

Skamol A/S

Skamol develops, manufactures and markets products based on the materials moler, perlite, vermiculite, and calcium silicate. The products are used for insulation in the temperature range up to 1,150°C and for fire-protection purposes.

Skamol has subsidiaries in 4 countries (USA, Canada, Germany, and France). The company has approx. 180 employees.

Skamol's product programme comprises:

- Bricks and blocks made of moler and perlite for insulation purposes in the primary aluminium industry and other high-temperature industries such as cement, steel, glass and paper as well as in incineration and power plants.
- Slabs, bricks as well as processed and customized shapes based on vermiculite for insulation and fire protection purposes in domestic boilers, fireplaces, wood-burning stoves, night storage heaters etc.
- Slabs and customized shapes of calcium silicate for insulation and fire protection purposes in e.g. fire doors and marine panels.
- Insulating gunnites and complementary products based on other materials.

Income statement		
DKK million	2006	2005
Revenue	246	201
Cost of sales	168	146
Other costs	65	56
Other operating income	(1)	0
Operating profit	11	(1)
Profit in associate after tax	5	4
Net financials	1	(5)
Profit/loss before tax	17	(2)
Tax	1	2
Net profit/loss for the year	16	(4)
Assets		
Non-current assets	135	136
Inventories	60	56
Receivables	46	42
Cash	26	10
Total assets	267	244
Liabilities		
Equity	95	82
Non-current liabilities	79	40
Current liabilities	92	122
Total liabilities	267	244
Key figures		
Working capital	71	63
Cash flow from operating activities	23	(3)
Available cash flow	15	(9)
Profit margin (EBIT)	5%	Neg.
ROIC	4%	Neg.

Board of Executives



Kurt Pedersen Kaalund,
President and CEO



Thorkil Krag,
Executive Vice President,
Operations

Management review for Skamol A/S

Objectives and strategy

It is Skamol's objective to increase revenue considerably within existing business areas in the coming years. The company will defend its position as the leading supplier of insulation products for the primary aluminium industry and expand its position within insulation for other high-temperature industries, fireplaces and wood-burning stoves as well as within the fire protection business area.

Skamol's strategy is to develop, manufacture and market differentiated value-added products based on existing, own materials and through the marketing of complementary products. The continued growth in sales of new products and developments in the markets for existing products will form the basis of continued and considerable organic growth in the coming years, which will help to improve the company's results further.

Market trends and sales

Skamol's revenue for 2006 amounted to DKK 246 million against DKK 201 million in 2005. With a growth rate of more than 20 per cent, capacity utilisation at Skamol's factories has improved substantially.

Skamol's largest business area is the aluminium industry, which is undergoing growth. The demand for aluminium is increasing by approx. 5 per cent per year, and prices are at a historically high level. Due to developments in demand, the global aluminium industry is planning the construction of a number of new works in the coming years. Skamol's sales consist partly of supplies for ongoing maintenance and partly of supplies for the construction of new aluminium works. In 2006, sales of Skamol's products to the aluminium industry increased by almost 30 per cent, primarily as a result of larger deliveries for new projects.

The introduction of complementary third-party products is progressing according to plan, and the products have now been introduced to all important customers.

High levels of economic activity worldwide and high growth rates in the new economies have boosted demand for insulation products for, e.g., steel, glass, paper and cement production facilities. Skamol has introduced new products for use in the steel and cement industries and sees considerable potential for increasing sales of these products in the coming years.

Manufacturers of wood-burning stoves and fireplaces in Europe are seeing a very significant increase in demand. The demand is driven by high energy prices and high levels of residential construction. Skamol sells inserts based on vermiculite for insulating the combustion chamber in fireplaces and wood-burning stoves and in 2006 saw a considerable increase in demand within this business area. Developments in the construction industry and a stronger position in the markets in Europe also brought an increase in sales of calcium silicate slabs, improving sales within this business area. Skamol is now actively cultivating the US market and introducing new surface-treated products which will contribute to further growth in the coming years.

The introduction of fire doors and panels is still progressing much more slowly than expected. More efforts are going into developing the relevant product portfolio, and market development activities have been launched in a number of markets.

Production and product development

Production at Skamol's factories was satisfactory in 2006. Production capacity at the Danish moler brick factory on the island of Fur and at the Danish calcium silicate factory in Salling was fully utilised, while production at both the vermiculite factory on the Danish island of Mors and the perlite brick

The production of Skamol's moler bricks takes place on the production plant on the Danish Island of Fur – here the production process from moler pits to manufactured goods is watched carefully.





Vermiculite slabs and blocks are processed at a number of different work stations. The material is suitable for sawing, boring and milling. Alternatively, particularly demanding vermiculite items can be press-moulded to shape from the outset.

factory in France increased during the year. 2007 will see a 20 per cent expansion of capacity at the Danish calcium silicate factory, primarily through the removal of bottlenecks in the current production set-up.

In 2006, capacity utilisation at Skamol's two factories manufacturing fire doors and panels was unsatisfactorily low, leading to negative results.

The production facilities are energy-intensive, and in 2006 the production economy was affected by the high prices of natural gas and power.

In 2006, Skamol's development department initiated the development of an injection-moulding material based on a mix of vermiculite and calcium silicate. The product was introduced in the first markets during 2006.

Environment

Skamol's environmental impacts are primarily in the form of emissions of substances, the consumption of energy, the extraction of moler and materials waste.

Systems for reducing environmental impact through dust filtration systems and sludge treatment plants are integrated parts of production. The principle is that as many as possible of the defiltrated materials are used again, while waste which cannot be used again is deposited at controlled waste disposal sites, while moler is deposited at Skamol's approved site.

Skamol engages in the extraction of moler on the Danish island of Fur, and the subsequent filling of the pits is continuous and governed by plans prepared in cooperation with the authorities.

Income, balance sheet and cash flow

Figures in brackets are the figures for 2005

Revenue increased in 2006 by 22 per cent to DKK 246 million (DKK 201 million). EBITDA was DKK 29 million (DKK 16 million) corresponding to 12 per cent (8 per cent) of revenue. Depreciation and amortisation amounted to DKK 18 million (DKK 17 million). EBIT amounted to DKK 11 million (DKK -1 million), corresponding to an EBIT margin of 5 per cent.

Net financials amounted to DKK 0.3 million (DKK -5 million). The associate Damolin A/S again returned satisfactory results in 2006, and Skamol's share after tax amounted to DKK 5 million (DKK 4 million).

Profit before tax was DKK 17 million (DKK -2 million). Balance sheet total was up DKK 23 million at DKK 267 million (DKK 244 million). With a view to being able to meet the expected increase in demand in 2007 and in the coming years, inventories were increased by DKK 4 million in 2006. Cash flow from operating activities was DKK 23 million (DKK -3 million) in 2006. After investments of DKK 10 million (DKK 13 million) and dividend from Damolin A/S of DKK 3 million (DKK 6 million), available cash flow was DKK 15 million (DKK -9 million).

Outlook 2007

Skamol expects to see continued increases in revenue in 2007, driven by higher sales for ongoing maintenance in the aluminium industry and sales of fire-protection products. Moreover, high growth rates will be generated by the new products which have been introduced in the first markets.

Skamol is expecting a further improvement in results for 2007 relative to 2006 and an EBIT margin of 8 per cent. At the same time, the associate Damolin A/S is expecting to return satisfactory results again for 2007.

For 2007 as a whole, Skamol expects revenue of approx. DKK 260 million and a profit before tax of approx. DKK 20 million. Cash flow is also expected to be positive in 2007.





SKAMOL DEVELOPS, MANUFACTURES AND MARKETS PRODUCTS BASED ON MOLER, PERLITE, VERMICULITE AND CALCIUM SILICATE. THE PRODUCTS ARE USED FOR INSULATION AND FIRE PROTECTION PURPOSES.