SKAKO

ANNUAL REPORT 2019

SKAKO A/S

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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

INCOME STATEMENT, DKK THOUSANDS	2019	2018	2017	2016	2015
Revenue	354,192	339,273	350,375	308,059	319,136
Gross profit	86,092	79,603	83,800	84,306	88,314
Operating profit (EBIT)	18,005	15,072	20,237	16,411	16,210
Special items	-	1,331	(24,131)	-	-
Operating profit (EBIT) after special items	18,005	16,403	(3,894)	16,411	16,210
Net financial items	(2,590)	(3,446)	(2,818)	(3,265)	(3,133)
Profit before tax	15,413	12,958	-6,712	13,146	13,077
Profit for the year	14,246	12,698	-6,160	16,540	13,242

BALANCE SHEET, DKK THOUSANDS					
Non-current assets	85,947	40,787	38,911	68,470	62,734
Current assets	236,383	219,320	200,152	176,600	181,710
Assets held for sale	-	-	22,350	-	-
Assets	322,330	260,107	261,414	245,071	244,445
Equity	124,417	109,066	95,701	102,360	84,797
Non-current liabilities	30,619	4,099	3.483	13,545	15,559
Current liabilities	167,294	146,943	152,894	129,166	144,090
Liabilities related to assets held for sale	-	-	9,336	-	-
Net debt	32,370	5,522	25,956	16,870	30,439
Net working capital	93,427	90,454	99,242	81,058	75,571

OTHER KEY FIGURES, DKK THOUSANDS					
Investment in intangible assets	2,703	1,417	3,007	5,030	719
Investment in tangible assets	9,415	2,117	4,481	818	526
Cash flow from operating activities (CFFO)	24,451	8,907	(9,060)	16,853	23,854
Free cash flow	(20,855)	29,564	(16,547)	11,004	22,610
Average number of emplyees	191	197	182	183	180

FINANCIAL RATIOS					
Gross profit margin	24.3%	23.5%	23.9%	27.4%	27.7%
Profit margin (EBIT margin)	5.1%	4.4%	5.8%	5.3%	5.1%
Liquidity ratio	141.3%	149.3%	131.8%	136.7%	126.1%
Equity ratio	38.6%	41.9%	36.6%	41.8%	34.7%
Return on equity	12.2%	12.4%	-6.4%	17.7%	17.1%
Financial leverage	26.1%	5.1%	27.1%	16.5%	35.9%
NWC/Revenue	26.4%	26.7%	28.3%	26.3%	23.7%
Earnings per share (EPS)	4.62	4.12	-2.00	5.36	4.30
Equity value per share	40.1	35.4	30.8	33.0	27.3
Share price	45.9	49.2	91.0	92.5	44.8
Price-book ratio	1.1	1.4	3.0	2.8	1.6
Market cap	142,584	151,725	282,683	287,343	139,167
Order backlog	123,654	106,821	72,775	109,103	92,097

For calculation of financial ratios please see page 63. 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	2019	2018	2017	2016	2015
Revenue	47,415	45,520	47,096	41,408	42,897
Gross profit	11,525	10,680	11,246	11,332	11,871
Operating profit (EBIT)	2,410	2,022	2,720	2,206	2,179
Special items	-	179	(3,244)	-	-
Operating profit (EBIT) after special items	2,410	2,201	(523)	2,206	2,179
Net financial items	(347)	(462)	(379)	(439)	(421)
Profit before tax	2,063	1,739	(902)	1,767	1,758
Profit for the year	1,907	1,704	(828)	2,223	1,780
BALANCE SHEET, EUR THOUSANDS					
Non-current assets	11,506	5,462	5,227	9,197	8,426
Current assets	31,644	29,371	26,885	23,721	24,407
Assets held for sale	-	-	3,004	-	-
Assets	43,150	34,832	35,113	32,918	32,834
Equity	16,655	14,606	12,855	13,749	11,390
Non-current liabilities	4,099	549	599	1,819	2,090
Current liabilities	22,395	19,678	20,405	17,350	19,354
Liabilities related to assets held for sale	-	-	1,255	-	-
Net debt	4,333	740	3,486	2,266	4,089
Net working capital	12,373	12,113	13,330	10,888	10,151
OTHER KEY FIGURES, EUR THOUSANDS					
Investment in intangible assets	362	190	404	676	97
Investment in tangible assets	1,260	284	602	110	71
Cash flow from operating activities (CFFO)	3,273	1,193	(1,217)	2,264	3,204
Free cash flow	(2,792)	3,959	(2,223)	1,478	3,037
Average number of emplyees	191	197	182	183	180
FINANCIAL RATIOS					
Gross profit margin	24.3%	23.5%	23.9%	27.4%	27.7%
Profit margin (EBIT margin)	5.1%	4.4%	5.8%	5.3%	5.1%
Liquidity ratio	141.3%	149.3%	131.8%	136.7%	126.1%
Equity ratio	38.6%	41.9%	36.6%	41.8%	34.7%
Return on equity	12.2%	12.4%	-6.4%	17.7%	17.1%
Financial leverage	26.1%	5.1%	27.1%	16.5%	35.9%
NWC/Revenue	26.4%	26.7%	28.3%	26.3%	23.7%
Earnings per share (EPS)	0.62	0.55	(0.27)	0.72	0.58
Equity value per share	5.36	4.74	4.13	4.43	3.67
Share price	6.14	6.59	12.19	12.44	6.03
Price-book ratio	1.1	1.4	3.0	2.8	1.6
Market cap	19,088	20,319	37,970	38,650	18.719
Order backlog	16,553	14,308	9,775	14,655	12.370

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 2019 of 746.97 has been used for balance sheet items, and the average rate of exchange of 747.20 has been used for income statement and cash flow items.*

LETTER FROM MANAGEMENT

Development in 2019
In 2019, SKAKO A/S realised a revenue of DKK 354.2m, which is an increase of 4.4% compared to last year. Operating profit (EBIT) before special items increased by 19.5% to DKK 18.0m, which is within our announced guidance for 2019 of DKK 17.0 - 20.0m. EBIT after special items increased to DKK 18.0m compared to DKK 16.4m in 2018. 2019 has shown a positive development for SKAKO where we, despite investments in participation in BAUMA and costs for the acquisition of Dartek, managed to increase our operating profit. However, in H2 2019 we have seen a decrease in revenue from the German car manufacturing industry which impacted results in 2019 negatively. Furthermore, the gross profit margins in SKAKO Concrete are still not at a satisfactory level which is addressed by Management in the S2020 Profit Enhancement Program (S2020) as described below. Combined with the acquisition of Dartek and increased focus on the recycling industry, it is therefore the Management's expectation that SKAKO can produce better results in 2020 and beyond. In 2019 cash flow from operating activities amounted to DKK 24.5m compared to DKK 8.9m in 2018. This has enabled us to make the investment in Dartek and recommend a dividend distribution of DKK 2 per share corresponding to a dividend yield of 4.4% on the share price at 31 December 2019.

We entered 2020 with a strong order book compared to the beginning of 2019. This has secured revenue in the first half of 2020 for both SKAKO divisions. However, our expectations for order intake in SKAKO Concrete for delivery in the second half of 2020 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. Furthermore, we are also experiencing hesitation in taking investment decisions in the German car manufacturing industry in SKAKO Vibration. As a result, we expect an operating profit (EBIT) of DKK 18-23m in 2020.

The Corona virus has not yet had any effect on the SKAKO business. However, it adds uncertainty to customer demand, SKAKO's ability to deliver, and could impact SKAKO's supply chain in 2020. No impact from the Corona virus has been incorporated in the guidance. The situation is continuously being monitored.

SKAKO Vibration

- **Dartek**
  As announced in company announcement 13/2019, SKAKO Vibration has acquired the Spanish company Dartek Proyectos y Maquinara S.L.L. Dartek was the sales representative of SKAKO Vibration in Spain but also develops and sells its own range of products for the recycling industry. SKAKO Vibration already markets some Dartek products for the recycling industry through its own sales network.

- **Recycling: A strategic move**
  With the acquisition of Dartek SKAKO's strategic focus on the recycling industry is further emphasised. The recycling industry is where we plan our strongest development within the next years and this acquisition offers prospects for solid growth to the complete division. In the wake of this strategic strengthening, we received a large order from the Finnish group Tapojärvi, representing a value of more than DKK 26m for vibratory and conveying equipment for slag recycling in December 2019.

- **Development of primary markets**
  The year 2019 started with the announcement in January of a large order of DKK 25m from the mining sector in Morocco, showing once again the suitability of our strategy of development in this country. In the meantime, we have continued to earn market shares in European mineral markets and benefit from an increase of investments of our nearest customers.

  The first half-year of 2019 was very healthy as well with regards to the orders coming from the automotive sector. However, the demand for supplying handling equipment of fasteners and other small metallic parts has unfortunately decreased in the second half-year, due to the difficulties met by the German car manufacturing industry.

- **Industry 4.0**
  In the meantime, we have started the development of an on-line monitoring system of our biggest equipment which is expected to be finalized in 2020. This new product is being designed to increase our own know-how by feedback of real time data, and to support our customers' structural change to industry 4.0.

SKAKO Concrete

- **S2020 Profit Enhancement Program**
  SKAKO Concrete has initiated the S2020 Profit Enhancement Program and we have high focus on improved earnings and on increased standardization and optimization of all key products. In addition, to improve our delivery performance we have continued our investment and strong focus in our sourcing and purchase project in order to maintain our high level of quality. In sales, the Lead Qualification System has been introduced to ensure a thorough and standardized approach to customers and quotations. Shorter delivery times and high-quality project execution are other areas that have our close attention.

- **Development of primary markets**
  The market situation has developed slightly different from our expectations. Some of our primary markets were still quite busy but slowing down on new investments and now with focus on long-term investment strategies.

Instead we saw other markets and industries showing more interest in our ROTOCONIX mixer for UHPC (Ultra High Performance Concrete) and other special productions. Especially large groups and Asian companies have purchased the ROTOCONIX mixer for their special products. A growing interest in refurbishment and capacity increase of old plants also became a bigger part of our leads/orders in 2019.

LETTER FROM MANAGEMENT (continued)

- **Bauma 2019**
  In April 2019 SKAKO participated in the Bauma exhibition in Munich in April where we displayed our largest AM6000 mixer as well as the ROTOCONIX mixer which were both great attractions, and the first contacts to international customers were established, subsequently leading to orders.

- **UN Global Goals and UN Global Compact**
  SKAKO has high focus on sustainability still supporting our customers' needs. All employees have carried through an internal code of conduct (e-learning) to have a common understanding of SKAKO's policies and guidelines. Our high-pressure washing system for mixers has been developed further to reduce water consumption. The latest developed SKAKO mixer, ROTOCONIX, applicable for different kinds of special and high-strength concrete is expected to lead to technologies which can help our customers save cement. Also, SKAKO will focus on recycling of crushed concrete.

- **Development**
  The development of the ROTOCONIX mixer has given SKAKO access to the attractive growth market within UHPC (Ultra High Performance Concrete) and other special concrete types. SKAKO continues the optimization and development of the washing system, recycling water systems, the SKAKOMAT control system and the ROTOCONIX mixer.

The Management would like to thank all the employees of the SKAKO Group for their performance and solid contribution to the results realised in 2019 and preparation for the continuous development of SKAKO.

Jens Wittrup Willumsen	Steffen Kremmer	Lionel Girieud
Chairman of the Board	Director, SKAKO Concrete	Director, SKAKO Vibration

HIGHLIGHTS

As announced in company announcement 13/2019, SKAKO Vibration has acquired the Spanish company Dartek Proyectos y Maquinara S.L.L. in November 2019. Dartek was the sales representative of SKAKO Vibration in Spain but also developed and sold its own range of products for the recycling industry. SKAKO Vibration already markets some Dartek products for the recycling industry through its own sales network.

The EBIT result before special items in 2019 amounted to a profit of DKK 18.0m compared to an EBIT result before special items of DKK 15.1m in 2018. The improved EBIT is due to increased revenue in the Concrete Division and improved gross profit margins in both divisions. Positive results are generated in both divisions. EBIT after special items amounted to DKK 18.0m compared to DKK 16.4m in 2018.

In 2019 cash flow from operating activities amounted to DKK 24.5m compared to DKK 8.9m in 2018.

At the beginning of Q1 2020 the order backlog amounts to DKK 123.7m which is an increase of 16% compared to the beginning of 2019 where the order backlog was DKK 106.8m. Order intake in 2019 has primarily been generated in the Vibration Division, where the acquisition of Dartek also has a positive impact on order intake. Order backlog from Dartek amounts to 7% of the total backlog at 31 December 2019. As a result, the Vibration Division has established a strong order backlog for 2020 while the Concrete Division's backlog remains at a good level.

The Vibration Division is generally showing a strong performance and we are looking to expand the business, both through organic growth and acquisitions. However, in H2 2019 we have seen a decline in revenue from the German car manufacturing industry and the Moroccan mining industry. On the other hand, we are experiencing an increase in orders and revenue from the recycling industry.

As a result of gross profit margins below the expected on plant orders, the EBIT result in the Concrete Division is not at a satisfying level. In 2017 and 2018, we have completed a restructuring, where production in France was closed and moved to sub-suppliers or SKAKO Concrete in Denmark. We have not yet seen the expected full effects on gross profit margins on plant orders from the restructuring. Therefore, Management has initiated project S2020 which aims to improve gross profit margins further. Project S2020 initiatives include improved project execution, optimization of purchase prices and conditions, and cost reduction on own production. Through these initiatives, we expect SKAKO Concrete to deliver improved results in 2020.

In 2019, we have seen improvements in results from operations compared to 2018, where gross profit margins have increased from 23.5% in 2018 to 24.3% in 2019. We expect further improvements in 2020.

Based on the results in 2019 and capital structure of SKAKO A/S at 31 December 2019, the Board of Directors recommends a dividend distribution of DKK 2 per share, corresponding to 43.3% of profit for the year and a total dividends distribution of DKK 6.2. With a share price of DKK 45.9 at 31 December 2019 this corresponds to a dividend yield of 4.4%. The dividends distribution will be an agenda item for the ordinary general meeting on 22 April 2020, and if adopted, the dividend will be distributed on the following day, 23 April 2020. Given the uncertainty regarding the Corona virus we will evaluate the business and liquidity situation and provide updated recommendations on the ordinary general meeting.

Guidance on earnings

The Corona virus has not yet had any effect on the SKAKO business. However, it adds uncertainty to customer demand, SKAKO's ability to deliver, and could impact SKAKO's supply chain in 2020. No impact from the Corona virus has been incorporated in the guidance. The situation is continuously being monitored.

Based on market and business conditions, we are guiding for an operating profit (EBIT) of DKK 18-23m in 2020.

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, Strasbourg in France and San Sebastian in Spain, 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, Strasbourg or San Sebastian. The products are transported to customers either from our suppliers or from assembling in Strasbourg, Faaborg or San Sebastian.

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.

Through the acquisition of Dartek Proyectos y Maquinaria, S.L. (Dartek) in November 2019, as announced in company announcement 13/2019, we have strengthened our presence in the recycling sector which is a market expected to develop positively in the years to come.

Following the acquisition of Dartek, the main sectors for SKAKO Vibration are now mining, automotive and recycling, while the main markets remain the same.

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 solid 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. The products are transported to customers either from assembling in Faaborg or from our suppliers.

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
In 2019 our resources to develop new products were focused on an on-line system to collect data on our largest machines. A first prototype was produced at the end of 2019 and the development continues in 2020 to an expected product launching at the end of 2020.

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.

FINANCIAL REVIEW

Performance review

DKK thousands	Q4 2019*	Q4 2018*	Change*	2019	2018	Change
Revenue from contracts with costumers	91,117	93,873	(2.9%)	354,192	339,273	4.4%
Production costs	(67.864)	(66,424)	2.2%	(268,100)	(259,670)	3.2%
Gross profit	**23,253**	**27,449**	**(15.3%)**	**86,092**	**79,603**	**8.5%**
Gross profit margin	*25.5%*	*29.2%*	*(3.7pp)*	24.3%	23.5%	*0.8pp*
Distribution costs	(8,064)	(9,930)	(18.8%)	(39,796)	(37,454)	6.2%
Administrative expenses	(7,358)	(7,553)	(2.6%)	(28,291)	(27,077)	4.5%
Operating profit (EBIT) before special items	**7,831**	**9,966**	**(21.2%)**	**18,005**	**15,072**	**19.5%**
Profit margin before special items (EBIT margin)	*8.6%*	*10.6%*	*(2.0pp)*	5.1%	4.4%	*0.7pp*
Special items	-	1,331	(100.0%)	-	1,331	(100.0%)
Operating profit (EBIT) after special items	**7,831**	**11,297**	**(30.4%)**	**18,005**	**16,403**	**9.8%**
Profit for the period	**6,265**	**9,805**	**(36.1%)**	**14,246**	**12,698**	**12.3%**
Order backlog beginning of period	92,529	107,539	(14.0%)	106,821	72,775	46.8%
Order intake	122,242	93,155	31.2%	371,025	373,319	(0.6%)
Revenue	91,117	93,873	(2.9%)	354,192	339,273	(4.4%)
Order backlog end of period	**123,654**	**106,821**	**15.7%**	**123,654**	**106,821**	**15.7%**

*Quarterly figures are unaudited

Revenue

Revenue decreased by 2.9% in Q4 2019 but increased by 4.4% in FY 2019 compared to the same periods last year. The increase in revenue in 2019 is caused by an increase in the Concrete Division of 10.6%, while the Vibration Division realised a small decrease of 1.1%. Organic growth decreased by 7.0% in Q4 2019 and increased by 3.3% in FY 2019 compared to the same periods in 2018. The increase in revenue in the Concrete Division is primarily driven by the high order backlog entering 2019. In the Vibration Division we have seen a decrease in revenue from Aftersales by 19.1% and an increase in revenue from Plants by 7.4% compared to 2018. The main drivers behind the negative development in revenue is a decline in revenue from the German car manufacturing industry and lower than expected revenue from the Moroccan mining industry in H2 2019. Revenue from Dartek amounts to DKK 3.8m for the period from takeover 14 November 2019 until 31 December 2019. Dartek is included in the Vibration Division.

Revenue, DKK millions	Concrete			Vibration			Group*		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Plants	85.9	77.5	10.8%	133,3	124,1	7.4%	217.8	200,7	8.5%
Aftersales	91.9	83.2	10.5%	47,3	58,5	(19.1%)	136.4	138,6	(1.6%)
Total	**177.8**	**160.7**	**10.6%**	**180.6**	**182.6**	**(1.1%)**	**354.2**	**339.3**	**4.4%**

*After eliminations

FINANCIAL REVIEW – continued

Gross profit

Revenue decreased by 2.9% in Q4 2019 while production costs increased by 2.2%. This led to a decrease in gross profit margin by 3.7 percentage points compared to same period last year. Low net R&D costs in Q4 2018 resulted in a high gross profit margin compared to normal levels for SKAKO. The gross profit margin for Q4 2019 is at a normalised level and rising compared to the rest of 2019 and the whole of 2018. In FY 2019 we saw an increase in revenue of 4.4%, while production costs only increased by 3.2%, which led to an increase in gross profit margin of 0.8 percentage points compared to 2018 (gross profit margin of 24.3% in 2019 and 23.5% in 2018). The increase in gross profit margin is mainly due to the higher revenue level in the Concrete Division and product mix in the Vibration Division. However, gross profit margins in the Concrete Division are not yet at a satisfactory level and we still see possibilities of further improvement. See more under Operating profit. Results from Dartek do not have a significant impact on the gross profit margin in 2019.

Capacity costs

Distribution costs decreased by 18.8% in Q4 2019 and increased by 6.2% in 2019 compared to the same periods last year, and administrative expenses decreased by 2.6% in Q4 2019 and increased by 4.5% in 2019 compared to 2018. The increase in distribution costs is mainly caused by the Concrete Division's participation in the Bauma exhibition in Munich in April 2019. The participation represents an investment of appr. DKK 2m which was not made in 2018 as the exhibition is only held every third year. The increase in administrative expenses is mainly due to cost for advisors in relation to the acquisition of Dartek. Costs for distribution and administration in Dartek also results in an increase in both categories.

Operating profit

Operating profit (EBIT) before special items for Q4 and FY 2019 amounted to DKK 7.9m and DKK 18.0m compared to DKK 10.0m in Q4 2018 and 15.1m in FY 2018.

The higher operating profit (EBIT) before special items in 2019 compared to 2018 is primarily driven by the high order backlog going into 2019 and increased contribution margins in both divisions.

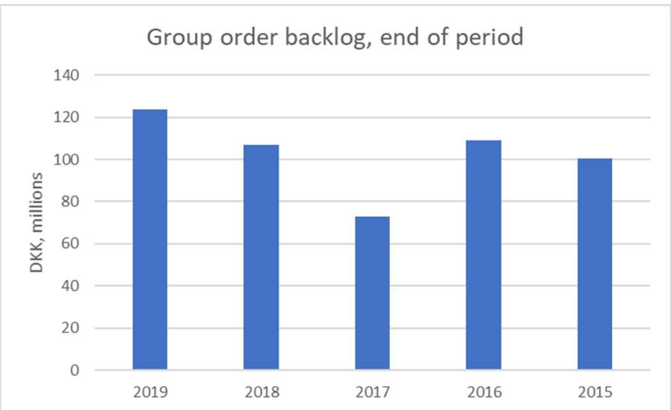
As a result of gross profit margins below the expected on plant orders, the EBIT result in the Concrete Division is not yet at a satisfying level. In 2017 and 2018, we have completed a restructuring, where production in France was closed and moved to sub-suppliers or SKAKO Concrete in Denmark. We have not yet seen the expected full effects on gross profit margins on plant orders from the restructuring. Therefore, Management has initiated project S2020 (see page 5) which aims to improve gross profit margins further. Project S2020 initiatives include improved project execution, optimization of purchase prices and conditions, and cost reduction on own production.

Order intake and backlog

In 2019, order intake was DKK 371.0m which is a decrease of 0.6% compared to 2018. In Q4 2019, we have seen a good order intake which has secured a strong backlog going into 2020. Part of the backlog comes from the acquisition of Dartek that holds a backlog of DKK 8.7m at 31 December 2019.

Order intake in 2019 for the Concrete Division was DKK 169.5m compared to DKK 209.5m in 2018 and order intake in 2019 for the Vibration Division was DKK 206.3m compared to DKK 168.2m in 2018.

The Group order backlog at the beginning of 2020 amounts to DKK 123.7m which is a growth of 15.7% compared to the order backlog at the beginning of 2019.



Order intake, DKK millions	Concrete			Vibration			Group*		
	2019	**2018**	**Change**	**2019**	**2018**	**Change**	**2019**	**2018**	**Change**
Order book, beginning	72.9	24.1	202.5%	34.3	48.7	(29.6%)	106.8	72.8	46.7%
Order intake	169.5	209.5	(19.1%)	206.3	168.2	22.7%	371.0	373.3	(0.6%)
Revenue	(177.8)	(160.7)	10.6%	(180.6)	(182.6)	(1.1%)	(354.2)	(339.3)	4.4%
Order book, end	**64.6**	**72.9**	**(11.4%)**	**60.0**	**34.3**	**74.9%**	**123.6**	**106.8**	**15.7%**

*After eliminations

Cash flow developments

In 2019, the Group generated cash flow from operating activities (CFFO) of DKK 24.5m compared to DKK 8.9m in 2018. The positive development in CFFO is primarily due to the positive results from operations and increased collection of receivables. The Group free cashflow amounted to DKK -20.9m in 2019 compared to DKK 29.6m in 2018. The difference can be explained by the investment in Dartek and the positive cash flow from the 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.

Equity

The Group's equity was DKK 124.4m at 31 December 2019 (DKK 109.1m at 31 December 2018) matching an equity ratio of 38.6% (41.9% at 31 December 2018). The increase in equity is mainly due to profit for the year of DKK 14.2m, while the decrease in equity ratio primarily is due to goodwill from the investment in Dartek and the implementation of IFRS 16.

Based on the results in 2019 and capital structure of SKAKO A/S at 31 December 2019, the Board of Directors recommends a dividend distribution of DKK 2 per share, corresponding to 43.3% of profit for the year and a total dividends distribution of DKK 6.2. With a share price of DKK 45.9 at 31 December 2019 this corresponds to a dividend yield of 4.4%. The dividends distribution will be an agenda item for the ordinary general meeting on 22 April 2020, and if adopted, the dividend will be distributed on the following day, 23 April 2020. Given the uncertainty regarding the Corona virus we will evaluate the business and liquidity situation and provide updated recommendations on the ordinary general meeting.

Balance sheet

As of 31 December 2019, the Group's assets totalled DKK 322.3m (year end 2018: 260.1m). The increase in assets is primarily is due to goodwill from the investment in Dartek and the implementation of IFRS 16.

Non-current assets increased by DKK 45.1m and amounted to DKK 85.9m (year end 2018: DKK 40.8), while current assets increased by DKK 17.1m to DKK 236.4m (year end 2018: DKK 219.3m). The increase in assets is primarily due to goodwill from the investment in Dartek and the implementation of IFRS 16.

Net debt increased by DKK 26.9m and totalled DKK 32.4m at 31 December 2019 (year end 2018: DKK 5.5m). The increase in net debt is due to the payment structure in the Dartek acquisition where we owe a total of DKK 26.4m at 31 December 2019 and implementation of IFRS 16.

Current liabilities amounted to DKK 167.3m (year end 2018: DKK 146.9m). The increase in current liabilities is due to the payment structure in the Dartek acquisition and implementation of IFRS 16.

The Parent company

The result for the period in the Parent company amounts to a loss of DKK 1.3m. The costs primarily come from remuneration for the Board of Directors and costs for warrants.

Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2019 after the balance sheet date and up to today.

OUTLOOK 2020

Market and business conditions going forward
We are entering 2020 with an increased backlog compared to 2019 which is expected to have a positive impact on our financial performance in 2020, when comparing to 2019. 7.0% of the increased backlog is related to the acquisition of Dartek in November 2019.

Most of the backlog in SKAKO Concrete is expected to be delivered in H1 2020, and despite of the good order backlog at the beginning of 2020, the results for 2020 still depend on our ability to close new orders for delivery in the second half of 2020. As we see a decline in investments in the construction business, we also experience that it takes longer time to close contracts and start the delivering of new orders which was also the case for the beginning of 2019.

Through initiatives in S2020 (see page 5), the results in SKAKO Concrete are expected to improve in 2020 compared to 2019 even though activity levels are not expected to increase.

With the acquisition of Dartek, the recycling segment will become a significant contributor to results in SKAKO Vibration. As has been the case in prior years, we expect that the recycling segment will continue to grow and will have a positive impact on the results for SKAKO Vibration in 2020.

The mining segment is expected to perform at the same level as in 2019.

Through H2 2019 we have experienced hesitation on making investment decisions in the German car manufacturing industry which is also expected to continue through 2020. As the German car manufacturing industry is a significant contributor to the results in SKAKO Vibration, this has a negative impact on our expectations for 2020. However, this could also prove an upside if the industry starts making investment decisions.

Outlook 2020
The Corona virus has not yet had any effect on the SKAKO business. However, it adds uncertainty to customer demand, SKAKO's ability to deliver, and could impact SKAKO's supply chain in 2020. No impact from the Corona virus has been incorporated in the guidance. The situation is continuously being monitored.

Based on market and business conditions, we are guiding for an operating profit (EBIT) of DKK 18-23m in 2020.

SHAREHOLDER INFORMATION

As of 31 December 2019, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are fully paid, 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 2020. 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 2019 was 45.9 corresponding to a market capitalisation of DKK 142.6m.

By the end of 2019 the company had 1769 registered shareholders compared with 1860 registered shareholders by the end of 2018. The registered shareholders own a total of 92.7% of the share capital compared to 94.7% by the end of 2018.

Specification of movements in share capital

DKK thousands	2019	2018	2017	2016	2015
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

Based on the results in 2019 and capital structure of SKAKO A/S at 31 December 2019, the Board of Directors recommends a dividend distribution of DKK 2 per share, corresponding to 43.3% of profit for the year and a total dividends distribution of DKK 6.2. With a share price of DKK 45.9 at 31 December 2019 this corresponds to a dividend yield of 4.4%. The dividends distribution will be an agenda item for the ordinary general meeting on 22 April 2020, and if adopted, the dividend will be distributed on the following day, 23 April 2020. Given the uncertainty regarding the Corona virus we will evaluate the business and liquidity situation and provide updated recommendations on the ordinary general meeting.

Financial calendar 2020

12 March	Annual report for 2019
22 April	Ordinary general meeting 2020
27 May	Interim report for the period 1 January - 31 March 2020
31 August	Interim report for first half-year 2020
30 October	Interim report for the period 1 January - 30 September 2020

Annual general meeting 2020

The annual general meeting will be held on Thursday 22 April 2020 at 3 p.m. at the Company's head office at 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 2347 5640 or by e-mail to skako.dk@skako.com

COMPANY ANNOUNCEMENTS 2019

Main company announcements in 2019

21 January	01 – SKAKO Vibration wins 25 mio. DKK order in Morocco
14 March	02 - Annual report 2018
28 March	03 - Notice to ordinary General Assembly
23 April	04 – SKAKO Vibration enters into negotiations to acquire a Spanish Company
25 April	05 - Course of General Assembly on 25 April 2019
2 May	06 – SKAKO Concrete sells concrete mixing plant to Swedish customer
23 May	07 – Interim report for the first quarter 2019
27 June	08 – Managing Director in SKAKO Concrete transitions to head of technical development
22 August	09 – Interim report for SKAKO A/S for the first two quarters of 2019
3 September	10 – SKAKO Concrete hires new Managing Director
21 October	11 – SKAKO Vibration agrees conditional 26 mio. DKK order
31 October	12 - Interim report for SKAKO A/S for the first three quarters of 2019
14 November	13 – SKAKO Vibration A/S acquires the Spanish company Dartek
10 December	14 – SKAKO enters into market maker agreement with Danske Bank
10 December	15 - Finnish group Tapojärvi confirms its DKK 26 mio. order with SKAKO Vibration
13 December	16 - Financial calendar for 2020

The company announcements 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
SKAKO has established and maintains an internal controls setup that supports correct and timely reporting to Management and Market. 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.

Once every quarter we carry through a detailed planning and forecast process, and any deviations from the plans and budgets are carefully monitored. Furthermore, we perform weekly, monthly and quarterly reviews and assessments of all large projects.

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, established 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.

Declining market conditions
The Management continuously monitors market conditions and maintains close relations to significant customers in order to be able to make a timely response in light of changing circumstances. Monitoring of consequences regarding the Corona virus falls under this category.

Cyber security
SKAKO maintains and enforces an IT safety policy to reduce risks from cybercrime. Furthermore, SKAKO has implemented an IT contingency plan based on recommendations from the Danish Data Protection Agency. SKAKO's head of IT operations oversees monitoring and enforcing of the IT contingency plan.

CORPORATE GOVERNANCE

Recommendations on corporate governance

As a listed company on 31 December 2019, SKAKO observes the ´Recommendations on Corporate Governance´ (issued in November 2017 and updated in May 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_-_2019.pdf

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

Deviations from recommendations

SKAKO has not established a nomination or a remuneration committee. Given the size of SKAKO, the Board of Directors finds it most suitable that the total Board of Directors takes care of the tasks.

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 2019, the committee reviewed the main accounting principles, tax strategy and compliance and key risks, etc.
In 2019, the Audit Committee held four meetings.

Remuneration

The Company has formulated remuneration policies for the Board of Directors and Executive Management. The policies are expected to be approved on the general assembly 22 April 2020.

The policies can be found here:

https://www.skako.com/fileadmin/SKAKO/PDF/Stamdata_SKAKO/Remuneration_policy.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_2019.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 wants 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 8.

Environment

Policy	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 rights for more about the supplier "Code of Conduct". Furthermore, SKAKO actively seeks to reduce its energy consumption by, for example, installing LED lighting in its facilities. The large drop in consumed kWh from 2017 through to 2019 is primarily explained by the closing of the production site in Lille.
Actions	SKAKO will reduce consumption of kWh year on year in its production sites. We expect to see a small increase in consumed KwH in 2020 due to the addition of Dartek.
KPI	1. Consumed kWh in production sites
Result for 2019 compared to goal for 2019	1. SKAKO realised a large reduction in consumed KwH in 2019. This mainly comes from closing the production site in Lille. Energy consumption in Dartek only includes 1.5 months in 2019.
Results and goals	see table below
Risks	1. Energy consumption is a variable of activity

	Goal for 2020	Result 2019	Goal for 2019	Result 2018	Result 2017
1	1,000,000	828,828	1,350,000	1,417,902	1,858,637

Human rights

Policy	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.
Actions	SKAKO has formulated a Supplier "Code of Conduct" that specifies 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.
KPI	1. The part of our main suppliers that have signed our supplier "Code of Conduct"
Result for 2019 compared to goal for 2019	1. SKAKO has not reached the goal of having all suppliers sign our code of conduct. This is mainly due to the addition of Dartek late in the year. This will be a focus point in 2020.
Results and goals	see table below
Risks	1. Lack of transparency in compliance with SKAKOs Supplier "Code of Conduct"

	Goal for 2020	Result 2019	Goal for 2019	Result 2018	Result 2017
1	100%	82%	100%	Unknown	Unknown

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 an 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 for 2019 compared to goals for 2019</td><td>1. In 2019, we have seen a decline in average sick days which Management finds satisfactory. Furthermore, in 2019 SKAKO has established a voluntary vaccination program to help reduce sick days even further.
2. SKAKO A/S realised an average score of 3.9 compared to a goal of >3.5. Management finds the result satisfactory.
3. In 2019, SKAKO has incurred 27 sick days due to on-the-job accidents. Management does not find this satisfactory and will keep working on eliminating on the job accident entirely. Management has a continuous dialog with employees to help identify areas for improvement.
4. In 2019, we have seen an increase in performed appraisal interviews. However, we have still not reached our target and will keep pushing for this.</td></tr>
<tr><td>Results and goals</td><td><table>
<tr><th></th><th>Goals for 2020</th><th>Results 2019</th><th>Goals for 2019</th><th>Results 2018</th><th>Results 2017</th></tr>
<tr><td>1*</td><td>6.0</td><td>6.2</td><td>7.0</td><td>8.06</td><td>6.68</td></tr>
<tr><td>2**</td><td>>3.5</td><td>3.9</td><td>>3.5</td><td>N/A</td><td>N/A</td></tr>
<tr><td>3</td><td>0</td><td>27</td><td>0</td><td>28</td><td>16</td></tr>
<tr><td>4</td><td>100%</td><td>90%</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 seeks 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 any doubt with regards to a SKAKO employee’s impartiality.</td></tr>
<tr><td>Actions</td><td>1. SKAKO enforces 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 2020.
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 for 2019 compared to goals for 2019</td><td>1. SKAKO A/S has maintained it gift policy throughout 2019.
2. SKAKO A/S has received no reported violations of anti-corruption laws and regulations, and SKAKO Employee Code of Conduct in 2019.
3. 81% of SKAKO employees have passed the SKAKO Employee Code of Conduct e-learning. The main reason for the result not being 100% is the acquisition of Dartek in November 2019. The employees in Dartek have not yet completed the SKAKO Employee Code of Conduct e-learning.
4. In 2019, SKAKO has extended the whistle blower scheme to also be available to external parties. Furthermore, the whistle blower scheme is part of the SKAKO Employee Code of Conduct e-learning.</td></tr>
<tr><td>Results and goals</td><td><table>
<tr><th></th><th>Goals for 2020</th><th>Results 2019</th><th>Goals for 2019</th><th>Results 2018</th><th>Results 2017</th></tr>
<tr><td>2</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>3</td><td>100%</td><td>81%</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 2019 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 2019.
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 hiring 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. In 2019, SKAKO has hired one member of the executive board. The candidate SKAKO chose to hire was a male. Out of 32 applications for the position, SKAKO received only one application from a female candidate.
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>

SKAKO actively seeks to recruit new employees of all ethnicities and genders
SKAKO seeks to have an improved gender distribution in employees and Management
SKAKO seeks to have an improved gender distribution in the Board of Directors.

</td></tr>
<tr><td>KPIs</td><td>

Share of the underrepresented gender among all employees
Share of the underrepresented gender in Management
Share of the underrepresented gender in the Board of Directors

</td></tr>
<tr><td>Results for 2019 compared to goals for 2019</td><td>

SKAKO has not been successful in increasing the share of women in the work force. According to our policy this will be a continuous focus for SKAKO.
In 2019 SKAKO experienced one replacement in a management position. In this situation a female manager was replaced by a female manager. Otherwise, there was no reason to change employees in management positions.
In 2019 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 2019.

</td></tr>
<tr><td>Results and goals</td><td>
<table>
<tr><th></th><th>Goals for 2020</th><th>Results 2019</th><th>Goal for 2019</th><th>Results 2018</th><th>Results 2017</th></tr>
<tr><td>1</td><td>20% women</td><td>14% women</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>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>20% women</td><td>0% women</td><td>0% women</td></tr>
</table>
</td></tr>
<tr><td>Risks</td><td>

We will not reach our targets because SKAKO's industry is historically a male-dominated industry with limited access to female candidates.

</td></tr>
</table>

EXECUTIVE MANAGEMENT

Name	**Steffen Kremmer**	**Lionel Girieud**
Born in	1962	1971
Title	Director	Director
Member of the Management since	2019	2016
Number of shares in SKAKO	1,236	5,166
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:** Licensewatch A/S Kontrapunkt Group A/S Everland ApS COMIT A/S Copenhagen Optimization ApS The INDEX Projects 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 Group 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:** Fonden Amager Bakke LABFLEX A/S Taulov DryPort A/S **Deputy Chairman:** Fonden til støtte for soldater i internationale missioner (Soldaterlegatet) **Board member:** Fonden Peder Skram Su Misura A/S Nordsøenheden/Nordsøfonden Associated Danish Ports A/S LM Byg A/S Pihl & Søn A/S **Others positions:** Herskind Venture Capital ApS, Director own holding company Ejendomsselskabet Helsingør/Århus, Director Frederik2 ApS, Director own holding company
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 2019.	Christian Herskind Jørgensen participated in all board meetings in 2019.

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 Valiance Inc. **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) 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. Through his career, Carsten Krogsgaard Thomsen has accumulated extensive experience within M&A, and compliance in listed companies. 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 6 out of 7 board meetings and all audit committee meetings in 2019.	Lars Tveen participated in all board meetings in 2019.

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** Wohnen 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 Novatech ApS **Others positions:** Thoraso ApS, managing director Thoraso Invest ApS, managing director Fortin Madrejon A/S, managing director Ejendomsselskabet Industrivej 2 A/S, managing director ALEXAWA ApS, director own holding company SAMAWA ApS, director own holding company
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 6 out of 7 board meetings in 2019.

MANAGEMENT STATEMENT

We have today discussed and approved the Annual Report 2019 of SKAKO A/S for the financial year 1 January – 31 December 2019.

The annual report has been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statement Act.

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 2019 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 2019.

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 2019 be approved at the Annual General Meeting.

Faaborg, 12 March 2020

Executive Board

____
Steffen Kremmer
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 2019 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 2019 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 2019 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 eight years including the financial year 2019.

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 2019. 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 73 million (2018: DKK 55 million) net and contract liabilities DKK 17 million (2018: DKK 22 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 15.	Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with applicable accounting standards. 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 2019 and 2020 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.

Deferred tax assets	
At 31 December 2019, the Group has recognised deferred income tax assets of DKK 22 million (2018: DKK 24 million). Management is required to exercise considerable judgement when determining the appropriate amount to capitalise as deferred tax, especially in respect of estimating future earnings in the relevant entities. We focused on this area as the valuation of tax assets is associated with uncertainty and judgement. Reference is made to note 13.	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.

Faaborg, 12 March 2020
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 2019

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

DKK thousands		2019	2018
Notes			
1	Revenue from contracts with customers	354,192	339,273
2,3	Production costs	(268,100)	(259,670)
	Gross profit	**86,092**	**79,603**
3	Distribution costs	(39,796)	(37,454)
3,4,5	Administrative expenses	(28,291)	(27,077)
	Operating profit (EBIT)	**18,005**	**15,072**
6	Special items	-	1,331
	Operating profit (EBIT) after special items	**18,005**	**16,403**
7	Financial income	248	60
7	Financial expenses	(2,838)	(3,505)
	Profit before tax	**15,415**	**12,958**
8	Tax on profit for the year	(1,169)	(260)
	Profit for the year	**14,246**	**12,698**
	Profit for the year attributable to SKAKO A/S shareholders	**14,246**	**12,698**
9	Earnings per share (EPS), DKK	4.62	4.12
9	Diluted earnings per share (EPS), DKK	4.62	4.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2019	2018
Notes			
	Profit for the year	**14,246**	**12,698**
	Other comprehensive income:		
	Items that have been or may subsequently be reclassified to the income statement:		
	Foreign currency translation, subsidiaries	369	253
	Value adjustments of hedging instruments	186	(114)
	Other comprehensive income	**555**	**139**
	Comprehensive income	**14,801**	**12,837**
	Comprehensive income attributable to SKAKO A/S shareholders	**14,801**	**12,837**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2019	2018
Notes			
	Intangible assets	37,733	6,252
	Intangible assets under development	4,830	2,258
10	**Intangible assets**	**42,563**	**8,510**
12	Leased assets	10,423	-
11	Land and buildings	5,644	5,036
11	Plant and machinery	510	266
11	Operating equipment, fixtures and fittings	3,442	1,727
11	Leasehold improvements	268	305
11	Tangible assets under construction	60	60
	Tangible assets	**20,347**	**7,394**
	Other receivables	1,267	1,258
13	Deferred tax assets	21,770	23,625
	Other non-current assets	**23,037**	**24,883**
	Total non-current assets	**85,947**	**40,787**
14	Inventories	59,804	52,206
19	Trade receivables	64,884	86,884
15, 19	Contract assets	72,708	55,042
	Income tax	1,266	736
	Other receivables	7,274	12,381
	Prepaid expenses	3,887	1,326
	Other investments	74	74
	Cash	26,486	10,671
	Current assets	**236,383**	**219,320**
	Assets	**322,330**	**260,107**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2019	2018
Notes			
	Share capital	31,064	31,064
	Foreign currency translation reserve	229	(140)
	Hedging reserve	38	(148)
	Retained earnings	86,873	78,290
	Proposed dividends	6,213	-
	Equity	**124,417**	**109,066**
17	Provisions	3,541	4,099
16	Loans and borrowings	19,366	-
12	Leasing	7,712	-
	Non-current liabilities	**30,619**	**4,099**
17	Provisions	2,025	2,460
16	Loans and borrowings	8,640	-
16	Bank loans and credit facilities	20,377	16,193
12	Leasing	2,832	-
15	Contracts liabilities	16,517	21,783
	Trade payables	87,528	81,896
	Income tax	37	81
	Other liabilities	29,338	24,529
	Current liabilities	**167,294**	**146,942**
	Liabilities	**197,913**	**151,041**
	EQUITY AND LIABILITIES	**322,330**	**260,107**

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands		2019	2018
Notes			
	Profit before tax	15,415	12,958
18	Adjustments	7,165	(2,147)
	Changes in receivables, etc.	20,348	(5,020)
	Change in inventories	(7,822)	(6,544)
	Change in trade payables and other liabilities, etc.	(8,635)	13,399
	Cash flow from operating activities before restructuring costs paid, financial items and tax	**26,470**	**12,646**
	Financial items received and paid	(2,591)	(3,446)
	Taxes paid and received	570	(293)
	Cash flow from operating activities	**24,450**	**8,907**
10	Investment in intangible assets	(2,703)	(1,417)
11	Investment in tangible assets	(9,415)	(2,118)
6	Sale of tangible assets	0	24,192
20	Acquisition of entities	(33,188)	-
	Cash flow from investing activities	**(45,306)**	**20,657**
	Change in borrowings and loans	35,557	(9,336)
	Instalment on borrowings and loans	(3,150)	-
	Change in short-term bank facilities	4,184	(12,350)
18	**Cash flow from financing activities**	**36,591**	**(21,686)**
	Change in cash and cash equivalents	15,735	7,878
	Cash and cash equivalents at 1 January	10,744	3,031
	Foreign exchange adjustment, cash and cash equivalents	81	(165)
	Cash and cash equivalents at 31 December	**26,560**	**10,744**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	26,560	10,744
	Cash and cash equivalents at the end of the year:	**26,560**	**10,744**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Proposed dividends	Equity
Equity at 1 January 2019	31,064	(140)	(148)	78,290	-	109,066
Change in accounting policy (IFRS16)	-	-	-	(118)	-	(118)
Restated total equity at the beginning of the financial year	**31,064**	**(140)**	**(148)**	**78,172**	**-**	**108,948**
Comprehensive income in 2019:						
Profit for the year				14,246	-	14,246
Proposed dividends				(6,213)	6,213	-
Other comprehensive income:						
Foreign currency translation adjustments, subsidiaries		369				369
Value adjustments of hedging instruments			186			186
Other comprehensive income	-	369	186	-	-	555
Comprehensive income, year	**-**	**369**	**186**	**8,033**	**6,213**	**14,801**
Share-based payment, warrants				668	**-**	**668**
Equity at 31 December 2019	**31,064**	**229**	**38**	**86,873**	**6,213**	**124,417**

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 (IFRS 9)	-	-	-	(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**

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 and 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 **2019**	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
External revenue	177,826	176,366	-	-	354,192
Internal revenue	1	4,265	-	(4,266)	-
Total revenue	**177,827**	**180,631**	**-**	**(4,266)**	**354,192**
Depreciations	(1,059)	(849)	-	-	(1,908)
Operating profit (EBIT) before special items	**1,298**	**18,863**	**(2,156)**	**-**	**18,005**
Special items	-	-	-	-	-
Operating profit (EBIT) after special items	**1,298**	**18,863**	**(2,156)**	**-**	**18,005**
Financial income	46	554	103	(455)	248
Financial expenses	(1,483)	(1,572)	(238)	455	(2,838)
Result before tax	**(139)**	**17,845**	**(2,291)**	**-**	**15,415**
Tax on profit for the year	3,120	(4,225)	(64)	-	(1,169)
Profit for the year	**2,981**	**13,620**	**(2,355)**	**-**	**14,246**
Order backlog, beginning	72,884	34,334	0	(397)	106,821
Order intake	169,514	206,311	0	(4,800)	371,025
Order backlog, ending	**64,571**	**60,014**	**0**	**(931)**	**123,654**
Segment non-current assets	31,036	51,575	3,336	-	85,947
Segment assets	131,757	195,975	4,119	(9,521)	322,330
Segment liabilities	65,140	137,108	5,186	(9,521)	197,913
Investments in intangible and tangible asset	3,500	40,112	-	-	43,612
Average number of employees	96	95	-	-	191

1 Revenue from contracts with customers (continued)

Segment information (continued):

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 backlog, beginning	24,052	48,723	0	0	72,775
Order intake	209,556	168,200	0	(4,437)	373,319
Order backlog, 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

Segregation of revenue in segments:

Revenue, DKK thousands	**Concrete**		**Vibration**		**Group***	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Plant	**85,917**	**77,497**	**133,351**	**124,136**	**217,829**	**200,685**
- Over time	85,917	77,400	124,983	116,295	209,460	192,748
- A point in time	-	97	8,369	7,841	8,369	7,938
Aftersales	**91,910**	**83,227**	**47,280**	**58,453**	**136,363**	**138,588**
- Over time	-	3,336	-	-	-	3,336
- A point in time	91,910	79,891	47,280	58,453	136,363	135,252
Total revenue	**177,827**	**160,724**	**180,631**	**182,589**	**354,192**	**339,273**

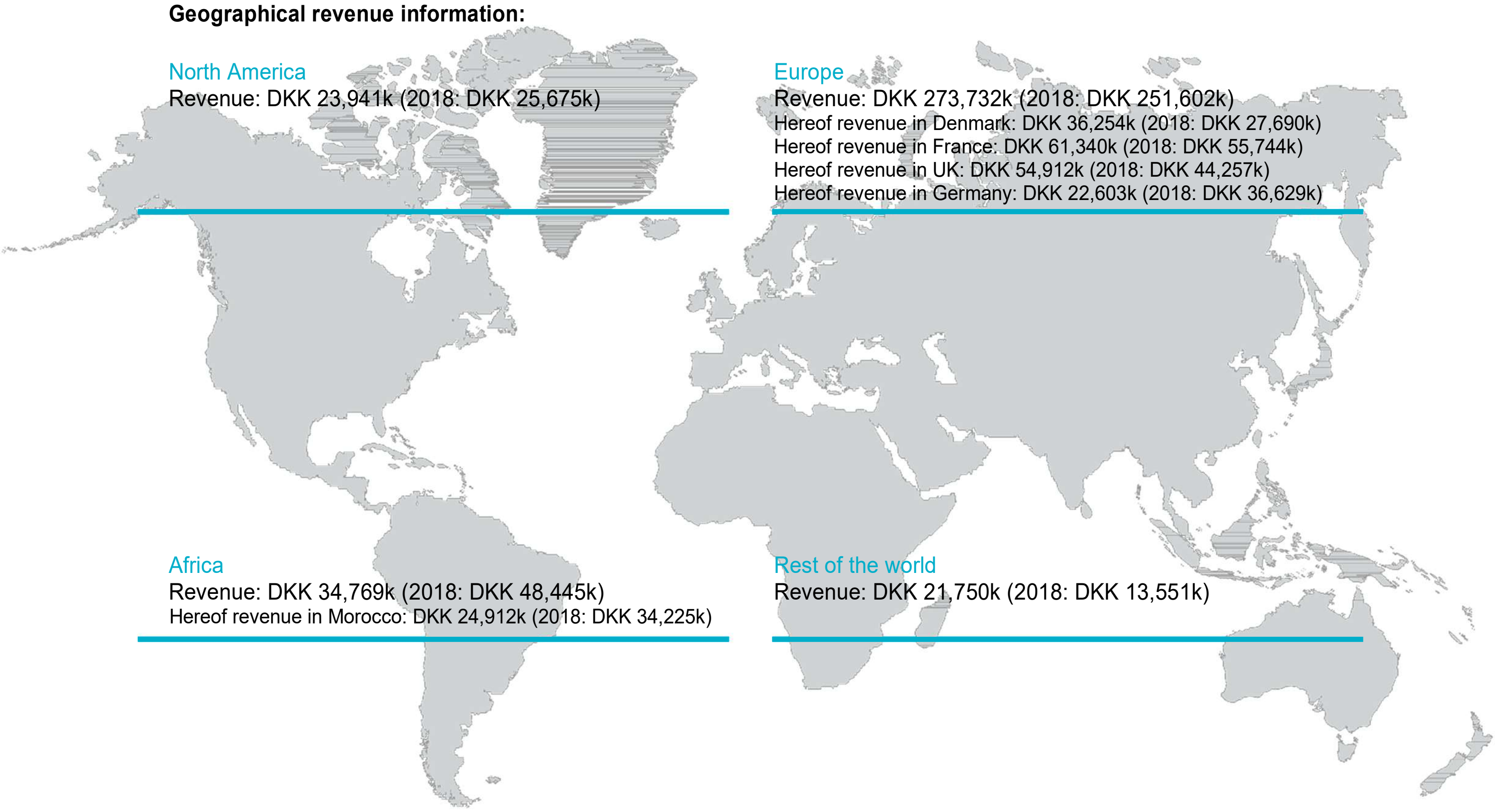
* After eliminations

Revenue recognized in relation to contract liabilities:

DKK thousands	2019	2018
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
- Plant	21,783	10,134
- Aftersales	-	-
Total revenue recognized from contract liabilities	**21,783**	**10,134**

1 Revenue from contracts with customers (continued)

Geographical revenue information:



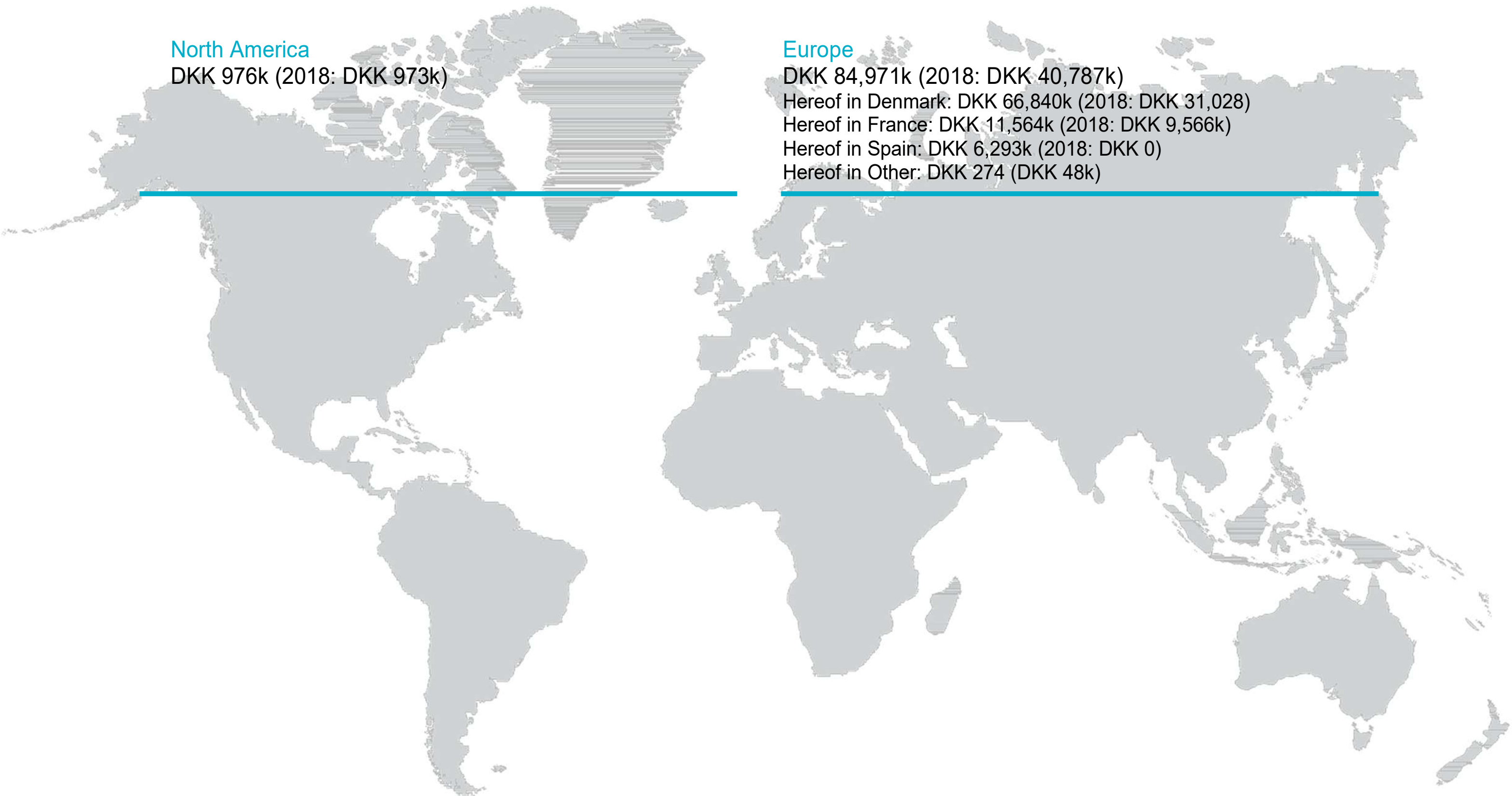
North America
Revenue: DKK 23,941k (2018: DKK 25,675k)

Europe
Revenue: DKK 273,732k (2018: DKK 251,602k)
Hereof revenue in Denmark: DKK 36,254k (2018: DKK 27,690k)
Hereof revenue in France: DKK 61,340k (2018: DKK 55,744k)
Hereof revenue in UK: DKK 54,912k (2018: DKK 44,257k)
Hereof revenue in Germany: DKK 22,603k (2018: DKK 36,629k)

Africa
Revenue: DKK 34,769k (2018: DKK 48,445k)
Hereof revenue in Morocco: DKK 24,912k (2018: DKK 34,225k)

Rest of the world
Revenue: DKK 21,750k (2018: DKK 13,551k)

Geographical non-current assets information:



North America
DKK 976k (2018: DKK 973k)

Europe
DKK 84,971k (2018: DKK 40,787k)
Hereof in Denmark: DKK 66,840k (2018: DKK 31,028)
Hereof in France: DKK 11,564k (2018: DKK 9,566k)
Hereof in Spain: DKK 6,293k (2018: DKK 0)
Hereof in Other: DKK 274 (DKK 48k)

2 Production costs

Accounting policy

Production costs are costs incurred to generate revenue. Production costs consist 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	2019	2018
Cost of goods sold during the year	182,910	181,174
Write-down of inventories for the year, net	942	(105)
Research and development costs	-	3,254
Government grants	(1,569)	(7,868)
Production staff costs and other costs	85,817	83,215
Total production costs	**268,100**	**259,670**

3 Staff costs

Accounting policy

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

DKK thousands	2019	2018
Wages, salaries and other remuneration	107,359	100,438
Contribution plans and other social security costs, etc.	14,920	15,103
Share-based payment, warrants	668	776
Other staff costs	1,684	4,448
	124,631	**120,765**
The amounts are included in the items:		
Production costs	81,330	77,917
Distribution costs	29,106	27,733
Administrative costs	14,195	15,115
	124,631	**120,765**

The average number of employees was 191 (2018: 197).

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

DKK thousands	2019	2018
Board of Directors and Audit committee	1,100	1,100
Executive Management		
Wages, salaries and other remuneration	4,418	4,882
Contribution plans and other social security costs, etc.	554	774
Share-based payment, warrants	349	445
	5,321	**6,101**
Total remuneration for Executive Management and Board of Directors	**6,421**	**7,201**

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. The following exercise period runs for two years.

Warrants granted in 2016 have fully vested at 31 December 2019.

At 31 December 2019, the remaining average contractual life of share-based remuneration program was less than one year.

	2017 warrants			**2016 warrants**			**Total warrants**
	Granted	Strike price (all)	Exercise period starts	Granted	Strike price (all)	Exercise period starts	Total
Warrants granted	100,000	90.39	March 2020	100,000	72.35	July 2019	
Executive Management	60,000			60,000			120,000
- hereof forfeited	(20,000)			(20,000)			(40,000)
Total Executive Management	40,000			40,000			80,000
Other employees	40,000			40,000			80,000
- hereof forfeited	(5,000)			(5,000)			(10,000)
Total other employees	35,000			35,000			70,000
Number of warrants entitlements	**75,000**			**75,000**			**150,000**

The recognised fair value of warrants in the consolidated income statement amounts to DKK 668k. (2018: 776k)

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	2019	2018
PwC		
Statutory audit	505	425
Other assurance engagements	0	14
Tax and indirect taxes consultancy	212	0
Other services	261	78
	978	**517**
Other audit firms		
Statutory audit	198	190
Other assurance engagements	0	0
Tax and indirect taxes consultancy	134	19
Other services	120	0
	452	**209**

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 0.3m (2018: DKK 0.1m) and consists of tax, VAT and accounting advisory.

6 Special items

Accounting policy

Special items include significant expenses of a special nature relating 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.

DKK thousands	2019	2018
Impairment of land and buildings	0	(1,842)
Impairment of other tangible assets	0	0
Write-down of inventory	0	0
Redundancy costs and staff costs	0	0
Other costs	0	511
Total production costs	**0**	**1,331**

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	2019	2018
Interest on cash and bank deposits	248	60
Financial income from financial assets not measured at fair value in the income statement	**248**	**60**
Foreign exchange gains, net	-	0
Financial income	**248**	**60**
Interest on bank debt	(978)	(1,415)
Interest on lease debt	(122)	(38)
Financial expenses on financial liabilities not measured at fair value in the income statement	**(1,100)**	**(1,453)**
Foreign exchange losses, net	(356)	(356)
Other financial expenses	(1,382)	(1,696)
Financial expenses	**(2,838)**	**(2,052)**
Net financial items	**(2,590)**	**(3,445)**

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	2019	2018
Current tax on the profit for the year	(80)	(70)
Adjustment of current tax, prior years	161	(68)
Change in deferred tax	(1,230)	(88)
Adjustment of deferred tax, prior years	(20)	(34)
Impact on changes in corporate tax rates	0	0
Tax for the period, net income	(1,169)	(260)
Tax using the Danish corporate tax rates	(3,391)	(2,851)
Effect of tax rates in foreign jurisdictions	(556)	316
Impact in changes in corporate tax rates	-	(193)
Tax assets not capitalised	-	(969)
Tax assets not previously capitalised	4,399	-
Permanent and temporary differences and other items	(1,621)	3,437
	(1,169)	(260)

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 are 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 are calculated as profit for the year divided by the average number of shares issued.

DKK thousands	2019	2018
Earnings		
Profit for the year	14,246	12,698
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)	4.62	4.12
Earnings per share, diluted	4.62	4.12

As of 31 December 2019, 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

On initial recognition, goodwill is recognised and measured as the difference between the purchase price – including the value of non-controlling interests in the acquired enterprise and the fair value of any existing investment in the acquired enterprise – and the fair values of the acquired assets, liabilities and contingent liabilities. Please refer to Accounting policies in Note 20.

On recognition, goodwill is allocated to corporate activities that generate independent payments (cash generating units). The definition of a cash-generating unit is in line with the Group's managerial structure as well as the internal financial management reporting.

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

Goodwill is not amortised but is tested for impairment at least once a year. If the recoverable amount of a cash-generating unit is lower than the carrying amounts of property, plant and equipment and intangible assets including goodwill, attributable to the particular cash generating unit, the particular assets will be written down.

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
- Customer agreements and portfolio, 5 years

Significant estimates by Management

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. The calculations use cash flow projections based on financial budgets approved by Management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using growth rates estimated by Management.

Dartek
The goodwill for Dartek has not been tested for impairment at December 31, 2019. SKAKO acquired Dartek 14 November 2019 in a transaction between independent parties. With the short time span between finalising the transaction and reporting 31 December 2019 it is Management's assessment that there has been no material change in the value of the goodwill associated to Dartek which is the reason that no impairment test has been performed. Furthermore, it is Management's opinion that there have been no material changes to the business plan that forms the basis of the purchase price allocation and goodwill valuation.

10 Intangible assets (continued)

DKK thousands	Goodwill	Other intangible assets	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2019	-	-	2,258	612	23,480	26,350
Foreign exchange adjustments	-	-	-	-	2	2
Investments	29,399	2,840	2,570	-	258	35,067
Disposals	-	-	-	(45)		(45)
Transferred between categories	-	-	-	-	-	-
Cost at 31 December 2019	**29,399**	**2,840**	**4,828**	**567**	**23,740**	**61,374**
Depreciation and impairment at 1 January 2019	-	-	-	45	17,795	17,840
Foreign exchange adjustment	-	-	-	-	5	5
Disposals	-	-	-	(45)	-	(45)
Depreciation	-	-	-	138	873	1,011
Depreciation and impairment at 31 December 2019	**-**	**-**	**-**	**138**	**18,673**	**18,811**
Carrying amount at 31 December 2019	**29,399**	**2,840**	**4,828**	**429**	**5,067**	**42,563**

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	2019	2018
Depreciation is included in the items:		
Production costs	689	603
Distribution costs	246	216
Administrative costs	49	45
	984	**863**

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.

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 2019	15,432	13,031	16,593	4,468	60	49,584
Foreign exchange adjustments	4	7	42	2	-	55
Investments	792	385	2,578	-	-	3,755
Disposals	-	-	(543)	-	-	(543)
Cost at 31 December 2019	**16,228**	**13,423**	**18,670**	**4,470**	**60**	**52,851**
Depreciation and impairment at 1 January 2019	10,396	12,765	14,866	4,163	-	42,190
Foreign exchange adjustments	4	6	38	2	-	50
Disposals	-	-	(543)	-	-	(543)
Amortisation	184	142	867	37	-	1,230
Depreciation and impairment at 31 December 2019	**10,584**	**12,913**	**15,228**	**4,202**	**-**	**42,927**
Carrying amount at 31 December 2019	**5,644**	**510**	**3,442**	**268**	**60**	**9,924**

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**

DKK thousands	2019	2018
Depreciation is included in the items:		
Production costs	860	500
Distribution costs	308	273
Administrative costs	62	35
	1,230	**808**

12 Leases – Right Of Use Assets

Accounting policy

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as the commencement date.
- Amounts expected to be payable by the Group under residual value guarantees.
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate for implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group., the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct cost and restoration cost

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leased with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

12 Leases – Right Of Use Assets (continued)

Lease assets **DKK thousands**	**Rental of promises**	**Equipment**	**Company Cars**	**31 December 2019**	**1 January 2019**
Costs at the beginning of the year	2,092	427	3,688	6,207	6,207
Additions	4,907	341	2,248	7,495	-
Disposals	-	-	(125)	(125)	-
Exchange rate adjustment	-	-	-	-	-
Costs at the end of the year	**6.998**	**766**	**5.812**	**13,578**	**6,207**
Depreciation and impairment loss at the beginning of the year					
Depreciation	908	45	2.202	3,155	-
Depreciation reversed on disposals	-	-	-	-	-
Exchange rate adjustment	-	-	-	-	-
Depreciation and impairment loss at end of the year	**908**	**45**	**2,202**	**3,155**	**-**
Carrying amount at the end of the year	**6,090**	**721**	**3,610**	**10,423**	**6,207**

Lease liabilities **DKK thousands**	**31 December 2019**	**1 January 2019**
Operating lease commitments disclosed as at 31 December 2018		4,927
Discounted using the leesee's incremental borrowing rate at the date of initial recognition*.		4,886
Contracts reassessed as leasing contracts		1,439
Lease liabilities recognized at 1 January 2019		**6,325**
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	7,712	3,956
Current liabilities	2,832	2,369
Total lease liabilities	**10,544**	**6,325**
*Discounted using lessee's incremental borrowing rate (2.4%) at the date of initial recognition.		
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	103	-
Expense relating to short term leases (included in cost of goods sold and administrative expenses)	2,908	-
Expense relating to leases of low-value assets, that are not shown above as short-term leases	-	-
Expense relation to variable lease payments not included in lease liabilities	52	-

Cash flow from Leasing DKK thousands	**31 December 2019**	**1 January 2019**
Depreciation	-	-
Interests	(122)	-
Additions & disposals	-	-
Liabilities payment	(3,150)	-
Adjustments in total according to leases	**(3,272)**	**-**

13 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 provision 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	2019	2018
Deferred tax recognised in the balance sheet:		
Deferred tax assets	21,770	23,625
Deferred tax liabilities	-	-
Deferred tax, net 31 December	**21,770**	**23,625**
Deferred tax, net at 1 January	23,625	23,711
Foreign currency translation adjustments	-	2
Changes in deferred tax	(1,855)	-88
Deferred tax, net at 31 December	**21,770**	**23,625**
Deferred tax:		
Intangible assets	1,914	2,295
Property, plants and equipment	10,840	10,369
Inventories	448	52
Provisions	1,305	1,434
Tax losses	11,328	9,452
Contracts with customers	(3,447)	-
Other items	(618)	23
	21,770	**23,625**
Deferred tax assets not recognised:		
Intangible assets	74	98
Property, plants and equipment	131	131
Inventories	0	932
Provisions	0	82
Tax losses	31,576	35,976
	31,781	**37,219**

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 5-year period. Recognition is based on current results, the restructuring of SKAKO Concrete in S2020 and Management's expectations for the future. The deferred tax assets are evaluated in each joint taxation in the SKAKO Group, consisting of joint taxations in respectively Denmark, France, Germany, Spain, the USA and the UK.
Management has performed a sensitivity analysis on expectations for the future. This shows that a 10 % decrease compared to expectations will result in a decrease of DKK 1.4m in the recognised deferred tax assets. Because the deferred tax assets are evaluated in each joint taxation, the sensitivity cannot be applied on a linear basis.

14 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	2019	2018
Raw materials and consumables	15,104	24,606
Work-in-progress	5,256	5,457
Finished goods and goods for resale	39,444	22,143
Inventories net of write-downs at 31 December	59,804	52,206
Included in Income Statement under production costs:		
Write-down of inventories for the year, net	942	(105)
Costs of goods sold during the year	182,910	181,174

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

15 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	2019	2018
Total costs incurred	161,910	115,041
Valuation after IFRS 9 (note 18)	(237)	(232)
Profit recognised as income, net	39,999	30,084
Contract assets	201,672	144,893
Contract liabilities	(145,480)	(111,634)
Net contract assets and liabilities	56,192	33,259
Of which contract assets is stated under assets	72,708	55,042
and Contract liabilities	(16,516)	(21,783)
Net contract assets and liabilities	56,192	33,259

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 2020.

16 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
2019						
Cash and cash equivalents	26,557	-	-	26,557	26,557	0.0%
Assets	**26,557**	**-**	**-**	**26,557**	**26,557**	**0.0%**
Lease debt	(2,832)	(7,712)	-	(10,544)	(10,544)	2.4%
Other debt	(8,640)	(18,216)	-	(26,856)	(26,856)	0.0%
Debt to credit institutions	-	(1,150)	-	(1,150)	(1,150)	1,3%
Short term bank facilities	(20,377)	-	-	(20,377)	(20,377)	2.3%
Liabilities	**(31,849)**	**(27,078)**	**-**	**(58,927)**	**(58,927)**	**2.1%**
Net debt	**(5,292)**	**(27,078)**	**-**	**(32,370)**	**(32,370)**	**1.5%**
2018						
Cash and cash equivalents	10,671	-	-	10,671	10,671	0.0%
Assets	**10,671**	**-**	**-**	**10,671**	**10,671**	**0.0%**
Debt to credit institutions	(665)	-	-	(665)	(665)	1,3%
Short term bank facilities	(15,528)	-	-	(15,528)	(15,528)	2.9%
Liabilities	**(16,193)**	**-**	**-**	**(16,193)**	**(16,193)**	**2.8%**
Net debt	**(5,522)**	**-**	**-**	**(5,522)**	**(5,522)**	**1.9%**

Net debt broken down by currency: 61% in EUR (8% in 2018), 18% in US dollars (27% in 2018), 3% in British pound (21% in 2018), 14% in Danish kroner (31% in 2018) and 4% in other currencies (13% in 2018).

The undiscounted cash flows essentially correspond to the carrying amounts.

Based on the Group's net debt at the end of the 2019 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 335k (DKK 55k in 2018).

Cash management
SKAKO is committed to maintaining a flexible capital structure. At 31 December 2019, SKAKO had undrawn committed credit facilities in the amount of DKK 26,862k (2018: DKK 17,323k). At 31 December 2019, SKAKO had 'cash and cash equivalents' and 'bank overdraft', net of DKK -6,180k (2018: DKK 5,522k).

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 equity ratio was 38.6% (2018: 41.9%). SKAKO has a long-term goal of an equity ratio of 40 %.

17 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		2019	
	Warranties	Other provisions	Total
Provisions at 1 January	3,247	3,312	6,559
Foreign exchange adjustments	2	2	4
Additions	1,449	52	1,501
Used	(1,449)	(1,049)	(2,498)
Reversals	-	0	0
Provisions at 31 December	3,249	2,317	5,566
The maturity of provisions is specified as follows:			
Current liabilities	2,024	0	2,024
Non-current liabilities	1,225	2,314	3,539
	3,249	2,314	5,563

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

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.

18 Adjustments, consolidated cash flow statement

Adjustments

DKK thousands	2019	2018
Amortisation and depreciation	4,925	1,672
Change in provisions	(994)	(5,974)
Financial items received and paid	2,591	3,445
Accounting gains on sale of tangible assets	-	(1,842)
Other	643	552
	7,165	(2,147)

Change in borrowings and short-term credit facilities

DKK thousands	2019	2018
Borrowings 1 January	16,193	38,013
Repayments	-	(21,686)
New borrowings	42,805	0
Currency adjustments	(73)	(134)
Borrowings 31 December	58,925	16,193

19 Exchange rate, liquidity and credit risks

Accounting policy

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 2019 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.

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	2019: Potential impact on P/L and equity	2018: Potential impact on P/L and equity
EUR	6,350	5%	318	2,062
USD	(5,247)	5%	(262)	46
GBP	5,068	5%	253	92
MAD	15,335	5%	767	950

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.

19 Exchange rate, liquidity and credit risks (continued)

Trade receivables can be allocated as follows:

DKK thousands	2019	2018
Europe	33,126	53,821
United States	4,783	3,928
Africa	26,249	25,016
Other	727	4,119
	64,884	86,884

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 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

31 December 2019 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 %	4.3%	9.3%	96.2%	
Gross carrying amount – trade receivables	46,276	12,713	2,933	3,361	1,387	66,670
Gross carrying amount – contract assets	72,208	0	0	0	0	72,208
Loss allowance	**237**	**13**	**125**	**314**	**1,334**	**2,023**

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**

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

DKK thousands	**Contract assets**		**Trade receivables**	
	2019	**2018**	**2019**	**2018**
31 December – calculated under IFRS 9	232	0	1,528	1,557
Increase in loan loss allowance recognized in profit or loss during the year	237	232	1,786	1,528
Receivables written of during the year as uncollectible	0	0	(9)	(39)
Unused amount reversed	(232)	(229)	(1,519)	(1,537)
At 31 December	**237**	**232**	**1,786**	**1,528**

20 Acquisitions

Accounting policy

The acquisition date is the date when the SKAKO effectively obtains control of an acquired subsidiary.

The cost of a business combination comprises the fair value of the consideration agreed upon including the fair value of consideration contingent on future events.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than SKAKO's presentation currency (DKK) are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date.

Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

The identifiable assets, liabilities and contingent liabilities on initial recognition at the acquisition date are subsequently adjusted up until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity, and the comparative figures are restated accordingly if the amount is material.

Except in cases of material error, changes in estimates of contingent purchase considerations are recognised in the income statement under financial items, unless they qualify for recognition directly in equity.

Significant estimates by Management

Purchase price allocation
For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognised using the acquisition method. The most significant assets acquired generally comprise goodwill, customer agreements and portfolios, property, plant and equipment, receivables and inventories.

No active market exists for the majority of the acquired assets and liabilities, in particular in respect of acquired intangible assets. Accordingly, Management makes estimates of the fair value of acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the determined fair value of an item may be associated with uncertainty and possibly adjusted subsequently.

The unallocated purchase price (positive amount) is recognised in the statement of financial position as goodwill and allocated to the Group's cash generating units. Management makes estimates of the acquired cash generating units, the cash generating units that already exist in the Group and the allocation of goodwill.

On 14 November 2019, SKAKO gained control over Dartek Proyectos y Maquinara, S.L.L. ("Dartek") (San Sebastian, Spain) through the acquisition of 100% of the shares.

The calculated goodwill represents staff know-how. SKAKO also expects to increase Dartek's share in a growing recycling industry.

The earn-out target is DKK 10.0m with a range from 0 to indefinite depending on the results generated by Dartek from 2019 through 2021.

Transactions costs related to the acquisition of Dartek amounts to DKK 1.1m where all has been recognised in 2019. Transaction costs have been recognised in the income statement under administrative costs.

The purchase price allocation of the fair value of identified assets, liabilities and contingent liabilities is ongoing. Adjustments are therefore expected to be made to several items in the opening balance, including immaterial assets and goodwill. The accounting treatment of the acquisition will be completed within the 12-month period from the acquisition date required by IFRS 3. Because of the nature of the contingent liability, as described below, it is not possible to estimate a completely accurate purchase price currently.

Purchase price allocation
Management believes that the purchase price for Dartek accounted for in the consolidated financial statements reflects the best estimate of the total fair value of the business and the proportionate value of identified assets, liabilities, and accordingly the allocation of goodwill.

Financial impact of acquisition
Revenue and net profit included in the consolidated financial statements since the acquisition was DKK 3.8m and DKK 0.4m respectively. Had Dartek been consolidated on 1 January 2019, the figures for consolidated revenue and net profit would have been DKK 34.2m and DKK 5.3m, respectively.

20 Acquisitions (continued)

SKAKO did not complete any acquisitions of entities in 2018.

DKK thousands	2019
Consideration paid cash	8,217
Consideration recognised as a debt	16,434
Fair value of contingent consideration (earn out)	9,978*
Total estimated cost of acquisition	**34,629**

DKK thousands	2019
Intangible assets	3,001
Property, Plant and equipment	1,564
Inventories	1,493
Customer contracts	5,236
Trade and other receivables**	8,498
Cash and cash equivalents	1,441
Non-current liabilities	(1,274)
Deferred tax	(625)
Trade payables	(4,642)
Other payables	(9,461)
Net assets acquired	**5,231**
Goodwill	**29,398**

*The final price paid for 100% of the shares in Dartek is calculated as 7 x average EBITDA for the period 2019-2021. A minimum payment of DKK 24.6m is guaranteed while the remaining part makes up the earn out. Valuation of the earn out is based on Management’s estimation of the business case for Dartek. If the business case improves by 50% compared to Management’s estimate the earn out will increase by DKK 18.1m. As the earn out is unlimited it is not possible to calculate a maximum amount. The fair value of the earn out (contingent consideration) is based on Management’s expectations for the period and is applied as a level 3 fair value calculation.
** All contractual receivables are expected to be collected.

21 Contractual liabilities, contingent liabilities and securities

The company's financial institutions have provided bank guarantees for consignments and prepayments of a total of DKK 37.6 million (2018: DKK 68.6 million).

Towards the company's primary financial institution, a deposit of DKK 50 million (2018: 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 3.0 million (2018: DKK 2.9 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.

22 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 74 in which SKAKO A/S has controlling or significant influence.

23 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2019 after the balance sheet date and up to today.

24 Approval and publication

At the Board meeting on 12 March 2020, our Board of Directors approved this Annual Report 2019 for publication. The report will be presented to the shareholders of SKAKO A/S at the annual general meeting on 22 April 2020.

25 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 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 2019.

The accounting policies remain unchanged for the consolidated financial statements compared to 2018 with the exception of the implementation of new and amended standards as described below.

Effect of new accounting standards
As of 1 January 2019, SKAKO A/S has adopted the following new accounting standards and interpretations:

- IFRS 16 “Leases”

IFRS 16 replaces IAS 17, Leases and related interpretations. IFRS 16 from a lessee's viewpoint eliminates the classification of leases as either operating leases or finance leases. Instead, all leases are treated in a similar way to finance leases under IAS 17. The standard is effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 allows various implementation methods. The Group applies the modified simplified method which implies that the accumulated effect is recognised in the equity beginning of the year. The cumulative effect of initially applying the standard as adjustment to the opening balance on retained earnings is DKK -0.1m. The impact of total assets is DKK. 6.2m and the impact on the income statement is insignificant. Under this transitional phase, the 2018 comparable numbers presented in the 2019 reporting are not restated as if IFRS 16 was applied in 2018.

Changes in accounting policies and classification for 2020
No new standards are expected to be implemented in 2020.

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 2019 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.

25 Group accounting policies (continued)

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.

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 comprises cash flows from the purchase and sale of intangible, tangible and financial non-current assets.

Cash flow from financing activities comprises cash flows from raising and repaying long-term debt, instalments 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		2019	2018
Notes			
	Other income	900	900
1,2	Administrative expenses	(3,132)	(2,829)
	Operating profit (EBIT)	**(2,232)**	**(1,929)**
3,7	Financial income	29	98
3	Financial expenses	(238)	(252)
	Profit before tax	**(2,441)**	**(2,083)**
4	Tax on profit for the year	1,110	(589)
	Profit for the year	**(1,331)**	**(2,672)**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2019	2018
Notes			
	Profit for the year	**(1,331)**	**(2,672)**
	Other comprehensive income	**0**	**0**
	Comprehensive income	**(1,331)**	**(2,672)**
	Comprehensive income attributable to SKAKO A/S shareholders	**(1,331)**	**(2,672)**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands		2019	2018
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	-	-
	Other non-current assets	**164,158**	**164,158**
	Total non-current assets	**164,158**	**164,158**
	Receivables from subsidiaries	1,251	170
	Trade receivables	-	-
	Income tax	537	-
	Other receivables	-	-
	Prepaid expenses	-	-
	Other investments	74	74
	Cash	26	56
	Current assets	**1,888**	**300**
	Assets	**166,046**	**164,458**

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands		2019	2018
Notes			
	Share capital	31,064	31,064
	Retained earnings	118,612	125,488
	Proposed dividends	6,213	-
	Total equity	**155,889**	**156,552**
	Debt to subsidiaries	5,206	3,721
	Bank loans and credit facilities	4,243	3,633
	Leasing	-	0
	Trade payables	5	109
	Other liabilities	703	443
	Current liabilities	**10,157**	**7,906**
	Liabilities	**10,157**	**7,906**
	EQUITY AND LIABILITIES	**166,046**	**164,458**

PARENT COMPANY CASH FLOW STATEMENT

DKK thousands		2019	2018
Notes			
	Profit before tax	(2,441)	(2,083)
9	Adjustments	885	930
	Changes in receivables, etc.	-	-
	Change in trade payables and other liabilities, etc.	692	(46)
	Cash flow from operating activities before financial items and tax	**(864)**	**(1,199)**
	Financial items received and paid	(209)	(154)
	Cash flow from operating activities	**(1,073)**	**(1,353)**
	Change in intra-Group balances	433	2,606
	Change in short-term bank facilities	610	(1,251)
	Cash flow from financing activities	**1,043**	**1,353**
	Change in cash and cash equivalents	(30)	-
	Cash and cash equivalents at 1 January	130	130
	Cash and cash equivalents at 31 December	**100**	**130**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	26	56
	Other investments	74	74
	Cash and cash equivalents at the end of the year	**100**	**130**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Retained earnings	Proposed dividends	Equity
Equity at 1 January 2019	31,064	125,488	-	156,552
Comprehensive income in 2019:				
Loss for the year	-	(1,331)	-	(1,331)
Proposed dividends	-	(6,213)	6,213	-
Other comprehensive income	-	-		-
Comprehensive income, year	**-**	(7,544)	6,213	(1,331)
Share-based payment, share warrants	-	668	-	668
Equity at 31 December 2019	**31,064**	**118,612**	**6,213**	**155,889**

DKK thousands	Share capital	Retained earnings	Equity
Equity at 1 January 2018	31,064	127,384	158,448
Comprehensive income in 2018:			
Loss for the year	-	(2,672)	(2,672)
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**

1 Staff costs

Number of employees in 2019: 0 (2018: 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	2019	2018
PwC		
Statutory audit	232	152
Other assurance engagements	-	-
Tax and indirect taxes consultancy	-	-
Other services	50	17
	282	**169**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.05m (2018: DKK 0.02m) and consists of accounting, tax and VAT advisory.

3 Net financial income

DKK thousands	2019	2018
Interest from subsidiaries	13	42
Dividends received from subsidiaries	-	-
Reversal of write-down of shares in subsidiaries	-	-
Financial income from financial assets not measured at fair value in the income statement	**13**	**42**
Other financial income	16	56
Financial income	**29**	**98**
Interest to subsidiaries	(83)	(76)
Interest on bank debt	(84)	(96)
Interest on lease debt	-	(38)
Financial expenses on financial liabilities not measured at fair value in the income statement	**(167)**	**(210)**
Other financial expenses	(71)	(42)
Financial expenses	**(238)**	**(252)**
Net financial items	**(209)**	**(154)**

4 Tax on profit for the year

DKK thousands	2019	2018
Current tax on the profit for the year	537	-
Adjustment of current tax, prior years	-	-
Change in deferred tax	-	(589)
Adjustment of deferred tax, prior years	573	-
Impact on changes in corporate tax rates	-	-
Tax for the period	1,110	(589)
Danish corporate tax rates	537	458
Effect of tax rates in foreign jurisdictions	-	-
Impact in changes in corporate tax rates	-	-
Tax assets not capitalised	-	(1,047)
Permanent differences and other items	573	-
	1,110	(589)

5 Intangible assets

DKK thousands	2019	2018
		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	907
Disposals	-	-
Amortisation	-	-
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 2019	341	2,168	2,509
Investments	-	-	-
Disposals	-	-	-
Transferred between categories	-	-	-
Cost at 31 December 2019	**341**	**2,168**	**2,509**
Depreciation and impairment at 1 January 2019	341	2,168	2,509
Transferred between categories	-	-	-
Disposals	-	-	-
Depreciation	-	-	-
Depreciation and impairment at 31 December 2019	**341**	**2,168**	**2,509**
Carrying amount at 31 December 2019	**-**	**-**	**-**

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	**-**	**-**	**-**

7 Investments in subsidiaries

DKK thousands	2019	2018
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 74.

8 Deferred tax

DKK thousands	2019	2018
Deferred tax recognised in the balance sheet:		
Deferred tax assets	-	-
Deferred tax liabilities	-	-
Deferred tax, net 31 December	-	-
Deferred tax, net at 1 January	-	589
Changes in deferred tax	-	(589)
Deferred tax, net at 31 December	**-**	**-**
Deferred tax assets:		
Tax losses	-	-
	-	**-**
Deferred tax assets not recognised:		
Intangible assets	74	74
Property, plants and equipment	131	131
Inventories	-	-
Provisions	-	-
Tax losses	4,775	4,770
	4,980	**4,975**

Tax losses carried forward are not subject to time limitation.

9 Adjustments, cash flow statement

Adjustments

DKK thousands	2019	2018
Dividends received from subsidiaries	-	-
Depreciations	-	-
Financial items received and paid	209	154
Other	668	776
	877	930

Change in borrowings and short-term credit facilities

DKK thousands	2019	2018
Borrowings 1. January	3,634	4,885
Repayments	-	(1,251)
New borrowings	609	-
Currency adjustments	-	-
Borrowings 31. December	4,243	3,634

10 Contractual liabilities, contingent liabilities and securities

Please refer to note 21 in the consolidated financial statements.

The company has provided security in respect of guarantees concerning the continuous operation in 2020 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 (2018: 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 3.0 million (2018: DKK 2.9 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 2019, the Parent Company has sold services to subsidiaries for DKK 900 thousand (2018: DKK 900 thousand) and paid net interest expenses, cf. note 3.

12 Events after the balance sheet date

Please refer to note 22 in the consolidated financial statements.

13 Accounting policies

The financial statements for 2019 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 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 %
Dartek Proyectos y Maquinaria, S.L.	Spain	100 %
SKAKO Vibration S.A.	France	100 %
SKAKO Vibration Succursale Maroc	Morocco	100 %
Aktieselskabet af 01.04.2012	Denmark	100 %

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