investing activities (CFFI) *	-114.6	-54.4	-19.1	-17.9	-114.5	-133	-854
Free cash flow (FCF)	**-15.4**	**34.6**	**47.3**	**68.0**	**-10.1**	**507**	**-77**
* Hereof investments in property, plant and equipment	-99.0	-49.3	-23.6	-16.6	-31.0	-123	-231
BALANCE SHEET							
Total assets	675.3	679.7	696.7	690.5	778.3	5,132	5,806
Consolidated shareholders' equity	395.3	418.0	459.0	465.7	505.7	3,462	3,773
Net interest-bearing debt (NIBD)	**119.5**	**86.9**	**44.0**	**5.5**	**24.2**	**40**	**181**
Working capital (WC)	**46.5**	**23.1**	**29.5**	**26.1**	**27.4**	**194**	**204**
FINANCIAL RATIOS							
Including minority interests' share							
Return on equity	14%	4%	6%	8%	11%	8%	11%
Equity ratio	59%	61%	66%	67%	65%	67%	65%
Return on capital employed (ROCE)	11%	3%	4%	6%	10%	6%	10%
NIBD/EBITDA factor	1.1	1.2	0.6	0.1	0.2	0.1	0.2
Number of employees at 31 December	**2,045**	**1,649**	**1,575**	**1,509**	**1,531**	**1,509**	**1,531**
Number of employees in Denmark	1,181	850	764	698	690	698	690

The financial ratios have been computed in accordance with the Guidelines issued by the Danish Society of Financial Analysts in 2010.
Cf. definitions in accounting policies note 32, page 71.

Management's review for 2012

We continue to develop sustainable competitiveness

The growth in building and construction in 2011 appeared to slow in 2012 in the Nordic markets, except in Norway. The weaker economic climate demands innovation and development to maintain and strengthen competitiveness, and high priority was given to ensuring a sound financial position and strength.

Based on recent years' substantial investment, progress in emerging markets continued, and the income from these markets is increasingly contributing to Aalborg Portland's and Cementir Group's total earnings. The emerging markets require cement to develop new infrastructure, create new industry and build for a growing population.

The Aalborg Portland Group realised total net sales of EUR 580m, compared with EUR 550m the year before. Earnings before tax were EUR 66m compared with EUR 49m. The progress made lived up to the expectations.

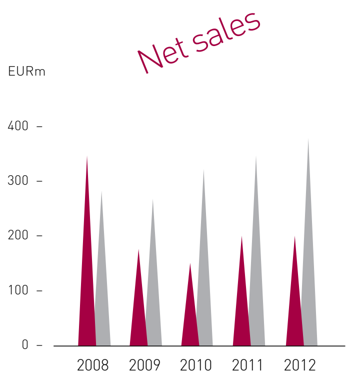
Sound financial position

During the challenging market conditions of recent years Aalborg Portland's sound economy and solid financial foundation have been vitally important. This provides strength in adversity and security for our commercial and financial partners. It also provides flexibility for long-term decision-making, innovative initiatives and focus on environment and environmental responsibility.

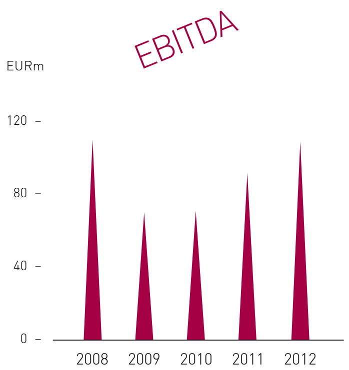
Constant focus on optimised operation and low working capital yielded a significant positive operational cash flow of EUR 104m that was able to finance most of the year's major investments, which totalled EUR 115m. The Group increased its investment, both in improved operating efficiency and in energy saving and environmental projects. As a part of a reorganisation of Cementir Group's equity investments, Aalborg Portland has acquired 25% of the shares in the Turkish listed cement company Çimentaş İzmir Çimento Fabrikası Türk A.Ş.

Interest-bearing debt was maintained at a low level and was only EUR 24m at the end of the year.

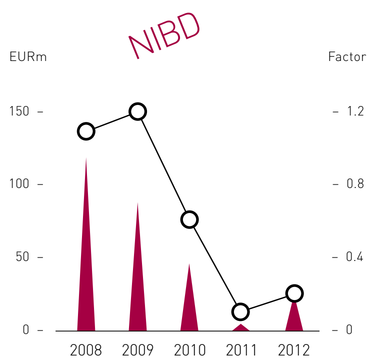
Shareholders' equity was EUR 506m and equity share was 65%. Return on equity was 11%, while return on capital employed (ROCE) increased to 10%. This is a step in the right direction but the return achieved does not yet quite match the target set.



Denmark Abroad



Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)



Net interest-bearing debt NIBD/EBITDA factor

Nordic & Baltic

The Nordic & Baltic region experienced positive sales development and earnings, but with major variances between the markets. In Norway, many infrastructure projects have been started and activity levels are also high within other building sectors. However, building activities in Denmark and Sweden declined in 2012.

Focus was concentrated on maintaining a strong market position and – based on our close relations with customers – on customer needs and product development. The positive development in earnings was largely a result of the strategic focus on Operational Excellence and cost optimisation of our business processes.

We continue to develop sustainable competitiveness through training of our employees and creation of a results-oriented corporate culture. This is among other things reflected in the following activities:

- Implementation of Operational Excellence projects based on the Lean Six Sigma model, which are continuously creating improved results in business processes. 34 of our employees are trained Lean Six Sigma Green Belts (OPEX Project Leaders).
- Value-based management programmes in which managers acquire competencies in innovation and performance as well as translation of strategy into results.
- Focus on development and well-being through 'Motivational Landscape' studies, as motivated employees are the foundation for an innovative and proactive enterprise culture.
- Optimisation of similar-type processes and tasks in the Group's Shared Service Centre based on use of a joint IT platform and business system.

The ongoing reduction in consumption of energy and natural resources continues. Furthermore, a comprehensive reorganisation project has been launched in Unicon Denmark and is expected to have full effect during 2013.

In recent years the adjustment to a significantly lower activity level within the construction sector has been demanding. The continued need for improvements in competitiveness is challenging, and the Group's managers and employees deserve to be strongly commended for the commitment and responsibility they have shown in their daily work to renew and create future competitive advantages for our company.

Overseas

Cement is a sector in strong growth in a number of emerging markets. Based on the Group's considerable investments in these markets in recent years the growth in earnings may be considered very satisfactory.

In its second full year of production the factory in China achieved considerable progress in both sales and earnings, and Asia's largest production plant for white cement is expected to achieve full capacity utilisation in 2013.

In 2012, Aalborg Portland acquired a minority interest of 30% of the share capital in the Malaysian company. An agreement was subsequently entered into for sale of a similar share to the Australian cement group Adelaide Brighton. This agreement is of great strategic value as at the same time a 12-year contract was also signed to supply white clinker to the Australian group, thereby ensuring increased sales to the vital Australian market. With this agreement the foundation has been created for expansion of the plant in Malaysia, which will almost double its capacity in spring 2013. Completion is expected in 2014.

The plant in Egypt – the world's largest manufacturer of white cement – realised increased earnings despite the political instability in the country. Combined with the Group's other white cement facilities in Asia, the Nordic region and North America, Aalborg Portland is the global leading supplier of white cement.

Responsibility

Aalborg Portland has a long tradition of social and environmental responsibility. We wish to contribute strongly to realising society's climate goals and substantial ongoing investments are made in environmental improvements. In 2012 a number of environmental goals were again achieved through innovation and production management. Emissions of CO_2, SO_2, NO_X etc. were further reduced, underlining our leading environmental position.

Aalborg Portland participates in a resource-efficient partnership with society and industry, which includes recycling and utilising wastes as raw materials and fuels in production and supplying waste heat from the production process to meet the heating needs of thousands of households in the city of Aalborg.

Innovation

Innovation is a cornerstone of Aalborg Portland's business model and competitiveness, and in 2012 this once again provided the platform for notable results, including significant reduction in consumption of energy and natural resources.

Ongoing research is conducted into manufacture of new cements that can be produced with further reduction in CO_2 emission. Aalborg Portland is prepared to do much more but conditions in Denmark must be conducive to the necessary long-term investments.

A number of ideas/projects are currently being explored, including:

- The 'Cement of the Future' – with reduced CO_2 emission.
- Production of electricity by Aalborg Portland's own wind turbines, supplying 40% of the factory's power requirements.
- Increased use of alternative fuels as substitution for fossil fuels.
- Increased production of district heating for the city of Aalborg's residents.

Danish cement technology leads the way worldwide due to productive cooperation between research and manufacture. To maintain this leadership in cement technology, and preserve close links between research and manufacture, cement production must be retained in Denmark. It is therefore imperative for Danish companies that the competitor conditions – including in particular taxes – are in line with the conditions which apply to similar companies abroad. Only in this way will future investments in research and plants in Denmark be attractive.

Expectations to 2013

The debt crisis in a number of EU countries continues creating doubt about developments in the international economy and led to reduced growth rates in a number of European countries, including Denmark and Sweden. In addition, political conditions in the important Egyptian market remain unstable.

In the Nordic & Baltic region, decreased building and construction activity is expected in Denmark, which remains the Group's largest single market. At the same time, Danish environmental taxes, including NO_X tax, are weakening the company's competitiveness, not only in the Danish market but particularly in many export markets.

We are nevertheless continuing our efforts to improve competitiveness by being innovative in the way we manufacture, sell and distribute our products. The customer is constantly in our focus and key to our business. We must be able to offer competitive prices, but we can and will also compete on other parameters that are important to our customers, such as consistent high quality, security of supply, and first-class technical support and service.

With a committed management and proficient employees we will be innovative and continuously improve our competitiveness. And despite economic downturn in a number of important markets we expect to be able to deliver earnings in 2013 on a par with 2012.

Cement production in Denmark is of significant national economic importance

Production of cement is a growth area at global level. The strong economic growth in, for example, China, India and a number of countries in South America has led to a rising demand for the cement which is necessary to make concrete for homes, infrastructure and businesses.

In a social perspective, concrete is one of the best materials to use in terms of energy and resources. Concrete can be made from local materials: Stone, sand, water and cement, and the raw materials for cement are available in abundance in the form of limestone, clay and slate. In addition, waste products can be used extensively in production as alternative raw materials or fuels. Cement production is energy intensive but cement content in concrete is only about 15%.

Concrete is a long-life, low-maintenance material which is good at retaining heat in cold conditions and at cooling when conditions are hot. Over the life of the product, the environmental impact and consumption of resources are therefore low. Increased use of concrete for building can therefore contribute significantly to society's climate goals.

Considerable growth potential therefore exists in developing and manufacturing cement that lives up to the requirements both for high quality, durability and reduced evironmental impacts from production.

Danish position of strength

Aalborg Portland has been a mainstay of the business community in both North Jutland and the rest of Denmark since 1889, with major importance for employment, development of knowhow and exports. Today the Group is a world leader in energy-efficient production of high-quality cement. Aalborg Portland is one of the Nordic region's largest producers of cement, the Nordic region's largest producer of ready-mixed concrete and the world's largest producer of white cement.

Over the years a Danish position of strength has been established in cement and concrete technology. A key reason is the strong ties that exist between Aalborg Portland's research centre, which has close links to cement production in Aalborg, and the company's customers, universities, institutions, other players in the building industry value chain and FLSmidth, which supplies cement equipment to the world.

Through this productive collaboration, significant Danish expertise has been built up in development and manufacture of future cement and concrete with reduced CO_2 emission, and this is a contributory factor in Aalborg Portland's global leadership in development of new, resource-efficient cements.

In Denmark the Group employs 560 people in production, 100 in sales and administration and 30 in research and development. Aalborg Portland is also a significant contributor to employment levels at a number of other players in the building industry's value chain and a number of research institutions. The Group attaches strong importance to R&D activities and in 2012 invested EUR 4.8m in new production equipment and research.

90% of white cement and 40% of total cement production in Denmark, corresponding to EUR 74.1m, is exported, thereby benefitting the Danish balance of payments. With the rising global demand for resource-efficient cements Aalborg Portland is well placed to capitalise on the Group's strong position and to create further sales in export markets.

Socio-economic contribution

Aalborg Portland's cement production in Denmark is of significant national economic importance.

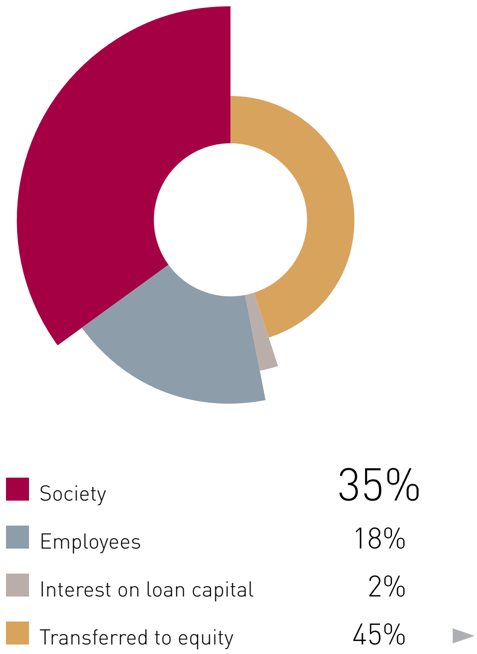
In 2012, Aalborg Portland's value added was calculated as EUR 91m. Of this, EUR 32m, (35%), went to society in the form of VAT, company tax, other taxes and employee income tax. EUR 16m, (18%), went to the employees in the form of wages and pension contributions (after tax). EUR 40m was transferred to the company's equity.

Distribution of value added

EURm	2012	2011
Net sales	185	180
Spent on materials, services, depreciation, etc.	94	105
Value added	**91**	**75**
Society	32	29
Employees	16	19
Interest on loan capital	2	1
Transferred to equity	40	0
Dividend to the owner	0	26
Total	**91**	**75**

EUR 32m

of the social contribution went to the public sector in 2012, corresponding to an increase of 10%



Recycling of resources

Aalborg Portland works to promote sustainable development by basing large parts of its cement production on the recycling of waste materials from society and industry in a resource-efficient partnership.

Wastes and homogeneous by-products from other production can thus be recycled and utilised as raw materials and fuel in manufacture of cement. In this way the overall environmental impact is significantly reduced.

Aalborg Portland began using fly ash, a waste product from power stations, more than 30 years ago. Since then, several other products have been incorporated into cement manufacture. For example, Aalborg Portland has for a number of years worked on a daily basis together with North Jutland Power Station. Chalk slurry from Aalborg Portland is used by the power station in cleaning flue gases. The cleaning process in turn gives rise to desulphurisation gypsum, which Aalborg Portland uses in the production of cement. This gypsum replaces an equal quantity of natural gypsum that would otherwise have to be imported. Since 1990 Aalborg Portland has also been supplying waste heat to the city of Aalborg. The factory has the capacity to supply around 495,000 mWh of waste heat, which corresponds to the heat consumption of some 36,000 households, and it is planned to expand this capacity.

Resource-efficient cooperation




Society and industries	►	Waste product	►	Cement production	►	Cement and district heating with climate and environmental improvements
Power stations	►	Fly ash and desulphurisation gypsum		Consumption of alternative fuels and raw materials		• Recycling of alternative fuels and raw materials
Navigation channels	►	Sand				• Utilisation of waste from other industrial production
Sulphuric acid – factory	►	Iron oxide				• Lower CO_2 and NO_X emission
Recycled paper – factory	►	Paper sludge				• Fewer ultimate wastes and smaller quantities
Recycled aluminium – factory	►	Aluminium-contain. by-products				• Lower overall environmental impact
Biomass-fired plants	►	Dross				
Collection schemes	►	Industry waste				
Daka Bio-Industries	►	Meat and bone meal				
Sewage treatment plant	►	Dried sewage sludge				

Aalborg Portland supplied district heating corresponding to the heat consumption of approx. 21,000 households

60%
increase of Aalborg Portland's environmental taxes

EURm	2012	2011
The Parent Company has paid the following direct environmental taxes:		
PSO	3.2	1.7
NO_X	2.1	0.3
Waste	1.5	1.7
Electricity	1.0	0.5
Energy	0.6	0.7
Raw materials	0.6	0.5
Sulphur	0.1	0.2
	9.1	**5.7**

Innovation – the cornerstone of Aalborg Portland's business model

The global demand for cement is steadily increasing. Parallel with this there is generally increasing focus on buildings' environmental impacts and consumption of resources over their lifetime, high and rising energy taxes, and emissions from cement production.

Taken together therefore, major challenges – and major growth potential – exist in developing new manufacturing methods and new products that deliver high quality and durability and at the same time reduce the environmental impact of production.

Ongoing research and development

The goal of Aalborg Portland's research and development is to strengthen the Group's competitiveness by:

- Reducing consumption of energy and natural resources
- Limiting emissions, including CO_2 and NO_X
- Reducing production costs
- Improving the performance of Group products and thereby their value to customers.

Based on extensive R&D activities focused on production technology, material properties and recycling of materials and wastes, Aalborg Portland has helped make it possible to now produce high-durability Danish concrete with low environmental impact. This work is also continuously being extended in close collaboration with customers, research institutions and other cement and building industry players.

Sustainable cement production

For many years the Aalborg Portland Group has focused on developing production methods that provide low energy consumption and minimise emissions.

The company's cement production today is therefore highly energy-efficient. Aalborg Portland is nevertheless actively pursuing further reductions in energy consumption and environmental impacts.

In 2012, EUR 2.9m was therefore invested in a new cooler for the largest kiln in Aalborg. This will cut fuel consumption by 5.3% and reduce CO_2 emission by 18,000 tonnes annually. In 2012 the Aalborg factory also installed an expert process control system which has led to a 1% reduction in fuel consumption and cut CO_2 by a further 2,700 tonnes.

Consideration is currently being given to a number of production measures to reduce CO_2 further and deliver even greater fuel efficiency:

- Establishment of wind turbines at Aalborg Portland's site in Rørdal. This will potentially replace approx. 40% of the company's power consumption with renewable energy.
- Plant for recycling waste heat from grey cement production for supply as district heating to the city of Aalborg. This will increase existing heat supplies from Aalborg Portland by 30%, corresponding to the consumption of approx. 10,000 households.
- Equipment for increased use of refuse-derived fuel (RDF). This will potentially reduce Aalborg Portland's fossil fuel consumption for production of grey cement by a further 60%.

Decisions to proceed with these investments will depend on expectations regarding future framework conditions, including equal competitor conditions.

Up to 40% of Aalborg Portland's power consumption can be replaced with renewable energy

The cement of the future

Aalborg Portland has for more than 20 years been researching new cements that can be produced with reduced CO_2 emission, while retaining the same benefits as existing cements. Technology has been developed that cuts both power consumption and CO_2 and NO_X emission, while at the same time improving cement strength. Danish cement is therefore on average significantly stronger than other cements. This can be used either to reduce the cement content in concrete or to replace part of the energy-intensive cement clinker with mineral additives.

Aalborg Portland has also developed Grey Microfiller based on chalk. Combining this with the strong cement clinker promotes rapid strength development, a property exploited in the manufacture of BASIS® cement.

Finally, Aalborg Portland's research has shown that the right combination of chalk and minerals, such as burnt clay or glass particles, enables up to 30% of the clinker to be replaced in certain types of cement.

This research is continuing under the SCM project (Supplementary Cementitious Materials) funded by the Danish National Advanced Technology Foundation and carried out in partnership with FLSmidth, iNANO (Aarhus University), and Department of Energy Technology (Aalborg University). The project is developing the necessary production equipment for the new cement materials. At the same time development continues on the materials themselves, and their properties are undergoing full-scale testing in concrete.

This project is highly relevant for the global cement market. Normally the waste products fly ash and blast furnace dross are used as active mineral substances, but there are insufficient quantities of these materials on the world market to meet the need. Estimates therefore suggest that leading up to 2050 there will be a global market for new, active materials to replace between 0.6 and 1.3 billion tonnes of clinker.

Aalborg Portland is engaged on a number of fronts in developing the concrete of the future. The goal is to increase the value of concrete for both producers and customers.

The development taking place has a global perspective as suitable local raw materials will be able to be converted for use in cement, and the technology therefore addresses the rapidly expanding markets in e.g. Asia and South America. The foundation for this is a productive partnership between Aalborg Portland and FLSmidth, which develops cement-making plants and technology. FLSmidth will be able to sell the finished process technology on the global market after the new processes have been tested in active cement production in Denmark. The equipment will be able to be demonstrated at Aalborg Portland which will have the benefit of being the development pioneer.

The Danish Council for Strategic Research has initiated a further project centred around iNANO, with participation by Aalborg University, the Norwegian University of Science and Technology and the Swiss Federal Laboratories for Materials Science and Technology (EMPA). The project will research potential for further CO_2 reductions and examine technologies that can be utilised in the medium term, i.e. after 2020. Aalborg Portland is a consultant to the project and will co-fund a postgraduate researcher.

The sustainable concrete of the future

Aalborg Portland is engaged on a number of fronts in developing the concrete of the future. The goal is to increase the value of concrete for both producers and customers.

In this development it is imperative that concrete be made more sustainable, that its applications and properties be increased and that it is robust in use and has long service life.

As long as 15 years ago Aalborg Portland participated in the first projects involving life cycle analysis of cement and concrete and identification of potential environmental improvements. These were followed i.a. by a resource-efficient project entitled 'Green Concrete'.

Today, this development is being continued under an innovation consortium project, 'Sustainable concrete structures based on steel fibres', which is focused on the use of steel-fibre reinforced concrete for load-bearing purposes. For this technology to gain acceptance for general use the properties of the concrete must be documented thoroughly. This is taking place, among other things, by a number of demo projects. In 2012, in one such project, the new steel-fibre reinforced concrete was used to build an underpass at Slagelse, Denmark. The project is sponsored by the Danish Agency for Science, Technology and Innovation, and Aalborg Portland and Unicon are joint participants along with partners from all parts of the building industry's value chain. The Danish Technological Institute and the Technical University of Denmark are participating as research partners.

Recycling of concrete

One of concrete's advantages is that it can be recycled after use. This is done by first crushing the concrete and then using it as stable gravel or aggregate in new concrete, thereby conserving natural raw materials.

A further advantage is that concrete binds CO_2. Theoretically, more than half the CO_2 liberated by the burning of clinker is absorbed and bound in the finished concrete. In standing concrete this is a slow






process, but it takes place much more quickly in crushed concrete.

Aalborg Portland contributes on an ongoing basis to illuminating the environmental benefits of recycling concrete and the ability of concrete to absorb CO_2.

Close partnership with customers, industry and research

Danish cement technology is a global leader thanks to a productive partnership between research and manufacture.

Over the years this has resulted in a Danish position of strength in cement-based materials with focus on sustainability, efficiency and quality at all levels in the value chain from production and use to recycling.

Aalborg Portland's R&D activities take place in a close and productive partnership with customers, industry and research environments both in Denmark and internationally.

These R&D activities are coordinated with those of other Cementir Group companies in a single organisation that embraces centres in Aalborg in Denmark, Spoleto in Italy, and Izmir in Turkey.

For example, at the international research centre in Aalborg, projects are taking place to develop the cement and concrete of the future. The Group's expertise and laboratories are also made available to customers by Aalborg Portland's technical consultants. The Aalborg research centre has a broad-based staff which includes structural engineers, chemical engineers, chemists, geologists and technicians. The centre presides over advanced laboratory equipment and is situated close to the Aalborg cement plant. This ensures close collaboration with both sales and production.

The market success of new products depends on all important building industry players being represented in the projects. Aalborg Portland therefore targets participation in R&D projects with other players in the building industry's value chain. The Group also works closely with a number of universities and the Danish Technological Institute.

The research centre has a broad international contact network covering leading universities in the field of cement and concrete research. Aalborg Portland helped co-found the Nanocem research network which today leads the world in the field of cement-based materials. Through Unicon Norway the Group further participates in Concrete Innovation Centre (COIN), Norway's foremost concrete research agency.

An Aalborg Portland priority is responsible manufacture of quality products that live up to customers' requirements and expectations

Aalborg Portland employs 1,531 people in a string of countries around the world. The Group is also a significant contributor to employment elsewhere in the building industry's value chain and in a number of research institutions.

The Group supplies products and advice of critical importance to owners, developers and users who therefore must be able to rely on the quality of these services.

Finally, the Group's production processes are energy-intensive – and energy is a scarce and valuable resource for society.

Aalborg Portland therefore has an important role to play for many stakeholders and for society as a whole. The Group recognises this role and its responsibility to customers, employees, shareholders, business partners and the societies in which it operates.

Aalborg Portland wishes to contribute to compliance with society's climate goals. In an open and constructive partnership with authorities the company therefore actively participates in solving the problems linked to energy-intensive industry.

In accordance with the Statutory Report on Corporate Social Responsibility, cf. Section 99a of the Danish Financial Statements Act, reference is made to the '2012 Environmental Report' prepared as a supplement to the consolidated financial statements for Cementir Holding S.p.A., of which the Aalborg Portland Group is part. The report on corporate social responsibility will be available in April 2013 and can be downloaded at www.cementirholding.it. Selected aspects of material importance to the Aalborg Portland Group are included in the individual sections of this report.

Quality and responsibility at all levels

Part of the foundation for the company's activities in the domain of social responsibility is Aalborg Portland's quality policy, which contains summary guidelines for the Group's interaction with customers, employees, suppliers and society.

Aalborg Portland puts the focus squarely on the customer. By supplying quality products and services Aalborg Portland aims to increase customer satisfaction, ensure long-term and profitable growth, and create development and renewal to the benefit of its shareholders, employees, customers and society.

The company takes on board customers' needs and expectations regarding quality and price with view to ensuring a high level of customer satisfaction. Ongoing customer feedback is obtained and processed to ensure continued optimisation and quality improvement.

A priority for the Group is to improve the personal and professional competencies of its individual employees. Through visible leadership and an open and inclusive management style we wish to ensure that Aalborg Portland's core values are translated to action. And through delegation and consistency in management we aim to improve the company's performance, competencies and motivation.

Aalborg Portland seeks to establish collaboration with suppliers that will lead to value creation. The same demands are made to outsourcing as to the company's own supplies, and outsourced supplies are regularly tested.

Responsible employees

Aalborg Portland aims to be an attractive workplace for all employees by offering stimulating tasks, safe working conditions and good opportunities for improving personal skills.

Aalborg Portland wants – and has – responsible, innovative, quality-minded and enterprising employees who can promote and strengthen a results-oriented culture. Showing accountability towards the employees is the management's most effective means of achieving this.

The culture among employees and managers is characterised by ongoing renewal, a high level of professionalism and ambitious goals. Accordingly, the Group has launched a series of activities to increase job satisfaction for employees and to improve their personal and professional skills and potential.

Focus on health and safety

An Aalborg Portland priority is responsible manufacture of quality products that live up to customers' requirements and expectations. A sound working environment and a strong safety culture are essential to this.

Aalborg Portland strives on many fronts to continuously improve health and safety in the workplace. The foundation for these efforts is the Group's Health & Safety policy which provides general guidelines for the organisation of company production and work processes. Internal guidelines also contain detailed descriptions of work processes and safety regulations in all areas of production.

As a core principle, all activities must at all times be performed in accordance with relevant Danish, international or local legislation, and in accordance with internal guidelines which ensure continued safe and healthy work environment.

Aalborg Portland prioritises the training of the Group's employees in the area of health and safety and the involvement of the health and safety organisation in relevant issues. Constant focus is maintained on e.g. safe planning of work processes and learning from near-misses in order to ensure that work procedures are consistently improved.

Commitment and motivation

Late in 2011 Aalborg Portland carried out an extensive survey of employee commitment, attitudes and motivation ('Motivational Landscape'). In 2012 the findings formed the basis for broad internal discussion of how to make Aalborg Portland an even better workplace. This resulted in a number of initiatives.

The survey revealed strong employee backing for Aalborg Portland and pride in working for the company. The employees felt they had influence over their work and that team spirit and relationships with co-workers were good. The survey will be repeated in 2013.

Aalborg waterfront
C. F. Møller Architects – Photographer Helene Høyer Mikkelsen

Environment and climate

Aalborg Portland takes its environmental responsibility seriously and works to limit its environmental impacts on society

Electricity is essential for cement manufacture and Aalborg Portland is one of Denmark's largest electricity consumers. The use of electricity entails emission of CO_2, and the manufacture of cement leads to atmospheric emissions from the burning of large quantities of fuel.

For many years Aalborg Portland has been working actively and proactively to meet society's wishes for increased energy and resource-efficient production and reduced environmental impact. As part of an energy-intensive industry, Aalborg Portland has an obligation to work for a resource-efficient society, among other things by cutting energy consumption, maximising recycling and minimising emissions from production.

In 2012, heat corresponding to the annual district heating consumption of 21,000 households was supplied to the city of Aalborg. The heat supplied is waste heat recycled from kiln flue gases before emission. The recycling process is continuously being optimised in order to maximise the supply of district heating, thereby benefitting the company and society. In 2012, the heat recycled as district heating included 1,045,000 GJ supplied to the city's residents and 25,000 GJ supplied for heating the company's own factory and offices etc.

The Aalborg Portland Group has been heavily investing for many years to reduce its emissions of CO_2, SO_2 and NO_X per tonne cement produced. As a result, the Group has slashed emissions of CO_2 by 7%, SO_2 by 41% and NO_X by 40% in just the past three years. In 2012, Aalborg invested a total of EUR 5.9m in climate and environmental improvements, including energy saving projects, and in preventive health and safety measures.

At the same time the company has entered into close and constructive collaboration with authorities and other stakeholders aimed at continuously limiting its production impacts.

The environmental facts relating to Aalborg Portland's cement plant in Aalborg are detailed in an annual Environment Report which is audited externally. The report describes the company's environmental, energy and health & safety systems and the approvals and standards on which they are based: ISO 14001, EMAS (Eco-Management and Audit Scheme), ISO 50001, OHSAS 18001 and Danish health & safety regulation No. 87.

In 2012, after application from Aalborg Portland, the Danish Nature Agency, the Danish Environmental Protection Agency and the City of Aalborg approved a new municipal plan supplement containing an environmental impact assessment, environmental approvals with provision for an extension of the factory, and a new licence to quarry chalk until 2052. The new licence includes permission, on defined conditions, to utilise microfiller during after-treatment in the chalk pit. Aalborg Portland secured the approval of a new local plan for the factory as along ago as 2008 and this made the work relating to the supplement easier as provision had already been made for increased company activities and factory extension.

Energy savings in production

Aalborg Portland has continuously focused over many years on finding savings in electricity and fuel energy consumption in cement manufacture. Today, the company works together with Energicenter Aalborg to quantify and visualise these savings.

The efforts of the Energy Savings Team are also instrumental in reducing Aalborg Portland's environmental impact. Efforts made in recent years, with focus on energy efficiencies in existing production plant, continued in 2012 in collaboration with electricity utilities, including Energicenter Aalborg, DONG Energy and Scanenergi, which are required by the government's energy policy to reduce energy consumption by public and private companies, institutions and domestic consumers. Through this collaboration, projects carried out in the period 2008 to 2012 have led to electricity and fuel savings of 169 million kWh, equivalent to the annual electricity consumption of 42,000 households.

Alternative fuels

Aalborg Portland is steadily increasing use of alternative fuels to replace coal and petcoke, thereby helping to reduce emissions of CO_2 and NO_X and to utilise wastes from other industrial production. Aalborg Portland continuously seeks to maximise the use of waste-based alternative fuels. Focus is on achieving the largest possible input of CO_2-neutral biofuel.

Since 2001, working closely with agriculture, health and other authorities, Aalborg Portland has also used meat and bone meal as fuel. These materials can replace coal and are CO_2-neutral.

By recycling and using fuels and alternative raw materials in cement production, waste and waste products are fully utilised. All constituents are used and no new wastes formed.

High temperatures and unique process conditions make cement kilns ideal for using alternative fuels and raw materials. In addition, the flue gases produced are effectively cleaned inside the kiln system by filters and scrubbers, preventing additional pollution impact.

The Aalborg factory has the capacity to handle 700,000 tonnes of alternative fuels and raw materials in this way each year. They replace equivalent amounts of raw materials and fossil fuels that would otherwise have had to be quarried in Denmark or imported, and which, when burned, would impact the environment more than alternative fuels.

Recycling of water and other materials

Unicon in Denmark recycles considerable volumes of water from both process plant and the washing of roadtankers. At many plants this is supplemented by rainwater capture.

The process water is reused in the production of concrete, replacing waterworks drinking water. Previously, all waste water from cleaning and captured surface water was discharged to the public sewers and subsequently treated at sewage plants.

Now, two thirds of Unicon's factories in Denmark are equipped with water recovery systems. In addition, some factories separate sand and stones which are processed and then recycled in special products used for e.g. roadbuilding.

Since the first such recovery system was installed more than 10 years ago the consumption of drinking water and the volume of water discharged to the sewers have been reduced by some 40%.

Unicon has achieved major savings on water purchase and discharge of waste water. Drinking water is a scarce resource, and recycling therefore benefits society, the environment and also the company.

Aalborg Portland is also focused on the recycling of a number of other materials produced by activities in society and by local industry. In 2012 the Group recycled 423,000 tonnes of such materials, including 204,000 tonnes of fly ash from power stations, 55,000 tonnes of desulphurisation gypsum from flue gas cleaning at power stations and plants, 76,000 tonnes of sand dredged from the Limfjord to keep open the navigation channel at Hals Barre, and 25,000 tonnes of pulp from Papirfabrikken Dalum, a producer of recycled paper.

Responsibility for the environment

Aalborg Portland takes its environmental responsibility seriously and works proactively and actively with authorities and other stakeholders to limit its environmental impacts on society.

All companies in the Aalborg Portland Group are committed to sustainable development. This commitment is based on the following principles:

- Environment shall be an integral part of the development in company activities.
- Environmental activities shall involve all company employees and dialogue with the community.
- Production and economic progress shall take place without relative increase in energy consumption, emissions, use of chemicals, creation of waste, and use of resources in product manufacture.
- Environmental indicators shall reflect sustainable development.
- Resource-efficiency shall be promoted by substitution of non-renewable resources, introduction of new technologies and other means.
- Environmental issues shall be viewed and addressed in a global perspective.

The Aalborg factory has the capacity to handle 700,000 tonnes of alternative fuels and raw materials each year

Sound financial position

For any company, a sound financial position is the foundation for its continued development.

During the challenging market conditions of recent years, Aalborg Portland's good profitability and solid financial base have been immensely important. They provide strength in adversity and security for our commercial and financial business partners.

They also provide economic flexibility for long-term decision-making – including decisions on major investments – and continued innovative measures. Finally, a sound financial position is key to the ability to focus continuously and professionally on the best environmental solutions.

Companies place their investments and jobs where business conditions provide opportunity for an attractive return on capital employed. It is imperative, particularly for a capital-intensive company like Aalborg Portland, that long-term investment can take place with an acceptable degree of confidence.

Aalborg Portland made progress in 2012. Operating profit (EBITDA) improved by more than 20% to EUR 111.5m (2011: EUR 91.0m). As in recent years the Group experienced strong cash flow from operations, and this similarly increased by more than 20% to EUR 104.4m (2011: EUR 85.9m).

Profit and loss account

Volume sales of cement were 3% lower than the year before. This was primarily due to the difficult market conditions in Egypt, which despite falling volumes realised a positive net sales increase based on a changed product mix.

Volume sales of ready-mixed concrete in 2012 were likewise 3% below the level for the previous year, although there were large regional differences with higher sales in Norway and lower sales in both Denmark and Sweden. Sales of aggregates (granite and gravel) were 9% below the level for 2011.

Despite the relatively weak development in sales volumes in 2012, the Group's business areas managed to increase net sales by 6% to EUR 580.3m from EUR 549.9m in 2011. Net sales for Nordic Cement were on a par with 2011. The increased revenue in the two other business areas was due both to improved product prices and changes in product composition.

EURm	2012	2011	Change	2010
Net sales	580.3	549.9	6%	477.3
EBITDA	111.5	91.0	23%	72.9
EBITDA ratio	19.2%	16.6%		15.3%
EBIT	64.7	45.7	42%	28.2
EBT	66.4	49.1	35%	30.8
EAT	55.0	36.3	12%	25.7
Non-current assets	584.3	516.2	13%	538.6
Current assets	193.9	174.3	11%	158.1
Working capital	27.4	26.1	4%	29.5
CFFO	104.4	85.9	22%	66.4
CFFI	-114.5	-17.9	-540%	-19.1
Free cash flow (FCF)	-10.1	68.0	-115%	47.3
NIBD	24.2	5.5	-340%	44.0
NIBD/EBITDA factor	0.2	0.1		0.6
Equity	505.7	465.7	9%	459.0
Return on equity	11%	8%		6%
Equity ratio	65%	67%		66%
ROCE	10%	6%		4%

Operating profit before depreciation (EBITDA) also increased, by 2.6 percentage points from 16.6% in 2011 to 19.2% in 2012, which was a satisfactory development.

Earnings before interest and tax (EBIT) similarly increased by more than 40% to EUR 64.7m (2011: EUR 45.7m).

Tax on profit for the year was EUR 11.4m (2011: EUR 12.9m), profit for the year being EUR 55.0m against EUR 36.3m in 2011.

Cash flows and debt

The Group is continuously focused on optimising both its cash flows and working capital. The cash flow from operating activities (CFFO) was EUR 104.4m in 2012, an increase of more than 20% on 2011 (EUR 85.9m). The cash flow was positively influenced by the increase in EBITDA and the development in working capital.

The Group's cash flow from investment activities (CFFI), amounting to EUR 114.5m (2011: EUR 17.9m), was influenced by the acquisition of a 25% interest in the sister company Çimentaş İzmir Çimento Fabrikası Türk A.Ş. for EUR 89m.

The investments were therefore predominantly financed from the cash flow from operations, and the free cash flow (FCF) was EUR -10.1m (2011: EUR 68.0m). Despite the year's major investments the net interest-bearing debt therefore remained at a low level relative to the company's size at EUR 24.2m (2011: EUR 5.5m).

The ratio of debt to operating profit (NIBD/EBITDA) was 0.2 at the end of 2012 and 0.1 the previous year, which was a further expression of the company's robust financial position.

Balance sheet

Non-current assets amounted to EUR 584.3m at end-2012, 13% higher than at the same time the year before (EUR 516.2m). The increase was primarily due to the investment in Çimentaş.

Current assets increased by EUR 19.6m as a result of increased cash funds and amounted to EUR 193.9m at year-end 2012 (EUR 174.3m at end-2011).

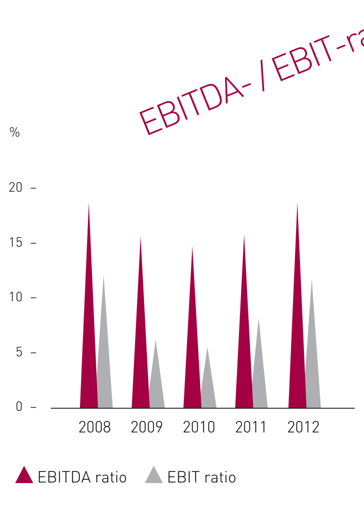
Working capital, i.e. capital tied up in debtors, creditors and stocks, was maintained at the same satisfactory low level as in previous years despite increased Group activity. At the end of 2012 the working capital was only 4.7% of net sales (4.7% the year before). Keeping down working capital saves on interest expenses and frees resources for purposes such as investment.

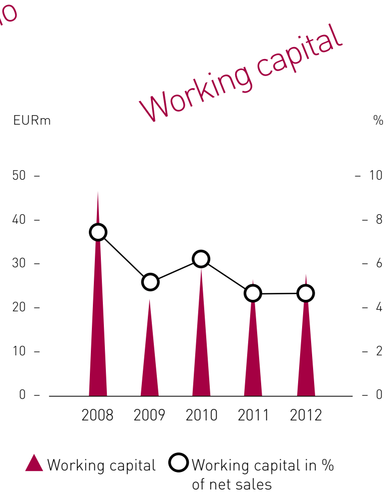
The Group's return on working capital (ROCE) improved, from 6% in 2011 to 10% in 2012, as a result of the increase in earnings.

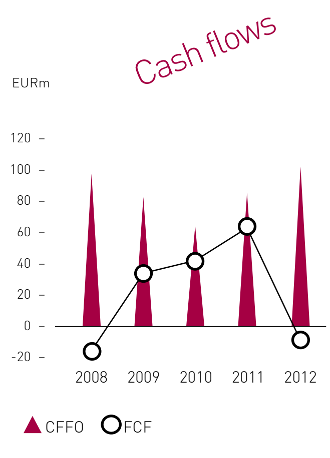
Shareholders' equity

Group shareholders' equity at the end of 2012 amounted to EUR 505.7m against EUR 465.7m the year before. In addition to the impact of profit for the year the shareholders' equity was influenced by negative exchange rate adjustments of EUR 6.3m on investments in subsidiaries and associate companies.

Equity ratio was 65% at the end of 2012, on a par with the previous year (67%). Return on equity increased in 2012 to 11% from 8% the year before.







Based at the Aalborg plant in Denmark, Nordic Cement develops, produces and distributes grey and white cement. The market is the North European region and primarily Denmark.

Activities are carried out through the companies Aalborg Portland A/S, Aalborg Portland Íslandi ehf., Aalborg Portland OOO, Russia and Aalborg Portland Polska Sp. z o.o.

Nordic Cement's strategic objective is to maintain its market position in Denmark and to expand its position in neighbouring countries through continued product development, customised solutions and competitive prices.

This will be achieved by means of ongoing focus on customer requirements, optimised processes and cost structure, and investment in continuous development of production facilities and employee resources.

Denmark

Domestic sales ended marginally below the 2011 level and sales volumes thereby seem to have stabilised around 20% above the historical low in 2010. Despite this increase in recent years, sales volumes in 2012 amounted to only two thirds of the yearly volumes in the period 2004-2007 before the economic downturn started impacting demand.

However, exports of white and grey cement increased by 4% in 2012, mainly based on higher activity in neighbouring markets.

Earnings in 2012 were notably better than in 2011 as a number of key parameters moved in the right direction. The result was first and foremost positively affected by energy prices and the effect of several cost-reducing initiatives, including investments in improved production technology, and also to some degree by non-recurring income.

Iceland

For the first time since the country's economic collapse in 2008 sales significantly improved in 2012. Consequently, earnings for Aalborg Portland Íslandi returned to the black, which given the circumstances is considered satisfactory.

Poland

In continuation of the positive market development in previous years, sales and earnings ended at the same record-high level in 2011. During the year the Polish subsidiary increased white cement sales to surrounding countries, and these sales are expected to increase further in the coming years.

Russia

Sales and earnings in Russia in 2012 remained at the same low level as in 2011. In order to increase sales new distribution solutions will be implemented.

Customer focus

Continuous product quality improvements are essential. To realise a high level of customer satisfaction with the range of high-strength cements it is necessary to obtain a clear understanding of the challenges that customers are facing. Examples of efforts to achieve these aims in 2012 were studies and product improvements relating to the interaction between cement and additives. Further examples are the final implementation of environmental improvements in two products – a bulk cement named Low Alkali and a bagged product known as MESTER – which are now produced with 30% less CO_2 emission. In addition, the colour of MESTER is now similar to one of our main products, RAPID. This enables these products to be mixed and thereby made easier to use.

Minimised product variation has a high impact on customers' production. Nordic Cement offers some of the lowest variations in Europe compared to other cement producers. On top of that we inform customers about cement quality at a very detailed level, and any variations are published weekly on Nordic Cement's extranet. Development of software programs, such as 'Recept 2000', is also a part of the service offered in order to provide customers with tools to reduce and optimise cement consumption in their production.

Social contribution

Nordic Cement makes a significant contribution to the Danish economy and to the solution of a number of societal challenges in the form of waste disposal and supply of sustainable heating. 2012 highlights included:

Supply of district heating to Aalborg corresponding to the heat consumption of approx. 21,000 households.

Recycling of large quantities of waste from other activities in society. This included 55,000 tonnes of desulphurisation gypsum from flue gas cleaning and 204,000 tonnes of fly ash, both from power stations.

Use of 76,000 tonnes of sand dredged from the Limfjord, which is necessary to keep the fjord navigable.

Emissions of CO_2, NO_X and SO_2 decreased again from 2011 to 2012 in line with the trend of the previous years. The total emission of NO_X was reduced in 2012 by 17% compared to last year despite slightly higher production volumes. This reduction has been achieved by adherence to the principle of best available technology (BAT) as defined by the EU.

Prospects for 2013

Sales volumes in 2013 are expected to remain on a par with 2012 given that there are no indications of a general shift in the fundamental level of building activity in the markets served by Nordic Cement.

Following this, earnings are expected to be slightly lower or at the level of 2012. Focus will remain on customers and increasing competitiveness as a result of further use of alternative fuels, optimised logistics and continuous efficiency improvements in all activities. The development in Nordic Cement's competitiveness is, however, dependent on the development in the Danish level of environmental taxes, which is of considerable importance to sales opportunities.

Unicon is one of the Nordic region's leading suppliers of ready-mixed concrete, and develops, produces and distributes its products in Denmark, Norway and Sweden. Unicon also has activities in Poland and Portugal.

Activities take place in Unicon A/S and the companies Unicon AS in Norway, AB Sydsten in Sweden, Kudsk & Dahl A/S in Denmark, Secil Unicon SGPS Lda. in Portugal and Ecol-Unicon Sp. z o.o. in Poland.

The Nordic RMC (Unicon) business area generally experienced activities in 2012 at the same level as last year. The Swedish market especially experienced a lower activity level than last year, whereas Norway achieved solid progress.

Denmark

Unicon is the market leader in Denmark with 42 plants producing and supplying ready-mixed concrete nationwide. The concrete is sold to both industrial customers and end-users.

In 2012, Unicon experienced a slight drop in ready-mixed concrete volumes compared to 2011. A small number of large-scale commercial projects and infrastructure projects continue to influence the market positively, albeit at a significantly lower level than previously. Agricultural building activities remain at a very low level.

In 2012 the company maintained its market leadership. Unicon has been involved in several high volume wind turbine foundation projects, onshore as well as offshore, and also supplied ready-mixed concrete to a wide range of high-profile projects during the year, including Skejby Hospital in Aarhus, House of Music in Aalborg, and Bestseller in Aarhus. The company is also sole supplier to the Metro City Circle Line and the North Harbour Tunnel in Copenhagen, two lengthy building projects requiring approx. 400,000 m^3 of ready-mixed concrete. Altogether this provides a secure and solid foundation for the years ahead.

During the year the company underwent significant organisational restructuring. Unicon has again become 'the local supplier' of ready-mixed concrete, empowering the local factory to engage and optimise product, service and delivery. Orders are received at the local factory closest to the building site and delivery is agreed with the customer from a local market perspective. Unicon is also harvesting the potentials from being a large-scale company, from establishing a national process optimisation focus, and from ownership hereof.

Unicon is an active member of the Danish Concrete Association through which the company is instrumental in communicating knowledge of concrete's many applications, thus creating a platform for further business development.

Gravel sales, which are administered by the subsidiary Kudsk & Dahl A/S, decreased compared to 2011.

Norway

Unicon AS produces ready-mixed concrete at 27 plants and four mobile units and supplies the central and southern parts of Norway.

The company maintained its position in the Norwegian market in 2012. Market development in the first half of the year was positive and better than expected due to advantageous winter weather conditions for concrete deliveries. Second-half activity was also at a high level in all segments of the market. Particular attention in 2012 was placed on high utilisation of available resources in production capacity, supplies and transport.

In 2012, Unicon supplied concrete to a number of high-profile construction projects, notably Terminal T2 for Oslo's Gardermoen Airport and the start of E6 Dovrebanen – a road and a rail project comprising supply of 130,000 m^3 of concrete from a new Supermobile plant. Activity in the mobile sector of the trade is high, and Unicon has also started supplies to a power plant project in Brokke, using a concept of two mobile plants.



Towards the end of the year Unicon set up a new greenfield plant in Østfold, which was ready for production in February 2013.

Unicon is one of 11 industrial partners in COIN, a large research-based innovation centre in Norway comprising participants from industry and from research and education institutes. Unicon also is a part of byggutengrenser.no, comprising 67 member companies from all concrete trades. The companies work together on marketing and development of market opportunities based on the use of concrete's unique characteristics in efficient construction techniques, new and sustainable design concepts, and more sustainable materials manufacture.

Sweden

AB Sydsten produces and sells ready-mixed concrete and aggregates (granite and gravel) to the southern part of Sweden. The company has 10 plants, five granite quarries, seven gravel pits and a recycling business.

2012 was an unusual year for the Group. Despite a relatively healthy order situation the year began with very low volumes. This was mainly due to a couple of large projects being delayed. After the summer the market picked up again. There was high activity in the energy sector based on several wind turbine and biogas projects. A couple of large road projects were also finalised. All in all sales of concrete in 2012 were somewhat lower than the year before. Aggregates for ready-mixed concrete and for asphalt were at a stable, high level during the year.

In 2011, permission to quarry stone at Nörra Rörum was extended for the period until 2036.

The company has been reorganised to meet the new situation both in production and in sales.

Furthermore, a health and safety campaign was implemented in the course of 2011, and during 2012 focus was placed on traffic-related risks.

Environment and energy

Environmental respect and energy consumption are focal issues for the entire Nordic RMC business area. A number of environmental projects are therefore currently under way, including one relating to the recycling of large volumes of water used in company processes.

Concrete is an environment-friendly building material predominantly produced from natural resources.

Environmental impacts from Unicon's concrete production are continuously being reduced, and Unicon has established an internal Environmental Management System based on ISO 14001 that has been implemented in the Group's production plants. The system ensures ongoing improvements to environmental conditions at company plants.

Prospects for 2013

Sales in 2013 in Denmark are expected to increase slightly compared to 2012, positively affected by supplies to Copenhagen's Metro City Circle Line and other projects, whereas a slowdown is expected in residential and commercial construction. In Norway and Sweden volumes are expected to be up on 2012.

The process of organisational and structural changes, which was initiated in 2012 in Unicon Denmark, will contribute positively to the result for 2013.

Flexible positioning and a selective pricing strategy combined with internal optimisations of processes and organisation will be essential for leadership in both sales and competition.

In total, the earnings for 2013 are expected to be higher than in 2012.

The Aalborg Portland Group is the world's leading supplier of white cement, which is produced at plants in Egypt, Malaysia, China and USA, and also at Nordic Cement, Denmark.

The Overseas business area produces and distributes white cement. Operations take place at Sinai White Portland Cement Co. S.A.E. in Egypt, Aalborg Portland Malaysia Sdn. Bhd., Aalborg Portland (Anqing) Co. Ltd. in China, as well as at Aalborg Portland U.S. Inc. and subsidiaries in Australia, Malaysia and USA.

As global market leader in white cement, Overseas provides value to customers and other stakeholders by being a proactive, innovative and market-oriented collaboration partner.

Ongoing focus is placed on exploring and highlighting the potential for white cement in new areas of application. This takes place in close co-operation with customers and other key decision-makers in the building industry, principally developers but also architects and engineers. Furthermore, workshops are organised for architecture students, professional artists and other groups in which new designs and applications are developed for white cement products.

Egypt

Sinai White Portland Cement is the world's largest manufacturer of white cement with annual capacity of 1.1m tonnes.

The company is owned by Aalborg Portland A/S (57%) and IFU (The Industrialisation Fund for Developing Countries) (14%). Total Danish ownership is 71%.

In spite of new challenges related to the revolution, political instability and increased competition, Sinai White Portland Cement performed very well in 2012. While sales were negatively affected, the final results are considered very positive with solidly improved earnings compared to 2011.

Sinai White Portland Cement continues to focus on optimising fuel mix. The increasing use of natural gas as a replacement for heavy fuel oil is having a positive environmental impact and increasing profitability.

In co-operation with the Egyptian Environmental Affairs Agency the company has implemented a reporting system which ensures focus on reducing environmental impacts. The company is attached to an online environmental monitoring system that allows central government authorities to continuously supervise plant operation and emissions.

The company's plant is located in north-east Sinai. Through creation of jobs and support for local initiatives the company has a significant positive social and economic impact in the area.

To support the local economy the company uses local contractors etc. to transport raw materials and finished goods and provide food and accommodation. By providing financial support for education, bakeries, hospitals etc., the company has an opportunity to make a difference in the area.

China

Aalborg Portland (Anqing) is the largest white cement producer in Asia with an annual capacity of 700,000 tonnes. The plant is located on the outskirts of Anqing city in Anhui Province and lies on the northern bank of the Yangtze River, 600 km west of Shanghai.

Aalborg Portland (Anqing) continues to lead the local white cement industries in China in terms of product quality and consistency as well as energy efficiency.

In 2012, despite the slowdown in the local building industry, the company continued to grow in terms of sales volume and especially in profitability. The plant is expected to sell to its maximum output in 2013.

Aalborg Portland (Anqing) maintained its educational sponsorship programme both at university level and in its immediate communities. The company also renovated a nearby school library to provide better reading comfort for students.

Malaysia

The Malaysian company produces white cement at its Ipoh plant and is today the largest producer and exporter of white cement in the south-east Asia region. Approx. 80% of total production is exported to customers in other Asian countries and to Australia and New Zealand through the company's Australian sales subsidiary.

In 2012, Aalborg Portland acquired a minority interest of 30% of the share capital in the Malaysian company. An agreement was subsequently entered into for sale of a similar share to the Australian cement group Adelaide Brighton. This agreement is of great strategic value as a 12-year contract was signed at the same time to supply white clinker to the Australian group, thereby ensuring increased sales to the vital Australian market. With this agreement the foundation has been created for expansion of the plant in Malaysia, which will almost double its capacity in spring 2013. Completion is expected in 2014.

Due to improved sales compared to the previous year and favourable market developments, profit increased significantly from 2011.

In the midst of the new developments the company continued its use of the waste product aluminium dross, thereby conserving the environment by reducing the burden on landfill disposal. The company has also achieved sustainable and viable use of sawdust as an alternative fuel in the cement kiln as part-replacement for fossil fuel.

The company is continuing its CSR efforts at local level and has extended co-operation with a nearby rehabilitation centre for disabled people, thereby supporting their rehabilitation and hopefully their later return to the local labour market.

USA

In addition to importing white cement, Lehigh White Cement has production plants in Pennsylvania and Texas.

Lehigh White Cement is a joint venture between Aalborg Portland (24.5%), Heidelberg Cement and Cemex.

White cement sales to the US market take place through the company's principal office in Pennsylvania. It is the market leader in the USA for the supply of white cement and in 2012 celebrated its 30th anniversary. Even with the continued difficulties in the US economy the company was able to increase its profits. This was principally achieved through cost reductions, including a large saving on natural gas costs.

Vianini Pipe, Inc., a producer of precast concrete structures located in New Jersey, also showed a profit for the year. This result was attributable to certain projects that had above-average profit margins and a lower cost structure that reduced the company's break-evens.

Gaetano Cacciatore LLC, a cement and aggregate terminal in Florida, also showed improvement in profitability in 2012 due to a lower cost structure and improved net sales from its aggregate operations.

Propsects for 2013

In 2013, the Overseas business area will place particular focus on increasing earnings in all markets by optimising its sales activities and distribution channels.

The Overseas companies are consequently expecting growth in sales and earnings in China and Malaysia. However, some uncertainty exists in Egypt due to the political situation.

Management

Board of Directors

Søren Vinther, Chairman
Francesco Caltagirone, Vice Chairman
Francesco Gaetano Caltagirone
Marco Maria Bianconi
Walter Montevecchi
Paolo Zugaro
Harry Egon Andersen *
Henrik Hougaard *
Kim Poulin Poulsen *

* Elected by the employees

Executive Board

Paolo Zugaro, CEO, Nordic & Baltic
Henning Bæk, Executive Vice President, CFO

Executive Management Team

Paolo Zugaro, CEO, Nordic & Baltic
Henning Bæk, Executive Vice President, CFO
Kjeld Pedersen, Managing Director, Nordic Cement
Jesper Knudsen, Managing Director, Nordic RMC, Denmark
Stein Tosterud, Managing Director, Nordic RMC, Norway
Kaj Grönvall, Managing Director, Nordic RMC, Sweden
Kennet Arvedsen, Managing Director, Aggregates
Lars Kure Juul Nielsen, Director, HR, Organization & Internal Communication

Nordic & Baltic

Paolo Zugaro, CEO

Nordic Cement
Kjeld Pedersen, Managing Director

Nordic RMC
Jesper Knudsen, Managing Director, Denmark
Stein Tosterud, Managing Director, Norway
Kaj Grönvall, Managing Director, Sweden

Overseas

Paolo Bossi, Managing Director, Egypt
Alex Narcise, Managing Director, USA
Erik Petersen, Managing Director, Malaysia
Ho Gib Ren, Managing Director, China

Corporate Governance

It is Aalborg Portland's policy to ensure that the Group is at all times managed in an orderly and proper manner in accordance with the laws of the countries in which it operates, and also to ensure compliance with the requirements of the parent company, Cementir Holding S.p.A.

The Group's corporate governance also builds, among other things, on the Danish Companies Act, IFRS, the Danish Financial Statements Act and the company's articles of association.

Aalborg Portland's Board of Directors and Executive Board strive constantly to ensure that the Group's management structure and control systems are appropriate and effective. Internal procedures have been formulated and are regularly updated in order to ensure active, reliable management and profitable operation of the Group.

Annual General Meeting

The Annual General Meeting has the supreme authority in all company matters. The ordinary general meeting shall be held each year after expiry of the financial year so that the adopted annual report can be submitted to the Danish Business Authority no later than five months from the end of the financial year.

Board of Directors and Executive Board

The Board of Directors is elected by the Annual General Meeting and has the overall responsibility for the company's activities.

The Board of Directors and the Executive Board of Aalborg Portland are responsible for the Group's day to day operations in close cooperation with the Executive Management Team.

The Board of Directors and the Executive Board ensure that ongoing follow-up takes place on realised targets and results in relation to approved budgets and further ensure that the following issues are discussed at least once a year at a meeting of the Board of Directors:

- Assessment of internal control functions, including IT security.
- Provision of capital resources, bookkeeping, asset management and accounting.
- Assessment of risk management systems, including insurance issues and currency management.
- Review and update of rules of procedure, corporate governance policy and internal codes of practice.
- Preparation of budgets.

The Board of Directors and the Executive Board and Aalborg Portland's business areas are supported by a number of joint staff and service functions.

The CEO of Nordic & Baltic and the managing directors of the individual companies have operational responsibility within the framework established by the Board of Directors and the Executive Board.

Audit

The auditors safeguard the interests of the shareholders and the public. At the Annual General Meeting an independent auditing firm is elected to perform the audit tasks in the period until the next Annual General Meeting.

The independent auditing firm furthermore reviews and signs the parent company's Environmental Report.

Internal audit

The Aalborg Portland Group has an internal audit function which reports directly to the Chairman of the Board of Directors and which is part of Cementir Holding's internal audit function.

The internal audit function reviews the Group's risk management and business systems, and analyses and reviews reporting by the external audit function, management reporting, etc. Planning and reporting take place in accordance with the requirements of the parent company.

Risk management

For Aalborg Portland, risks are an integral part of business activities, and effective risk management can help reduce the uncertainty surrounding future events and contribute to achieving the Group's objectives. The Group works with a holistic risk management process that includes political, operational, financial, compliance & image risks, and this risk management must be integrated in all material decisions.

Macroecomic, commercial and political conditions are constantly changing and it is therefore imperative for Aalborg Portland to monitor and address risks and possibilities in the Group's market areas with a view to fulfilling strategic objectives.

Critical risks

Risks of particular significance relating to the Group's activities in 2012 are depicted below based on the likelihood and significance of risk occurrence together with the risk categories.

Taxes

The Group's production is subject to substantial taxation, particularly in the case of Nordic Cement. In 2012, additional taxes were imposed on Danish production, i.a. in the form of significantly increased NO_X tax. The level of tax represents a material area of risk for the Group as it impacts directly on competitiveness and sales potential. It is difficult for Danish-manufactured cement to compete on price in tenders for major capital projects, especially when up against cement producers from neighbouring countries without similarly high tax levels.

The Group is continuously seeking to develop more sustainable and future-proofed cement manufacture through innovative product and production development. The environmental impact of Danish cement production today is less than that of several neighbouring countries. In spite of this the risk of further tax burden is substantial.

Risks under control

With both commercial and political conditions constantly changing it is vitally important for the Aalborg Portland Group to monitor and maintain control over risks and possibilities in the markets in which the Group is represented.

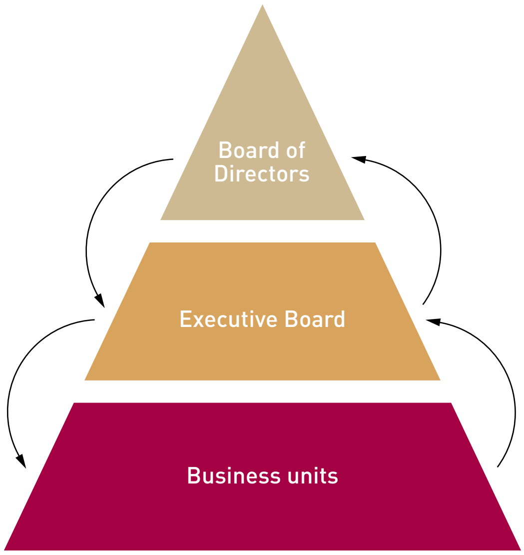
The Group's risk management is based on a standardised risk process embracing identification, assessment, management, monitoring and reporting of risks. The risk assessment is based on the likelihood of the risk occurring and its impact on Group earnings, operations and image. The overall risk assessment is presented in Heat Maps, which form a part of risk reporting.

The process combines a top-down and bottom-up approach and when fully implemented will cover all significant entities in the Group. The process assists the Group management by providing an overview of the key risks and the basis on which to monitor and mitigate these risks.

The business units together with the corporate and service functions are responsible for identifying, analysing and managing risks and for reporting on progress and control measures.

Local risk owners are appointed specifically for the most significant risks.

The individual unit managements are responsible for integration of risk assessments in all major decisions. Group management is responsible for ensuring that the overall risk level for the Group as a whole is acceptable and that risk management procedures are implemented. Group management reports on this matter to the parent company and the Board of Directors.

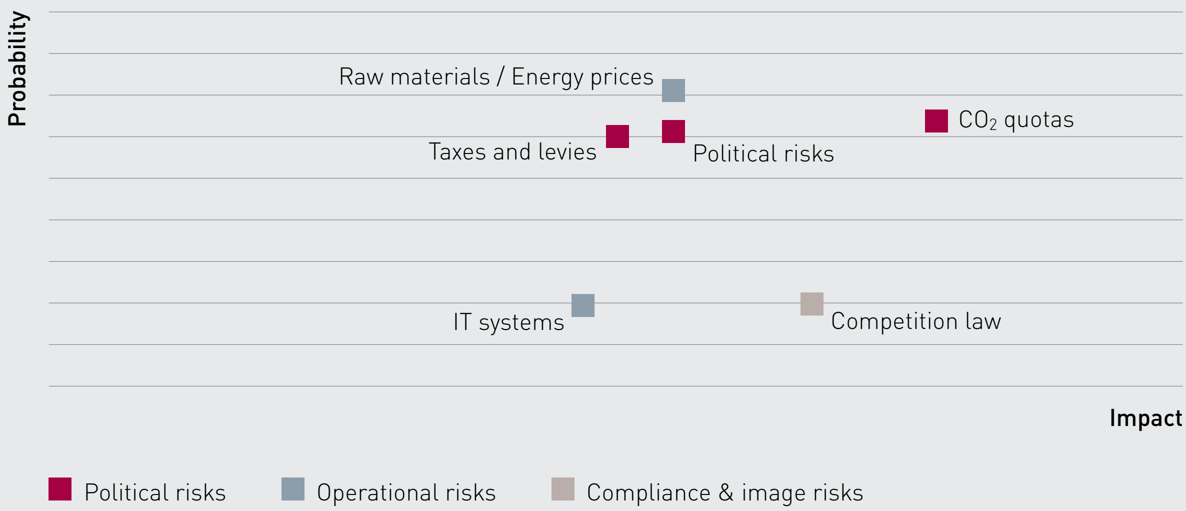


Risk reporting

Political risks

The Aalborg Portland Group operates globally, including in developing countries and in countries with political risks. For the past couple of years Egypt has been a clear example of a country marked by major upheavals. This can have material consequences both for the production conditions and for the sale of the Group's products. The Group seeks active dialogue with local, national and international politicians, authorities and interest groups to create a good basis for continued operation even in times of great change. The Group also uses its contacts to keep abreast of legislation that may be of importance to the Group.

Risk map 2012



For Aalborg Portland, risks are an integral part of business activities

◄

Raw materials and energy prices

Access to basic raw materials (sand and chalk) and aggregates is ensured through ownership of deposits, extraction licences, long-term contracts and diversity in terms of suppliers. Furthermore, the market for the raw materials and other materials considered production-critical is carefully monitored. During 2012 a small number of raw materials were subject to uncertainty as regards long-term security of supply but this was resolved before the end of the year.

The Group uses large quantities of energy in cement manufacture and is therefore sensitive to long-lasting price increases. In order to reduce this risk the purchase of energy is partly hedged by establishing contracts for terms up to 24 months.

CO_2 quotas

During 2012, considerable focus was placed by the Group on compliance with all requirements relating to the granting of CO_2 quotas for the period 2013-2020. A situation in which the Group was denied CO_2 quotas would have substantial financial impact and compel the Group to consider the scale and handling of cement production in particular. The necessary measures were identified and implemented within the established time limit.

Competitive legislation

The Aalborg Portland Group is experiencing increasing regulation by authorities and organisations within many areas. Non-compliance with recommendations and regulations is often subject to substantial fines and constitutes a potential risk to overall Group earnings. The Group is committed to conforming with all aspects of competitive legislation and trains selected personnel in compliance with current requirements on an ongoing basis.

IT systems

The Aalborg Portland Group is dependent upon IT in all parts of its operations from process control to administration and is thereby exposed to operational disruption and loss of data and communications. IT safety and business continuity are risk areas of high priority.

2013

The high-risk factors in 2013 are considered to be largely unchanged from 2012. The Group carefully monitors developments in the areas affected and initiates risk-limitation measures to reduce the likelihood and potential effect of the high-risk factors.


PROGUARD

CONSOLIDATED ANNUAL REPORT

This Consolidated Annual Report is an extract of the Company's Annual Report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, Aalborg Portland has chosen to issue a Consolidated Annual Report that excludes the financial statements of the Parent Company, Aalborg Portland A/S.

The financial statements of the Parent Company are an integral part of the full Annual Report. After approval at the Annual General Meeting, the full Annual Report is also available on request from the Danish Business Authority.

The appropriation of the profit for the year and the proposed dividend in the Parent Company are disclosed in note 30 to the consolidated financial statements.

The full Annual Report has the following statement by the Board of Directors and the Executive Board, and Auditors' report.

Management signatures

The Board of Directors and the Executive Board have today discussed and approved the annual report of Aalborg Portland A/S for the financial year 2012.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

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 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's review includes a true and fair description of the development in the Group's and the parent company's operations and financial conditions, the results for the year, cash flows and the financial position as well as a description of material risks and uncertainties faced by the Group and the parent company.

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

Aalborg, 5 March 2013

Board of Directors

Søren Vinther
Chairman

Marco Maria Bianconi

Harry Egon Andersen

Francesco Caltagirone
Vice Chairman

Walter Montevecchi

Henrik Hougaard

Francesco Gaetano Caltagirone

Paolo Zugaro

Kim Poulin Poulsen

Executive Board

Paolo Zugaro
CEO, Nordic & Baltic

Henning Bæk
Executive Vice President, CFO

Independent auditors' report

To the shareholders of Aalborg Portland A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Aalborg Portland A/S for the financial year 1 January – 31 December 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and 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 Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our 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 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 accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition 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's review is consistent with the consolidated financial statements and the parent company financial statements.

Aalborg, 5 March 2013

KPMG
Statsautoriseret Revisionspartnerselskab

Hans B. Vistisen State Authorised Public Accountant	Steffen S. Hansen State Authorised Public Accountant

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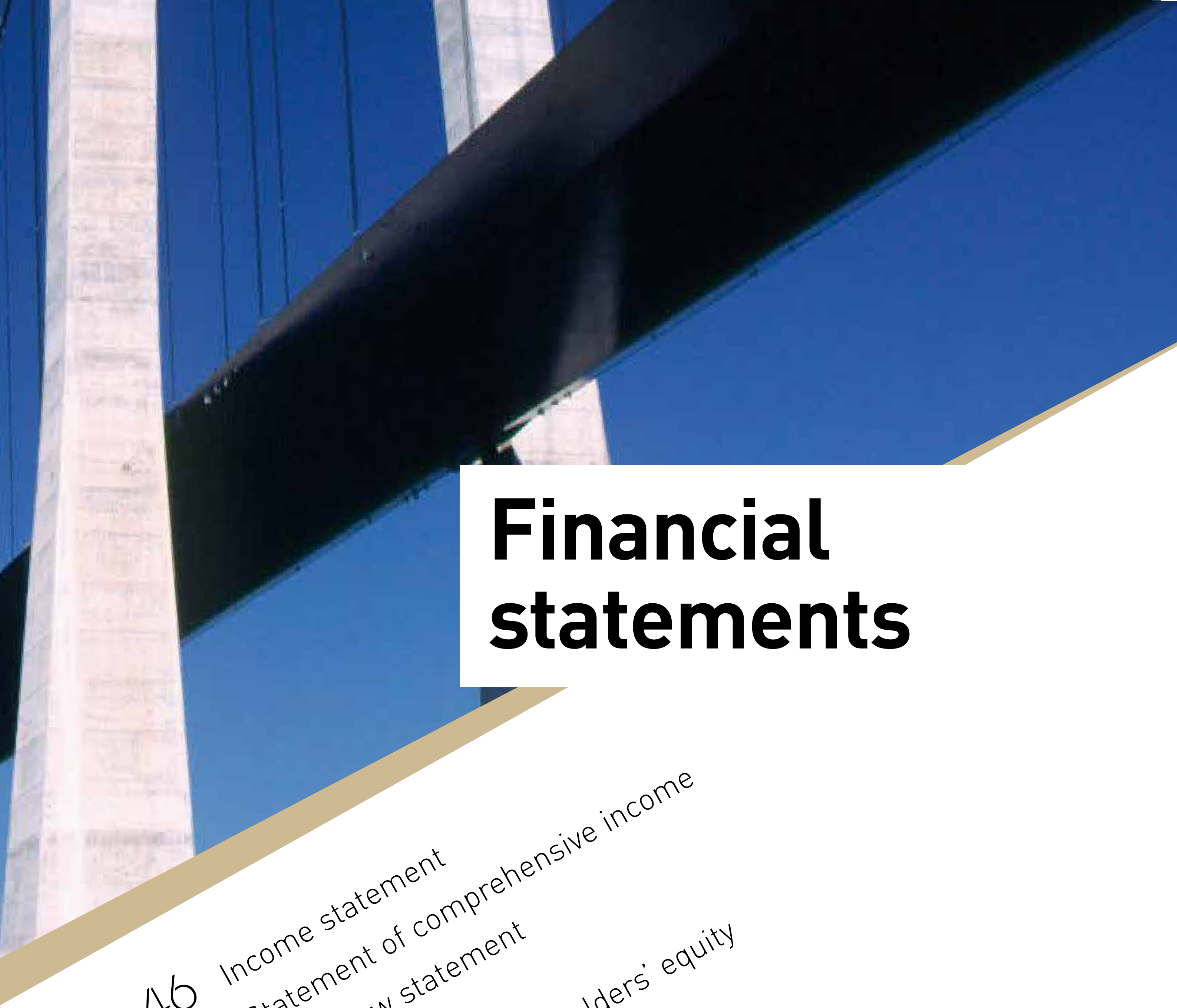

Financial statements

Income statement and statement of comprehensive income

EUR '000	Notes	2012	2011
INCOME STATEMENT			
Net sales	1	580,330	549,860
Cost of sales	2, 3, 4	341,864	338,681
Gross profit		**238,466**	**211,179**
Sales and distribution costs	4	135,121	127,058
Administrative expenses	4, 5	39,754	39,537
Other operating income	6	1,593	1,317
Other operating costs	6	495	234
Earnings before interest and tax (EBIT)		**64,689**	**45,667**
Share of profit after tax, associates	16	3,322	2,218
Financial income	7	3,284	5,102
Financial expenses	7	4,848	3,852
Earnings before tax (EBT)		**66,447**	**49,135**
Corporation tax	8	11,424	12,861
Profit for the year		**55,023**	**36,274**
Attributable to:			
Minority interests		7,228	4,926
Shareholders in Aalborg Portland A/S		47,795	31,348
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the year		**55,023**	**36,274**
Other comprehensive income:			
Exchange rate adjustments on translation of foreign entities		-6,259	2,545
Equity adjustments in associate		1,643	0
Actuarial gains/losses on defined benefit pension schemes	20	955	-325
Tax on other comprehensive income	8	-267	86
Other comprehensive income after tax		**-3,928**	**2,306**
Total comprehensive income		**51,095**	**38,580**
Attributable to:			
Minority interests		5,053	4,633
Shareholders in Aalborg Portland A/S		46,042	33,947
		51,095	**38,580**

Cash flow statement

EUR '000	Notes	2012	2011
Cash flow from operating activities			
Earnings before interest and tax (EBIT)		64,689	45,667
Adjustment for non-cash items	9	45,423	45,231
Change in working capital etc.	10	6,457	-1,291
Cash flow from operating activities before financial items and tax		**116,569**	**89,607**
Dividends received from associates	15	2,026	2,932
Financial payments received and made	11	-1,564	1,077
Corporation taxes paid		-12,615	-7,708
Cash flow from operating activities (CFFO)		**104,416**	**85,908**
Cash flow from investing activities			
Acquisition of intangible assets		-1,304	-3,303
Acquisition of property, plant and equipment		-25,434	-15,920
Disposal of intangible assets and property, plant and equipment		1,170	2,346
Acquisition of equity investments and other non-current assets		-88,943	-1,558
Disposal of equity investments		0	539
Cash flow from investing activities (CFFI)		**-114,511**	**-17,896**
Cash flow from operating and investing activities, total		**-10,095**	**68,012**
Cash flow from financing activities			
Dividends distributed		0	-25,731
Dividends to minority shareholders		-3,947	-1,730
Acquisition of equity investments from minority interests		-12,805	0
Disposal of equity investments to minority interests		12,805	0
Changes in financing	12	35,004	-29,227
Cash flow from financing activities		**31,057**	**-56,688**
Changes in cash funds		**20,962**	**11,324**
Cash funds at 1 January		34,088	22,783
Exchange rate adjustments		1	-19
Cash funds at 31 December		**55,051**	**34,088**

The cash flow statement cannot be derived from the published financial information only.

Balance sheet

EUR '000	Notes	2012	2011
ASSETS			
Goodwill		56,662	55,110
Other intangible assets		25,671	27,864
Intangible assets in course of construction		413	951
Intangible assets	13	**82,746**	**83,925**
Land and buildings		133,951	142,124
Plant and machinery		243,233	259,735
Property, plant and equipment in course of construction		20,229	11,008
Property, plant and equipment	14	**397,413**	**412,867**
Investments in associates	15, 16	99,633	15,956
Other non-current assets	15	3,037	3,112
Deferred tax assets	17	1,477	339
Other non-current assets		**104,147**	**19,407**
Total non-current assets		**584,306**	**516,199**
Inventories	18	**69,769**	**66,705**
Trade receivables	19	56,019	59,648
Amounts owed by Group enterprises		273	657
Amounts owed by associates		2,601	3,132
Corporation tax receivable		1,088	676
Derivative financial instruments (positive fair value)		0	293
Other receivables		5,425	6,296
Prepayments		3,719	2,774
Receivables		**69,125**	**73,476**
Cash funds		**55,051**	**34,088**
Total current assets		**193,945**	**174,269**
TOTAL ASSETS		**778,251**	**690,468**

EUR '000	Notes	2012	2011
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		40,333	40,333
Foreign currency translation reserve		3,885	7,953
Retained earnings		401,540	357,683
Aalborg Portland A/S's share of shareholders' equity		**445,758**	**405,969**
Minority interests' share of shareholders' equity		**59,938**	**59,731**
Total shareholders' equity		**505,696**	**465,700**
Liabilities			
Pension and similar liabilities	20	6,859	7,616
Deferred tax liabilities		50,728	54,712
Provisions	21	6,195	5,900
Credit institutions etc.	22, 25	62,938	28,524
Deferred income	23	8,988	0
Non-current liabilities		**135,708**	**96,752**
Credit institutions	22, 25	17,190	12,187
Trade payables		73,078	75,160
Amounts owed to Group enterprises		1,546	1,617
Corporation taxes payable		6,453	2,470
Provisions	21	2,162	673
Other payables	24	35,601	35,909
Deferred income	23	817	0
Current liabilities		**136,847**	**128,016**
Total liabilities		**272,555**	**224,768**
TOTAL EQUITY AND LIABILITIES		**778,251**	**690,468**

Statement of shareholders' equity

EUR '000	Share capital	Foreign currency translation reserve	Retained earnings	Aalborg Portland's total share	Minority interests' share	Total equity
2012						
Shareholders' equity at 1 January 2012	40,333	7,953	357,683	405,969	59,731	465,700
Changes in equity						
Profit for the year			47,795	47,795	7,228	55,023
Other comprehensive income:						
Exchange rate adjustments on translation of foreign entities		-4,068		-4,068	-2,191	-6,259
Equity adjustments in associate			1,643	1,643		1,643
Actuarial gains/losses on defined benefit pension schemes			934	934	21	955
Tax on other comprehensive income			-262	-262	-5	-267
Total comprehensive income	**0**	**-4,068**	**50,110**	**46,042**	**5,053**	**51,095**
Transactions with owners						
Dividend distributed					-4,846	-4,846
Acquisition of equity investments from minority interests			-2,358	-2,358	-10,447	-12,805
Disposal of equity investments to minority interests			2,358	2,358	10,447	12,805
Balance on intra-group acquisition of associate			-6,253	-6,253		-6,253
	0	**0**	**-6,253**	**-6,253**	**-4,846**	**-11,099**
Shareholders' equity at 31 December 2012	**40,333**	**3,885**	**401,540**	**445,758**	**59,938**	**505,696**
2011						
Shareholders' equity at 1 January 2011	40,333	5,228	352,192	397,753	61,250	459,003
Changes in equity						
Profit for the year			31,348	31,348	4,926	36,274
Other comprehensive income:						
Exchange rate adjustments on translation of foreign entities		2,725		2,725	-180	2,545
Actuarial gains/losses on defined benefit pension schemes			-172	-172	-153	-325
Tax on other comprehensive income			46	46	40	86
Total comprehensive income	**0**	**2,725**	**31,222**	**33,947**	**4,633**	**38,580**
Transactions with owners						
Extraordinary dividend distributed			-25,731	-25,731		-25,731
Dividend distributed					-6,152	-6,152
	0	**0**	**-25,731**	**-25,731**	**-6,152**	**-31,883**
Shareholders' equity at 31 December 2011	**40,333**	**7,953**	**357,683**	**405,969**	**59,731**	**465,700**

Notes

1. Net sales

EUR '000	2012	2011
Sale of cement	265,570	245,381
Sale of ready-mixed concrete	275,066	265,757
Other sales *	39,694	38,722
	580,330	**549,860**

Other sales include concrete pipes, gravel, heat, etc.*

2. Cost of sales

Cost of sales amounts to EUR 341.9m (2011: EUR 338.7m). Hereof direct staff costs amount to EUR 44.1m (2011: EUR 44.0m) and use of raw materials amounts to EUR 84.6m (2011: EUR 80.6m).

3. Research and development costs

EUR '000	2012	2011
Research and development costs charged to the income statement:		
Research and development costs paid	1,877	1,726
Development costs recognised in intangible assets	-70	0
Amortisation and impairment of recognised development costs	2	127
	1,809	**1,853**

4. Staff costs

EUR '000	2012	2011
Wages and salaries and other remuneration	78,619	79,292
Pension costs, defined benefit schemes	847	752
Pension costs, defined contribution schemes	4,972	5,117
Social security costs	6,051	5,531
	90,489	**90,692**

The Group capitalises direct and indirect wages and salaries of own development for intangible assets and property, plant and equipment together with stocks. Capitalised salaries do not significantly deviate from year to year and therefore the above gross salaries are the approximate salaries taken to the income statement.

Number of employees at 31 December	1,531	1,509
Average number of full-time employees	1,531	1,556

Salaries and remunerations as welll as pension contributions to Board of Directors, Management and other senior executives are EUR 3.3m (2011: EUR 2.3m) and EUR 0.1m (2011: 0.1m), respectively, in the Group. Salaries and remunerations as well as pension contributions to Board of Directors and Management are EUR 1.4m (2011: EUR 0.8m and EUR 0.0m (2011: EUR 0.0m) in the Group. As the composition of the Board of Directors and the Executive Board was changed during 2011, the figures are not directly comparable from year to year.

5. Fees to the auditors appointed by the Annual General Meeting

EUR '000	2012	2011
Total fees to KPMG are specified as follows:		
Statutory audit	266	176
Other assurance engagements	111	105
Tax and VAT advisory services	150	126
Other services	55	44
	582	451
Fess to other auditors	247	351

6. Other operating income and other operating costs

EUR '000	2012	2011
Other operating income		
Rent income	762	720
Profit on sale of property, plant and equipment	671	434
Other income	160	163
	1,593	**1,317**
Other operating costs		
Loss on sale of property, plant and equipment	31	65
Other costs	464	169
	495	**234**

7. Financial income and expenses

EUR '000	2012	2011
Financial income		
Interest, cash funds etc.	763	982
Interest, Group enterprises	15	20
Profit on sale of investments in Group enterprises	0	173
Exchange rate adjustments	2,506	3,927
	3,284	**5,102**
Interest on financial assets measured at amortised cost	778	1,002
Financial expenses		
Interest, credit institutions etc.	1,941	2,283
Interest, Group enterprises	71	0
Exchange rate adjustments	2,836	1,569
	4,848	**3,852**
Interest on financial obligations measured at amortised cost	2,012	2,283

8. Corporation tax

EUR '000	2012	2011
Corporation tax		
Current tax on the profit for the year/joint taxation contribution	16,856	11,499
Deferred tax adjustment	-4,935	1,790
Other adjustments, including previous years	-497	-428
	11,424	**12,861**
Taxes paid	**12,605**	**7,680**
Reconciliation of tax rate		
Tax according to Danish tax rate 25%	16,751	12,284
Difference in the tax rates applied by non-Danish enterprises relative to 25%	-933	-1,604
Non-taxable income and non-deductible expenses	1,081	329
Non-taxable profit shares in associates	-330	-114
Recognised tax assets (not previously recognised)	-4,651	0
Other, including adjustments previous years	141	193
Change of tax rates	-635	1,773
	11,424	**12,861**
Applicable tax rate for the year	**17%**	**26%**
Corporation tax recognised directly as other comprehensive income		
Actuarial gains and losses	267	-86
	267	**-86**
Total corporation tax	**11,691**	**12,775**

9. Adjustment for non-cash items

EUR '000	2012	2011
Amortisation and depreciation	43,823	44,497
Change in provisions	1,876	282
Gains and losses on sale of property, plant and equipment, and exch. rate adjustments	-276	452
	45,423	**45,231**

10. Change in working capital etc.

EUR '000	2012	2011
Inventories	-3,064	1,471
Receivables	3,147	-12,024
Trade payables	-2,154	7,248
Change in other receivables, other payables and deferred income	8,528	2,014
	6,457	**-1,291**

11. Financial payments received and made

EUR '000	2012	2011
Financial payments received	3,284	4,929
Financial payments made	-4,848	-3,852
	-1,564	**1,077**

12. Net interest-bearing debt (NIBD)

EUR '000	2012	2011
Net interest-bearing debt, 1 January	5,461	44,006
Changes in interest-bearing cash funds	-20,962	-11,324
Changes in financing	35,004	-29,227
Exchange rate adjustments	4,735	2,006
Net interest-bearing debt at 31 December	**24,238**	**5,461**

The Aalborg Portland Group is mainly financed via multi option facility agreements with the Group's banks. The credit facilities, which are based on flexible credit limits, are adapted currently to the Group's net loan demand. Consequently the Group is not operating with loan raising and payments on instalments on loans, but with net change of financing.

13. Intangible assets

EUR '000	Goodwill	Other intangible assets	Intangible assets in course of construction	Total
2012				
Cost at 1 January 2012	55,110	44,589	951	100,650
Exchange rate adjustments	1,552	-334	0	1,218
Additions	0	1,425	0	1,425
Disposals	0	-2,214	-130	-2,344
Other adjustments/reclassifications	0	408	-408	0
Cost at 31 December 2012	**56,662**	**43,874**	**413**	**100,949**
Amortisation and depreciation at 1 January 2012	0	16,725	0	16,725
Exchange rate adjustments	0	-34	0	-34
Reversed depreciation on disposals	0	-1,496	0	-1,496
Amortisation for the year	0	3,008	0	3,008
Amortisation and depreciation at 31 December 2012	**0**	**18,203**	**0**	**18,203**
Carrying amount at 31 December 2012	**56,662**	**25,671**	**413**	**82,746**

13. Intangible assets – continued

EUR '000	Goodwill	Other intangible assets	Intangible assets in course of construction	Total
2011				
Cost at 1 January 2011	54,875	30,133	11,765	96,773
Exchange rate adjustments	235	497	33	765
Additions	0	2,222	841	3,063
Disposals	0	-191	-220	-411
Other adjustments/reclassifications	0	11,928	-11,468	460
Cost at 31 December 2011	**55,110**	**44,589**	**951**	**100,650**
Amortisation and depreciation at 1 January 2011	0	13,831	0	13,831
Exchange rate adjustments	0	47	0	47
Reversed depreciation on disposals	0	-158	0	-158
Amortisation for the year	0	3,005	0	3,005
Amortisation and depreciation at 31 December 2011	**0**	**16,725**	**0**	**16,725**
Carrying amount at 31 December 2011	**55,110**	**27,864**	**951**	**83,925**

EUR '000	2012	2011
Amortisation during the year is included in the following items:		
Cost of sales	436	458
Sales and distribution costs	1,228	124
Administrative expenses	1,344	2,423
	3,008	**3,005**

Other intangible assets include software licenses (SAP R/3), quarry rights, CO_2 quotas and research and development projects. Except goodwill, all intangible assets have definite useful life. The management has not identified factors indicating a need for carrying through impairment test of other intangible assets.

The carrying amount of development projects is EUR 0.0m (2011: EUR 0.1m).

Internally generated intangible assets, mainly regarding SAP implementation, amount to EUR 4.8m (2011: EUR 6.4m).

Intangible assets with indefinite useful lives

General assumptions:

Nordic Cement, Nordic RMC and Overseas account for EUR 2.3m, EUR 46.8m and EUR 10.1m of the consolidated goodwill.

Other than goodwill related to acquisition of Unicon AS, Norway in the period 2000-2003 there was no goodwill linked to cash-generating units equal to 10% or more of the total carrying amount of goodwill.

Aalborg Portland Group performed impairment test on the carrying amount of goodwill at 31 December 2012. Impairment tests are performed in the 4th quarter each year, based on the budgets and business plans approved by the Board of Directors.

The impairment test for cash-generating units compares the recoverable amount, equivalent to the present value of expected future free cash flow, with the carrying amount of the individual cash-generating units.

Expected future free cash flow is based on budgets and business plans for the period 2013-2015 and projections for subsequent years. Key parameters include production capacity, trend in revenue, EBIT margin, future capital expenditure, and growth expectations for the years after 2015.

13. Intangible assets – continued

Budgets and business plans for the period 2013-2015 are based on concrete future business measures, assessing risks in the key parameters and incorporating these in expected future free cash flows. Projections after 2015 are based on general expectations. The value for the period after 2015 takes into account the general growth expectations for the cement and ready-mix industry.

Growth rates are not expected to exceed the average long-term real growth rate for the Group's individual geographical segments, an average of 1% for Scandinavian activities and 2-3% for other activities in the Overseas segment.

The discount rates applied in calculating the recoverable amounts are after tax, and reflect the risk-free interest plus specific risks in the individual geographic segments. The discount rates for individual segments are 4-5% for Nordic Cement and Nordic RMC (Denmark, Sweden and Norway), and 4-7% for Overseas, of which, however, the discount rate for Sinai White Cement Company is 12%, as the risk-free interest has increased significantly compared to 31 December 2011 due to the political situation in Egypt.

The impairment tests are in addition to this based on the prospects for the future mentioned in the mangement's review, page 11.

Based on the impairment tests performed at 31 December 2012, no reasons were found at 31 December 2012 for impairments of goodwill and connected assets. The impairment tests are still indicating significantly increased values and impairment will not be required due to considerably higher discount rates. The value added of Sinai White Cement Compay is, however, reduced due to the higher discount rate.

14. Property, plant and equipment

EUR '000	Land and buildings	Plant and machinery	Property, plant and equipment in course of construction	Total
2012				
Cost at 1 January 2012	269,090	704,949	11,008	985,047
Exchange rate adjustments	-2,503	-2,080	-27	-4,610
Additions	1,539	15,960	13,476	30,975
Disposals	-155	-4,296	-71	-4,522
Reclassifications	1,449	2,708	-4,157	0
Cost at 31 December 2012	**269,420**	**717,241**	**20,229**	**1,006,890**
Depreciation and impairment at 1 January 2012	126,966	445,214	0	572,180
Exchange rate adjustments	-550	1,346	0	796
Reversed depreciation on disposals	-18	-3,906	0	-3,924
Depreciation for the year	8,722	31,703	0	40,425
Other adjustments/reclassifications	349	-349	0	0
Depreciation and impairment at 31 December 2012	**135,469**	**474,008**	**0**	**609,477**
Carrying amount at 31 December 2012	**133,951**	**243,233**	**20,229**	**397,413**
Hereof assets held under a finance lease	**0**	**5,220**	**0**	**5,220**

14. Property, plant and equipment – continued

EUR '000	Land and buildings	Plant and machinery	Property, plant and equipment in course of construction	Total
2011				
Cost at 1 January 2011	265,525	698,182	6,947	970,654
Exchange rate adjustments	2,195	4,166	38	6,399
Additions	1,175	7,953	7,432	16,560
Disposals	-70	-7,859	-68	-7,997
Reclassifications	265	2,507	-3,341	-569
Cost at 31 December 2011	**269,090**	**704,949**	**11,008**	**985,047**
Depreciation and impairment at 1 January 2011	117,299	416,268	0	533,567
Exchange rate adjustments	448	1,765	0	2,213
Reversed depreciation on disposals	0	-5,889	0	-5,889
Depreciation for the year	9,219	33,070	0	42,289
Depreciation and impairment at 31 December 2011	**126,966**	**445,214**	**0**	**572,180**
Carrying amount at 31 December 2011	**142,124**	**259,735**	**11,008**	**412,867**
Hereof assets held under a finance lease	**0**	**0**	**0**	**0**

EUR '000	2012	2011
Depreciation during the year is included in the following items:		
Cost of sales	34,705	36,155
Sales and distribution costs	4,994	4,764
Administrative expenses	726	1,370
	40,425	**42,289**

Aalborg Portland Group has signed contracts regarding purchase of property, plant and equipment at a value of EUR 3.3m (2011: EUR 0.2m).
Borrowing costs capitalised during the period EUR 0.0m (2011: EUR 0.0m).
No changes are made in significant accounting estimates regarding property, plant and equipment.

15. Other non-current assets

EUR '000	Investments in associates	Other non-current assets	Deferred tax assets	Total
2012				
Cost at 1 January 2012	17,209	3,112	339	20,660
Exchange rate adjustments	-64	-172	0	-236
Additions	89,004	184	3,410	92,598
Disposals	0	-8	0	-8
Other adjustments	0	-79	0	-79
Change offset in provision for deferred tax	0	0	-2,272	-2,272
Cost at 31 December 2012	**106,149**	**3,037**	**1,477**	**110,663**
Adjustments at 1 January 2012	-1,253	0	0	-1,253
Exchange rate adjustments	-1,897	0	0	-1,897
Disposals	0	0	0	0
Profit shares	3,270	0	0	3,270
Dividends for the year	-2,026	0	0	-2,026
Balance on intra-group acquisition	-6,253	0	0	-6,253
Equity adjustments	1,643	0	0	1,643
Adjustments at 31 December 2012	**-6,516**	**0**	**0**	**-6,516**
Carrying amount at 31 December 2012	**99,633**	**3,037**	**1,477**	**104,147**

EUR '000	Investments in associates	Other non-current assets	Deferred tax assets	Total
2011				
Cost at 1 January 2011	17,351	1,435	304	19,090
Exchange rate adjustments	301	-26	0	275
Additions	0	164	0	164
Disposals	-443	0	-750	-1,193
Other adjustments	0	1,539	0	1,539
Change offset in provision for deferred tax	0	0	785	785
Cost at 31 December 2011	**17,209**	**3,112**	**339**	**20,660**
Adjustments at 1 January 2011	-483	0	0	-483
Exchange rate adjustments	18	0	0	18
Disposals	150	0	0	150
Profit shares	2,352	0	0	2,352
Dividends for the year	-2,932	0	0	-2,932
Other adjustments	-358	0	0	-358
Adjustments at 31 December 2011	**-1,253**	**0**	**0**	**-1,253**
Carrying amount at 31 December 2011	**15,956**	**3,112**	**339**	**19,407**

Other non-current assets mainly relate to deposits and loans.

16. Investments in associates

EUR '000	2012	2011
Summary of financial information from associates:		
Net sales	376,989	118,786
Profit for the year	19,025	8,819
Total assets	638,506	79,461
Total liabilities	196,206	31,885
Share of profit for the year after tax	3,322	2,218

The Group is part of a joint venture together with other investors. The joint venture has no major contingent liabilities and the Group's maximum liabilities to the joint venture do not exceed the equity value of the joint venture.

For a list of associates, reference is made to page 78.

17. Deferred tax assets and deferred tax liabilities

EUR '000	2012	2011
Change in deferred tax in the year		
Deferred tax at 1 January	54,373	52,477
Exchange rate adjustments	309	-142
Changes of tax rate, via income statement	-622	1,787
Adjustments, previous years via income statement	-497	40
Movements via income statement	-4,061	297
The year's movements in comprehensive income	-251	-86
Deferred tax liabilities at 31 December, net	**49,251**	**54,373**
Deferred tax is presented in the balance sheet as follows:		
Deferred tax liabilities	50,728	54,712
Deferred tax assets	1,477	339
Deferred tax liabilities at 31 December, net	**49,251**	**54,373**

	Deferred tax assets		Deferred tax liabilities	
EUR '000	2012	2011	2012	2011
Intangible assets	21	14	9,004	8,698
Property, plant and equipment	4,675	0	39,247	40,606
Other non-current assets	0	0	514	420
Current assets	52	103	2,316	2,855
Provisions	82	67	3,389	3,530
Non-current and current liabilities	211	0	0	0
Tax loss carry-forwards	178	1,552	0	0
Deferred tax before set-off	**5,219**	**1,736**	**54,470**	**56,109**
Set-off within legal tax entities and jurisdictions	-3,742	-1,397	-3,742	-1,397
Deferred tax at 31 December	**1,477**	**339**	**50,728**	**54,712**

There is no time limit on the Group's tax loss carry-forwards.

At 31 December 2011, the Group's tax assets, amounting to EUR 4.5m, were not recognised. The tax assets comprised reinvestment quotas, which are given in addition to depreciation for tax purposes. The tax assets are recognised at 31 December 2012 based on the management's expectations for utilisation.

18. Inventories

EUR '000	2012	2011
Raw materials and consumables	34,625	37,879
Work in progress	15,186	11,695
Finished goods	19,322	16,262
Prepayments of goods	636	869
Inventories at 31 December	**69,769**	**66,705**

As was the case last year, there are no significant inventories of cement and aggregates carried at net realisable value.

Write-down of inventories of spare parts amounts to EUR 4.0m (2011: EUR 4.0m). Write-down recognised in the income statement under cost of sales is EUR 0.0m (2011: EUR 0.1m).

19. Trade receivables

EUR '000	2012	2011
Development in impairment losses on trade receivables:		
Impairment losses at 1 January	1,608	1,408
Exchange rate adjustments	16	3
Impairment losses in the year	1,215	258
Realised in the year	-247	-61
Reversed	-3	0
Impairment losses at 31 December	**2,589**	**1,608**

All trade receivables are due within one year.
The carrying amount essentially corresponds to fair value.
No collateral has been received regarding trade receivables.
Other receivables include energy taxes and VAT, etc.
Prepayments comprise prepaid rent and insurance etc.

20. Provisions for pensions and similar commitments

EUR '000	2012	2011
Present value of defined benefit schemes	10,822	11,094
Market value of the assets comprised by the schemes	-3,963	-3,478
Net liability recognised in the balance sheet	**6,859**	**7,616**
Present value of defined benefit schemes at 1 January	11,094	10,303
Exchange rate adjustment	524	100
Actuarial gains/losses recognised in other comprehensive income	-1,294	289
Costs	566	507
Interest on commitment	392	344
Other adjustments	30	-8
Payments	-490	-441
Present value of defined benefit schemes at 31 December	**10,822**	**11,094**
Market value of the assets comprised by the schemes at 1 January	3,478	3,077
Exchange rate adjustment	197	26
Payments	468	285
Expected return on plan assets	159	125
Other adjustments	0	1
Actuarial gains/losses recognised in other comprehensive income	-339	-36
Market value of the assets comprised by the schemes at 31 December	**3,963**	**3,478**
Stated as liabilities (provision for pension)	**6,859**	**7,616**
Amounts taken to the income statement		
Costs	566	507
Interest on commitment	392	344
Expected return on plan assets	-159	-125
Other	61	32
Total amount of defined benefit schemes	**860**	**758**
Defined contribution schemes	4,959	5,111
Total amount taken to the income statement	**5,819**	**5,869**
Pension costs are included in:		
Cost of sales	2,817	2,679
Sales and distribution costs	1,801	1,891
Administrative expenses	1,201	1,299
	5,819	**5,869**
Return on plan assets		
Actual return on plan assets	-180	89
Expected return on plan assets	159	125
Actuarial gains/losses on plan assets	**-339**	**-36**

All assets comprised by the schemes are managed and controlled by pension providers in collective pool schemes. In 2013, the Group expects payment of EUR 0.5m to the defined benefit schemes.

20. Provisions for pensions and similar commitments – continued

EUR '000	2012	2011
Actuarial assumptions at the balance sheet date are as follows:		
Average discounting rate applied	3%	3%
Expected return on tied-up assets	4-5%	4-5%
Expected future pay increase rate	3-4%	3-4%

Amounts relating to the current year and the 4 previous years for the Group's pension commitments are as follows:

Five-year overview

EUR '000	2012	2011	2010	2009	2008
Actuarially determined pension commitments	-10,822	-11,094	-10,303	-9,379	-8,331
Fair value of plan assets	3,963	3,478	3,077	2,640	2,203
Surplus/deficit in the plan	**-6,859**	**-7,616**	**-7,226**	**-6,739**	**-6,128**

EUR '000	2012	2011
In the statement of consolidated shareholders' equity the following accumulated actuarial gains/losses are recognised	-891	-1,582

21. Provisions

EUR '000	2012	2011
Provisions at 1 January	6,573	6,424
Exchange rate adjustment	90	32
Additions in the year	1,893	246
Disposals/application in the year	-199	0
Reversal	0	-129
Provisions at 31 December	**8,357**	**6,573**
Recognised in the balance sheet as follows:		
Stated as non-current liabilities	6,195	5,900
Stated as current liabilities	2,162	673
	8,357	**6,573**
Maturities for other provisions are expected to be:		
Falling due within one year	2,162	673
Falling due between one and five years	218	0
Falling due after more than five years	5,977	5,900
	8,357	**6,573**

Provisions mainly include re-establishment of chalk, gravel and clay pits at EUR 3.8m (2011: EUR 3.7m), demolition liabilities for buildings and terminal on rented land at EUR 2.4m (2011: EUR 2.2m), warranties and claims at EUR 0.4m (2011: 0.7m) as well as other provisions at EUR 1.7m (2011: EUR 0.0m).

Additions in the year include additions of liabilities regarding warranties and claims, re-establishment of chalk, gravel and clay pits, demolition liabilities and other provisions.

21. Provisions – continued

Disposals/application and reversals in the year mainly include reversal of liabilities regarding warranties and claims.

Movements last year included additions and consumption of liabilities regarding re-establishment of chalk, gravel and clay pits and other liabilities regarding warranties and claims.

Provisions for liabilities due after more than five years include liabilities regarding re-establishment of chalk, gravel and clay pits and demolition liabilities for buildings and terminals with no decision made regarding closure.

Costs for re-establishment of chalk, gravel and clay pits are mainly paid when finishing an excavation or when moving out from leases. No considerable costs are expected in 2013.

22. Credit institutions and other borrowings

EUR '000	Year of maturity	Fixed/ variable	2012 Carrying ammount	2011 Carrying ammount
Bank borrowings and credits	2013-2016	Variable	74,893	40,711
Finance leases	2019-2020	Variable	5,129	0
Finance leases	2015	Fixed	106	0
			80,128	**40,711**

Fair value does not significantly deviate from the carrying amount.

The Group's debt to credit institutions and lease obligations have been recognised and fall due as follows:

EUR '000	Non-current borrowings (> 1 year)	Current borrowings (0-1 year)	Total	Maturity (> 5 years)
31 December 2012:				
Bank borrowings and credits	58,250	16,643	74,893	0
Finance leases	4,688	547	5,235	2,480
	62,938	**17,190**	**80,128**	**2,480**
Specification of contractual cash flows incl. interest:				
Bank borrowings and credits	59,200	17,547	76,747	0
Finance leases	4,765	557	5,322	2,521
	63,965	**18,104**	**82,069**	**2,521**
31 December 2011:				
Bank borrowings and credits	28,524	12,187	40,711	0
	28,524	**12,187**	**40,711**	**0**
Specification of contractual cash flows incl. interest:				
Bank borrowings and credits	29,323	13,173	42,496	0
	29,323	**13,173**	**42,496**	**0**

The maturity analysis is based on all undiscounted cash flows including estimated payment of interest.

Payment of interest is estimated and based on the present market conditions.

According to the leases there are no contingent rentals.

The carrying amount of finance leases is presented in note 14.

Notes

23. Deferred income

Deferred income relates to income from business agreement, which is expected to be recognised as income as follows:

EUR ´000	2012	2011
Falling due within one year	817	0
Falling due between one and five years	3,268	0
Falling due after more than five years	5,720	0
	9,805	**0**

24. Other payables

Other payables include holiday pay liabilities, taxes and public indirect taxes, interest payable and dividends payable to minority interests.

25. Charges and securities

	2012		2011	
EUR ´000	Carrying ammount of mortgaged assets	Debt regarding mortgaged assets	Carrying ammount of mortgaged assets	Debt regarding regarding mortgaged assets
Property, plant and machinery	2,526	222	32,205	213
	2,526	**222**	**32,205**	**213**

26. Contingent liabilities and contractual obligations

The Group is involved in a few disputes. No significant liabilities are considered to be incumbent on the Group in that respect, and the outcome of the disputes is not expected to have significant impact on the Group's financial position beyond what has been recognised in the balance sheet.

At 31 December 2012, the Group has contractual obligations, including acquisition of raw materials etc. of EUR 25.0m (2011: EUR 38.8m).

The Group is obligated to pay further EUR 0.8m to the Danish Carbon Fund (2011: EUR 1.8m).

EUR ´000	2012	2011
Guarantees		
Performance guarantees	2,843	3,007
Other guarantees, etc.	5,704	4,377
	8,547	**7,384**
Operating leases		
Aggregate future lease payments under non-cancellable operating leases:		
Falling due within one year	14,872	9,475
Falling due between one and five years	17,001	14,258
Falling due after more than five years	3,150	980
	35,023	**24,713**
Operating lease expenses recognised in the income statement	**15,872**	**13,330**

Operating leases are primarily related to operating equipment, ships and IT equipment. These leases contain no special purchase rights, etc.

27. Related party transactions

Related parties with significant influence in the Aalborg Portland Group:

- Cementir España S.L., Calle Zurbaràn, 28, Madrid, C.I.F. B-84155191, Spain
- Cementir Holding S.p.A., Corso di Francia, 200, 00191 Rome, Italy
- Caltagirone S.p.A., Via Barberini, 28, 00187 Rome, Italy

Related parties with significant influence in the Aalborg Portland Group comprise the enterprises' Board of Directors and Management together with family related to these persons. Furthermore, related parties comprise enterprises in which the above-mentioned persons have significant interests.

Furthermore, related parties include related parties and associates, cf. page 78.

EUR '000	2012	2011
Transactions with Cementir España S.L.:		
Dividends distributed	0	19,250
Transactions with Globo Cem S.L.		
Dividends distributed	0	6,416
Transactions with Cementir Holding S.p.A.:		
Intra-group sale of goods	0	2,493
Intra-group management and administration agreements	6,246	6,170
Trade receivables	273	657
Trade payables	1,546	1,617
Acquisition of associate	89,290	0
Transactions with associates:		
Net sales	7,120	7,009
Trade receivables	2,601	3,132
Financial items, net	15	20
Transactions with other related parties:		
Net sales	795	272
Financial items, net	-71	0

Remunerations to the Board of Directors and the Management are presented in Note 4.
No losses on loans to or receivables from related parties were recognised, nor provisions made for such in 2012 or 2011.
All transactions were made on terms equivalent to arm's length principles.

28. Financial risks and financial instruments

Risk management policy

As a result of its international operations, investments and financing, the Group is exposed to a number of financial risks, including market risks, liquidity and credit risks.

Market risks	Liquidity risks	Credit risks
Risks that the fair value of or future cash flows from a financial instrument will fluctuate due to changes in market prices.	Risks that the Group will encounter difficulties in meeting obligations associated with financial liabilities.	Risks that a counterparty of a financial instrument is unable to fulfil its obligations and thereby inflict a loss to the Group.

The Group's Finance & Treasury is in charge of the overall risk management in accordance with the principles adopted by the Board of Directors.

The Group policy is not to engage in any active speculation in financial risks. The Group's financial management is thereby solely directed towards the management and reduction of financial risks arising directly from the Group's commercial operations, investments and financing.

The Group does not hedge the currency risk between EUR/DKK due to the Danish fixed-exchange-rate policy aimed at the EUR.

No risk exposure or risk management have changed compared to 2011.

Neither in 2012 nor in 2011 the Group has defaulted or breached any loan agreements (covenants).

Market risks

Currency risks	Interest rate risks	Raw material price risks
Arise due to purchase and sale transactions as well as financial assets and liabilities in currencies other than the functional currency of the individual Group business.	Refer to the influence of changes in market interest rates on future cash flow relating to the Group's interest-bearing assets and liabilities and the fair value of these.	Refer to the influence of changes in raw material prices, which are not related to currency risks or interest rate risks.

Currency risks

Hedging is assessed and taken out in close co-operation with the Italian parent company.

For the hedging of currency risks, the Group analyses realised and expected cash flows broken down by currencies.

Risks relating to purchases and sales

The ready-mix activities of the Group are less exposed to changes in exchange rates, as the main part of both income and costs are settled in local currency. The Overseas cement activities of the Group enjoy a high degree of exports, and the settlement thereof is made in various sales currencies, and therefore, these units are affected by changes in exchange rates. Revenue from the Group's Nordic Cement activities and the purchases by this segment are denominated in several currencies. Accordingly, these activities are also exposed to changes in exchange rates.

The Group's currency risks are primarily hedged by the settlement of income and costs in the same currency and by use of derivative financial instruments. Investments in Group enterprises are not hedged.

The Group's most predominant currency exposure regarding the operating results arises from sales and purchases in EUR, USD and NOK. A 10% drop in these exchange rates (apart from EUR) would, viewed separately, reduce EBITDA by EUR 5.3m (2011: EUR 2.0m). The sensitivity surrounding Group equity is not materially different from the impact on the operating results for the year.

28. Financial risks and financial instruments – continued

Risks relating to net financing

The Group's most important currency risks arising from receivables and payables in foreign currencies at 31 December 2012 relate to the following currencies: EUR, USD, GBP, NOK and SEK. If these currencies (apart from EUR) had been 10% down or up at 31 December, Group equity would not be affected considerably neither in 2012 nor in 2011.

Translation risks relating to net investments in subsidiaries

The Group income statement and equity are affected by changes in the exchange rates as the closing results of the foreign Group enterprises are translated into Danish kroner at the presentation of the financial statements.

Hedging of currency risk is not performed for net assets (equity) in foreign subsidiaries. Gains and losses relating to net assets in foreign subsidiaries are accounted directly in equity.

With regard to investments in foreign enterprises, Group equity at 31 December 2012 would have been reduced by EUR 25.4m (2011: EUR 24.2m), if the NOK, SEK, USD, CNY, MYR and EGP exchange rates had been 10% down on the actual exchange rates. If the EGP exchange rate had been 15% down on the actual exchange rates, Group equity at 31 December 2012 would have been reduced further by EUR 4.2m (2011: EUR 4.3m). Other currency risks arising from investments in foreign entities are immaterial.

Assumptions of sensitivity analysis

The sensitivities are stated on the assumption of unchanged sales and price levels and interest levels, and on the assumption of recognised assets and liabilities at 31 December 2012.

Forward contracts regarding future transactions

The Group does not comply with the conditions for taking out hedge accounting of future cash flows from the sale of goods. In terms of the hedging of future investments, the Group assesses in each case whether these comply with the conditions for hedge accounting.

The Group has no important open forward contracts at 31 December 2012 or at 31 December 2011.

Interest rate risk

Owing to the Group's investment and financing activities the Group has exposure to interest rate changes in both Denmark and abroad. The primary interest-rate exposure is related to fluctuations in CIBOR, LIBOR and EURIBOR.

The Group's preferred financing is floating rate loans. The Group's net interest-bearing debt (NIBD) at 31 December 2012 came in at EUR 24.2m, 100% thereof financed by floating rate loans. NIBD at 31 December 2011 represented EUR 5.5m (accounting for 100% floating rate loans).

With regard to the Group's floating rate loans and cash equivalents, an annual 1% increase in the interest level in proportion to the actual interest rates would, other things being equal, have had an adverse hypothetical impact on the profit before tax of EUR 0.1m (2011: EUR 0.2m) and on equity of EUR 0.1m (2011: EUR 0.2m). A declining interest level would have had a corresponding positive impact on result and equity.

The sensitivities stated are based on average financial assets and liabilities for the year.

Raw material price risks

The Group uses a number of raw materials in the manufacture of the Group's products, which expose the Group to a price risk, i.a. especially different fuels and electricity. The Group enters into annual fixed price contracts for some raw materials. No forward contracts to hedge the price risk on raw materials have been entered into.

28. Financial risks and financial instruments – continued

Liquidity risks

According to the Group borrowing policy, the Group will ensure the highest possible flexibility by maintaining a capital structure with a strong equity financing. At Group level, there are on-going assessments and management of liquidity risk by maintaining adequate cash reserves/loan facilities based on follow-up on and forecast of cash flow compared with the maturity/repayment profiles related to the Group's financial instruments.

The Aalborg Portland Group is included in the Cementir Group's overall management of financial risks.

The Group's liquidity reserve consists of non-tied-up cash and undrawn credit facilities. The credit facilities consist of both committed and uncommitted facilities. At the balance sheet date, the Group had at its disposal undrawn loan facilities of EUR 124m (2011: EUR 154m). The Management is of the opinion that the Group has sufficient liquidity at its disposal to carry through planned investments and operating activities and to take the proper action in case of unforeseen liquidity shortfalls.

Regarding maturities of the Group debt, reference is made to Note 22.

Based on the Group's expectations for the future operation and the Group's present cash funds, no other significant liquidity risks have been identified.

Credit risks

The Group's credit risks arise primarily from receivables related to customers, other receivables and cash.

As a consequence of the Group's credit risk policy, credit rating of all major customers and other trading partners is performed before contract formation and hereafter continuously. An efficient credit control is important to the Group in the present market. Management of the credit risk is based on internal credit limits, which are based on the customer's and the counterparties' creditworthiness, based on both internal and external credit ratings as well as the Group's experience with the counterparty. If no satisfactory guarantee is obtained when credit rating the customer/counterparty, payment in advance or separate guarantee for the sale, e.g. a bank guarantee, will be required.

Due to the present market situation, the Nordic companies of the Group, have increased the resources used on follow-up on customers, which contributes to early warnings of possible risks. As part of the Group's risk management, the credit exposure of customers and counterparties is monitored daily, weekly or monthly based on individual assessments. Historically the Group has had relatively small losses due to customers' or counterparties' inability to pay.

The credit risk limit of financial assets corresponds to the values recognised on the balance sheet.

No individual customer or co-operator poses any material risk to the Group.

The credit rating of trade receivables is analysed on the basis of the business areas of the Group:

EURm	2012	2011
Nordic Cement	12.3	12.7
Nordic RMC	34.5	39.4
Overseas	9.2	7.5
	56.0	**59.6**

Receivables from Nordic Cement activities are attributable to Danish customers and export customers characterised as medium-sized and major customers. The Group is familiar with the Danish customers, who have not been granted long credit lines. Experience shows that export customers pose a low credit risk.

Regarding the Nordic RMC activities the Group's customers primarily consist of contractors, builders and others, customers posing a higher credit risk.

Overseas activities are attributable to minor local customers and medium-sized to major customers on a global scale. Credits are granted in accordance with usual, local trading terms. Credit rating is applied to some types of customers, but experience shows that customers in Overseas pose a low credit risk.

28. Financial risks and financial instruments – continued

Group trade receivables at 31 December 2012 include receivables of EUR 6.0m (2011: EUR 2.3m), which, based on an individual assessment, have been written down to EUR 3.4m (2011: EUR 0.7m). The write-downs were generally motivated by the customers' bankruptcy or anticipated bankruptcy. No collateral has been received regarding trade receivables which have been written down individually.

Receivables overdue at 31 December are specified as follows:

EURm	2012	2011
Payment:		
Up to 30 days	9.8	10.4
Between 30 and 90 days	1.7	1.2
More than 90 days	0.6	0.5
	12.1	**12.1**

The receivables written down are included at their net amounts in the above-mentioned table.

Management of capital structure

Group capital management is assessed and adjusted in close co-operation with the Italian parent company. The Aalborg Portland Group is included in the Cementir Group's overall capital management.

It is the Group's policy that the capital structure and financial gearing of the Group shall at all times reflect the Group's activities and risk profile, afford sufficient financial latitude to ensure the Group's creditworthiness, and provide flexibility and room for investments or acquisitions based on the Group strategy.

The distribution of dividends takes place considering the appropriate level of equity and sufficient availability of loan capital to facilitate the Group's ongoing expansion.

The Group financial gearing between net interest-bearing debt and EBITDA is 0.2 at 31 December 2012 (31 December 2011: 0.1).

Specification of financial assets and obligations	**2012**		**2011**	
EUR '000	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets measured at fair value in theincome statement	0	0	0	0
Financial assets used as hedging instruments, level 2	0	0	293	293
Loans and receivables	124,177	124,177	107,271	107,271
Financial assets available for sale	0	0	0	0
Financial obligations measured at fair value in the income statement	0	0	0	0
Financial obligations used as hedging instruments, level 2	0	0	0	0
Financial obligations measured at amortised cost	200,160	200,160	153,397	153,397

Methods and assumptions on determination of fair values

In general, fair value corresponds to the carrying value.

Financial instruments related to sale and procurement of goods etc. with a short credit period are measured at fair value corresponding to the carrying value.

Derivative financial instruments are computed on generally accepted valuation methods based on relevant exchange rates.

The methods used are unchanged compared to 2011.

29. Post-balance sheet events

There have been no post-balance sheet events material to this Annual Report which have not been recognised or mentioned.

30. Parent company

EUR '000	2012	2011
Key financial figures for the Parent Company, Aalborg Portland A/S		
Profit for the year	39,588	25,252
Total assets	456,312	391,702
Total equity	346,891	308,717
– of which retained earnings	306,558	268,384
Proposed dividends for the year	0	0

31. Critical accounting policies as well as accounting estimates and judgements

The accounting polices require that when calculating the carrying value of certain assets and liabilities estimates are made of how future events influence the value of recognised assets and liabilities at the balance sheet date. Estimates that have a material influence on the amounts recognised in the annual report.

The estimates applied are based on assumptions deemed reasonable by the Management, but, given the nature of things, are uncertain. Thus, the Group is exposed to risks and uncertainties that may result in variances between actual and estimated results.

The development in the world economy and the financial markets in 2011 and 2012 has resulted in considerable changes compared to previous years in respect of uncertainty in a number of key assumptions within i.a. credit risk, interest level, sales volumes, volatility, etc.

The Management deems that the accounting policies do not include critical aspects.

The following items of the Aalborg Portland Group are subject to major accounting estimates and judgements:

Goodwill

The annual impairment test of goodwill involves an estimate over how the part of the Group to which the goodwill is allocated (cash-generating units) may generate sufficient, positive, future net cash flows in order to support the value of goodwill and other net assets in the cash-generating unit. The Group's thorough budgeting and estimating support the assessments and minimise the risk. The degree of uncertainty is reflected in the chosen discount rate. The impairment test has been further described in note 13.

Non-current assets

Non-current assets are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful lives of the assets considering the residual value of the assets. The anticipated useful life and residual value are determined on the basis of past experience and the anticipated future use of the asset in question. The anticipated future use and scrap values may prove impossible to realise, prompting a need for write-down or a loss on the disposal of the assets. The depreciation periods are stated in the section "Accounting policies" in Note 32, and non-current assets are stated in Notes 13 and 14.

Transactions with investments

In 2012, estimates have been made in connection with the accounting treatment of acquisition and disposal of investments in associates.

32. Accounting policies

The Annual Report 2012 of the Aalborg Portland Group is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports in the executive order on the application of IFRS issued by the Danish Commerce and Companies Agency with reference to the Danish Financial Statements Act for reporting class C Large.

The Aalborg Portland Group's official statutory annual report is prepared in EUR with Danish text.

This annual report has been translated from Danish into English and all amounts have been translated into EUR as presentation currency in accordance with IAS 21 for the sake of the company's international activities. An average rate of EUR 100 = DKK 744.38 (2011: 745.06) has been used at the translation of items in the income statement and a year-end rate of EUR 100 = DKK 746.04 (2011: 743.42) has been used for the balance sheet items.

The accounting policies set out below have been used consistently in respect of the financial year and to comparative figures. For standards implemented prospectively, comparative information is not restated. As the implemented standards and interpretations have not affected the statement of financial position at 1 January 2011 and related notes, these have been omitted.

On 5 March 2013, the Board of Directors and the Management approved the annual report for 2012 for the Aalborg Portland Group. The annual report is submitted to the shareholders of Aalborg Portland A/S for approval at the Annual General Meeting on 11 April 2013.

Changes in accounting policies

With effect from 1 January 2012, Aalborg Portland A/S has implemented the following:

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The new accounting standards and rules of interpretation have not had any impact on recognition and measurement in 2012 and consequently also no impact on result and diluted earnings per share.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Aalborg Portland A/S, and all enterprises in which the parent company exercises a controlling influence over financial and operating policies. Control is obtained when the company directly or indirectly holds more than 50% of the voting rights in the enterprise or which it, in some other way, controls.

Enterprises, in which the parent company exercises significant influence, but not a controlling influence, are considered as associates. Significant influence is generally achieved by direct or indirect ownership or control of more than 20% and less than 50% of the voting rights.

The consolidated financial statements are based on the financial statements of the parent company and the individual enterprises which are prepared in accordance with the Aalborg Portland Group accounting policies, all items of a uniform nature being combined at consolidation, while intra-group income, costs, intra-group financial statements, shareholdings and dividends are eliminated. Unrealised gains and losses on transactions between consolidated companies are also eliminated. Unrealised gains on transactions with associates are eliminated in relation to the Group's ownership in the enterprise.

Subsidiaries' items are recognised in the consolidated financial statement by 100%. Minority interests' share of the year's profit in subsidiaries, which are not 100% owned, is stated separately. Minority interests' share of equity is stated separately in the balance sheet.

Business combinations

For business combinations any remaining positive balance (goodwill) is recognised as goodwill under intangible assets between on the one side the consideration, the value of the minority interests of the enterprise acquired and the fair value of possible previously acquired participating interests and on the other side the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but impairment tested annually as a minimum. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a different functional currency from the presentation currency of the Aalborg Portland Group's financial statements are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate ruling at the transaction date.

The consideration transferred by a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. Costs attributable to business combinations are recognised directly in profit or loss when incurred.

The booked value method is applied to transfers between Group companies (common controlled transactions), according to which assets and liabilities are transferred at their carrying amount plus Group goodwill and negative goodwill, which is restated in other comprehensive income.

When enterprises are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement as a separate item.

32.Accounting policies – continued

Minority interests

On initial recognition, minority interests are measured at fair value or at the proportionate share of the fair value of the acquired business's identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the minority interests' ownership share in the acquired enterprise is thus recognised, while, in the latter scenario, goodwill in relation to minority interests is not recognised. Measurement of minority interests is chosen transaction by transaction and stated in the notes in connection with the description of acquired enterprises.

The effect of transactions with minority interests is taken directly to shareholders' equity. Therefore, no gains or losses are stated in the income statement, and there is no change of the carrying amount of net assets (including goodwill).

Foreign currency translation

For each of the reporting enterprises in the Group, a functional currency is determined. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies.

Transactions in foreign currencies are on initial recognition translated at the functional currency at the exchange rate of the date of transaction.

Financial assets and liabilities in foreign currencies are translated at the exchange rates at the balance sheet date. Any foreign exchange variances between the rates at the transaction date and the payment date or the balance sheet date, respectively, are stated in the income statement as financial items.

Non-financial assets and liabilities in foreign currencies are stated at the rate of exchange at the date of transaction.

On recognition in the consolidated financial statements of foreign enterprises and associates with a functional currency different from the one of Aalborg Portland A/S, the income statements are translated at the average exchange rates and the balance sheet items are translated at the exchange rates at the balance sheet date. The calculation differences arising from the translation of the income statements of companies abroad at average exchange rates and of their balance sheet items at the rate of exchange on the balance sheet date are taken directly to other comprehensive income.

On full or partial disposal of foreign operations or on repayment of balances which constitute part of the net investment in the foreign operation, the share of the cumulative amount of the exchange differences that is recognised in other comprehensive income relating hereto is reclassified from other comprehensive income to profit for the year together with gain or loss on disposal.

An average exchange rate is used if it does not significantly deviate from the exchange rate ruling at the transaction date.

The assets and liabilities of a foreign company acquired are translated at the exchange rate at the date of transaction (acquisition date).

INCOME STATEMENT

Net sales

Net sales are recognised in the income statement on delivery and passing of the risk to the buyer and when the income can be measured reliably and is expected to be received.

Net sales are measured at fair value of the consideration agreed excl. VAT charged on account of third party. All kinds of discounts are recognised in Net sales.

Cost of sales

Cost of sales comprises costs incurred to generate net sales for the year and development costs which do not meet the criteria for capitalisation. This includes raw materials, consumables, CO_2 quotas, direct labour costs and indirect production costs such as maintenance and operation of production plant as well as production plant depreciation, administration and plant management.

Sales and distribution costs

Sales and distribution costs comprise direct distribution and marketing costs, salaries for the sales and marketing functions as well as other indirect costs, including depreciation and amortisation.

Administrative expenses

Administrative expenses comprise the costs of administrative staff and management and other indirect expenses, as well as depreciation and amortisation.

Other operating income and costs

Other operating income and costs comprise items of a secondary nature in relation to the activities of the Group, including certain grants, rentals, fees, etc.

Gains and losses from the disposal of property, plant and equipment which cannot be considered part of the disposal of a complete activity are included in Other operating income and costs.

Profit/loss from investments in associates

The proportionate share of the profit/loss after tax of associates is recognised in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

32. Accounting policies – continued

Financial items

Interest income and expenses comprise interest, exchange rate gains and losses and write-down on securities, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Realised and unrealised gains and losses on derivative financial instruments that are not qualified as hedge accounting are also included.

Tax

Tax for the year comprises current tax and changes in deferred tax.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the applicable tax rates for the financial year and any adjustment of tax for previous years.

Tax related to other capital income is recognised in other comprehensive income.

Deferred tax is recognised and measured according to the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes.

Measurement of deferred tax is based on the tax rules and tax rates applicable in the respective countries at the balance sheet date, which is expected to be valid, when the deferred tax will be reversed as current tax. The effect of changes in the tax rates is stated in the income statement unless it relates to items previously entered directly in Shareholders' equity.

Deferred tax assets, including the value of tax loss carry-forwards, are recognised under Financial assets at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Aalborg Portland A/S is covered by the Danish rules on compulsory joint taxation of the Group's Danish companies. Enterprises are included in the joint taxation from the date of consolidation into the consolidated financial statements and up to the date when they exit the consolidation.

Aalborg Portland A/S is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by payment of joint taxation contributions between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint tax contributions from companies who have used this loss to reduce their own taxable income.

BALANCE SHEET

Intangible assets

Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently goodwill is measured at cost less accumulated impairment. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Determination of cash-generating units follows the management structure and internal financial control.

Development projects

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities in the Company is demonstrated, and where the Company intends to complete, market or use the individual project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings or the net selling price can cover production costs, selling and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development projects are measured at cost less accumulated amortisation and impairment. Cost comprises wages and salaries, amortisation and other costs attributable to the Group's development activities.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life from the date when the asset is available for use. The amortisation period is up to 5 years.

Patents and other intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment.

The amortisation period is:
- Software applications, up to 10 years.
- Patents, licences and other rights, up to 20 years.
- Leasehold improvements, up to 5 years.

32. Accounting policies – continued

CO_2 quotas

On initial recognition, granted and acquired CO_2 quotas are measured at cost.

The basis for amortisation of CO_2 quotas is stated as cost less scrap value. The scrap value depends on whether the company expects to utilise the quotas or sell them. Amortisation is based on a portfolio view on a straight-line basis.

If the actual emission exceeds the granted and acquired CO_2 quotas, a liability corresponding to the fair value of the CO_2 quotas, which the company has to settle, is recognised.

On disposal of CO_2 quotas the difference between carrying amount and the selling price of excess CO_2 quotas is recognised in the income statement at the date of disposal.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Deemed costs for dismantling and disposal of the asset and re-establishment are added to cost if the deemed costs are recognised as a provision. The cost of total assets is split into separate components, which are depreciated separately if the useful lives of the individual components differ.

The cost of finance leases are measured at the lower value of the asset's fair value or at the present value of the future minimum lease payment. When calculating the present value, the internal interest rate of the lease or the Group's alternative borrowing rate is used as discount rate.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The carrying amount of the replaced components are derecognised in the balance sheet and recognised as an expense in the income statement. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is charged on a straight-line basis during the estimated useful life of the asset concerned until it reaches the estimated scrap value.

Estimated useful lives are as follows:
- Buildings, 20-40 years
- Main machinery, 25 years
- Other plant and machinery, 3-15 years

Newly acquired assets and assets of own construction are depreciated from the time they come into use. Land is not depreciated, unless it is used for raw material extraction after individual assessment.

The basis of depreciation is calculated on the basis of the scrap value less impairment losses. The scrap value is determined at the acquisition date and reassessed annually. If the scrap value exceeds the carrying amount, depreciation is discontinued.

When changing the depreciation period or the scrap value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, sales and distribution costs and administrative expenses to the extent that depreciation is not included in the cost of self-constructed assets.

Impairment of assets

Goodwill and intangible assets with an indefinite useful life are subject to an annual impairment test. The first test is carried out before the end of the acquisition year.

The carrying amount of goodwill is tested together with the other non-current assets in the cash-generating unit to which the goodwill is allocated, and an impairment to the recoverable amount is made in the income statement if the carrying amount is higher. The recoverable amount is generally computed as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill is allocated. Impairment of goodwill is recognised under Other operating costs in the income statement.

The carrying amount of non-current assets (except for goodwill, intangible assets with an indefinite useful life, deferred tax assets and financial assets) is reviewed each year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. The recoverable amount is the higher value of the asset's fair value less expected disposal costs or its value in use.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit.

Impairment of Intangible assets and Property, plant and equipment is charged to the same items as the related amortisation and depreciation. Impairment losses on goodwill are recognised in a separate line item in the income statement.

32. Accounting policies – continued

Investments in associates

Investments in associates are measured according to the equity method, and the investments are recognised in the balance sheet as the proportionate share of the equity value of the entities stated in accordance with the Group's accounting policies, adding or deducting the proportionate share of unrealised intra-group profits and losses, and adding carrying amount of goodwill.

Associates with negative equity value are measured at 0.

Other non-current assets

Other non-current assets mainly relate to deposits and loans which are measured at amortised cost. Amortisation for the year is stated in the income statement.

Inventories

Raw materials and consumables are measured at cost. Cost is computed according to the FIFO principle.

The cost of goods for resale and raw materials and consumables comprises purchase price plus delivery costs.

The cost of work in progress and finished goods comprise direct production costs with addition of indirect production costs. Indirect production costs include operating costs, maintenance and depreciation of production plant and plant management.

If the net realisable value is lower than cost, write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost net of impairment losses after individual assessment.

Write-down is stated as the difference between the carrying amount and the present value of the expected cash flow, including the net realisable value of any received collaterals. The effective interest rate used at the time of initial recognition is used as the discount rate for the individual receivable or portfolio.

Equity

Dividends are recognised as debt at the time of approval at the annual general meeting (time of declaration). Dividends which are proposed for distribution are therefore stated separately in the shareholders' equity.

Interim dividends are recognised as debt at the time of decision.

Reserves relating to foreign exchange adjustments in the consolidated financial statements comprise currency translation differences arising from the translation of the financial statements of foreign entities from their functional currencies to the presentation currency of the Aalborg Portland Group (EUR) and foreign exchange adjustments of assets and liabilities considered to be part of the Group's net investment in foreign operations.

On full or partial realisation of net investments, exchange differences are recognised in the income statement.

Pensions, defined contribution schemes

In contribution pension schemes the employer is obliged to pay a specific contribution (eg. a fixed sum or a fixed percentage of the pay). In a contribution scheme the risk in respect of future developments in interest rate, inflation, mortality and invalidity is not borne by the Group.

Payments by the Group into defined contribution schemes are stated in the income statement for the period to which they apply and any outstanding payments are stated in the balance sheet as Other payables.

Pensions, defined benefit schemes

In benefit pension schemes the employer is obliged to pay a specific benefit (e.g. a retirement pension as a fixed sum or a fixed percentage of final pay). In a benefit scheme the Group bears the risk with regard to future development in interest rate, inflation, mortality and invalidity.

An annual actuarial valuation is carried out to determine the present value of the future benefits to be paid under defined benefit schemes. The present value is calculated on the basis of assumptions for future developments in wage/salary level, interest rates, inflation and mortality. The present value is calculated only for benefits to which the employees have already earned the right during their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under retirement benefit obligations.

The pension costs of the year are recognised in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Differences between the expected growth in pension assets and liabilities and the realised values stated at the end of the year are classified as actuarial gains or losses and are recognised in other comprehensive income.

If a pension plan constitutes a net asset, the asset is only recognised if it represents future refunds from the plan or will lead to reduced future payments to the plan.

Long-term employee benefits are recognised based on an actuarial calculation. All actuarial gains and losses are recognised in the income statement immediately. Other long-term employee benefits include i.a. anniversary bonuses.

32. Accounting policies – continued

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

When the Group has a legal obligation to dismantle or remove an asset or restore the site on which the asset is located, a provision is recognised corresponding to the present value of expected future costs. The present value of costs is recognised in the income statement for the tangible assets concerned and is amortised together with these assets.

Provisions are measured as the best estimate of the expenses required to settle the obligation at the balance sheet date.

Financial liabilities

Amounts owed to credit institutions are recognised when raising the loan at fair value less transaction costs. Subsequent measurement is made at amortised cost so that the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

The capitalised remaining lease liability of finance leases is also recognised in financial liabilities, measured at amortised cost.

Other financial liabilities are measured at amortised cost.

Leases

Lease commitments are classified as finance or operating leases.

A lease is classified as a finance lease if it transfers substantially all risks and rewards incident to ownership. All other leases are classified as operating leases.

The accounting for finance leases and the related liabilities are described in the paragraphs concerning tangible assets and financial liabilities, respectively.

Lease payments regarding operating leasing are expensed on a straight-line basis over the lease term.

Deferred income

Deferred income is measured at cost.

CASH FLOW STATEMENT

The cash flow statement is presented according to the indirect method and shows the composition of the cash flow divided into operating, investing and financing activities, respectively, and the cash funds at the beginning and end of the year.

In the statement of working capital/loans a distinction is made between interest-bearing and non-interest-bearing items plus cash funds.

Cash funds consist of cash in hand and bank deposits.

Loans represent total interest-bearing debt items less interest-bearing receivables. Formation of finance leases are considered as non-cash transactions

All other non-interest-bearing receivables and debt items are regarded as working capital.

Cash flows from operating activities are stated as Earnings Before Interest and Tax (EBIT) adjusted for non-cash operating items, changes in working capital, financial items and paid tax.

Cash flows from investing activities comprise payments made in connection with the acquisition and disposal of enterprises and activities and the acquisition and disposal of non-current assets.

Cash flows from financing activities comprise payments to and contributions from owners as well as the raising and repayment of loans.

SEGMENT REPORTING

The Aalborg Portland Group is not a listed company and therefore no segment reporting is made according to IFRS 8.

32. Accounting policies – continued

NEW AND CHANGED STANDARDS

The IASB has issued the following new accounting standards (IAS and IFRS) and IFRIC interpretations. These are not mandatory for adoption by the Group in the preparation of the consolidated financial statements for 2012: IFRIC 20, IFRS 9-13, more Amendments to IFRS 10, 11 and 12, IAS 19 (2011), 27 (2011), 28 (2011), Amendments to IFRS 1 and 7, Amendments to IAS 1, 27, and 32 as well as Improvements to IFRSs (2009-2011). IFRS 9, Amendments to IFRS 1, 10, 11, 12 and IAS 27 as well as Improvements to IFRSs (2009-2011) have not yet been approved by EU.

The approved but not yet effective standards and rules will be adopted by the Group when compulsory. With the exception of the below none of the new standards or rules of interpretations are expected to have any major impact on the consolidated financial statements:

- IAS 19 (2011) introduces new definition of short-term and other long-term employee benefits. Furthermore, recognition in the income statement of actuarial gains and losses regarding defined benefit schemes is no longer possible, as these are to be recognised immediately through other comprehensive income. This is not expected to have any impact on the Group, as the actuarial gains and losses are already recognised through other comprehensive income. The most essential impact of the changed standard is expected to be the consequence that return on plan assets, which is recognised in the income statement, will be stated by calculating an interest income of the plan assets applying the same discount rate as used when discounting the retirement benefit obligations. Previously the return on plan assets were recognised in the earnings based on the expected return. However, the Group expects that the implementation will have minor impact on the result. The standard is effective for the annual periods beginning on or after 1 January 2013.
- IFRS 13 replaces the fair value measurement guidance that is currently dispersed throughout IFRS, with a single source guidance on how fair value is measured. Furthermore, requirements to disclosures about fair value measurement are added. The standard will only have an impact on the disclosures of the Group. The standard is effective for annual periods beginning on or after 1 January 2013.

FINANCIAL RATIOS

EBITDA ratio	$\frac{\text{Earnings before depreciation/amortisation, impairment losses, provisions, interest and tax (EBITDA)}}{\text{Net sales}}$
EBIT ratio	$\frac{\text{Earnings before interest and tax (EBIT)}}{\text{Net sales}}$
EBT-margin	$\frac{\text{Earnings before tax (EBT)}}{\text{Net sales}}$
ROCE	$\frac{\text{NOPAT}}{\text{Average invested capital}}$
NOPAT	Net Operating Profit After Tax Earnings before interest and tax (EBIT) x (1 – effective tax rate)
Capital employed	Intangible assets + tangible assets + working capital
Equity ratio	$\frac{\text{Shareholders' equity}}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit}}{\text{Average shareholders' equity}}$
Net interest-bearing debt (NIBD)	Interest-bearing liabilities less interest-bearing assets
Working capital	Inventories, receivables, debt to suppliers and other not interest-bearing receivables and debt except from deferred income.

Companies in the Group

			Nominal share capital (in 000)	*** Direct holding
Aalborg Portland A/S	Denmark	DKK	300,000	-
NORDIC CEMENT				
Aalborg Portland *	Denmark			
Aalborg Portland Íslandi ehf.	Iceland	ISK	303,000	100.0%
Aalborg Portland Polska Sp. z o.o.	Poland	PLN	100	100.0%
Aalborg Portland OOO	Russia	RUB	14,700	100.0%
Çimentaş İzmir Çimento Fabrikası Türk A.Ş. **	Turkey	TRY	87,112	25.0%
NORDIC RMC				
Unicon A/S	Denmark	DKK	150,000	100.0%
Unicon AS	Norway	NOK	13,289	100.0%
Sola Betong AS **	Norway	NOK	9,000	33.3%
AB Sydsten	Sweden	SEK	15,000	50.0%
ÅGAB Syd AB	Sweden	SEK	500	40.0%
Everts Betongpump & Entreprenad AB	Sweden	SEK	100	73.5%
Skåne Grus AB	Sweden	SEK	1,000	60.0%
Secil Unicon SGPS. Lda. **	Portugal	EUR	4,988	50.0%
Secil Prebetão SA **	Portugal	EUR	3,455	79.6%
Ecol-Unicon Sp. z o.o. **	Poland	PLN	1,000	49.0%
Kudsk & Dahl A/S	Denmark	DKK	10,000	100.0%
OVERSEAS				
Sinai White Portland Cement Co. S.A.E.	Egypt	EGP	350,000	57.1%
Aalborg Portland Malaysia Sdn. Bhd.	Malaysia	MYR	95,400	70.0%
Aalborg Resources Sdn. Bhd.	Malaysia	MYR	2,544	100.0%
Aalborg Portland (Australia) Pty. Ltd.	Australia	AUD	1	100.0%
Aalborg Portland (Anqing) Co. Ltd.	China	CNY	265,200	100.0%
Aalborg White Italia s.r.l. (in liquidation)	Italy	EUR	10	82.0%
Aalborg Portland U.S. Inc.	USA	USD	1	100.0%
Aalborg Cement Company Inc.	USA	USD	1	100.0%
Gaetano Cacciatore, LLC	USA	USD	N/A	100.0%
Lehigh White Cement Company **	USA	USD	N/A	24.5%
Vianini Pipe, Inc.	USA	USD	4,483	99.9%
Aalborg Portland International S.R.L.	Italy	EUR	10	100.0%

* The business area Nordic Cement is an integrated part of Aalborg Portland A/S.
** Associates. Others are Group enterprises.
*** Ownershare is stated as direct holding of the superjacent enterprise.

The Company

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Owners

Aalborg Portland A/S is 75% owned by Cementir España S.L., Spain and 25% owned by Globo Cem S.L., Spain.

Aalborg Portland A/S is included in the Group financial statements for Cementir Holding S.p.A., Italy and Caltagirone S.p.A., Italy.

Annual General Meeting

11 April 2013 at Islands Brygge 43, Copenhagen.

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