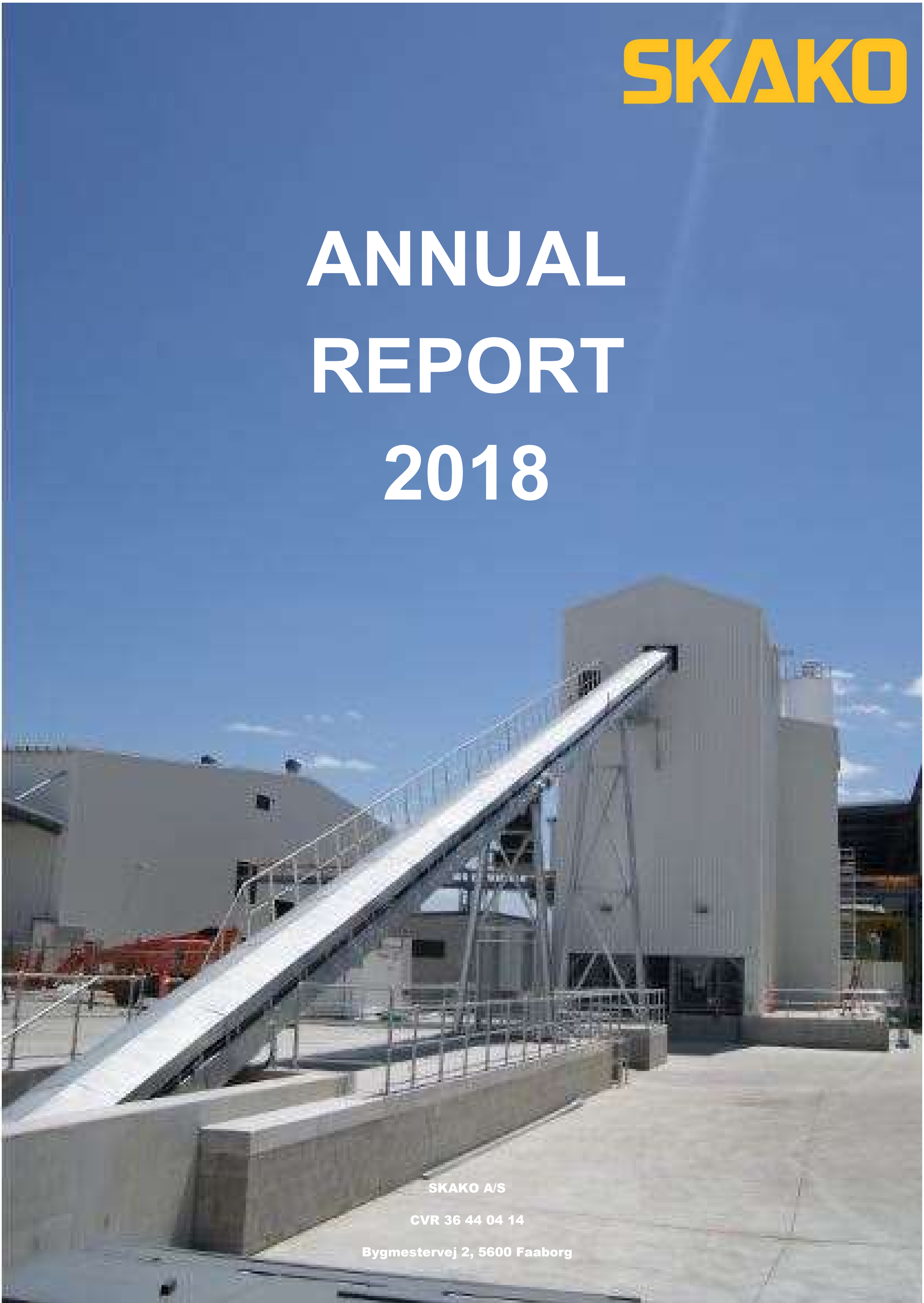


ANNUAL REPORT 2018

SKAKO A/S

CVR 36 44 04 14

Bygmestervej 2, 5600 Faaborg

CONTENTS

Important information about this document

This document contains forward-looking statements. Words such as believe, expect, may, will, plan, strategy, prospect, foresee, estimate, project, anticipate, can, intend, outlook, guidance, target and other words and terms of similar meaning in connection with any discussion of future operation of financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

KEY FIGURES AND FINANCIAL RATIOS – DKK

	2018	2017	2016	2015	2014
INCOME STATEMENT, DKK THOUSANDS					
Revenue	339,273	350,375	308,059	319,136	353,585
Gross profit	79,603	83,801	84,306	88,314	81,272
Operating profit (EBIT) before special items	15,072	20,237	16,411	16,210	1,320
Special items	1,331	(24,131)	-	-	-
Operating profit (EBIT) after special items	16,403	(3,894)	16,411	16,210	1,320
Net financial items	(3,445)	(2,818)	(3,265)	(3,133)	(4,100)
Profit before tax	12,958	(6,712)	13,146	13,077	(2,781)
Profit for the year, continuing activities	12,698	(6,160)	16,540	13,242	(6,796)
Profit/(loss) for the year, discontinuing activities	-	-	-	-	(682)
Profit for the year	12,698	(6,160)	16,540	13,242	(7,478)
BALANCE SHEET, DKK THOUSANDS					
Non-current assets	40,787	38,912	68,470	62,734	66,429
Current assets	219,320	200,152	176,601	181,710	170,011
Assets	260,107	261,414	245,071	244,445	236,440
Equity	109,066	95,701	102,360	84,797	70,521
Non-current liabilities	4,099	3,483	13,545	15,559	15,913
Current liabilities	146,942	152,894	129,166	144,090	150,004
Net interest-bearing debt	5,522	25,956	16,870	30,439	53,379
Net working capital	90,453	99,242	81,058	75,571	80,451
OTHER KEY FIGURES, DKK THOUSANDS					
Investment in intangible assets	1,417	3,007	5,030	719	454
Investment in tangible assets	2,118	4,480	819	526	5,264
Cash flow from operating activities (CFFO)	8,907	(9,060)	16,853	23,854	(24,476)
Free cash flow	29,564	(16,547)	11,004	22,610	(22,582)
Average number of employees	197	182	183	180	191
FINANCIAL RATIOS					
Gross profit margin	23.5%	23.9%	27.4%	27.7%	23.0%
Profit margin before special items (EBIT margin)	4.4%	5.8%	5.3%	5.1%	0.4%
Liquidity ratio	149.3%	131.8%	136.7%	126.1%	115.8%
Equity ratio	41.9%	36.6%	41.8%	34.7%	29.8%
Return on equity	12.4%	(6.2%)	17.7%	17.1%	(10.1%)
Financial leverage	5.1%	27.1%	16.5%	35.9%	75.7%
NWC/revenue	26.7%	28.3%	26.3%	23.7%	22.8%
Earnings per share, DKK	4.12	(2.00)	5.36	4.30	(2.41)
Equity value per share, DKK	35.4	30.8	33.0	27.3	22.7
Share price, DKK	49.2	91.0	92.5	44.8	21.8
Price-book ratio	1.4	3.0	2.8	1.6	1.0
Market capitalisation, DKK thousands	151,725	282,683	287,343	139,167	67,720
ADDITIONAL NUMBERS, DKK THOUSANDS					
Order backlog	106,821	72,775	109,103	92,097	86,807

For calculation of financial ratios please see page 58. Net working capital is calculated as Inventory, Trade receivables and Contract assets less Contract liabilities and Trade payables. Backlog represents revenue from signed contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.

KEY FIGURES AND FINANCIAL RATIOS – EUR*

INCOME STATEMENT, EUR THOUSANDS	2018	2017	2016	2015	2014
Revenue	45,520	47,096	41,408	42,897	47,527
Gross profit	10,680	11,246	11,332	11,871	10,924
Operating profit (EBIT) before special items	2,022	2,720	2,206	2,179	177
Special items	179	(3,244)	-	-	-
Operating profit (EBIT) after special items	2,201	(523)	2,206	2,179	177
Net financial items	(462)	(379)	(439)	(421)	(551)
Profit before tax	1,739	(902)	1,767	1,758	(374)
Profit for the year, continuing activities	1,704	(828)	2,223	1,780	(913)
Profit/(loss) for the year, discontinuing activities	-	-	-	-	(92)
Profit for the year	1,704	(828)	2,223	1,780	(1,005)
BALANCE SHEET, EUR THOUSANDS					
Non-current assets	5,462	5,227	9,197	8,426	8,923
Current assets	29,371	26,885	23,721	24,407	22,836
Assets	34,832	35,113	32,918	32,834	31,759
Equity	14,606	12,855	13,749	11,390	9,472
Non-current liabilities	549	599	1,819	2,090	2,137
Current liabilities	19,678	20,405	17,350	19,354	20,149
Net interest-bearing debt	740	3,486	2,266	4,089	7,170
Net working capital	12,113	13,330	10,888	10,151	10,806
OTHER KEY FIGURES, EUR THOUSANDS					
Investment in intangible assets	190	404	676	97	61
Investment in tangible assets	284	602	110	71	707
Cash flow from operating activities (CFFO)	1,193	(1,217)	2,264	3,204	(3,288)
Free cash flow	3,959	(2,223)	1,478	3,037	(3,033)
Average number of employees	197	182	183	180	191
FINANCIAL RATIOS					
Gross profit margin	23.5%	23.9%	27.4%	27.7%	23.0%
Profit margin before special items (EBIT margin)	4.4%	5.8%	5.3%	5.1%	0.4%
Liquidity ratio	149.3%	131.8%	136.7%	126.1%	115.8%
Equity ratio	41.9%	36.6%	41.8%	34.7%	29.8%
Return on equity	12.4%	(6.2%)	17.7%	17.1%	-10.1%
Financial leverage	5.1%	27.1%	16.5%	35.9%	75.7%
NWC/revenue	26.7%	28.3%	26.3%	23.7%	22.8%
Earnings per share, EUR	0.55	(0.27)	0.72	0.58	-0.32
Equity value per share, EUR	4.74	4.13	4.43	3.67	3.05
Share price, EUR	6.59	12.22	12.44	6.03	2.93
Price-book ratio	1.4	3.0	2.8	1.6	1.0
Market capitalisation, EUR thousands	20,319	37,970	38,650	18,719	9,109
ADDITIONAL NUMBERS, EUR THOUSANDS					
Order backlog	14.308	9,775	14,655	12,370	11,660

For calculation of financial ratios please see page 58. Net working capital is calculated as Inventory, Trade receivables and Contract assets less Contract liabilities and Trade payables. Backlog represents revenue from signed contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.
*. *On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange at 31 December 2018 of 746.73 has been used for balance sheet items, and the average rate of exchange of 745.32 has been used for income statement and cash flow items. Backlog represents revenue signed from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.*

LETTER FROM MANAGEMENT

Development in 2018
"In 2018, SKAKO A/S realised a revenue of DKK 339.3m, which is a decrease of 3.2% compared to last year. Operating profit (EBIT) before special items decreased by 25.5% to DKK 15.1m, which is within our announced guidance for 2018 of DKK 15.0 - 20.0m. EBIT after special items increased to DKK 16.4m compared to DKK -3.9m in 2017. 2018 did not develop as positively as originally expected. The restructuring of SKAKO Concrete was not completed until 2018 and during the financial year we have not achieved the full expected cost savings. We achieved a saving of approx. DKK 3,5m in relation to the expected DKK 6m. SKAKO Concrete also delivered some major projects with lower profitability than expected. The order book was low at the beginning of 2018 and several large projects were delayed and did not start until the second half of the year. SKAKO Vibration delivered a profit for the year on a par with expectations. In 2018 SKAKO Vibration experienced positive results from an increased focus on the recycling segment.

We entered 2019 with a strong order book and in Q1 2019 announced a large order (DKK 25m) in Morocco for SKAKO Vibration. This has secured revenue in the first half of 2019 for both SKAKO companies. However, our expectations for order intake in SKAKO Concrete for delivery in the second half of 2019 are subject to some uncertainty, as it always is in the plant business. But there are signs of some hesitation in the decisions on investments in several European markets, and the decision-making process has become longer. As a result, we expect an operating profit (EBIT) of DKK 17-22m in 2019.

SKAKO Vibration

- In 2018, our leading position in the European automotive sector was further strengthened in Germany where more resources were allocated to increase the quality of our service. At the same time, we finalized the development of our SKAKO packaging machine dedicated to the fastener industry.
- Most European construction markets showed positive trends last year and we took benefit of growing investments made by our customers. In the meantime, a third version of the SKAKOGAB for safe and precise filling of gabions was developed to, once again, increase the value of aggregates for our customers who make and sell gabions.
- In Morocco, the major player in the phosphate mining sector, which is one of our main customers for the last twenty years, has announced 9 billion euros of investment until 2028. This signal confirms our strategy of development in this country which is considered the driving force of the North African economy.
- We have been continuing our penetration of the US market. It represents a considerable potential for SKAKO Vibration, based on our strong experience in the European fastener sector, and we will allocate more sales resources to the US market in 2019 to have a better geographical coverage.
- We have oriented a part of our range of products towards applications focused on the recycling industry while adding certain key products through partnerships. We strongly believe that the recycling sector is a future industry for our products, and that the know-how we have accumulated in other industrial sectors represents a competitive advantage to be valued.

SKAKO Concrete

- As announced in company announcement 10/2018 dated 16 June 2018, SKAKO Concrete has finalized the restructuring process that was initiated in Q4 2017. We have sold the production building in Lille and the remaining staff (sales, aftersales and administration) have been relocated to new office facilities. The structure for both our own production and the plans for extended sourcing in low cost-countries are in place and we anticipate further savings in the coming years. The target is unchanged minimum cost savings of DKK 6m per year, which did not materialize in fully in 2018. The expectation is to see improved cost savings in 2019 and onwards due to this restructuring and optimized sourcing
- Development and test of the largest mixer in SKAKO's history (6000 litres) was finalized in 2018 and the mixer was displayed at the concrete show "Intermat" in Paris and will also be shown on the world's largest concrete show "Bauma" in Munich in April 2019. In 2018 SKAKO sold four of these mixers and we thereby got the best possible start for this new product.
- We announced the largest plant order for decades for Hanson in the UK for a double high silo plant including two of the new AM6000 mixers. This project is following the milestone plan, it is now under installation and is planned to be finalized in 2019. In addition, SKAKO has sold another two AM6000 mixers for Hanson as well.
- The business for our control system for concrete plants, the SKAKOMAT, was at a very high level in 2018. In order to grow this business, we are considering IOT solutions and other complementary features, which can support and expand our market leader position for control systems.
- The demand from the industry and legislation goes into a direction of better environmental solutions, which also support the principles behind circular economy. SKAKO Concrete is looking into different technical solutions in order to be able to support our customers in achieving their environmental goals, and thereby take both our own and our customers CSR responsibility seriously. Specifically, we are looking at techniques for recycling of concrete.

The Management would like to thank all the employees of the SKAKO Group for their performance and solid contribution to the results realised in 2018 and preparation for the continuous development of SKAKO.

Jens Wittrup Willumsen	Søren Pedersen	Lionel Girieud
Chairman of the Board	Director, SKAKO Concrete	Director, SKAKO Vibration

HIGHLIGHTS

In 2018, revenue decreased by 3.2% to DKK 339.3m (2017: DKK 350.4m) and operating profit (EBIT) before special items decreased by 25.5% to 15.1m (2017: DKK 20,2m). Operating profit (EBIT) after special items amounted to DKK 16.4m, an increase of DKK 20.3m compared to 2017. The gross margin in Q4 2018 was improved by product mix, higher efficiency in project execution, and lower net R&D costs as a result of received government grants. Operating profit (EBIT) was within our guidance for the year, cf. company announcement 12/2018 where we guided for an operating profit (EBIT) of DKK 15.0-20.0m.

We are entering 2019 with a high backlog compared to prior year which will have a positive impact on our financial performance in the beginning of 2019, compared to 2018. At the beginning of 2019 we have an order backlog of DKK 106,8m which is an increase of 46.8% compared to the beginning of 2018. As announced in company announcement 1/2019 dated 21 January 2019, SKAKO Vibration has won an order for more than DKK 25.0m to supply scrubbing equipment for a phosphate mining plant in Morocco. The order is not included in the order back-log at 31 December 2018 but is expected to be delivered in 2019, which further strengthens our expectations for the beginning of 2019.

As announced in company announcement 10/2018 dated 16 June 2018, SKAKO Concrete has finalised the restructuring process that was initiated in Q4 2017. We have sold the production building in Lille, France, and the remaining staff (sales, aftersales and administration) have been relocated to new office facilities in Lille, France. The target is unchanged minimum cost savings of DKK 6m per year, which did not materialize with full effect in 2018. The expectation is to see further cost savings in 2019 and onwards due to this restructuring and optimised sourcing.

We are guiding for an operating profit (EBIT) of DKK 17-22m in 2019.

SKAKO AT A GLANCE

The SKAKO Group has two business areas:

- SKAKO Vibration: Vibratory feeding, conveying and screening equipment
- SKAKO Concrete: Concrete batching plants for ready-mix, precast and jobsite plants

SKAKO Vibration
SKAKO Vibration develops, designs and sells high-end vibratory feeding, conveying, and screening equipment, used across the complete spectrum of material handling and processing. Our main focus is on plant sales with a solid after sales division.

Our engineering, assembly and test facilities are located in Faaborg in Denmark and Strasbourg in France and the products are based on application know-how and own developed technology. SKAKO Vibration does not have any production as all parts for our products are sourced through suppliers and assembled in Faaborg or Strasbourg. The products are transported to customers either from our suppliers or from assembling in Strasbourg or Faaborg.

The global market is penetrated using a niche strategy with a sector-driven focus. We are strong within the automotive sector, the mining sector and especially the phosphate mining sector. The main markets are EU and North Africa. We are focusing on expanding in Morocco to support our significant growth within supplying to the phosphate mining sector. Further, we aim to be one of the leading global participants in the automotive industry, especially through European and US players.

We will also start to build up a stronger presence in the recycling segment, which is a market expected to develop positively in the years to come. We will dedicate more resources and adapt our offerings to this sector.

SKAKO Concrete
SKAKO Concrete develops, designs and sells a versatile high-end product range of all types of concrete batching plants for ready-mix, precast and jobsite plants. Our main focus is on plant sales with a strong after sales division.

Our engineering, assembling and test facility is located in Faaborg in Denmark and the products are based on know-how and own developed technology. SKAKO Concrete does not have any production as all parts for our products are sourced through suppliers and assembled in Faaborg. The products are transported to customers either from our suppliers or from assembling in Faaborg.

The main markets are EU and North America. We aim to obtain a higher market share on existing markets without increasing the risk profile on the orders.

Research and development
SKAKO Vibration: in 2018 we finalized development of our SKAKO packaging machine dedicated to the fastener industry. We also developed a third version of the SKAKOGAB for safe and precise filling of gabions to increase the value for our customers. In 2019 we plan to optimize our vibrators and start a project for collection of vibration data.

SKAKO Concrete: In 2018 we finalized development of both the small laboratory mixer AM125 (125 litres) and the large mixer AM6000 (6000 litres). Both mixer types were sold in 2018, and we even sold four of the AM6000 which proves that it was the right decision to start development of this mixer size. Furthermore, we have developed different features for our mixers, such as new camera hatch, manual turning device and optimized the washing system. In 2019 we will launch a new ROTOCONIX mixer, which is able to mix smaller batches than today making it suitable for laboratory use.

All products have been specially developed to strengthen our position on core markets and to attract new customers.
Our innovation is aiming at adding value to the market by developing new equipment, developing better alternative technologies and developing innovative solutions that can optimise the performance of existing plants and equipment. Several forms of direct and indirect R&D incentives in terms of tax incentives and other grants and subsidy schemes for research and development exist, all with the aim of boosting innovation and productivity. As in prior years, part of our research and development costs have been covered by research and development incentives received, cf. note 2 in the consolidated financial statements. We will continue our strong focus on developing new innovative products and solutions in the years to come. The Group continuously make significant investments in R&D activities to improve our products and develop new ones. The Group does not capitalise R&D expenses that are all recognized as costs in a given year.

FINANCIAL REVIEW

Performance review

DKK thousands	Q4 2018*	Q4 2017*	Change*	2018	2017	Change
Revenue from contracts with costumers	93,873	83,506	12.4%	339,273	350,375	(3.2%)
Production costs	66,424	62,182	6.8%	259,670	266,574	(2.6%)
Gross profit	**27,449**	**21,324**	**28,7%**	**79,603**	**83,801**	**(4.1%)**
Gross profit margin	*29.2%*	*25.5%*	*3.8pp*	23.5%	23.9%	*(0.4pp)*
Distribution costs	9,930	7,404	34,1%	37,454	36,890	1.5%
Administrative expenses	7,553	7,640	(1.1%)	27,077	26,674	1.5%
Operating profit (EBIT) before special items	**9,966**	**6,280**	**58.7%**	**15,072**	**20,237**	**(25.5%)**
Profit margin before special items (EBIT margin)	*10.6%*	*7.5%*	*3.1pp*	4.4%	5.8%	*(1.4pp)*
Special items	1,331	(24,131)	105.5%	1,331	(24,131)	105.5%
Operating profit (EBIT) after special items	**11,297**	**(17,851)**	**163.3%**	**16,403**	**(3,894)**	**521.2%**
Profit for the period	**9,805**	**(18,314)**	**153.5%**	**12,698**	**(6,160)**	**306.1%**
Order backlog beginning of period	107,539	91,314	17.8%	72,775	109,103	(33.3%)
Order intake	93,155	64,967	43.2%	373,319	314,047	18.9%
Revenue	93,873	83,506	12.4%	339,273	350,375	(3.2%)
Order backlog end of period	**106,821**	**72,775**	**46.8%**	**106,821**	**72,775**	**46.8%**

*Quarterly figures are unaudited

Revenue

Revenue increased by 12.4 % in Q4 2018 and decreased by 3.2 % in FY 2018 compared to the same periods last year. The decrease in 2018 is due to a decrease in the Concrete Division where revenue has declined by 8.1 %, while the Vibration Division experienced a small increase of 1.0 %. The decline in revenue in the Concrete Division is primarily explained by the low order backlog entering 2018, and that the construction of large plant projects has started later than expected. For both divisions a larger proportion of the revenue in 2018 compared to 2017 has come from Aftersales activities. We generally see a higher margin on our Aftersales revenue.

Revenue, DKK millions	Concrete			Vibration			Group*		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Plants	77.5	94.3	(17.3%)	124,1	134,6	(7.8%)	200.7	227,2	(11.7%)
Aftersales	83.2	80.6	3.2%	58,5	46,2	26.6%	138.6	123,2	12.5%
Total	**160.7**	**174.9**	**(8.1%)**	**182.6**	**180.8**	**1.0%**	**339.3**	**350.4**	**(3.2%)**

*After eliminations

Gross profit

Production costs increased by 6.8% in Q4 2018 and decreased by 2.6% in FY 2018 compared to the same period last year. This led to a gross profit margin of 29.2% in Q4 2018 (25.5% in Q4 2017) and 23.5% in 2018 (23.9% in 2017). Production costs have increased with less than the increase in revenue in Q4 of 2018 resulting in a high gross profit margin. The product mix, higher efficiency in project execution, and lower net R&D costs as a result of received government grants all contribute to the improved gross profit in Q4 2018. Gross profit margin for 2018 is on the same level as 2017.

Capacity costs

Distribution costs increased by 1.5% in 2018 and by 34.1% in Q4 2018 compared to the same period last year, while Administrative expenses increased by 1.5 % in 2018 and decreased by 1.1% in Q4 2018 compared to 2017. The increase in Administrative expenses in 2018 is caused by one-time extra costs related to reorganization of Group management as announced in the company announcement 9/2018, while the increase in distribution costs is a result of strategic hirings and due to positive one-off effects in Q4 2017.

Operating profit

Operating profit (EBIT) before special items for 2018 was DKK 15.1m compared to DKK 20.2m in 2017, while operation profit (EBIT) before special items for Q4 2018 was DKK 10.0m compared to DKK 6.3m in Q4 2017. Operating profit (EBIT) after special items for 2018 was DKK 16.4m compared to DKK -3.9m in 2017, while operation profit (EBIT) after special items for Q4 2018 was DKK 11.3m compared to DKK -17.9m in Q4 2017. 2018 was affected by received government grants.

The lower operating profit in 2018 compared to 2017 is due to the results in H1 2018, where impact from lower than expected revenue and gross margin resulted in a loss from operating activities.

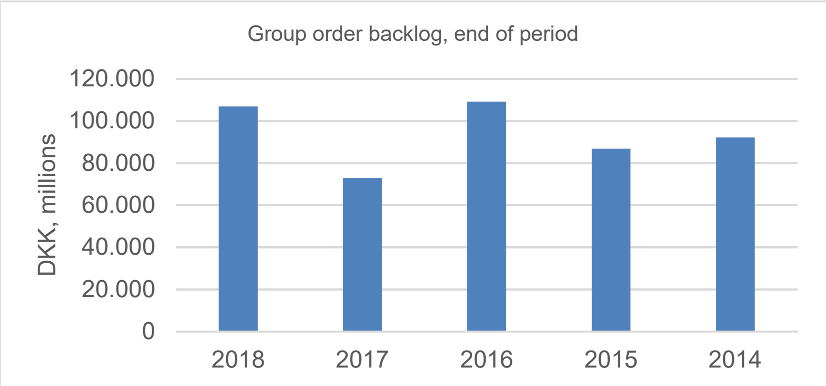
Order intake and backlog

In 2018, order intake was DKK 373.3m, which is an increase of 18.9% compared to the same period last year. In Q4 2018, we have seen a good order intake which has secured a strong backlog going into 2019.

Order intake in 2018 for the Concrete Division was DKK 209.5m compared to DKK 152.4m in 2017 and order intake in 2018 for the Vibration Division was DKK 168.2m compared to DKK 165.4m in 2017.

As announced in Company announcement 1/2019 dated 21 January 2019, SKAKO Vibration has won an order of more than DKK 25m to supply scrubbing equipment for a phosphate mining plant in Morocco. The order is not included in the order back-log at 31 December 2018 but is expected to be delivered in 2019.

The Group order backlog at the beginning of 2019 amounts to DKK 106.8m which is a growth of 46.7% compared to the order backlog at the beginning of 2018.



The improved order intake and backlog is primarily driven by a major project in the Concrete Division as announced in the company announcement 24/2017 and confirmed on 9 May 2018.

Order intake, DKK millions	Concrete			Vibration			Group*		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Order book, beginning	24.1	46.6	(48.3%)	48.7	64.1	(24.0%)	72.8	109.1	(33.3%)
Order intake	209.5	152.4	37.5%	168.2	165.4	1.7%	373.3	314.1	18.9%
Revenue	(160.7)	(174.9)	(8.1%)	(182.6)	(180.8)	1.0%	(339.3)	(350.4)	(3.2%)
Order book, end	**72.9**	**24.1**	**202.5%**	**34.3**	**48.7**	**(29.4%)**	**106.8**	**72.8**	**46.8%**

*After eliminations

Cash flow developments

In 2018, the Group generated cash flow from operating activities (CFFO) of DKK 8.9m compared to DKK -9.4m in 2017. The positive development in CFFO is primarily due to the positive results from operations. The Group free cashflow amounted to DKK 29.6m in 2018 compared to DKK -16.5m in 2017. The difference can be explained by cost for the restructuring of SKAKO Concrete started in Q4 2017, and the final sale of the production facility in Lille in Q4 of 2018. Long payment terms on plant projects in Morocco and delays caused by national monetary policies in Morocco still have negative influence on the Group's CFFO and net working capital.

FINANCIAL REVIEW - continued

Equity
The Group's equity was DKK 109.1m at 31 December 2018 (DKK 95.5m at 31 December 2017) matching an equity ratio of 41.9%. The increase in equity is mainly due to profit for the year of DKK 12.7m.

The Board of Directors recommends that no dividends are payed for 2018. Due to the low net debt to EBITDA, the Board of Directors has decided to look into paying dividends for the financial year 2019 – possibly starting with an interim dividend after the Q2 2019 results.

Balance sheet
As of 31 December 2018, the Group's assets totalled DKK 260.1m (year end 2017: 261.4m).

Non-current assets increased by DKK 1.9m and amounted to DKK 40.8m (year end 2017: DKK 38.9), while current assets increased by DKK 19,1m to DKK 219.3m (year end 2017: DKK 200.2m)

Net interest-bearing debt decreased by DKK 20.5m and totalled DKK 5.5m at 31 December 2018 (year end 2017: DKK 26.0m).

Current liabilities amounted to DKK 146.9m (year end 2017: DKK 152.9m)

The Parent company
The result for the period in the Parent company amounts to a loss of DKK 2.7m. The costs primarily come from remuneration for the Board of Directors, costs for warrants and revaluation of tax assets.

Events after the balance sheet date
There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today

OUTLOOK 2019

Market and business conditions going forward
We are entering 2019 with a high backlog compared to 2018 which is expected to have a positive impact on our financial performance in the beginning of 2019, when comparing to 2018. As announced in Company announcement 1/2019 dated 21 January 2019, SKAKO Vibration has won an order of more than DKK 25.0m to supply scrubbing equipment for a phosphate mining plant in Morocco. The order is not included in the order backlog at 31 December 2018 but is expected to be delivered in 2019, which further strengthens our expectations for the first half of 2019.

Despite the strong order backlog at the beginning of 2019, the results for 2019 still depend on our ability to close new orders for delivery in the second half of 2019. We generally experience that it takes longer time to close contracts and start the delivering of orders, which was also the case for the beginning of 2018.

Implementation of IFRS 16 is only expected to have an insignificant effect on EBIT in 2019.

Outlook 2019
We are guiding for an operating profit (EBIT) of DKK 17-22m.

SHAREHOLDER INFORMATION

As of 31 December 2018, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are the same class and carry one vote each.

The Board of Directors has been authorised by the annual general meeting to increase the company's share capital by a nominal value of up to DKK 1,000,000. The authorisation is valid until 31 March 2019. Furthermore, the Board of Directors has been authorised to increase the share capital by an additional nominal value of up to DKK 2,000,000 in connection with the warrant program. The authorisation is valid until 18 April 2021.

SKAKO A/S is listed at NASDAQ OMX Copenhagen A/S under identification code DK0010231877. The share price as of 31 December 2018 was 49.2 corresponding to a market capitalisation of DKK 151.7m.

By the end of 2018 the company had 1860 registered shareholders compared with 1753 registered shareholders by the end of 2017. The registered shareholders own a total of 94.7% of the share capital compared to 88.0% by the end of 2017.

Specification of movements in share capital

DKK thousands	2018	2017	2016	2015	2014
Share capital at 01.01.	31,064	31,064	31,064	31,064	31,064
Capital increase		-	-	-	-
Share capital at 31.12	31,064	31,064	31,064	31,064	31,064

Shareholders with more than 5% of the shares

Frederik2 ApS, Copenhagen	25.75%
Danica Pension, Copenhagen	10.20%
Maj Invest Holding A/S, Copenhagen	9.98%

Dividend

The Board of Directors recommends that no dividends are payed for 2018. Due to the low net debt to EBITDA, the Board of Directors has decided to look into paying dividends for the financial year 2019 – possibly starting with an interim dividend after the Q2 2019 results.

Financial calendar 2019

14 March	Annual report for 2018
25 April	Ordinary general meeting 2019
23 May	Interim report for the period 1 January - 31 March 2019
22 August	Interim report for first half-year 2019
31 October	Interim report for the period 1 January - 30 September 2019

Annual general meeting 2019

The annual general meeting will be held on Thursday 25 April 2019 at 3 p.m. at the Company's head office, Bygmestervej 2, 5600 Faaborg, Denmark.

Investor Relations

Investors, analysts and medias are welcome to contact Jens Wittrup Willumsen (Chairman of the Board of Directors) by phone +45 23 47 5640 or by e-mail to skako.dk@skako.com

COMPANY ANNOUNCEMENTS 2018

Main company announcements in 2018

9 March	01 - Annual report 2017
9 March	02 - Notice to ordinary General Assembly
16 March	03 - Insider trading with SKAKO shares
30 March	04 - Course of General Assembly on 5 April 2018
9 May	05 – SKAKO sells double high silo plant to Hanson in England
23 May	06 – Interim report for the first quarter 2018
24 May	07 - Announcement on large shareholder
24 May	08 - Insider trading with SKAKO shares
30 May	09 – Changes in Group Management
16 June	10 – Completion of restructuring in SKAKO Concrete
21 June	11 - Insider trading with SKAKO shares
21 August	12 – SKAKO lowers the expectation for the year result
31 August	13 – Interim report for SKAKO A/S for the first two quarters of 2018
5 September	14 - Insider trading with SKAKO shares
1 November	15 - Interim report for SKAKO A/S for the first three quarters of 2018
5 November	16 - Financial calendar for 2019
10 December	17 - SKAKO Concrete sells concrete mixing plant

The company announcements (in Danish) are available on the company website:
http://www.skako.com/dk/skako-group/investor-relations/selskabsmeddelelser.html

RISK MANAGEMENT ACTIVITIES

First and foremost, risk management activities in the SKAKO Group focus on financial risks to which the Company is fairly likely to be exposed. In connection with the preparation of the Group's strategic, budgetary and annual plans, the Board of Directors considers the risks identified in these activities.

Financial risks
Financial risk management concentrates on identifying risks in respect of exchange rates, credit and liquidity with a view to protecting the Group against potential losses and ensuring that Management's forecasts for the current year are only to a limited extent affected by changes or events in the surrounding world – be the changes in exchange rates or in interest rates. It is Group policy to exclusively hedge financial risks arising from our commercial activities and not to undertake any financial transactions of a speculative nature.

Exchange rate risks
With more than 90% of the Group's sales being invoiced in foreign currencies, reported revenue is affected by movements in the Group's trading currencies. The Group seeks to hedge against such exchange rate risks by seeking to match positive and negative cash flows in the main currencies as much as possible. If deemed appropriate foreign exchange rate contracts are entered into.

Credit risks
The Group's credit risks relate primarily to trade receivables. For large projects we have a signed letter of credit from the customer's bank before we undertake any work. Our remaining customer base is fragmented so credit risks in general only lead to minor losses on individual customers. Overall, we therefore estimate that we have no major credit exposure on Group level.

Liquidity risk
The Group aims at having sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to suitable undrawn credit facilities, and the liquidity risk is therefore considered to be low.

Financial reporting process and internal controls
Once every quarter we carry through a detailed planning and forecast process, and any deviations from the plans and budgets are carefully monitored.

The responsibility of maintaining sufficient and efficient internal control and risk management in connection with financial reporting lies with the Executive Board. The Board of Directors has assessed the Group's existing control environment and concluded that it is adequate and that there is no need for setting up an internal audit function.

Safeguarding corporate assets
The Management continuously seeks to minimize any financial consequences of damage to corporate assets including any operating losses resulting from such damage. We have invested in security and surveillance systems to prevent damage and to minimize such damage, should it arise. Major risks, which cannot be adequately minimized, are identified by the Company's Management, who will ensure that appropriate insurance policies are, on a continuous basis, taken out under the Group's global insurance programme administered by recognised and credit-rated insurance brokers and that such insurances are taken out with insurance companies with high credit ratings. The Group's insurance programme has deductible clauses in line with normal market terms. The Board of Directors reviews the Company's insurance policies once a year including the coverage of identified risks and is briefed regularly on developments in identified risks. The purpose of this reporting is to keep the Board members fully updated and to facilitate corrective action to minimize any such risks.

Brexit
In its contracts with customers in the UK, the Group has accounted for known risks related to Brexit. However, by nature, there will be unknown risks related to Brexit.

CORPORATE GOVERNANCE

Recommendations on corporate governance

As a listed company on 31 December 2018, SKAKO observes the ´Recommendations on Corporate Governance´ (issued in May 2017 and updated in November 2018) implemented by Nasdaq Copenhagen in its ´Rules for issuers of shares´. The ´Recommendations on Corporate Governance´ contain 47 recommendations and are based on the comply-or-explain principle, which makes it legitimate for a company to explain why it does not comply with them. SKAKO fully complies with 45 of the 47 recommendations, and therefore complies with the ´Recommendations on Corporate Governance´ in all material respects.

A complete schematic presentation of the recommendations and how we comply, Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act, is available on our website, https://www.skako.com/fileadmin/SKAKO/PDF/Stamdata_SKAKO/Statutory_statement_for_corporate_governance_cf.__107_b_in_the_Financial_Statements_Act_-_2018.pdf

We find it relevant to accentuate a number of aspects and supplementary information on corporate governance in the SKAKO Group in this chapter.

Audit committee

The Company's Board of Directors has set up an audit committee. The Board of Directors appoints the chairman of the Audit Committee, who must be independent and who must not be Chairman of the Board of Directors.

According to its charter, the Audit Committee, among other things, assists the Board of Directors in relation to internal accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The audit committee also carries out ongoing assessments of the company's financial and business risks.
In 2018, the committee reviewed the main accounting principles, tax strategy and compliance and key risks, etc.
In 2018, the Audit Committee held four meetings.

Remuneration

The Company has formulated remuneration principles for the Board of Directors and Executive management. The principles are expected to be approved on the general assembly 25 April 2019.

The principles can be found here:
https://www.skako.com/fileadmin/SKAKO/PDF/Stamdata_SKAKO/Remuneration_principles.pdf

Furthermore, the Company has produced a remuneration report for the Board of Directors and Executive management.

The report can be found here:
https://www.skako.com/fileadmin/SKAKO/PDF/Stamdata_SKAKO/Remuneration_report_2018.pdf

CORPORATE SOCIAL RESPONSIBILITY

Report on Corporate Social Responsibility, cf. Section 99a of the Danish Financial Statements Act
SKAKO strives to operate its business in a responsible manner and want to comply with the legislation in all the countries where operations are conducted. Furthermore, compliance with Human Rights and consideration for the environment are considerable focus areas for the Group. SKAKO's work with corporate social responsibility is based on value creation and risk management.

SKAKO has chosen to focus its work on social responsibility within five areas: Environment, human rights, working environment, anti-corruption, and equality.

The policies below have been approved by the Board of Directors.

For a description of SKAKOs business model please see page 7.

Environment

<table>
<tr><td>Policy</td><td>SKAKO seeks to reduce its impact on the environment by reducing energy consumption year on year. The Group is a know-how and engineering company with production of key components. The production mainly consists of assembling and testing and does not include energy-demand or polluting processes. All surface treatment processes are outsourced to sub-suppliers. A part of SKAKO's supplier "Code of Conduct" addresses impact on the environment. See under Human right for more about the supplier "Code of Conduct".

The large drop in consumed kWh from 2017 to 2018 is primarily explained by closing of the production site in Lille.</td></tr>
<tr><td>Actions</td><td>SKAKO will reduce consumption of kWh year on year in its production sites.</td></tr>
<tr><td>KPI</td><td>1. Consumed kWh in production sites

The large drop in consumed kWh from 2017 to 2018 is primarily explained by closing of the production site in Lille, France.</td></tr>
<tr><td>Results and goals</td><td><table><tr><th></th><th>Goal for 2019</th><th>Result 2018</th><th>Result 2017</th></tr><tr><td>1</td><td>1,350,000</td><td>1,417,902</td><td>1,858,637</td></tr></table></td></tr>
<tr><td>Risks</td><td>1. Energy consumption is a variable of activity</td></tr>
</table>

Human rights

<table>
<tr><td>Policy</td><td>To SKAKO, respect of human rights is about the company's own employees' conditions and securing that suppliers and sub-suppliers deliver services to the Group in a way that considers their employees' rights including safety and health.</td></tr>
<tr><td>Actions</td><td>SKAKO has formulated a Supplier "Code of Conduct" that specify principles we expect our supplier to follow. This ensure that suppliers and their suppliers produce and deliver their services to the Group in a way that considers the environment and the employees' rights.</td></tr>
<tr><td>KPI</td><td>1. The part of our main suppliers that have signed our supplier "Code of Conduct"</td></tr>
<tr><td>Results and goals</td><td><table><tr><th></th><th>Goal for 2019</th><th>Result 2018</th><th>Result 2017</th></tr><tr><td>1</td><td>100%</td><td>Unknown</td><td>Unknown</td></tr></table></td></tr>
<tr><td>Risks</td><td>1. Lack of transparency in compliance with SKAKOs Supplier "Code of Conduct"</td></tr>
</table>

CORPORATE SOCIAL RESPONSIBILITY (continued)

Working environment

<table>
<tr><td>Policy</td><td>Our employees are our most valuable asset and key to providing high-quality products and services to our customers. It is vital to SKAKO's future success that SKAKO is a safe, motivating and developing place to work.</td></tr>
<tr><td>Actions</td><td>1. The sick rate among employees is monitored* and we follow up with employees with high absence.
2. SKAKO will produce two bi-annual employee satisfaction surveys to monitor the development in employee satisfaction. Processes are in place to ensure that low-scoring departments receive guidance on how to improve employee satisfaction
3. Number of on-the-job accidents is measured
4. All employees must have a least one yearly performance appraisal interview</td></tr>
<tr><td>KPIs</td><td>1. The average sick rate among employees*
2. An average employee satisfaction score of at least 3.5**
3. Number of sick days as a result of on the job accidents
4. Percentage of performance appraisal interviews each year</td></tr>
<tr><td>Results and goals</td><td><table>
<tr><th></th><th>Goal for 2019</th><th>Result 2018</th><th>Result 2017</th></tr>
<tr><td>1*</td><td>7.0</td><td>8.06</td><td>6.68</td></tr>
<tr><td>2</td><td>>3.5</td><td>N/A</td><td>N/A</td></tr>
<tr><td>3</td><td>0</td><td>28</td><td>16</td></tr>
<tr><td>4</td><td>100%</td><td>78%</td><td>47%</td></tr>
</table></td></tr>
<tr><td>Risks</td><td>1. Sick rate increases due to workload.
2. Results are not followed up by actions rendering the measuring superfluous
3. Management does not reprimand violations of safety standards
4. Performance appraisal interviews are not prioritised due to workload</td></tr>
</table>

*Measured as total number of sick days divided by the average number of employees in the year
** On a scale from 1 to 5, where 5 is the most positive score

Anti-corruption and bribery

<table>
<tr><td>Policy</td><td>SKAKO seek to avoid corruption and bribery by creating a framework that secures that employees at SKAKO are able to abide to laws and regulations, and that there will never exist doubt with regards to a SKAKO employee's impartiality.</td></tr>
<tr><td>Actions</td><td>1. SKAKO maintains a gift policy
2. SKAKO has introduced an internal whistle blower scheme to give employees the opportunity to report on corruption, bribery and other matters while being anonymous.
3. SKAKO has developed an Employee "Code of Conduct" e-learning that describes the way SKAKO expects all its employees to act in accordance with laws and regulations. The employee "Code of Conduct" also describes usage of the whistle blower scheme. All SKAKO employees must take the Employee "Code of Conduct" e-learning in 2019.
4. Extend whistle blower scheme to also be available for external parties</td></tr>
<tr><td>KPIs</td><td>2. No reported violations of anti-corruption laws and regulations, and SKAKO Employee Code of Conduct
3. All employees to pass SKAKO's Employee "Code of Conduct" e-learning</td></tr>
<tr><td>Results and goals</td><td><table>
<tr><th></th><th>Goal for 2019</th><th>Result 2018</th><th>Result 2017</th></tr>
<tr><td>2</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>3</td><td>100%</td><td>N/A</td><td>N/A</td></tr>
</table></td></tr>
<tr><td>Risks</td><td>2. Employees lack knowledge of the whistle blower scheme
3. Employee "Code of Conduct" e-learning is not prioritised.</td></tr>
</table>

Equality, cf. Section 99b of the Danish Financial Statements Act

<table>
<tr><td>Policy</td><td>At SKAKO A/S we believe that a diverse and tolerant organisation makes the company stronger, increases the competitiveness and creates a good and innovative working environment. We want to develop and benefit from the total potential of all employees and that all employees can develop their full potential in balance between working life and private life. Gender equality in the management and focus on multiplicity is an integrated part of SKAKO A/S's personnel policy.

At present, SKAKO A/S has no female board members. However, the Board of Directors is aware of this underrepresentation and wants to support and contribute to the part of female board members being increased. Considering SKAKO A/S's business and the line of business within which SKAKO A/S is operating, the Board of Directors has set the specific goal that the part of women elected at the general meeting is to amount to at least 20% by 2022. In 2018 there has been no reason to change the composition of the Board of Directors, which is why the goal of having a least one female board member was not reached in 2018.

In the view of the Board of Directors, the determined goal is an ambitious and realistic goal for a company within the lines of business in which SKAKO is operating as these lines of business traditionally do not have a large number of women neither in the board of directors nor at the other management levels. Within the last 12 months we succeeded in promoting one female manager. It is the plan of the Board of Directors to further increase the number of female managers in the years to come.

Ultimately, SKAKO A/S's shareholders elect the Board of Directors at the company's general assembly and consequently also determine the gender composition of the Board of Directors. To the extent that the Board of Directors proposes new candidates for the Board of Directors, the Board of Directors will regard gender as one separate parameter in order to reach the determined goal. When candidates are proposed for SKAKO A/S's Board of Directors, it is essential that the members represent professional competences relevant to SKAKO A/S.

It is SKAKO's goal to increase the part of women in the management group within a three-year period. SKAKO A/S will reach the goal by requiring candidates of both genders in the recruiting phase and by taking into account the underrepresented gender at succession planning. SKAKO works very intentionally on showing multiplicity in its marketing to signal that the company wants to reflect the society in its employee composition.</td></tr>
<tr><td>Actions</td><td>1. SKAKO actively seeks to recruit new employees of all ethnicities and genders
2. SKAKO seeks to have an improved gender distribution in employees and management
3. SKAKO seeks to have an improved gender distribution in the Board of Directors.</td></tr>
<tr><td>KPIs</td><td>1. Share of the underrepresented gender among all employees
2. Share of the underrepresented gender in management
3. Share of the underrepresented gender in the Board of Directors</td></tr>
<tr><td>Results and goals</td><td><table><tr><th></th><th>Goal for 2019</th><th>Result 2018</th><th>Result 2017</th></tr><tr><td>1</td><td>20% women</td><td>17% women</td><td>17 % women</td></tr><tr><td>2</td><td>20% women</td><td>13% women</td><td>7% women</td></tr><tr><td>3</td><td>20% women</td><td>0% women</td><td>0% women</td></tr></table></td></tr>
<tr><td>Risks</td><td>1. We will not reach our targets because SKAKO's industry is historically a male-dominated industry.</td></tr>
</table>

EXECUTIVE MANAGEMENT

		
Name	**Søren Pedersen**	**Lionel Girieud**
Born in	1962	1971
Title	Director	Director
Member of the Management since	2014	2016
Number of shares in SKAKO	8,460	25
Board positions	-	-

BOARD OF DIRECTORS

		
Name	**Jens Wittrup Willumsen** Chairman of the Board of Directors and member of the audit committee Considered as a non-independent Board member	**Christian Herskind Jørgensen** Deputy Chairman Considered as a non-independent Board member
Born in	1960	1961
Board member since	2010	2009
SKAKO shares	Jens Wittrup Willumsen owns 50% of the shares in Frederik2 Aps. Frederik2 Aps owns 800.000 shares in SKAKO. Further, Jens Wittrup Willumsen has a direct ownership of 19,876 shares in SKAKO	Christian Herskind Jørgensen owns 50% of the shares in Frederik2 Aps. Frederik2 Aps owns 800.000 shares in SKAKO. Further, Christian Herskind Jørgensen has a direct ownership of 102,000 shares in SKAKO
Managerial positions in other companies	**Chairman of the Board:** Teknologiens mediehus A/S COMIT A/S Copenhagen Optimization ApS Dansk Selskab for Virksomhedsledelse (VL) INDEX Award A/S / Fonden Design Society SAHARAS A/S Begravelse Danmark A/S **Deputy Chairman:** Billund Lufthavn A/S **Board member:** FDM Travel A/S Charlotte Sparre A/S Ejendomsselskabet Experimentarium A/S Museet på Koldinghus SEC Datacom A/S **Others positions:** Colonial ApS, Director own holding company Colonial 2 ApS, Director own holding company Frederik2 ApS, Director own holding company Conchylium Capital IVS, Director, own investment company	**Chairman of the Board:** Mannaz A/S Fonden Amager Bakke LABFLEX A/S Taulov DryPort A/S **Deputy Chairman:** Fonden Soldaterlegatet Fonden til støtte for soldater i internationale missioner **Board member:** Peder Skram Su Misura A/S Nordsøenheden/Nordsøfonden Orbicon A/S Associated Danish Ports A/S LM Byg A/S Pihl & Søn A/S **Others positions:** Refshaleøen Holding A/S, Managing Director Refshaleøens Ejendomsselskab A/S, Managing Director Herskind Venture Capital ApS, Director Ejendomsselskabet Helsingør/Århus, Director Frederik2 ApS, Director
Special competences	Jens Wittrup Willumsen is educated Cand. Merc. from Copenhagen Business School and has had managing positions in Denmark and abroad. His competences include strategy, finance, financing, sales and marketing.	Christian Herskind Jørgensen is educated lawyer from University of Copenhagen and University of London and is also Brigadier. His competences include significant experience within sales, marketing, strategy, management, HR and legal matters.
Participation in board meetings	Jens Wittrup Willumsen participated in all board and audit committee meetings in 2018.	Christian Herskind Jørgensen participated in 5 of 6 board meetings in 2018.

BOARD OF DIRECTORS (continued)

		
Name	**Carsten Krogsgaard Thomsen** Chairman of the Audit Committee Considered as an independent Board member	**Lars Tveen** Considered as an independent Board member
Born in	1957	1963
Board member since	2017	2017
SKAKO shares	16,001	6,104
Managerial positions in other companies	**Board member:** Scales A/S Scalesgroup AB Scales AS **Others positions:** NNIT A/S, CFO	**Chairman of the Board:** Project Zero-Fonden, Denmark (local initiative to achieve carbon neutrality by 2029) **Board member:** The Energy Industry (an association under the Confederation of Danish Industries) The Danish Energy Agency (EUDP - Energiteknologisk Udviklings- og Demonstrationsprogram) Green Energy (Grøn Energi)
Special competences	Carsten Krogsgaard Thomsen is educated Cand. Polit. and has had a long career with primary focus on economics and finance. Since 2014 Carsten Krogsgaard Thomsen has been CFO in NNIT and has previously held positions as EVP in Dong Energy A/S, EVP in DSB (Danish State Railways), finance and planning manager at Rigshospitalet (the Copenhagen University Hospital) and consultant in McKinsey & Company.	Lars Tveen is educated production engineer from Odense University in 1989 and has a bachelor in Commerce from University of Southern Denmark from 1993. Following his education Lars Tveen was appointed at Danfoss as Management Trainee. Since 2015 Lars Tveen has been President of the Heating Division of Danfoss.
Participation in board meetings	Carsten Krogsgaard Thomsen participated in all board and audit committee meetings in 2018.	Lars Tveen participated in 5 of 6 board meetings in 2018.

BOARD OF DIRECTORS (continued)

Name	**Samuel Waldorph Andreasen** Considered as an independent Board member
Born in	1967
Board member since	2017
SKAKO shares	-
Managerial positions in other companies	**Chairman of the Board** Whnen am See Zernsdorff GmbH, Germany Danagri-3S Limited, UK **Board member:** State Dan ApS DUI Holding ApS DK-TEC A/S Ejendomsselskabet Industrivej 2 A/S Graintec A/S **Others positions:** Thoraso ApS, managing director Ejendomsselskabet Industrivej 2 A/S, managing director ALEXAWA ApS, director SAMAWA ApS, director
Special competences	Samuel Waldorph Andreasen is educated HA and Cand. Merc. in international business economics from Aalborg University. The career includes positions as marketing coordinator at Løgstør Rør A/S, executive assistant at Skiold Holding A/S, managing director at Skiold Mullerup A/S, managing director at Skiold Echberg A/S and managing director at Thoraso ApS. From 2006 to 2018 Samuel Waldorph Andreasen has been managing director and Group director of the Skiold Group who works with development, engineering and sales of complete pig farm and animal feed milling solutions within the agricultural sector. From 2018 Samuel Waldorph Andreasen has been managing director of Thoraso ApS who invest in a portfolio of primarily agriculture companies.
Participation in board meetings	Samuel Waldorph Andreasen has participated in all board meetings in 2018.

MANAGEMENT STATEMENT

We have today discussed and approved the Annual Report 2018 of SKAKO A/S for the financial year 1 January – 31 December 2018.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position on 31 December 2018 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 2018.

Further, in our opinion the management's report includes a fair view of the development and performance of the Group's and the parent company's business and financial condition, the profit for the year and of the Group's and the parent company's financial position, together with a description of the principal risks and uncertainties that the Group and the parent company face.

We recommend the Annual Report for 2018 be approved at the Annual General Meeting.

Faaborg, 14 March 2019

Executive Board

Søren Pedersen
Director

Lionel Girieud
Director

Board of Directors

Jens Wittrup Willumsen
Chairman

Christian Herskind Jørgensen
Deputy Chairman

Carsten Krogsgaard Thomsen

Lars Tveen

Samuel Waldorph Andreasen

INDEPENDENT AUDITOR´S REPORT

To the shareholders of SKAKO A/S

Our 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 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of SKAKO A/S for the financial year 1 January to 31 December 2018 comprise income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of SKAKO A/S on 26 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 7 years including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition from construction contracts Recognition of the Group's revenue is complex due to a high degree of accounting estimates and uncertainty regarding recognition of revenue from construction contracts in accordance with IFRS 15. Contract assets amounted to DKK 55 million (2017: DKK 69 million) net and contract liabilities DKK 22 million (2017: DKK 10 million). We focused on this area, as recognition of revenue involves a number of judgements made by Management originating from percentage of completion and estimated cost to completion. Reference is made to note 1 and 14.	Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with applicable accounting standards, including adoption of IFRS 15. We performed substantive procedures over significant contracts and costs allocated to projects in order to assess the accounting treatment and principles applied. We assessed Management's estimated cost to completion and contribution margin for construction contracts in order to evaluate valuation of construction contracts and recognised revenue. We compared the estimated contribution margins to actual contribution margins for finished projects in 2018 and 2019 and to prior year's estimates. We tested Management's estimated percentage of completion by assessing subsequent development in costs allocated to the projects and Management's updated estimates for cost to completion and contribution margin.

	We performed journal entry testing of revenue entries including entries regarding construction contracts.
Deferred tax assets At 31 December 2018, the Group has recognised deferred income tax assets of DKK 24 million (2017: DKK 24 million). Management is required to exercise considerable judgement when determining the appropriate amount to capitalise in respect of deferred tax. We focused on this area as the amounts involved are potentially material and the valuation of tax assets is associated with uncertainty and judgement. Reference is made to note 12.	We evaluated Management's procedure for estimating the deferred tax assets. In understanding and evaluating Management's judgements, we considered current year estimates and developments in the tax environment. Further, we evaluated the Group's budgets for the coming years including key assumptions. In addition, we evaluated and challenged the adequacy of Management's key assumptions to assess Management's estimates.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the 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 further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the

audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Odense, 14 March 2019
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Line Hedam
State Authorised Public Accountant
mne27768

SKAKO

ANNUAL REPORT 2018

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

DKK thousands		2018	2017
Notes			
1	Revenue from contracts with customers	339,273	350,375
2,3	Production costs	(259,670)	(266,574)
	Gross profit	**79,603**	**83,801**
3	Distribution costs	(37,454)	(36,890)
3,4,5	Administrative expenses	(27,077)	(26,674)
	Operating profit (EBIT)	**15,072**	**20,237**
6	Special items	1,331	(24,131)
	Operating profit (EBIT) after special items	**16,403**	**(3,894)**
7	Financial income	60	30
7	Financial expenses	(3,505)	(2,848)
	Profit before tax	**12,958**	**(6,712)**
8	Tax on profit for the year	(260)	552
	Profit for the year	**12,698**	**(6,160)**
	Profit for the year attributable to SKAKO A/S shareholders	**12,698**	**(6,160)**
9	Earnings per share (EPS), DKK	4.12	(2.00)
9	Diluted earnings per share (EPS), DKK	4.12	(1.99)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2018	2017
Notes			
	Profit for the year	**12,698**	**(6,160)**
	Other comprehensive income:		
	Items that have been or may subsequently be reclassified to the income statement:		
	Foreign currency translation, subsidiaries	253	(1,140)
	Value adjustments of hedging instruments	(114)	(79)
	Tax on items that have been or may subsequently be reclassified to the income statement	-	-
	Other comprehensive income	**139**	**(1,219)**
	Comprehensive income	**12,837**	**(7,379)**
	Comprehensive income attributable to SKAKO A/S shareholders	**12,837**	**(7,379)**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2018	2017
Notes			
	Intangible assets	6,252	5,088
	Intangible assets under development	2,258	2,882
10	**Intangible assets**	**8,510**	**7,970**
	Land and buildings	5,036	4,887
	Plant and machinery	266	163
	Operating equipment, fixtures and fittings	1,727	944
	Leasehold improvements	305	75
	Tangible assets under construction	60	15
11	**Tangible assets**	**7,394**	**6,084**
	Other receivables	1,258	1,147
12	Deferred tax assets	23,625	23,711
	Other non-current assets	**24,883**	**24,858**
	Total non-current assets	**40,787**	**38,912**
13	Inventories	52,206	45,662
18	Trade receivables	86,884	73,012
14, 18	Contract assets	55,042	68,648
	Income tax	736	648
	Other receivables	12,381	6,996
	Prepaid expenses	1,326	2,155
	Other investments	74	74
	Cash	10,671	2,957
	Current assets	**219,320**	**200,152**
6	Assets held for sale	0	22,350
	Assets	**260,107**	**261,414**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2018	2017
Notes			
	Share capital	31,064	31,064
	Foreign currency translation reserve	(140)	(393)
	Hedging reserve	(148)	(34)
	Retained earnings	78,290	65,064
	Total equity	**109,066**	**95,701**
16	Provisions	4,099	3,483
	Non-current liabilities	**4,099**	**3,483**
16	Provisions	2,460	9,050
15	Bank loans and credit facilities	16,193	28,677
15	Financial leasing	0	237
14	Contracts liabilities	21,783	10,134
	Trade payables	81,896	77,946
	Income tax	81	120
	Other liabilities	24,529	26,730
	Current liabilities	**146,942**	**152,894**
6	Liabilities related to assets held for sale	0	9,336
	Liabilities	**151,041**	**165,713**
	EQUITY AND LIABILITIES	**260,107**	**261,414**

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands		2018	2017
Notes			
	Profit before tax	12,958	(6,712)
17	Adjustments	(2,147)	32,222
	Changes in receivables, etc.	(5,020)	(27,286)
	Change in inventories	(6,544)	(4,630)
	Change in trade payables and other liabilities, etc.	13,399	11,044
	Cash flow from operating activities before restructuring costs paid, financial items and tax	**12,646**	**4,638**
	Restructuring costs paid	0	(9,853)
	Financial items received and paid	(3,446)	(2,818)
	Taxes paid	(293)	(1,027)
	Cash flow from operating activities	**8,907**	**(9,060)**
	Investment in intangible assets	(1,417)	(3,007)
	Investment in tangible assets	(2,118)	(4,480)
	Sale of tangible assets	24,192	0
	Cash flow from investing activities	**20,657**	**(7,487)**
	Change in borrowings	(9,336)	(2,455)
	Change in short-term bank facilities	(12,350)	12,663
17	**Cash flow from financing activities**	**(21,686)**	**10,208**
	Change in cash and cash equivalents	7,878	(6,339)
	Cash and cash equivalents at 1 January	3,031	9,461
	Foreign exchange adjustment, cash and cash equivalents	(165)	(91)
	Cash and cash equivalents at 31 December	**10,744**	**3,031**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	10,670	2,957
	Other investments	74	74
	Cash and cash equivalents at the end of the year:	**10,744**	**3,031**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 1 January 2018	31,064	(393)	(34)	65,064	95,701
Change in accounting policy (note 18)	-	-	-	(248)	(248)
Restated total equity at the beginning of the financial year	**31,064**	**(393)**	**(34)**	**64,816**	**95,453**
Comprehensive income in 2018:					
Profit for the year				12,698	12,698
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		253			253
Value adjustments of hedging instruments			(114)		(114)
Other comprehensive income	-	253	(114)	-	139
Comprehensive income, year	**-**	**253**	**(114)**	**12,698**	**12,837**
Share-based payment, warrants				776	**776**
Equity at 31 December 2018	**31,064**	**(140)**	**(148)**	**78,290**	**109,066**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 1 January 2017	31,064	747	45	70,504	102,360
Comprehensive income in 2017:					
Profit for the year				(6,160)	(6,160)
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		(1,140)			(1,140)
Value adjustments of hedging instruments			(79)		(79)
Other comprehensive income	-	(1,140)	(79)	-	(1,219)
Comprehensive income, year	**-**	**(1,140)**	**(79)**	**(6,160)**	**(7,379)**
Share-based payment, warrants				720	**720**
Equity at 31 December 2017	**31,064**	**(393)**	**(34)**	**65,064**	**95,701**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant estimates and assessments:

1 Revenue from contracts with customers

Accounting policy

SKAKO operates in the following business segments: SKAKO Concrete and SKAKO Vibration.

SKAKO Concrete develops, designs and sells a versatile high-end product range of all types of concrete batching plants for ready-mix, precast and jobsite plants. The main focus is on plant sales with a strong after sales division.

SKAKO Vibration develops, designs and sells high-end vibratory feeding, conveying, and screening equipment, used across the complete spectrum of material handling and processing. The main focus is on plant sales with a solid after sales division.

Administrative functions such as Finance, HR, IT are shared by the divisions. The administrative functions are based in the individual countries but supported by Group functions in Denmark. Shared costs are allocated to business segments based on assessment of usage.

All intercompany transactions are made on market terms.

Segment assets and liabilities comprise items directly attributable to a segment and items that can be allocated to a segment on a reasonable basis.

Revenue is the fair value of consideration received or receivable from the sale of our Plants and Aftersales products or services and is the gross sales price less VAT and any price reductions in the form of discounts and rebates.

Geographical information is based on the four regions that support the Industries. Revenue is presented in the region in which delivery takes place.

Segment income and costs include transactions between business areas. The transactions are eliminated in connection with the consolidation

Revenue is recognized over time or at a point in time. Revenue is recognized over time when an asset on behalf of a customer is created with no alternative use and SKAKO has an enforceable right to payment for performance completed year to date, or the customer obtains control of a Plant or product and thus has the ability to direct the use and obtain the benefit from the Plant or product.

Plant sales

Plant sales are negotiated contracts to design and install concrete batching plants, and vibratory feeding, conveying and screening equipment for customers. Revenue will be recognized over time, as the above criteria are met, using “the percentage of completion method”

The proportion of revenue to be recognized in a particular period is calculated according to the percentage of completion of the project. For most contracts this is measured by reference to the costs of performing the contract incurred up to the relevant balance sheet date as a percentage of the total estimated costs of performing the contract. Reference to cost is assessed to be the most appropriate method as incurred hours and material costs are the value drivers for the projects. The sales value agreed in the contract is recognized over the contract period using above method.

Contracts where the recognized revenue from the work performed exceeds progress billings are recognized in the balance sheet under assets

Contracts for which progress billings exceed the revenue are recognized under liabilities. Prepayments from customers are recognized under liabilities.

If it is likely that the total costs in relation to a construction contract will exceed the total revenue on a specific project, the expected loss is recognized immediately in the income statement in the current period.

Aftersales, spare parts and products

Both segments in SKAKO sells a range of spare parts and products as Aftersales to the Plants sales. Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and SKAKO has objective evidence that all criteria for acceptance have been satisfied.

Aftersales services

In both segments revenue from the service contracts is recognized in the period in which the services are provided based on amounts billable to a customer. For fixed price components in the contract, revenue is recognized on a straight-line basis over the course of a year, while for variable components revenue is recognized based on usage of units, and price lists according to the contract.

1 Revenue from contracts with customers (continued)

Significant assessment by Management

Assessments regarding contracts with customers is performed when determining if a contract for sale of a plant, spare parts or service, or a combination hereof, involves one or more performance obligations.

Assessments regarding recognition method are made when determining if a contract for sale of a plant, spare parts or service is recognized as revenue over time or at a point in time. The assessments relate to whether we have an alternative use of the assets sold and if we have an enforceable right to payment throughout the contractual term.

When assessing if an asset has no alternative use, we estimate the alternative use cost amount. We have limited historical data as we rarely redirect our assets. The estimate is based on the specifics of each contract. When assessing if we are entitled to payment throughout the contract term, an assessment is made based on the contract wording, legal entitlement and profit estimates.

Significant estimates by Management

Total expected costs related to Sales of Plants are partly based on estimates as they include provisions for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus construction and handing over. Provisions for warranties on work-in-progress for third parties are based on Management estimates for each project while taking contract obligations into account.

Segment information:

DKK thousands **2018**	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
External revenue	160,684	178,589	-	-	339,273
Internal revenue	40	4,000	-	(4,040)	-
Total revenue	**160,724**	**182,589**	**-**	**(4,040)**	**339,273**
Depreciations	(1,090)	(581)	-	-	(1,671)
Operating profit (EBIT) before special items	**1,327**	**15,665**	**(1,920)**	**-**	**15,072**
Special items	1,331	-	-	-	1,331
Operating profit (EBIT) after special items	**2,658**	**15,665**	**(1,920)**	**-**	**16,403**
Financial income	3	280	171	(394)	60
Financial expenses	(2,132)	(1,515)	(253)	394	(3,505)
Result before tax	**529**	**14,430**	**(2,001)**	**-**	**12,958**
Tax on profit for the year	(1,145)	(1,055)	1,940	-	(260)
Profit for the year	**(616)**	**13,375**	**(61)**	**-**	**12,698**
Order back-log, beginning	24,052	48,723	0	0	72,775
Order intake	209,556	168,200	0	(4,437)	373,319
Order back-log, ending	**72,884**	**34,334**	**0**	**(397)**	**106,821**
Segment non-current assets	27,318	10,674	2,883	-	40,875
Segment assets	120,726	142,195	4,213	(7,027)	260,107
Segment liabilities	64,654	89,230	4,185	(7,027)	151,042
Investments in intangible and tangible asset	2,616	919	-	-	3,535
Average number of employees	102	95	-	-	197

1 Revenue from contracts with customers (continued)

Segment information (continued):

DKK thousands **2017**	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
External revenue	174,219	176,156	-	-	350,375
Internal revenue	642	4,625	-	(5,267)	-
Total revenue	**174,861**	**180,781**	**-**	**(5,267)**	**350,375**
Depreciations	(3,860)	(693)	(392)	-	(4,945)
Operating profit (EBIT) before special items	**5,200**	**17,495**	**(2,458)**	**-**	**20,237**
Special items	(24,131)	-	-	-	(24,131)
Operating profit (EBIT) after special items	**(18,931)**	**17,495**	**(2,458)**	**-**	**(3,894)**
Financial income	71	107	17	(165)	30
Financial expenses	(1,569)	(1,255)	(189)	165	(2,848)
Result before tax	**(20,429)**	**16,347**	**(2,630)**	**-**	**(6,712)**
Tax on profit for the year	2,166	(1,617)	3	-	552
Profit for the year	**(18,263)**	**14,730**	**(2,627)**	**-**	**(6,160)**
Order back-log, beginning	46,477	64,066	0	(1,438)	109,105
Order intake	152,436	165,438	0	(3,829)	314,045
Order back-log, ending	**24,052**	**48,723**	**0**	**0**	**72,775**
Segment non-current assets	26,660	10,109	2,143	-	38,912
Segment assets	130,550	134,229	2,278	(5,643)	261,414
Segment liabilities	69,168	96,465	5,723	(5,643)	165,713
Investments in intangible and tangible asset	6,373	1,114	-	-	7,487
Average number of employees	94	88	-	-	182

Segregation of revenue in segments:

Revenue, DKK thousands	**Concrete**		**Vibration**		**Group***	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Plant	**77,497**	**94,227**	**124,136**	**134,599**	**200,685**	**227,161**
- Over time	77,400	93,960	116,295	127,890	192,748	220,184
- A point in time	97	268	7,841	6,709	7,938	6,977
Aftersales	**83,227**	**80,633**	**58,453**	**46,182**	**138,588**	**123,214**
- Over time	3,336	4,216	-	-	3,336	4,092
- A point in time	79,891	76,417	58,453	46,182	135,252	119,122
Total revenue	**160,724**	**174,861**	**182,589**	**180,781**	**339,273**	**350,375**

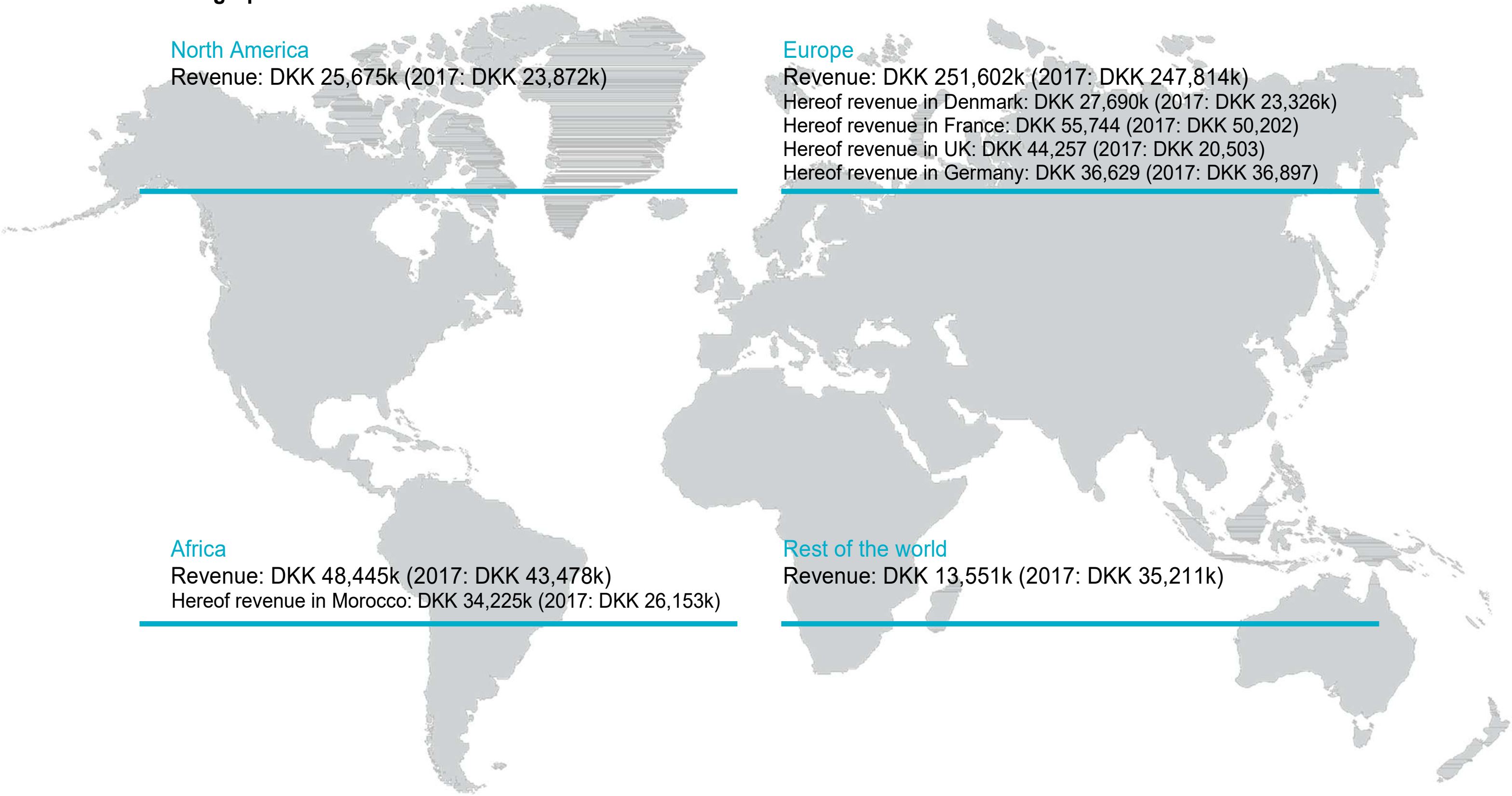
* After eliminations

Revenue recognized in relation to contract liabilities:

DKK thousands	2018	2017
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
- Plant	10,134	9,847
- Aftersales	0	1,882
Total revenue recognized from contract liabilities	**10,134**	**11,729**

1 Revenue from contracts with customers (continued)

Geographical information:



North America

Revenue: DKK 25,675k (2017: DKK 23,872k)

Europe

Revenue: DKK 251,602k (2017: DKK 247,814k)

Hereof revenue in Denmark: DKK 27,690k (2017: DKK 23,326k)

Hereof revenue in France: DKK 55,744 (2017: DKK 50,202)

Hereof revenue in UK: DKK 44,257 (2017: DKK 20,503)

Hereof revenue in Germany: DKK 36,629 (2017: DKK 36,897)

Africa

Revenue: DKK 48,445k (2017: DKK 43,478k)

Hereof revenue in Morocco: DKK 34,225k (2017: DKK 26,153k)

Rest of the world

Revenue: DKK 13,551k (2017: DKK 35,211k)

2 Production costs

Accounting policy

Production costs are costs incurred to generate revenue. Production costs consists of raw materials, consumables, production staff, research and development cost as well as maintenance of and depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets used in the production process.

Research costs are always recognised in the Income Statement in step with the incurrence of such costs. Development costs include all costs not satisfying the capitalisation criteria, but incurred in connection with development, prototype construction and development of new business concepts.

Direct and indirect research and development incentives in terms of tax incentives and other grants and subsidy schemes for research and development are recognised when there is reasonable certainty that the conditions for such grants are satisfied and that they will be awarded. Grants are offset against research and development costs.

The measurement and classification of government grants related to research and development is based on Management's assessment. The incentive schemes applied do not require positive taxable income and hence government grants received have been accounted for in accordance with IAS 20.

DKK thousands	2018	2017
Cost of goods sold during the year	181,174	191,589
Write-down of inventories for the year, net	(105)	(908)
Research and development costs	3,254	3,081
Government grants	(7,868)	(1,297)
Production staff costs and other costs	83,215	74,109
Total production costs	**259,670**	**266,574**

3 Staff costs

Accounting policy

Staff costs consist of direct wages and salaries, remuneration, pension, share-based payments, training, etc.

DKK thousands	2018	2017
Wages, salaries and other remuneration	100,438	93,866
Contribution plans and other social security costs, etc.	15,103	19,169
Share-based payment, warrants	776	720
Other staff costs	4,448	3,833
	120,765	**117,588**
The amounts are included in the items:		
Production costs	77,917	68,680
Distribution costs	27,733	25,175
Administrative costs	15,115	15,268
Special items	0	8,465
	120,765	**117,588**

The average number of employees was 197 (2017: 182).

Remuneration to Executive management and Board of Directors (included in staff costs)

DKK thousands	2018	2017
Board of Directors and Audit committee	1,100	1,100
Executive management		
Wages, salaries and other remuneration	4,882	4,590
Contribution plans and other social security costs, etc.	774	808
Share-based payment, warrants	445	387
	6,101	**5,785**
Total remuneration for Executive Management and Board of Directors	**7,201**	**6,885**

The Executive management have been granted warrants to subscribe for shares in the company, cf. note 4.

The Executive managements contracts are based on normal conditions and one Director has a change of control clause.

4 Share-based payment, warrants

Accounting policy

Plans classified as equity-settled warrants are measured at fair value at grant date and are recognised in the income statement as staff costs in the period in which the final entitlement to the warrants is attained (the vesting period), as well as an inflow directly in equity.

In connection with initial recognition of warrants, an estimate is made of the number of warrants to which Group Executive Management and key staff are expected to become entitled. Subsequent adjustment is made for changes in the estimate of the number of warrant entitlements so the total recognition is based on the actual number of warrant entitlements.

The fair value of the warrants allocated is estimated by means of the Black & Scholes model. The calculation takes into account the terms and conditions under which the share warrants are allocated.

In 2016 and 2017 respectively, the Executive Management and other key employees in the Group have been granted warrants to purchase a total of 200,000 shares in the company at a set price (strike price). The share-based programme has vesting conditions under which Management must stay employed for three years to receive the remuneration.

At 31 December 2018, the remaining average contractual life of share-based remuneration program was less than one year.

	2017 warrants			2016 warrants		
	Granted	Strike price (all)	Exercise period	Granted	Strike price (all)	Exercise period
Warrants granted	100,000	90.39	March 2020	100,000	72.35	July 2019
Executive management	60,000			60,000		
- hereof forfeited	-20,000			-20,000		
Total executive management	40,000			40,000		
Other employees	40,000			40,000		
- hereof forfeited	-5,000			-5,000		
Total other employees	35,000			35,000		
Number of warrants entitlements	**75,000**			**75,000**		

The recognised fair value of warrants in the consolidated income statement amounts to DKK 776k. (2017: 720k)

The calculation of the fair value of warrants at the time of allocation is based on the following assumptions:

	Granted 30 March 2017	Granted 18 July 2016
Average price per share	78.0	62.5
Annual hurdle rate	5%	5%
Strike price per share	90.39	72.35
Expected volatility*	43.96%	42.61%
Expected dividends**	0	0
Risk-free interest rate	-0.56%	-0.53%
Number of shares allocated	100,000	100,000
Fair value per warrant, DKK	18.84	14.52
Total fair value, DKK thousands	1,884	1,452

*The expected volatility is based on the historical volatility of the SKAKO shares in the preceding 36 months.
** The expected future dividends at the time of granting

5 Fee to parent company auditors appointed at the Annual General Meeting

In addition to the statutory audit, PwC, the Group auditors appointed at the Annual General Meeting, provides other assurance engagements and other consultancy services to the Group.

DKK thousands	2018	2017
PwC		
Statutory audit	425	421
Other assurance engagements	14	0
Tax and indirect taxes consultancy	0	58
Other services	78	324
	517	**803**
Other audit firms		
Statutory audit	190	202
Other assurance engagements	0	0
Tax and indirect taxes consultancy	19	17
Other services	0	65
	209	**284**

A few Group enterprises are not audited by the Parent's appointed auditors (PwC) or the auditors' foreign affiliates.

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.1m (2017: DKK 0.4m) and consists of accounting advisory.

6 Special items

Accounting policy

Special items include significant expenses of a special nature that relates to the restructuring of SKAKO Concrete and that cannot be attributed directly to the Group's ordinary operating activities.

Special items include significant non-recurring items, including impairment of non-current assets and inventories, provision, as well as redundancy costs and other staff costs related to planning and execution of the restructuring project in SKAKO Concrete.

Special items are shown separately from the Group's ordinary operations as this gives a truer and fairer view of the Group's operating profit.

Significant estimates by Management

The use of special items relating to the restructuring of SKAKO Concrete entails management judgement in the separation from other items in the income statement. Management carefully considers such items in order to ensure the correct distinction between operating activities and restructuring costs.

Management reassesses the useful life and residual value of non-current assets used in the SKAKO Concrete restructuring. The extent and amount of employee and other obligations arising in connection with this restructuring are also estimated. Management assesses the entire restructuring project and recognises all present costs of the project.

DKK thousands	2018	2017
Impairment of land and buildings*	(1,842)	10,053
Impairment of other tangible assets	0	874
Write-down of inventory	0	2,393
Redundancy costs and staff costs	0	8,466
Other costs	511	2,345
Total production costs	**1,331**	**24,131**

*In October 2017 we started a sales process of the production building and land connected. The production building and the land connected are classified in the balance sheet as "Assets held for sale" at a value of DKK 22.350k in 2017. The sales process has been concluded in 2018 with a sales prices of DKK 24,192k.

*A real estate loan related to the building held for sale are classified in the balance sheet as "Liabilities related to Assets held for sale" at a value of DKK 9,336k in 2017.

7 Net financial items

Accounting policy

Net financial items mainly consist of interest income and interest expenses and also include interest on lease debt as well as realised and unrealised foreign exchange gains and losses. Interest income and interest expenses are accrued based on the principal amount and the effective interest rate.

The effective interest rate is the discount rate used for discounting expected future payments attaching to the financial asset or financial liability in order for the present value to match the carrying amount of such asset or liability.

DKK thousands	2018	2017
Interest on cash and bank deposits	60	30
Financial income from financial assets not measured at fair value in the income statement	**60**	**30**
Foreign exchange gains, net	0	0
Financial income	**60**	**30**
Interest on bank debt	(1,415)	(1,010)
Interest on lease debt	(38)	(2)
Financial expenses on financial liabilities not measured at fair value in the income statement	**(1,453)**	**(1,012)**
Foreign exchange losses, net	(356)	(640)
Other financial expenses	(1,696)	(1,196)
Financial expenses	**(2,052)**	**(2,848)**
Net financial items	**(3,445)**	**(2,818)**

8 Tax on profit for the year

Accounting policy

Tax for the year comprises current tax and changes in deferred tax and is recognised in the Income Statement with the share attributable to the profit for the year, and in the other comprehensive income with the share attributable to items recognised in other comprehensive income. Exchange rate adjustments of deferred tax are included as part of the year's adjustments of deferred tax.

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

DKK thousands	2018	2017
Current tax on the profit for the year	(70)	(574)
Adjustment of current tax, prior years	(68)	3
Change in deferred tax	(88)	1,126
Adjustment of deferred tax, prior years	(34)	(3)
Impact on changes in corporate tax rates	0	0
Tax for the period, net income	(260)	552
Tax using the Danish corporate tax rates	(2,851)	1,516
Effect of tax rates in foreign jurisdictions	316	747
Impact in changes in corporate tax rates	(193)	(378)
Tax assets not capitalised	(969)	(1,152)
Permanent differences and other items	3,437	(181)
	(260)	552

9 Earnings per share (EPS)

Accounting policy

Earnings per share (EPS) and diluted earnings per share (EPS, diluted) are measured according to IAS 33. Non-diluted earnings per share is calculated as the profit for the year divided by the total average number of shares outstanding during the year (shares issued adjusted for treasury shares).

Diluted earnings per share is calculated as profit for the year divided by the average number of shares issued.

DKK thousands	2018	2017
Earnings		
Profit for the year	12,698	(6,160)
Number of shares, average		
Number of shares issued	3,106,418	3,106,418
Adjustment for treasury share	(22,567)	(22,567)
Average number of shares	3,083,851	3,083,851
Earnings per share (EPS)	4.12	(2.00)
Earnings per share, diluted	4.12	(1.99)

As of 31 December 2018, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are the same class and carry one vote each.

Treasury shares represents 0.73% of number of shares issued.

10 Intangible assets

Accounting policy

Intangible assets
Intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment losses.

Development projects, for which the technical rate of utilisation, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used are recognised as completed development projects. This requires that the cost can be determined and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognised in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Amortisation of completed development projects is charged on a straight-line basis during their estimated useful life. Development projects are written down for impairment to recoverable amount, if lower. Development projects in progress are tested for impairment once a year.

The amortisation profile is systematically based on the expected useful life of the assets, taking into account the remaining agreement period and consumption (unit of production method) at the time of implementation. The basis of amortisation is reduced by impairment, if any.

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:
- Development costs, 2-10 years
- Software systems, 2-10 years

10 Intangible assets (continued)

DKK thousands	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2018	2,882	-	22,043	24,925
Foreign exchange adjustments	-	-	8	8
Investments	1,178	239	-	1,417
Disposals	-	-	-	-
Transferred between categories	(1,802)	373	1,429	-
Cost at 31 December 2018	**2,258**	**612**	**23,480**	**26,350**
Depreciation and impairment at 1 January 2018	-	-	16,955	16,955
Foreign exchange adjustment	-	-	7	7
Disposals	-	-	15	15
Depreciation	-	45	818	863
Depreciation and impairment at 31 December 2018	**-**	**45**	**17,795**	**17,840**
Carrying amount at 31 December 2018	**2,258**	**567**	**5,685**	**8,510**

DKK thousands	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2017	542	1,531	21,427	23,500
Foreign exchange adjustments	-	3	5	8
Investments	2,396	-	611	3,007
Disposals	(56)	(1,534)	-	(1,590)
Transferred between categories	-	-	-	-
Cost at 31 December 2017	**2,882**	**-**	**22,043**	**24,925**
Depreciation and impairment at 1 January 2017	-	1,531	16,071	17,602
Foreign exchange adjustment	-	3	4	7
Disposals	(56)	(1,534)	-	(1,590)
Depreciation	56	-	880	936
Depreciation and impairment at 31 December 2017	**-**	**-**	**16,955**	**16,955**
Carrying amount at 31 December 2017	**2,882**	**-**	**5,088**	**7,970**

DKK thousands	2018	2017
Depreciation is included in the items:		
Production costs	603	552
Distribution costs	216	196
Administrative costs	45	132
Special items	0	56
	863	**936**

11 Tangible assets

Accounting policy

Land and buildings, plant and machinery and other facilities, operating equipment and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis over the estimated useful life of the assets until they reach the estimated residual value.
Estimated useful life is as follows:

- Buildings, 10-40 years
- Plant and machinery, 3-10 years
- Operating equipment and other tools and equipment, 3-10 years
- Leasehold improvements, 3-10 years
- Land not depreciated

Newly acquired assets are depreciated from the time they are available for use.

Assets held under a finance lease are measured in the balance sheet at fair value or the present value of future lease payments at the time of entering the contract, if lower. In calculating the present value, the internal interest rate of the lease agreement is used as a discounting factor or as the Group's alternative borrowing rate are depreciated like other tangible assets of the Group.

The capitalised residual lease commitment is recognised in the balance sheet as debt whilst the interest component of the lease payment is recognised in the income statement as a financial item.

For operating leases, the lease payments are recognised in the income statement on a straight-line basis over the lease period.

11 Tangible assets (continued)

DKK thousands	Land and building	Plant and machinery	Operating equipment, fixtures and fittings	Leasehold improvements	Tangible assets in course of construction	Total
Cost at 1 January 2018	15,047	12,897	15,212	4,200	15	47,371
Foreign exchange adjustments	34	16	61	-	-	111
Investments	351	118	1,320	268	60	2,117
Disposals	-	-	-	-	(15)	(15)
Cost at 31 December 2018	**15,432**	**13,031**	**16,593**	**4,468**	**60**	**49,584**
Depreciation and impairment at 1 January 2018	10,160	12,734	14,268	4,125	-	41,287
Foreign exchange adjustments	30	16	57	-	-	103
Disposals	37	(82)	37	-	-	(8)
Amortisation	169	97	504	38	-	808
Depreciation and impairment at 31 December 2018	**10,396**	**12,765**	**14,866**	**4,163**	**-**	**42,190**
Carrying amount at 31 December 2018	**5,036**	**266**	**1,727**	**305**	**60**	**7,394**
Hereof finance leases	-	-	-	-	-	-

DKK thousands	Land and building	Plant and machinery	Operating equipment, fixtures and fittings	Leasehold improvements	Tangible assets in course of construction	Total
Cost at 1 January 2017	56,694	23,007	16,147	4,150	453	100,451
Foreign exchange adjustments	79	21	(90)	(4)	1	7
Investments	3,887	-	540	54	-	4,481
Disposals	-	(10,131)	(1,385)	-	(52)	(11,568)
Transferred between categories	387	-	-	-	(387)	-
Transferred to assets held for sale	(46,000)	-	-	-	-	(46,000)
Cost at 31 December 2017	**15,047**	**12,897**	**15,212**	**4,200**	**15**	**47,371**
Depreciation and impairment at 1 January 2017	22,206	20,280	15,031	4,092	-	61,609
Foreign exchange adjustments	30	16	(85)	(3)	-	(42)
Disposals	-	(10,130)	(1,385)	-	(52)	(11,567)
Amortisation	11,574	2,568	707	36	52	14,937
Transferred between categories	-	-	-	-	-	-
Transferred to assets held for sale	(23,650)	-	-	-	-	(23,650)
Depreciation and impairment at 31 December 2017	**10,160**	**12,734**	**14,268**	**4,125**	**-**	**41,287**
Carrying amount at 31 December 2017	**4,887**	**163**	**944**	**75**	**15**	**6,084**
Hereof finance leases	-	-	-	-	-	

DKK thousands	2018	2017
Depreciation is included in the items:		
Production costs	500	2,570
Distribution costs	273	1,009
Administrative costs	35	488
Special items	0	10,871
	808	**14,937**

12 Deferred tax

Accounting policy

Deferred tax is calculated using the balance sheet liability method on temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered in the statement of other comprehensive income.

A deferred tax liability is made to cover re-taxation of losses in foreign enterprises if shares in the enterprises concerned are likely to be sold and to cover expected additional future tax liabilities related to financial year or previous years. No deferred tax liabilities regarding investments in subsidiaries are recognised if the shares are unlikely to be sold in the short term.

The tax value of losses that are expected with adequate certainty to be available for utilisation against future taxable income in the same legal tax unit and jurisdiction is included in the measurement of deferred tax.

SKAKO A/S is jointly taxed with all Danish subsidiaries, SKAKO A/S being the administrator of the Danish joint taxation.

All the Danish subsidiaries provide for the Danish tax based on the current rules with full distribution. Recognition of deferred tax assets and tax liabilities is made in the individual Danish enterprises based on the principles described above. The jointly taxed Danish enterprises are included in the Danish tax payable on account scheme.

If companies in the Group have deferred tax liabilities, they are valued independently of the time when the tax, if any, becomes payable.

Significant estimates by Management

Deferred tax assets, including the tax value of tax losses allowed for carry forward, are recognised in the balance sheet at the estimated realisable value of such assets, either by a set-off against a deferred tax liability or by a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries is recognised unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future. Deferred tax is recognised in respect of eliminations of intra-Group profits and losses.

DKK thousands	2018	2017
Deferred tax recognised in the balance sheet:		
Deferred tax assets	23,625	23,711
Deferred tax liabilities	-	-
Deferred tax, net 31 December	**23,625**	**23,711**
Deferred tax, net at 1 January	23,711	22,585
Foreign currency translation adjustments	2	7
Changes in deferred tax	(88)	1,119
Deferred tax, net at 31 December	**23,625**	**23,711**
Deferred tax assets:		
Intangible assets	2,295	2,993
Property, plants and equipment	10,369	10,304
Inventories	52	738
Receivables	-	-
Provisions	1,434	1,322
Tax losses	9,452	8,326
Other items	23	28
	23,625	**23,711**
Deferred tax assets not recognised:		
Intangible assets	98	124
Property, plants and equipment	131	146
Inventories	932	401
Provisions	82	612
Tax losses	35,976	32,231
	37,219	**33,514**

Tax losses carried forward are not subject to time limitation. All recognised deferred tax assets are expected to be offset against positive taxable income within a 3-5-year period. Recognition is based on current results, the restructuring of SKAKO Concrete and management's expectations for the future.

13 Inventory

Accounting policy

Raw materials, work-in-progress and goods for resale are measured at cost according to the FIFO principle (according to which the most recently purchased items are considered to be in stock) or at their net realisable value, whichever is lower.

Group-manufactured products and work in progress are measured at the value of direct cost, direct payroll costs, consumables and a proportionate share of indirect production costs (IPO), which are allocated on the basis of the normal capacity of the production facility. IPO include the proportionate share of capacity costs directly relating to Group-manufactured products and work in progress.

DKK thousands	2018	2017
Raw materials and consumables	24,606	20,145
Work-in-progress	5,457	3,196
Finished goods and goods for resale	22,143	22,321
Inventories net of write-downs at 31 December	52,206	45,662
Included in Income Statement under production costs:		
Write-down of inventories for the year, net	(105)	(908)
Costs of goods sold during the year	181,174	191,589
Write-down of inventories for the year, net (included in special items)	0	2,393

Write-downs for the year are shown net as breakdown into reversed write-downs and new write-downs are not possible.

14 Contract assets and liabilities

Accounting policy

Revenue is recognised based on the value of the work completed at the balance sheet date. The revenue corresponds to the sales value of the year's completed work based on costs incurred as a percentage of the total estimate costs (percentage of completion method).

The stage of completion for the individual project is calculated as the ratio between the cost incurred at the balance sheet date and the total estimated cost to complete the project. In some projects, where cost estimates cannot be used as a basis, the ratio between completed sub-activities and the total project is used instead. All direct and indirect costs that relate to the completion of the contract are included in the calculation.

When invoicing on account exceeds the value of the work completed, the liability is recognised as a contract liability under short-term liabilities.

If projects are expected to be loss-making, the loss is recognised immediately in the income statement. Costs not yet incurred are provided for as other provisions. Provisions are based on individual assessment of the estimated loss until the projects are completed.

Significant estimates by Management

Total expected costs related to work-in-progress for third parties are partly based on estimates as they include provisions for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus construction and handing over. Provisions for warranties on work-in-progress for third parties are based on Management estimates for each project while taking contract obligations into account.

DKK thousands	2018	2017
Total costs incurred	115,041	143,497
Valuation after IFRS 9 (note 18)	-232	0
Profit recognised as income, net	30,084	34,098
Contract assets	144,893	177,595
Contract liabilities	(111,634)	(119,081)
Net contract assets and liabilities	33,259	58,514
Of which contract assets is stated under assets	55,042	68,648
and Contract liabilities	(21,783)	(10,134)
Net contract assets and liabilities	33,259	58,514

Contract assets and liabilities consist of all open projects at 31 December including cost and profit recognised in prior years.

All contract assets and liabilities at 31 December are expected to be recognised in 2019.

15 Bank loans and credit facilities

Accounting policy

Debt to credit institutions is recognised at the date of borrowing at the proceeds received less transaction costs. For subsequent periods, financial liabilities are measured at amortised cost in order for the difference between proceeds and the nominal value to be recognised as a financial expense over the term of the loan.

DKK thousands	0-1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2018						
Cash and cash equivalents	10,671	-	-	10,671	10,671	0%
Interest-bearing asset	**10,671**	**-**	**-**	**10,671**	**10,671**	**0%**
Finance lease debt	0	-	-	0	0	0%
Debt to credit institutions	(665)	-	-	(665)	(665)	1,3%
Short term bank facilities	(15,528)	-	-	(15,528)	(15,528)	2.9%
Interest-bearing liabilities	**(16,193)**	**-**	**-**	**(16,193)**	**(16,193)**	**2.8%**
Net interest-bearing debt	**(5,522)**	**-**	**-**	**(5,522)**	**(5,522)**	**1.9%**
2017						
Cash and cash equivalents	2,957	-	-	2,957	2,957	0%
Interest-bearing asset	**2,957**	**-**	**-**	**2,957**	**2,957**	**0%**
Finance lease debt	(237)	-	-	(237)	(237)	0%
Debt to credit institutions	(618)	-	-	(618)	(618)	1,3%
Short term bank facilities	(28,058)	-	-	(28,058)	(28,058)	2.0%
Interest-bearing liabilities	**(28,913)**	**-**	**-**	**(28,913)**	**(28,913)**	**1.9%**
Net interest-bearing debt	**(25,956)**	**-**	**-**	**(25,956)**	**(25,956)**	**1.9%**

Interest-bearing debt broken down by currency: 8% in EUR (4% in 2017), 27% in US dollars (1% in 2017), 21% in British pound (8% in 2017), 31% in Danish kroner (81% in 2017) and 13% in other currencies (6% in 2017).

The undiscounted cash flows essentially correspond to the carrying amounts.

Based on the Group's net interest-bearing debt at the end of the 2018 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approx. DKK 55k (DKK 259k in 2017).

Cash management
SKAKO is committed to maintaining a flexible capital structure. At 31 December 2018, SKAKO had undrawn committed credit facilities in the amount of DKK 17,323k (2017: DKK 9,639k). At 31 December 2018, SKAKO had 'cash and cash equivalents' and 'bank overdraft', net of DKK -5,522k (2017: DKK 25,719k).

Capital management
SKAKO monitors capital on the basis of the equity ratio, which is calculated on the basis of total equity as a percentage of total equity and liabilities. At the end of the year, the solvency ratio was 41.9% (2017: 36.6%).

16 Provisions

Accounting policy

Provisions are recognised when the Group, due to an event occurring before or at the balance sheet date, has a legal or constructive obligation and it is probable that financial benefits must be waived to settle the obligation. Provisions are measured according to Management's best estimate of the amount whereby the obligation is expected to be settled.

Provisions for warranty claims are estimated on a project-by-project basis based on historically realised cost related to claims in the past. The provision covers estimated own costs of completion, subsequent warranty supplies and unsettled claims from customers or subcontractors.

Provisions regarding disputes and lawsuits are based on Management's assessment of the likely outcome settling the cases based on the information at hand at the balance sheet date.

Significant assessments by Management

Management assesses provisions and the likely outcome of pending and probable lawsuits, etc. on an on-going basis. The outcome depends on future events, which are by nature uncertain. In assessing the likely outcome of lawsuits, etc., Management bases its assessment on internal and external legal assistance and established precedents.

Warranties and other provisions are measured on the basis of empirical information covering several years. Together with estimates by Management of future trends, this forms the basis for warranty provisions and other provisions. Long-term warranties and other provisions, discounted to net present value takes place based on the future cash flow and discount rate expected by Management.

DKK thousands		2018	
	Warranties	Other provisions	Total
Provisions at 1 January	3,975	8,558	12,533
Foreign exchange adjustments	3	4	7
Additions	1,597	415	2,012
Used	(2,328)	(5,746)	(8,074)
Reversals	-	81	81
Provisions at 31 December	3,247	3,312	6,559
The maturity of provisions is specified as follows:			
Current liabilities	2,045	415	2,460
Non-current liabilities	1,202	2,897	4,099
	3,247	3,312	6,559

DKK thousands		2017	
	Warranties	Other provisions	Total
Provisions at 1 January	3,516	8,782	12,298
Foreign exchange adjustments	-	3	3
Additions	3,875	210	4,085
Used	(3,416)	(437)	(3,853)
Reversals	-	-	-
Provisions at 31 December	3,975	8,558	12,533
The maturity of provisions is specified as follows:			
Current liabilities	2,572	6,478	9,050
Non-current liabilities	1,403	2,080	3,483
	3,975	8,558	12,533

Provisions for warranty covers a 1-3-year warranty period.

Other provisions relate to provisions for disputes, etc. and are essentially expected to be applied within the next five years.

17 Adjustments, consolidated cash flow statement

Adjustments

DKK thousands	2018	2017
Amortisation and depreciation	1,672	4,945
Change in provisions	(5,974)	(365)
Financial items received and paid	3,445	2,818
Accounting gains on sale of tangible assets	(1,842)	-
Other	552	693
	(2,147)	8,091

Change in borrowings and short-term credit facilities

DKK thousands	2018	2017
Borrowings 1. January	38,013	25,738
Repayments	(21,686)	(388)
New borrowings	0	12,613
Currency adjustments	(134)	50
Borrowings 31. December	16,193	38,013

18 Exchange rate, liquidity and credit risks

Accounting policy

1 January 2018, SKAKO applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written down when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written down are credited against the same line item.

Previous accounting policy for impairment of trade receivables
In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written down by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognized were written down against the provision when there was no expectation of recovering additional cash.

Risk management activities in the SKAKO Group mainly focus on financial risks to which the Company is fairly likely to be exposed. In connection with the preparation of the Group's strategic, budgetary and annual plans, the Board of Directors considers the risks identified in these activities.

Financial risks
Financial risk management concentrates on identifying risks in respect of exchange rates, credit and liquidity with a view to protecting the Group against potential losses and ensuring that Management's forecasts for the current year are only to a limited extent affected by changes or events in the surrounding world – be the changes in exchange rates or in interest rates. It is Group policy to exclusively hedge financial risks arising from our commercial activities and not to undertake any financial transactions of a speculative nature.

Exchange rate risks
With more than 90% of the Group's sales being invoiced in foreign currencies, primarily EUR, reported revenue is affected by movements in the Group's trading currencies. The Group seeks to hedge against such exchange rate risks by seeking to match positive and negative cash flows in the main currencies as much as possible.
Below is a sensitivity analysis in respect of exchange rates, given a positive change of 5% in the currencies with the highest exposures. The estimate has been provided on a non-hedged basis.

DKK thousands	Net position	Change in currency	2018: Potential impact on P/L and equity	2017: Potential impact on P/L and equity
EUR	41,241	5%	2,062	966
USD	916	5%	46	183
GBP	1,833	5%	92	172
MAD	19,004	5%	950	183

Liquidity risk
The Group aims at having sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to suitable undrawn credit facilities and the liquidity risk is therefore considered to be low.

Credit risks
The Group's credit risks relate primarily to trade receivables and contract assets. For large projects we have a signed letter of credit from the customer's bank before we undertake any work. Our remaining customer base is fragmented so credit risks in general only involve minor losses on individual customers. Overall, we therefore estimate that we have no major credit exposure on Group level. The maximum credit risk relating to receivables matches the carrying amount of such receivables.

Trade receivables can be allocated as follows:

DKK thousands	2018	2017
Europe	53,821	50,508
United States	3,928	3,195
Africa	25,016	16,595
Other	4,119	2,714
	86,884	73,012

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables from contracts with customers
- Contract assets from Plant sales

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The loss allowance as at 31 December 2018 and 1 January 2018, on adoption of IFRS 9, was determined as follows for both trade receivables and contract assets:

31 December 2018 DKK thousands	**Not Due**	**Due 0-30 days**	**Due 31-120 days**	**Due 121-365 days**	**Due more than 1 year**	**Total**
Expected loss rate	0.2%	0.1 %	2.8%	10.0%	91.7%	
Gross carrying amount – trade receivables	61,185	19,471	5,161	1,264	1,350	88,431
Gross carrying amount – contract assets	55,036	0	0	0	0	55,036
Loss allowance	**232**	**19**	**144**	**127**	**1,238**	**1,760**

1 January 2018 DKK thousands	**Not Due**	**Due 0-30 days**	**Due 31-120 days**	**Due 121-365 days**	**Due more than 1 year**	**Total**
Expected loss rate	0.2%	0.1 %	5.3%	10.5%	67.4%	
Gross carrying amount – trade receivables	46,013	19,623	3,395	4,139	1,398	74,568
Gross carrying amount – contract assets	68,648	0	0	0	0	68,648
Loss allowance	**229**	**19**	**180**	**435**	**942**	**1,805**

The closing loss allowances for trade receivables and contract assets as at 31 December 2018 reconcile to the opening loss allowances as follows:

DKK thousands	**Contract assets**		**Trade receivables**	
	2018	**2017**	**2018**	**2017**
31 December – calculated under IAS 39	0	0	1,557	1,987
Amounts restated through opening retained earnings	229	0	19	0
Opening loss allowance recognized in profit – calculated under IFRS 9	229	0	1,576	1,987
Increase in loan loss allowance recognized in profit or loss during the year	232	0	1,528	205
Receivables written of during the year as uncollectible	0	0	(39)	(636)
Unused amount reversed	(229)	0	(1,537)	0
At 31 December	**232**	**0**	**1,528**	**1,556**

19 Contractual liabilities, contingent liabilities and securities

Irrevocable operational leasing payments are as follows:

DKK thousands	2018	2017
0-1 year	2,100	1,549
1-5 years	2,827	4,165
More than 5 years	0	246
	4,927	5,960

The Group leases operating equipment on operational leasing contracts.

The typical leasing period is a period of three to six years with the option of prolongation upon expiry of the period. No leasing contracts include conditional leasing payments.

The company's financial institutions have provided bank guarantees for consignments and prepayments of a total of DKK 68.6 million (2017: DKK 39.8 million).

Towards the company's primary financial institution, a deposit of DKK 50 million (2017: DKK 50 million) has been provided with deposit in unsecured claims, stocks, tangible assets and intangible rights.

There is a 12-month rent commitment related to a building in Denmark. The minimum rent liability amounts to DKK 1.6 million (2017: DKK 1.6 million). The Danish subsidiaries of the Group are liable for tax of the jointly taxed income, etc. of the Group. SKAKO A/S is the administrative company of the joint taxation.

20 Related parties

SKAKO A/S has no related parties with a controlling interest. Given its share of ownership, Frederik2 ApS are considered to have significant influence.

The company's related parties comprise the company's Executive management, Board of Directors and these persons' related family members. Related parties also comprise companies in which the before-mentioned persons have controlling or common control. In addition, related parties comprise the subsidiaries cf. page 69 in which SKAKO A/S has controlling or significant influence.

21 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2018 after the balance sheet date and up to today.

22 Approval and publication

At the Board meeting on 14 March 2019, our Board of Directors approved this Annual Report 2018 for publication. The report will be presented to the shareholders of SKAKO A/S at the annual general meeting on 25 April 2019.

23 Group accounting policies

The Group's general accounting policies are described below. In addition to this, specific accounting policies are described in each of the individual notes to the consolidated financial statements.

Generally

The consolidated financial statements are presented in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for annual reports published by reporting class D (listed) companies cf. the Danish executive order on IFRS issued in compliance with the Danish Financial Statements Act. The registered office of SKAKO A/S is in Faaborg, Denmark.

The consolidated financial statements are presented in Danish kroner (DKK), which is the presentation currency for Group activities and the functional currency for the Parent. The consolidated financial statements are presented on the basis of historical cost, except for share-based remuneration and financial assets classified as assets available for sale, which are measured at their fair value.

The financial statements for the Parent as well as the Parent's accounting policies are presented from the consolidated financial statements and are shown on the second last pages of this Annual Report 2018.

The accounting policies remain unchanged for the consolidated financial statements compared to 2017, with the exception of the implementation of new and amended standards as described below.

23 Group accounting policies (continued)

Effect of new accounting standards
As of 1 January 2018 SKAKO A/S has adopted the following new accounting standards and interpretations:

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from contracts with customers”

Implementation of IFRS 9 have had limited effect on the measurement of financial assets. The standard has been adopted fully retrospectively as of 1 January 2018. The restatement on transition to IFRS 9 as a result of applying the expected credit risk model was immaterial. See note 18 for the previous accounting policy on impairment of other financial assets.

IFRS 15 has not affected the recognition and measurement of the consolidated financial statements for 2018. The standard has been adopted using the modified method as of 1 January 2018.

IFRS 15 “Revenue from Contracts with Customers” introduces a new model for recognition of revenue. Revenue in accordance with the new standard is recognized over time when an asset is created on behalf of a customer with no alternative use and SKAKO has an enforceable right to payment for performance completed to date, or the customer obtains control of a Plant and thus has the ability to direct the use and obtain the benefit from the Plant. The standard has not impacted SKAKO’s Plant contracts.

SKAKO has implemented all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2018. None of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group nor had any significant impact on the consolidated financial statements for 2018.

Changes in accounting policies and classification for 2019
IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management has evaluated the impact and prospects of the standard. Implementation of the standard is expected to have a negative impact on equity of DKK 0,1m and on total assets of DKK 5.9m. Impact on the income statement will be limited. IFRS 16 is effective for financial years beginning on or after 1 January 2019.

Implementation of IFRS 16 is only expected to have an insignificant effect on EBIT in 2019.

Effect of new accounting standards not yet in force
Revised and new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report 2018, have not been incorporated into this report.

Definition of materiality
IFRS contain extensive disclosure requirements. The Group discloses the information required according to IFRS unless such information is deemed immaterial.

Consolidated financial statements
The consolidated financial statements comprise SKAKO A/S (the Parent) and the enterprises in which the Parent can or actually does exercise control by either directly or indirectly holding more than 50% of the voting rights.

Consolidation principles
The consolidated financial statements are prepared on the basis of the financial statements for the Parent and its subsidiaries by aggregating uniform items. The financial statements included in the consolidated financial statements are prepared in accordance with the Group’s accounting policies. Intra-Group income, expenses, shareholdings, balances and dividends as well as unrealised intra-Group profits on inventories are eliminated. The accounting items of subsidiaries are recognised 100% in the consolidated financial statements.

Income statement
Income and costs are recognised on an accrual basis. The income statement is broken down by function, and all costs, including depreciation, amortization and impairment losses, are then charged to production, distribution and administration.

Distribution costs
Distribution costs include costs relating to training, sales, marketing, promotion materials, distribution, bad debts as well as depreciation, amortisation and impairment losses on assets used for distribution purposes.

Administrative expenses
Administrative expenses include administrative staff costs, office expenses as well as depreciation, amortisation and impairment losses on assets used for administrative purposes.

Prepaid expenses
Prepaid expenses recognised under assets include costs relating to the subsequent financial years. Prepaid expenses are measured at cost.

Deferred income
Deferred income includes income received relating to the subsequent financial year. Deferred income is measured at cost.

Cash and cash equivalents
Cash and cash equivalents consist of bank deposits and certain overdrafts, and other liquid assets.

Equity
Foreign currency translation reserve includes foreign currency translation adjustments on the translation of financial statements of foreign subsidiaries from their respective functional currencies into Danish kroner. Foreign currency translation adjustments are recognised in the income statement on realization of the net investment. Hedging reserves include fair value adjustments of derivatives satisfying the criteria for hedging of future transactions. The amounts are recognised in the income statement or the balance sheet in step with recognition of the hedged transactions.

23 Group accounting policies (continued)

Treasury shares
On the sales of treasury shares, the purchase price or selling price, respectively, is recognised directly in equity under other reserves (retained earnings).

Cash flow statement
The cash flow statement is prepared according to the indirect method and reflects the consolidated net cash flow broken down into operating, investing and financing activities.

Cash flow from operating activities includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received and expenses paid, realised foreign currency translation gains and losses and income tax paid. Cash flow from investing activities includes the purchase, development, improvement or sale of intangible assets and property, plant and equipment.

Cash flow from investing activities comprise cash flows from the purchase and sale of intangible, tangible and financial non-current assets.

Cash flow from financing activities comprise cash flows from raising and repaying long-term debt, installments on lease liabilities and bank overdraft.

Estimates and judgements
On the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements. These relate to the recognition, measurement and classification of assets and liabilities. Many items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the financial statements. Estimates and assumptions are therefore reassessed on an ongoing basis. Actual figures may, however, deviate from these estimates. Any changes in accounting estimates will be recognised in the reporting period in which such changes are made.

Financial ratios
Financial ratios are calculated as follows:

- Gross profit margin = Gross profit x 100 / Revenue
- Profit margin = EBIT x 100 / Revenue
- Liquidity ratio = Total current assets x 100 / Total current liabilities
- Equity ratio = Total equity x 100 / Total assets
- Return on equity = Profit for the period x 100 / (Equity this year + equity prior year)/2
- Financial leverage = Net interest-bearing debt x 100 / Equity
- NWC/Revenue = Net working capital x 100 / Revenue
- Earnings per share = Profit for the period / Shares in free flow
- Equity value per share = Equity / Total shares
- Share price = Share price at end of period
- Price-book ratio = Share price / Equity per share
- Market capitalization = Total number of share x Share price

Financial statements

PARENT COMPANY INCOME STATEMENT

DKK thousands		2018	2017
Notes			
	Other income	900	900
1,2	Administrative expenses	(2,829)	(3,358)
	Operating profit (EBIT)	**(1,929)**	**(2,458)**
3,7	Financial income	98	13,029
3	Financial expenses	(252)	(270)
	Profit before tax	**(2,083)**	**10,301**
4	Tax on profit for the year	(589)	3
	Profit for the year	**(2,672)**	**10,304**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2018	2017
Notes			
	Profit for the year	**(2,672)**	**10,304**
	Other comprehensive income	**0**	**0**
	Comprehensive income	**(2,672)**	**10,304**
	Comprehensive income attributable to SKAKO A/S shareholders	**(2,672)**	**10,304**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands		2018	2017
Notes			
	Other intangible assets	-	-
5	**Intangible assets**	**-**	**-**
	Operating equipment, fixtures and fittings	-	-
	Leasehold improvements	-	-
	Tangible assets under construction	-	-
6	**Tangible assets**	**-**	**-**
7	Investments in subsidiaries	164,158	164,158
	Other receivables	-	-
8	Deferred tax assets	-	589
	Other non-current assets	**164,158**	**164,747**
	Total non-current assets	**164,158**	**164,747**
	Receivables from subsidiaries	170	3,160
	Trade receivables	-	-
	Income tax	-	-
	Other receivables	-	-
	Prepaid expenses	-	-
	Other investments	74	74
	Cash	56	56
	Current assets	**300**	**3,290**
	Assets	**164,458**	**168,037**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands		2018	2017
Notes			
	Share capital	31,064	31,064
	Retained earnings	125,488	127,384
	Total equity	**156,552**	**158,448**
	Debt to subsidiaries	-	-
	Financial leasing	-	-
	Non-current liabilities	**-**	**-**
	Debt to subsidiaries	3,721	3,868
	Bank loans and credit facilities	3,633	4,885
	Financial leasing	0	237
	Trade payables	109	94
	Income tax	-	-
	Other liabilities	443	505
	Current liabilities	**7,906**	**9,589**
	Liabilities	**7,906**	**9,589**
	EQUITY AND LIABILITIES	**164,458**	**168,037**

PARENT COMPANY CASH FLOW STATEMENT

DKK thousands		2018	2017
Notes			
	Profit before tax	(2,083)	10,301
9	Adjustments	930	875
	Changes in receivables, etc.	0	11
	Change in trade payables and other liabilities, etc.	-46	5
	Cash flow from operating activities before financial items and tax	**(1,199)**	**11,192**
	Financial items received and paid	(154)	(241)
	Taxes paid	-	-
	Cash flow from operating activities	**(1,353)**	**10,951**
	Investment in intangible assets	-	-
	Investment in tangible assets	-	-
	Cash flow from investing activities	**-**	**-**
	Change in intra-Group balances	2,606	(15,655)
	Change in short-term bank facilities	(1,251)	4,704
	Cash flow from financing activities	**1,353**	**(10,951)**
	Change in cash and cash equivalents	0	0
	Cash and cash equivalents at 1 January	130	130
	Foreign exchange adjustment, cash and cash equivalents	-	-
	Cash and cash equivalents at 31 December	**130**	**130**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	56	56
	Other investments	74	74
	Cash and cash equivalents at the end of the year	**130**	**130**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Retained earnings	Equity
Equity at 1 January 2018	31,064	127,384	158,448
Comprehensive income in 2018:	-	(2,672)	(2,672)
Loss for the year			
Other comprehensive income	-	-	-
Comprehensive income, year	**-**	(2,672)	(2,672)
Share-based payment, share warrants	-	776	776
Equity at 31 December 2018	**31,064**	**125,488**	**156,552**

DKK thousands	Share capital	Retained earnings	Equity
Equity at 1 January 2017	31,064	116,360	147,424
Comprehensive income in 2017:	-	10,304	10,304
Profit for the year			
Other comprehensive income	-	-	-
Comprehensive income, year	**-**	**10,304**	**10,304**
Share-based payment, share warrants	-	720	720
Equity at 31 December 2017	**31,064**	**127,384**	**158,448**

1 Staff costs

Number of employees in 2018: 0 (2017: 0)

For information regarding Executive Management and Board of Directors remuneration, including share-based warrant plans, please refer to note 3 and note 4 in the consolidated financial statements.

2 Fee to parent company auditors appointed at the Annual General Meeting

DKK thousands	2018	2017
PwC		
Statutory audit	152	150
Other assurance engagements	-	-
Tax and indirect taxes consultancy	-	50
Other services	17	406
	169	**606**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.02m (2017: DKK 0.5m) and consists of accounting advisory.

3 Net financial income

DKK thousands	2018	2017
Interest from subsidiaries	42	12
Dividends received from subsidiaries	-	13,000
Reversal of write-down of shares in subsidiaries	-	-
Financial income from financial assets not measured at fair value in the income statement	**42**	**13,012**
Other financial income	56	17
Financial income	**98**	**13,029**
Interest to subsidiaries	(76)	(155)
Interest on bank debt	(96)	(38)
Interest on lease debt	(38)	(2)
Financial expenses on financial liabilities not measured at fair value in the income statement	**(210)**	**(195)**
Other financial expenses	(42)	(75)
Financial expenses	**(252)**	**(270)**
Net financial items	**(154)**	**12,759**

4 Tax on profit for the year

DKK thousands	2018	2017
Current tax on the profit for the year	-	-
Adjustment of current tax, prior years	-	3
Change in deferred tax	(589)	-
Adjustment of deferred tax, prior years	-	-
Impact on changes in corporate tax rates	-	-
Tax for the period	(589)	3
Danish corporate tax rates	458	(2,266)
Effect of tax rates in foreign jurisdictions	-	-
Impact in changes in corporate tax rates	-	-
Tax assets not capitalised	(1,047)	(594)
Permanent differences and other items	-	2,863
	(589)	3

5 Intangible assets

DKK thousands	2018	2017
		Software
Cost at 1 January	907	907
Investments	-	-
Disposals	-	-
Transferred between categories	-	-
Cost at 31 December	**907**	**907**
Amortisation and impairment at 1 January	907	819
Disposals	-	-
Amortisation	-	88
Amortisation and impairment at 31 December	**907**	**907**
Carrying amount at 31 December	**-**	**-**

6 Tangible assets

DKK thousands	Leasehold improvements	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2018	341	2,168	2,509
Investments	-	-	-
Disposals	-	-	-
Transferred between categories	-	-	-
Cost at 31 December 2018	**341**	**2,168**	**2,509**
Depreciation and impairment at 1 January 2018	341	2,168	2,509
Transferred between categories	-	-	-
Disposals	-	-	-
Depreciation	-	-	-
Depreciation and impairment at 31 December 2018	**341**	**2,168**	**2,509**
Carrying amount at 31 December 2018	**0**	**0**	**0**
Hereof finance leases	-	-	-

DKK thousands	Leasehold improvements	Operating equipment, fixtures and fittings	Total
Cost at 1 January 2017	341	2,168	2,509
Investments	-	-	-
Disposals	-	-	-
Transferred between categories	-	-	-
Cost at 31 December 2017	**341**	**2,168**	**2,509**
Depreciation and impairment at 1 January 2015	341	1,864	2,205
Transferred between categories	-	-	-
Disposals	-	-	-
Depreciation	-	304	304
Depreciation and impairment at 31 December 2017	**341**	**2,168**	**2,509**
Carrying amount at 31 December 2017	**0**	**0**	**0**
Hereof finance leases	-	-	-

7 Investments in subsidiaries

DKK thousands	2018	2017
Cost at 1 January	260,534	260,534
Investments	-	-
Disposals	-	-
Cost at 31 December	**260,534**	**260,534**
Write-down at 1 January	(96,375)	(96,375)
Reversal of write-down	-	-
Write-down at 31 December	**(96,375)**	**(96,375)**
Carrying amount at 31 December	**164,159**	**164,159**

Group companies are listed on page 69.

8 Deferred tax

DKK thousands	2018	2017
Deferred tax recognised in the balance sheet:		
Deferred tax assets	-	589
Deferred tax liabilities	-	-
Deferred tax, net 31 December	-	589
Deferred tax, net at 1 January	589	589
Changes in deferred tax	(589)	-
Deferred tax, net at 31 December	**-**	**589**
Deferred tax assets:		
Tax losses	-	589
	-	**589**
Deferred tax assets not recognised:		
Intangible assets	74	124
Property, plants and equipment	131	146
Inventories		
Provisions		
Tax losses	4,770	4,358
	4,975	**4,628**

Tax losses carried forward are not subject to time limitation.

9 Adjustments, cash flow statement

Adjustments

DKK thousands	2018	2017
Dividends received from subsidiaries	0	-
Depreciations	0	392
Financial items received and paid	154	241
Other	776	242
	930	875

Change in borrowings and short-term credit facilities

DKK thousands	2018	2017
Borrowings 1. January	4,885	107
Repayments	(1,251)	0
New borrowings	0	4,778
Currency adjustments	0	0
Borrowings 31. December	3,634	4,885

10 Contractual liabilities, contingent liabilities and securities

The company leases operating equipment on operational leasing contracts.

Please refer to note 19 in the consolidated financial statements.

The company has provided security in respect of guarantees concerning the continuous operation in 2019 for one of its subsidiaries.

As security for SKAKO Concrete A/S' and SKAKO Vibration A/S' outstanding account in relation to its primary financial institution the company has provided an unlimited, joint and several suretyships.

Towards the company's primary financial institution, a company deposit of DKK 50 million (2017: DKK 50 million) has been provided with deposit in unsecured claims, stocks, tangible assets and intangible rights.

There is a 12-month rent commitment related to the building in Denmark. The minimum rent liability amounts to DKK 1.6 million (2017: DKK 1.6 million).

The company is jointly taxed with all Danish subsidiaries. The company is jointly and severally liable with the other companies in the joint taxation for Danish corporate taxes and withholding taxes on dividend, interests and royalties within the joint taxation.

11 Related parties

Please refer to note 20 in the consolidated financial statements.

In 2018, the Parent Company has sold services to subsidiaries for DKK 900 thousand (2017: DKK 900 thousand) and paid net interest expenses, cf. note 3.

12 Events after the balance sheet date

Please refer to note 21 in the consolidated financial statements.

13 Accounting policies

The financial statements for 2018 of the parent company, SKAKO A/S has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments at fair value.

The accounting policies for the financial statements of the parent company are unchanged from the last financial year and are the same as for the consolidated financial statements with the following additions.

Supplementary accounting policies for the parent company

Investments in Subsidiaries
Investments in subsidiaries are recognised at cost less impairment losses. Where the recoverable amount is lower than cost, investments are written down to this lower value. Dividends received from investments in subsidiaries and associates are recognised in the income statement in the financial year in which the dividends are declared.

Intra-group transactions in the Parent Company Financial Statements
Intra-group transactions are recognised in the parent company financial statements at the carrying amount. Accordingly, additions to or disposals of investments are recognised at the carrying amount, and any difference between the carrying amount of net assets and the consideration paid is recognised directly in equity. Comparative figures are not restated.

Intercompany balances
Intercompany balances which are expected to be settled as part of the normal operating cycle, or where an unconditional right to defer settlement.

SUBSIDIARIES

Company name	Country	Interest
SKAKO A/S	Denmark	**Parent**
SKAKO Concrete A/S	Denmark	100%
SKAKO GmbH	Germany	100 %
SKAKO Concrete, Inc.	USA	100 %
SKAKO Concrete S.A.	France	100 %
SKAKO Vibration A/S	Denmark	100 %
SKAKO Vibration Ltd.	UK	100 %
SKAKO Vibration S.A.	France	100 %
SKAKO Vibration Succursale Maroc	Morocco	100 %
Aktieselskabet af 01.04.2012	Denmark	100 %

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