SKAKO

ANNUAL REPORT

SKAKO A/S
CVR: 36440414
Bygmestervej 2
5600 Faaborg
Denmark

Accounting period:
1 January – 31 December 2021

2021

Conductor:

Solicitor Jan Bruun Jørgensen

Revenue
(DKKm)
363.7
Up from 335.9

EBIT
(DKKm)
20.3
Up from 15.2

EBIT margin
5,6%
Up from 4.5%

ROIC
10.3%
Up from 8.3%

Order backlog
(DKKm)
122.4
Up from 91.9

CONTENTS

Important notice 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. The Covid-19 pandemic has increased uncertainties in estimates and expectations to the future.

2021 IN BRIEF

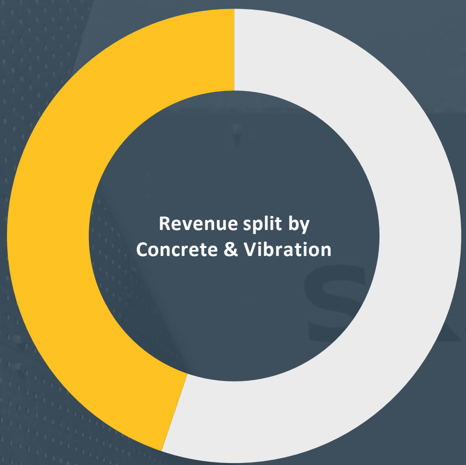
Order intake (DKKm)	Order backlog (DKKm)	Revenue (DKKm)	EBIT (DKKm)	EBIT margin	Earnings per share (DKK)	Employees	ROIC
394.2	122.4	363.7	20.3	5.6%	4.28	199	10.3%
Up from 304.1	Up from 91.9	Up from 335.9	Up from 15.2	Up from 4.5%	Up from 3.52	Up from 195	Up from 8.3%

SKAKO Concrete
(DKK) 165.027
EBIT margin 3.7%

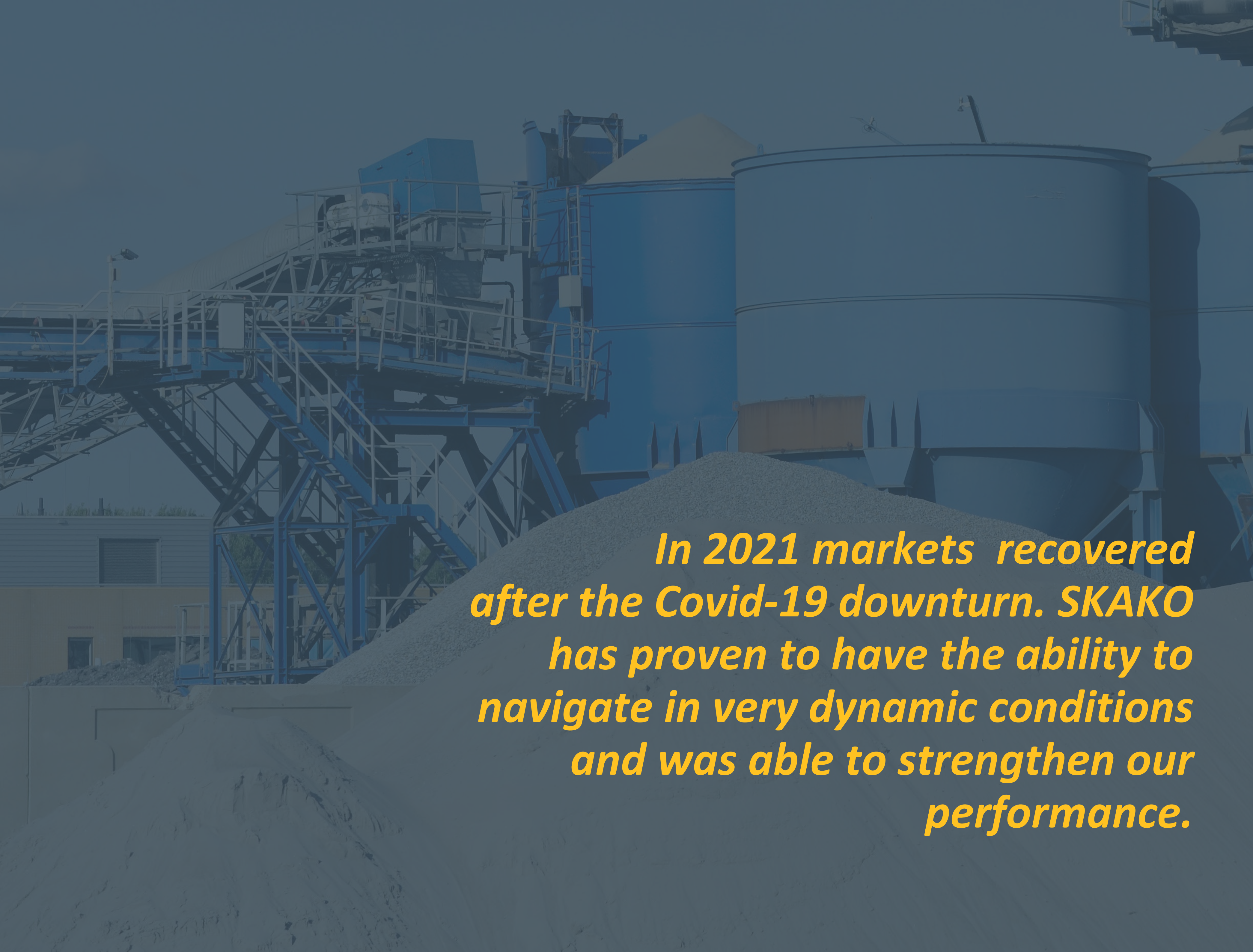
SKAKO Vibration
203.246 (DKK)
EBIT margin 8.5%

Plant orders
(DKK) 215.943

Aftersales
147.763 (DKK)



1. HIGHLIGHTS



In 2021 markets recovered after the Covid-19 downturn. SKAKO has proven to have the ability to navigate in very dynamic conditions and was able to strengthen our performance.

1.1 LETTER TO OUR SHAREHOLDERS

Getting the job done in constantly changing business conditions !

2021 was a satisfactory year for SKAKO. We were impacted by Covid-19 going into the year and this was anticipated. However, the continuing development of the pandemic, the resulting supply chain shortages and the freight price increases were unpleasant surprises. We need to be prepared for a more turbulent business climate in future.

Despite the external challenges, we managed to execute the plan we had prepared for the year. Going into 2021 with a lower-than-normal order book, we knew that we had to perform a strong order intake during the year and execute a solid production in the second half of the year. With an EBIT in 2021 of DKK 20.3m (5.6%), we landed the result in the middle of our guidance for the year.

Because of the cost efficiency measures, strong order intake in H2 and increasing gross margins, it was possible to maintain the guidance of an EBIT of DKK 18 – 23m announced on 19 March 2021 and furthermore narrow this to an EBIT of DKK 19 – 22m with the announcement of third-quarter results on 29 October 2021.

The year started with a weak order intake in Q1 and Q2, particularly in plant sales. However, after the summer season, the markets for both divisions caught up with strong order intake, which generated a high level of activity for rest of the year.

In SKAKO Vibration, we have seen a high level of activity in the European markets and good recovery of our business in North Africa after the summer in 2021, whereas the market in North America is still at a low level. The recently acquired Spanish recycling company Dartek in 2019 has been performing very well since the middle of 2021 where the southern European markets started waking up after the Covid-19 pandemic. Dartek is growing both topline and EBIT to the benefit of SKAKO Group. We are, in general, experiencing an increasing demand for our products from the recycling industry.

SKAKO Concrete is going through a process of focusing on profitability while investing in future revenue growth at the same time. A tough prioritization of projects which are well suited for the SKAKO Concrete products, and a focused delivery has shown strong results in recent years.

The Green Plant Vision was launched by SKAKO Concrete in 2021, based on optimization of all parts of concrete production to reduce the environmental footprint. Customers are showing strong interest, and this will be an area of focus in the years to come.

Both business units are increasing service and aftersales to existing customers in all core markets. The continuing customer demand for spare parts, retrofit and aftersales service forms a stable foundation for the businesses. This part of the business is less volatile to the changing market conditions, compared to plant sales.

With the publication of our Annual Report 2020, we announced the 2024 ambitions for both business units and the SKAKO Group. The medium-term financial ambitions comprise of an organic annual revenue growth of 8% from 2020 to 2024 and an EBIT margin of 7-9% in 2024. This corresponds to a revenue of approximately DKK 460m with an EBIT result of DKK 32 – 42m in in 2024. The strong performance in 2021 and the expectations for 2022 make us confident that we will fulfil these ambitions.

We are guiding for an EBIT of DKK 22-27m for 2022 with a slight back-end profile. This is based on the delivery pattern we see for current orders.

All businesses are people businesses. Therefore, we would like to thank all SKAKO employees who did a great job getting us through 2021 in good shape, despite all the difficulties the pandemic gave us.

We would also like to thank our valuable customers and partners for choosing SKAKO.

Lionel Girieud
Director, SKAKO Vibration

Jens Ulrik Damgaard
Group CFO

Jens Wittrup Willumsen
Chairman

Steffen Kremmer
Director, SKAKO Concrete

Our purpose

We aim to make customers' production flow efficient, reliable and sustainable

Our values

We are defining the industry

as our knowledge and competencies are inherited from more than 60 years of experience and dedicated to your needs

We are reliable

as we are known for setting the standards of quality and accuracy within our industry

We are accessible

as we are well represented around the world and always ready to help

Our brand promises

We develop sustainable, technology-based and visionary solutions

We meet customers with a future-oriented mindset and engage our technical know-how, digitization and innovative capacity in companies' individual needs

We provide profitable business

We generate continuous and visible value for our customers and our investors

We are big enough to cope - and small enough to care

We match customers' needs and deliver scalable solutions

We commit ourselves in close partnerships

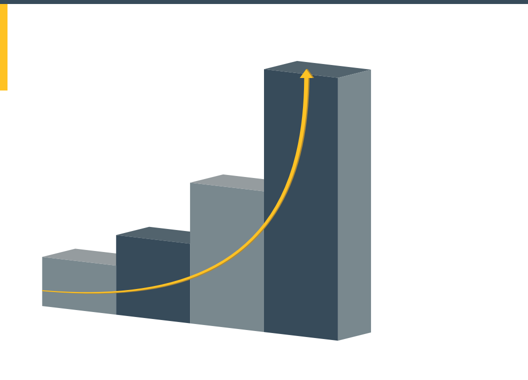
We put our customers' needs first and bring our service, customer-adapted solutions and engineering expertise.

1.2 KEY EVENTS 2021

JUN 2021 - SEP 2021

SKAKO Concrete: Increased market focus in the DACH region and Denmark, the Faroe Islands and Iceland. Sales force strengthened through recruitments of new Key Account Manager and key persons in the areas as part of the strategy of being 100% present in all primary markets.

JUL



Monthly order intake of SKAKO Dartek is booming and 2/3 of the annual budget has been reached in one single month. 85% of the orders are from the recycling segment.

H2

Focus on optimization and development of products. 2021 was the starting point for a thorough review of SKAKO Concrete's core products and overall R&D with a view to process optimization, up-to-date quality products and increased performance.

H2

Implementation of a new focused sales strategy and systematic follow-up on goals and results has been fully implemented over the second half of 2021. Specific training programme has been implemented for everyone in plant sales and aftersales, which is reflected in a positively developing pipeline towards the end of the year.

Key events 2021 CONTINUED

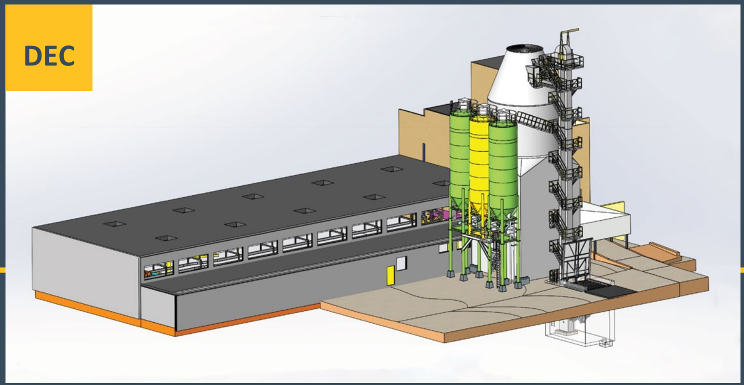
12-14
SEP

Despite Covid19, Pollutec exhibition in Lyon (France) is a success with more than 46000 visitors interested in sustainable solutions.

Q3

SKAKO increases its sustainability ambitions and initiates several new actions towards net-zero emissions and "green production“ solutions. New “Green Plant Vision” and recycling strategy set the agenda for SKAKO Concrete as preferred environmentally friendly partner.

DEC



Creabeton Matériaux project
Includes delivery of a complete high silo system with 2 pcs. AM 1500 mixers and 2 pcs. Conflex concrete transport system and a SKAKOMAT control. The plant is being built as a turnkey contract and includes complete installation, including electrical, water and air installation. Phase 1 is the construction of the high-silo facility from January 2023. Phase 2 is the concrete transport facility, which will be established during the summer holidays of 2023.

1
DEC

To improve onboarding of new talents, Vibration expands with new hybrid premises in Odense.
Office facilities - 80 m2 new interior for sales, marketing and engineering.
The facilities include modern conference rooms, auditorium, canteen, IT and catering.

1.3 FINANCIAL KEY FIGURES

Key figures and financial ratios – DKK

DKK Thousands	2021	2020	2019	2018	2017
INCOME STATEMENT					
Revenue	363,706	335,920	354,192	339,273	350,375
Gross profit	92,408	77,865	86,092	79,603	83,800
Operating profit (EBIT)	20,323	15,171	18,005	15,072	20,237
Special items	-	-	-	1,331	(24,131)
Operating profit (EBIT) after special items	20,323	15,171	18,005	16,403	(3,894)
Net financial items	(4,906)	(3,084)	(2,590)	(3,446)	(2,818)
Profit before tax	15,417	12,087	15,413	12,958	(6,712)
Profit for the year	13,189	10,859	14,246	12,698	(6,160)
BALANCE SHEET					
Non-current assets	84,216	84,265	85,947	40,787	38,911
Current assets	254,804	237,793	236,383	219,320	200,152
Assets held for sale	-	-	-	-	22,350
Assets	339,020	322,058	322,330	260,107	261,414
Equity	132,237	127,252	124,417	109,066	95,701
Non-current liabilities	29,122	38,455	32,851	4,099	3,483
Current liabilities	177,661	156,351	165,062	146,943	152,894
Liabilities related to assets held for sale	-	-	-	-	9,336
Net debt	26,987	40,187	32,370	5,522	25,956
Net working capital	105,703	111,295	93,427	90,454	99,242
OTHER KEY FIGURES					
Investment in intangible assets	3,962	7,236	2,703	1,417	3,007
Investment in tangible assets	3,504	5,860	9,415	2,117	4,481
Cash flow from operating activities (CFFO)	30,276	4,806	24,451	8,907	(9,060)
Free cash flow	22,810	(8,293)	(20,855)	29,564	(16,547)
Average number of employees	199	195	191	197	182

Key figures and financial ratios – DKK CONTINUED

DKK Thousands	2021	2020	2019	2018	2017
FINANCIAL RATIOS					
Gross profit margin	25.4%	23.2%	24.3%	23.5%	23.9%
Profit margin (EBIT margin)	5.6%	4.5%	5.1%	4.4%	5.8%
Liquidity ratio	143.4%	152.1%	141.3%	149.3%	131.8%
Equity ratio	39.0%	39.5%	38.6%	41.9%	36.6%
Return on equity	10.2%	8.6%	12.2%	12.4%	(6.4%)
ROIC	10,30%	8,30%	9,10%	11,10%	(5,10%)
Financial leverage	20.4%	31.6%	26.1%	5.1%	27.1%
Net debt to EBITDA*	1.0	1.8	1.4	0.3	1.0
NWC/Revenue	29.1%	33.1%	26.4%	26.7%	28.3%
Earnings per share (EPS)	4.28	3.52	4.62	4.12	(2.00)
Equity value per share	42.9	41.3	40.1	35.4	30.8
Share price	55.2	49.8	45.9	49.2	91.0
Price-book ratio	1.3	1.2	1.1	1.4	3.0
Market cap	171,474	154,700	142,584	151,725	282,683
Order backlog	122,382	91,877	123,654	106,821	72,775

Figures before 2019 do not include accounting according to the updated IFRS 16.

For calculation of financial ratios please see note 24. 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.

Key figures and financial ratios – EUR*

EUR Thousands	2021	2020	2019	2018	2017
INCOME STATEMENT					
Revenue	48,904	45,064	47,415	45,520	47,096
Gross profit	12,425	10,446	11,525	10,680	11,246
Operating profit (EBIT)	2,733	2,035	2,410	2,022	2,720
Special items	-	-	-	179	(3,244)
Operating profit (EBIT) after special items	2,733	2,035	2,410	2,201	(523)
Net financial items	(660)	(414)	(347)	(462)	(379)
Profit before tax	2,073	1,621	2,063	1,739	(902)
Profit for the year	1,773	1,457	1,907	1,704	(828)
BALANCE SHEET					
Non-current assets	11,325	11,327	11,506	5,462	5,227
Current assets	34,264	31,964	31,644	29,371	26,885
Assets held for sale	-	-	-	-	3,004
Assets	45,589	43,291	43,150	34,832	35,113
Equity	17,782	17,105	16,655	14,606	12,855
Non-current liabilities	3,916	5,169	4,099	549	599
Current liabilities	23,890	21,017	22,395	19,678	20,405
Liabilities related to assets held for sale	-	-	-	-	1,255
Net debt	3,629	5,402	4,333	740	3,486
Net working capital	14,214	14,960	12,373	12,113	13,330
OTHER KEY FIGURES					
Investment in intangible assets	533	973	362	190	404
Investment in tangible assets	471	788	1,260	284	602
Cash flow from operating activities (CFFO)	4,071	644	3,273	1,193	(1,217)
Free cash flow	3,067	(1,113)	(2,792)	3,959	(2,223)
Average number of employees	199	195	191	197	182

Key figures and financial ratios – EUR* CONTINUED

EUR Thousands	2021	2020	2019	2018	2017
FINANCIAL RATIOS					
Gross profit margin	25.4%	23.2%	24.3%	23.5%	23.9%
Profit margin (EBIT margin)	5.6%	4.5%	5.1%	4.4%	5.8%
Liquidity ratio	143.4%	152.1%	141.3%	149.3%	131.8%
Equity ratio	39.0%	39.5%	38.6%	41.9%	36.6%
Return on equity	10.2%	8.6%	12.2%	12.4%	(6.4%)
ROIC	10,30%	8,30%	9,10%	11,10%	(5,10%)
Financial leverage	20.4%	31.6%	26.1%	5.1%	27.1%
Net debt to EBITDA*	1.0	1.8	1.4	0.3	1.0
NWC/Revenue	29.1%	33.1%	26.4%	26.7%	28.3%
Earnings per share (EPS)	0.58	0.47	0.62	0.55	(0.27)
Equity value per share	5.77	5.55	5.36	4.74	4.13
Share price	7.42	6.69	6.14	6.59	12.19
Price-book ratio	1.3	1.2	1.1	1.4	3.0
Market cap	23,058	20,795	19,088	20,319	37,970
Order backlog	16,457	12,350	16,553	14,308	9,775

Figures before 2019 do not include accounting according to the updated IFRS 16.

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.

*On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange at 31 December 2021 of 743.65 has been used for balance sheet items, and the average rate of exchange of 743.71 has been used for income statement and cash flow items.

1.4 FINANCIAL REVIEW

DKK Thousands	2021	2020	Change
Plant order revenue	215,943	209,564	3.0%
Aftersales revenue	147,763	126,356	16.9%
Total revenue	**363,706**	**335,920**	**8.3%**
Production costs	(271,298)	(258,055)	5.1%
Gross profit	**92,408**	**77,865**	**18.7%**
Gross profit margin	25.4%	23.2%	2.2pp
Distribution costs	(40,745)	(35,039)	16.3%
Administrative expenses	(31,340)	(27,655)	13.3%
Operating profit (EBIT)	**20,323**	**15,171**	**34.0%**
Profit margin (EBIT margin)	5.6%	4.5%	1.1pp
Profit for the period	**13,189**	**10,859**	**14.9%**
Order backlog beginning of period	91,877	123,654	(25.7%)
Order intake	394,211	304,143	29.6%
Revenue	363,706	335,920	8.3%
Order backlog end of period	**122,382**	**91,877**	**33.2%**

Overall financial performance of SKAKO improved significantly in 2021 and resulted in an operating profit (EBIT) of DKK 20.3m, compared to DKK 15.2m in 2020. This is in line with our latest guidance of DKK19.0 – 22.0m

Revenue in 2021 increased by 8.3% compared to 2020 with plant sales and aftersales increasing by 3.0% and 16.9%, respectively. This confirms the recovery of the markets in which we operate after Covid-19. Especially the profitable aftersales market shows great strength underlining our aim to build strong partnerships with our customers.

Order intake in 2021 increased by 29.6% compared to 2020 impacted by a large order of DKK 30 m in SKAKO Concrete, which will have revenue impact in both 2022 and 2023. Following the strong order intake, the order backlog increased by 33.2% compared to the year before providing a strong outset for 2022.

Gross profit margin improved by 2.2pp to 25.4% in 2022 driven by a higher share of aftersales revenue with high margin as well as improved margins in plant sales, following the implementation of the efficiency program in SKAKO Concrete.

Capacity cost increased by 14,9% from 2020 to 2021. The main driver for the increase is growth in resources, in order to be able to execute the increased level of activities.

Operating profit was DKK 20.3 m in 2021 compared to DKK 15.2 in 2020 and was as predicted in the initial guidance back-end loaded with a very strong operating profit of DKK 8.3 in Q4. The strong operating profit in the last quarter was a consequence of a very strong order intake in H2 as well as the ability to execute both plant orders and aftersales orders in a shorter time than previously.
Operating profit margin increased to 5.6 % compared to 4.5% in 2020 as a result of the increase in gross profit margin.

For a financial review for each division, please see section 2.2 for SKAKO Concrete and section 3.2 for SKAKO Vibration.

Cash flow developments

In 2021, SKAKO generated a cash flow from operating activities (CFFO) of DKK 30.3m compared to DKK 4.8m in 2020. The cash flow in Q4 2021 was high due to a high amount of prepayments from customers. Generally, our customers are fulfilling their payment obligations, and the Group has a strong liquidity.

Equity

The Group's equity was DKK 132.2m on 31 December 2021 (DKK 127.3m on 31 December 2020) matching an equity ratio of 39.0% (39.5% on 31 December 2020). The increase in equity is mainly due to profit for the year of DKK 13.2m. Due to a dividend of 9.3m paid in May 2021, the equity does not increase with the full earnings for the year.

ROIC

In 2021, return on invested capital amounted to 10.3% compared to 8.3% in 2020. The increase in return on invested capital is due to the higher result in 2021.

Balance sheet

As of 31 December 2021, the Group's assets totalled DKK 339.0m (year end 2020: DKK 322.1m). The increase in assets is primarily due an increase in trade receivables.

Non-current assets decreased by DKK 0.1m and amounted to DKK 84.2m (year end 2020: DKK 84.3), while current assets increased by DKK 17.0m to DKK 254.8m (year end 2020: DKK 237.8m).

Net debt decreased by DKK 13.2m and totalled DKK 27.0m on 31 December 2020 (year end 2020: DKK 40.2m). The decrease in net debt is due to strong cash performance from operating activities.

Current liabilities amounted to DKK 177.7m (year end 2020: DKK 156.4m). The increase in current liabilities is primarily due to an increase in contract liabilities with reference to received prepayments from customers on construction contracts.

Dividends

Based on the results in 2021 and capital structure of SKAKO A/S as of 31 December 2021, the Board of Directors recommends a dividend distribution of DKK 4 per share, corresponding to 93.5% (adjusted for earn-out relating to Dartek, the dividend amounts to 81%) of profit for the year and a total dividend distribution of DKK 12,3m. With a share price of DKK 55.2 as of 31 December 2021, this corresponds to a dividend yield of 7.2%.

Ex-dividend date: 20 April 2022

Record date: 25 April 2022

Payment date: 26 April 2022

Interim dividends

No interim dividends have been paid.

The Parent company

The result for the period in the Parent company amounts to a loss of DKK 2.5m. 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 2021 after the balance sheet date and up to today.

Consolidated Q4 – 2021 result

DKK Thousands	Q4 2021*	Q4 2020*	Change
Plant order revenue	60.565	52.741	14.8%
Aftersales revenue	45.713	30.503	49.9%
Total revenue	**106,278**	**83,244**	**27.7%**
Production costs	(76.600)	(67.924)	12.8%
Gross profit	**29,678**	**15,321**	**93.7%**
Gross profit margin	27.9%	18.4%	7.7%
Distribution costs	(12,959)	(7,169)	80.8%
Administrative expenses	(8,384)	(6,964)	20.4%
Operating profit (EBIT)	**8,335**	**1,188**	**601,6%**
Profit margin (EBIT margin)	7.8%	1.4%	6.4pp
Profit for the period	**4,775**	**(606)**	**888.6%**
Order backlog beginning of period	105,225	94,900	10.9%
Order intake	123,435	80,221	53.9%
Revenue	106,278	83,244	27.7%
Order backlog end of period	**122,382**	**91,877**	**33.2%**

*Quarterly figures are unaudited

Thanks to the strong dedication of our employees – SKAKO has been able to keep momentum – even when many had to work from home during the pandemic.

1.5 FINANCIAL AMBITIONS

SKAKO Group

With our annual report for 2020, we introduced financial ambitions for the SKAKO Group, which comprise our medium-term financial ambitions until and including 2024.

The medium-term financial ambitions for the SKAKO Group comprise a revenue growth (CAGR) of 8% from 2020 to 2024 and an EBIT margin of 7-9% in 2024. This corresponds to a revenue of approximately DKK 460m with an EBIT result of between DKK 32m and DKK 42m in 2024.

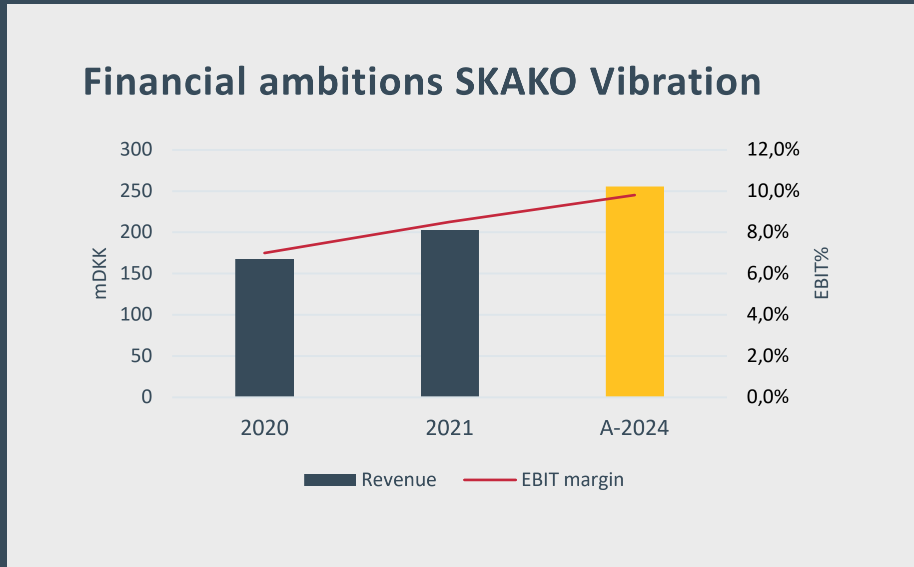
We believe that the recent years' strategic development in the Group has laid the foundation for a favorable development in results in the coming years. The relatively high ambitions for revenue growth are partly aided by the fact that revenue in 2020 was significantly impacted by the Covid-19 pandemic, especially in SKAKO Vibration. We do not expect the development to be realized in a straight line as some years will show a steeper progress than others, and development will be different in the two divisions.

SKAKO Concrete

In 2021 SKAKO Concrete continued the journey towards a level of sustainable profitability. In 2021 we have seen the EBIT margin in SKAKO Concrete increase from a level of 0%-1% in previous years, over 3.3% in 2020 and now to 3.9% in 2021. We will continue the focus going forward and strive to further improve the EBIT margin towards a level of 6%-8% while also driving a revenue growth of 6% (CAGR) until 2024. This corresponds to an EBIT result of DKK 13m to DKK 17m in 2024. As noted under our guidance for 2022, we expect to see a revenue growth in SKAKO Concrete in 2022 compared to 2021, due to the increasing order backlog and a high level of market activity.

SKAKO Vibration

Historically, the EBIT margin in SKAKO Vibration has been realized at a level of 8%-10% while revenue has been realized at a lower level than our financial ambitions. Therefore, the focus in SKAKO Vibration will be on maintaining the historic EBIT margins while driving an expansion in revenue at a CAGR of 10%. This corresponds to an EBIT result of DKK 20m to DKK 25m in 2024. In 2021, revenue in SKAKO Vibration was positively impacted by the growth in recycling and a general upturn of the market in which SKAKO Vibration is operating. In 2022 we expect to see a continued growth in revenue as well as improved profitability. The growth in revenue is primarily expected to be driven by increased orders in the recycling segment. We have seen in 2021 that Increased revenue is the vehicle to get EBIT margin to return to a normal level compared to 2020, as the contribution margin will increase compared to the fixed cost basis.



1.6 GUIDANCE 2022

2021 showed growth on all parameters in SKAKO. The increase in new orders has increased the order book at the end of 2021 to DKK 122.4m against DKK 91.9m by the end of 2020 (increase of 33,2%). Revenue has increased by 8.3%, and the profitability in both plant sales and aftersales has increased. The operational cash flow has also increased compared to 2020.

With this in mind we are seeing a strong outset for the continued performance of SKAKO.

The global situation on availability on particularly electronics could have an impact on SKAKOs ability to deliver on time. This, however, will be affecting all suppliers in the market. The same applies for the increasing cost of logistics.

For SKAKO Concrete the increase in building infrastructure will be supporting the need for capacity in the concrete manufacturing industries and thereby the demand for new machinery. The pipeline of the potential orders is significantly stronger than in 2021.

For SKAKO Vibration the increasing demand for recycling solutions will be driving the market upwards. The increasing global demand for minerals will also continue to drive the requirement for mining solutions.

Guidance 2022

We are guiding for an operating profit (EBIT) of DKK 22-27m in 2022.

The guidance is based on a continued normalization of the market conditions during 2022, with no new material adverse events affecting the global economies. Following the situation in Ukraine and the potential impact on world economies, this guidance is subject to a higher-than-normal degree of uncertainty.

Business with Russia and Ukraine

SKAKO has an insignificant sales to Russia and Ukraine and there are no direct suppliers in these countries. There are, however, suppliers to SKAKO who are sourcing supplies of steel from Ukraine, as well as sub suppliers who might be impacted by, among other, increasing energy cost.

1.7 WHY INVEST IN SKAKO

SKAKO Group

At SKAKO we aim to make our customers' production flow as hassle-free, reliable, and sustainable as possible. We use our know-how to define the industry and develop visionary sustainable and technology-based solutions. Through this, we provide continued value to our partners and customers and increased value to our shareholders.

The markets in which SKAKO is operating, are in constant growth. There has for decades been a growing demand for building materials as well as industrial machinery. There are currently no signs of long-term reduction of this growth.

SKAKO is a leading supplier in the markets we operate in. Consequently, our customers expect the high-quality products and high level of sustainability we deliver. Further, our customers expect to meet highly qualified employees in all phases of product lifetime.

With this business model, we have established a comprehensive installed fleet of SKAKO machinery all over the world and we support our customers with support, spares and retrofit, whenever needed.

The SKAKO business model has proven to be sustainable, even under challenging business conditions. SKAKO was also impacted by the Covid-19 pandemic, but succeeded in remaining profitable

With the continued growth in the existing markets and strong potential to expand the business into new market segments, we are convinced that the potential for future profitable growth is strong

SKAKO Vibration

SKAKO Vibration strives to be one of the leading suppliers of vibratory equipment globally.

We are a preferred partner within the automotive industry on targeted markets,, and we have a strong presence and growth within the minerals segment. With the acquisition of SKAKO Dartek in November 2019, we have also intensified our strategic focus on growth in the recycling segment.

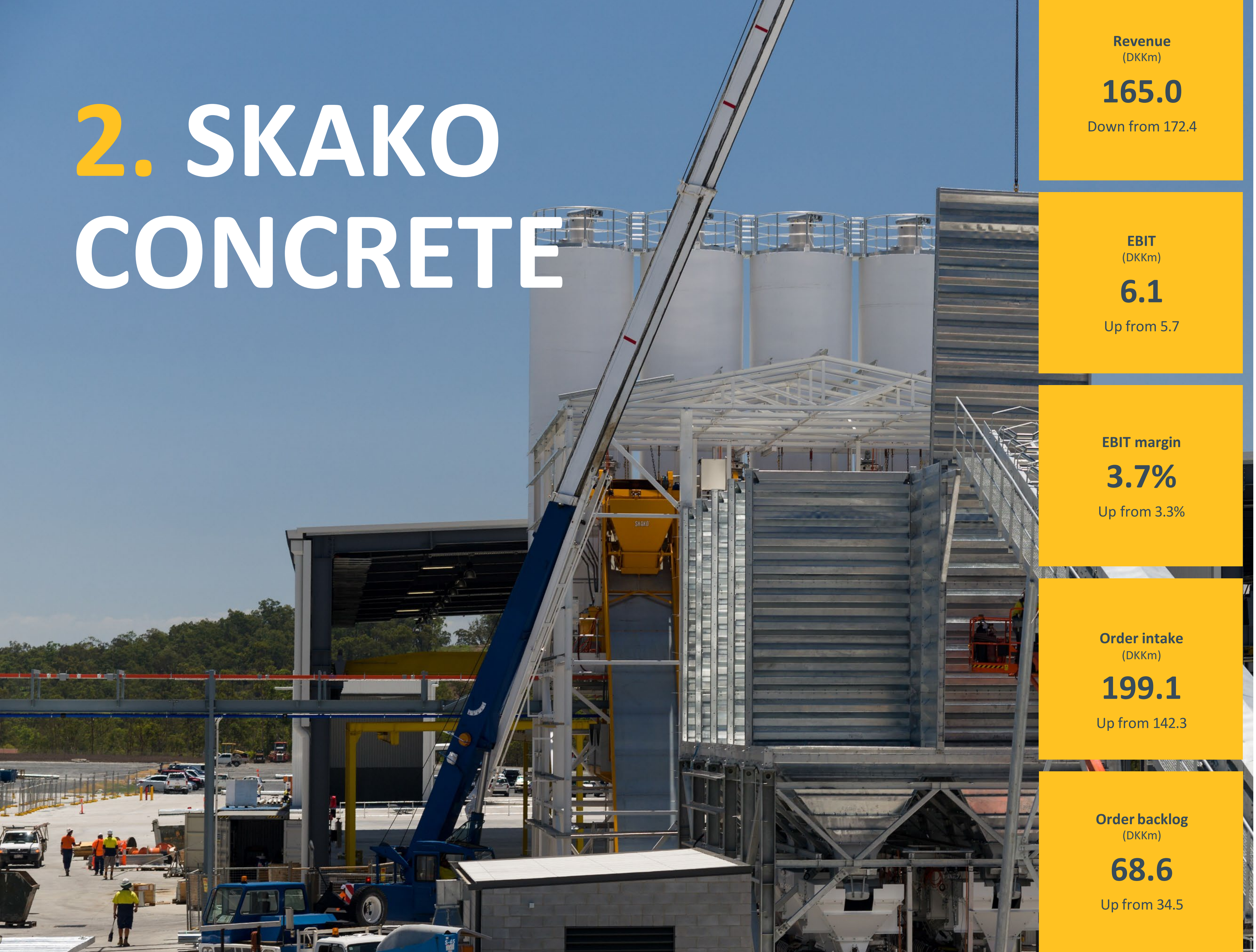
SKAKO Concrete

SKAKO Concrete strives to be the trendsetter in the concrete industry when it comes to sustainability, digitization, and total cost of ownership, and from our foundation of reliable delivery and high-quality products, we seek to offer our customers the best solutions in the industry and maximum benefit from our solutions and services.

Capital structure

SKAKO has a capital structure target of net debt to EBITDA of up to 2.5. With a net debt to EBITDA of 1.0 at the end of 2021, SKAKO has ample capacity to pursue value creating M&A. As our earnings improve, we will also be able to return significant value to our shareholders through dividends and share buy-back programmes.

For our mid-term financial ambition for the SKAKO Group, please see section 1.5.



2. SKAKO CONCRETE

Revenue
(DKKm)
165.0
Down from 172.4

EBIT
(DKKm)
6.1
Up from 5.7

EBIT margin
3.7%
Up from 3.3%

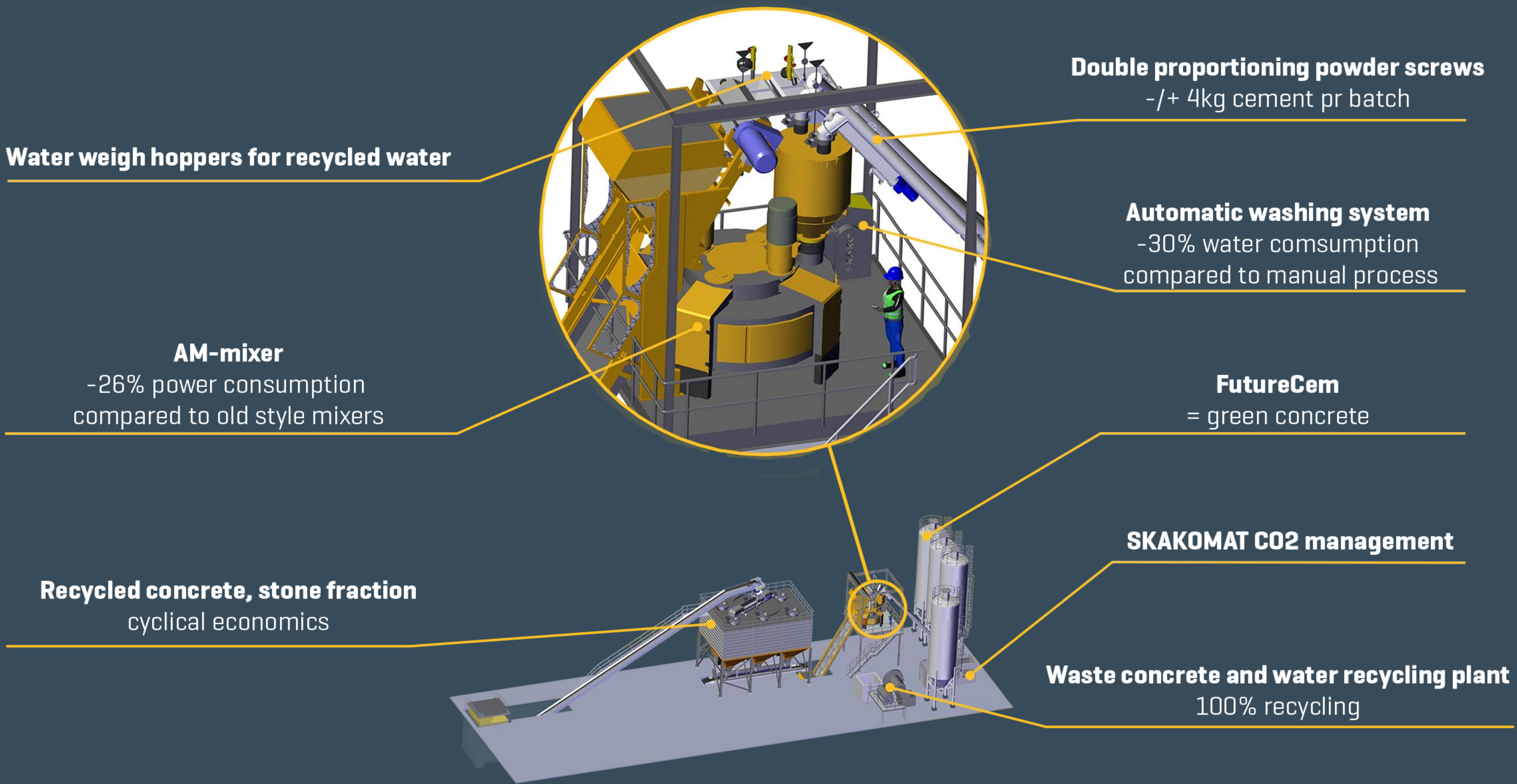
Order intake
(DKKm)
199.1
Up from 142.3

Order backlog
(DKKm)
68.6
Up from 34.5

We want to set the standard in the industry by adding sustainable solutions.

As your sustainability partner we gladly share our Green Plant Vision to support your contribution to a better world.

2.1 Why partners choose SKAKO to improve their sustainability



Business model & strategy

Vision: We want to be trendsetting in the industry within sustainability, digitization and solutions focused on total economy

Strategy track: Culture, digitization, sustainability, subscription solutions, sales and marketing

Products and solutions: AM Mixer, ROTOCONIX, SKAKOMAT, CONFLEX, skip hoist

Segments: Plant (precast and ready-mix), SKAKOMAT, aftersales

Primary markets: Denmark, Sweden, Norway, the UK, the Netherlands, Germany, Austria, Switzerland, France, the USA

SKAKO Concrete has continued various initiatives to improve earnings among others by focusing on internal handover, accuracy and follow-up which has strengthened reliability and profitable project delivery. In addition, we have through 2021 improved and implemented a new customer-focused sales and marketing system OKR.
During 2021 we have strengthened our digital, sustainable and environmental focus aimed at our customers and partners. These initiatives have contributed to further improved performance and earnings for SKAKO Concrete.

Continuous and controlled growth, stability and efficiency improvements are some of the key factors for SKAKO Concrete to achieve the required results and increased earnings.

We have initiated focused strategic initiatives and ambitions to further develop SKAKO Concrete towards 2024.

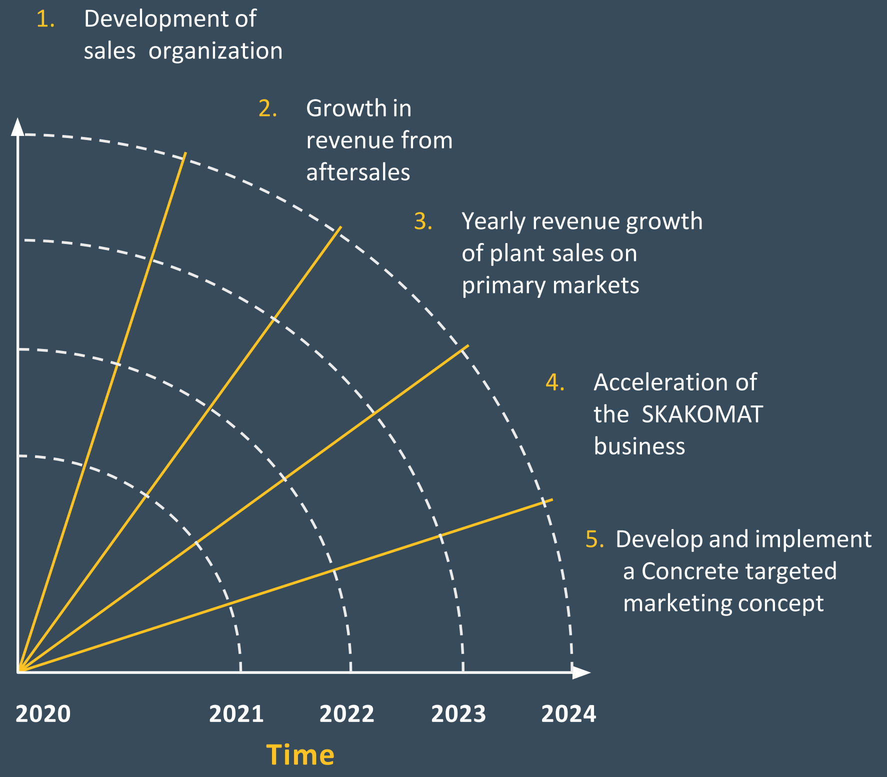
Towards 2024 we aim to grow revenue with a CAGR of 6% while increasing the EBIT margin to 6%-8%. With our focused sales and marketing strategy, we expect to grow revenue from both plant orders and aftersales. While doing so, we will continue our constant focus on sustainable profitability to reach attractive EBIT margin levels.

Our masterplan contains five overall strategic tracks with individual task forces:

Below the strategic tracks in our overall business model:

Foundation for future sales growth

During 2021, we built the foundation for a revenue expansion in 2022 to 2024 and are now ready to take the next steps.
Focus is still on our five strategic areas in the commercial department but in particular areas 2-5 are important in 2022.



Sales organization

The sales force was strengthened significantly in 2021.

We are now directly represented on all primary markets.

The aftersales organization has been strengthened towards more proactive sales.

Aftersales

The proactive approach to the aftermarket is starting to pay off in the second half of 2021 and we expect the positive trend to continue into 2022.

We will continue to develop the aftersales business with more local presence on the primary markets.

Plant sales

In 2021 we initiated the second phase of our go-to-market strategy, and our short-term and long-term pipeline is already benefiting from the implementation of these strategy tools.

Due to that and due to our strengthened organization, order intake increased significantly during the second half of 2021, and the pipeline for 2022 looks very promising.

Foundation for future sales growth

Sustainability

SKAKO Concrete has set up a targeted "Green Plant Vision" to process optimize, product develop, produce and partner up on sustainable solutions and concepts that bring us among the front runners within "green concrete" production and environmentally friendly plants around the world. Our own contribution covers CO_2 – reduction, re-use of machinery, concrete with less cement and minimization of water. However - our main contribution is technology that enables customers to reach their green targets.

Digitization

2022 will be a continuation of our work with clients to develop the SKAKO digital platform they use to operate their SKAKO plants.

The world and our client's needs are moving towards a higher degree of mobility and data and knowledge-based business. SKAKO intend to support that in full.

Cloud based systems, data warehouse, big data and mobility are key words in our way to support our clients with a more digital platform.

Marketing

Customer dialogue will be intensified through customer surveys and partnership communication as well as increased focus on demonstrating SKAKO as an ideal sustainability partner.
In order to focus on a more targeted and direct communication with our customers, SKAKO Concrete has decided NOT to participate as exhibitor at the BAUMA exhibition in Munich in year 2022. This is also a consequence of the actual uncertainty about possible Covid-19 cancellations from fair operators.
We use the opportunity to find alternatives within digital presentation and online presence and thereby act in an agile and resolute way in relation to the changeable and actual market situation.

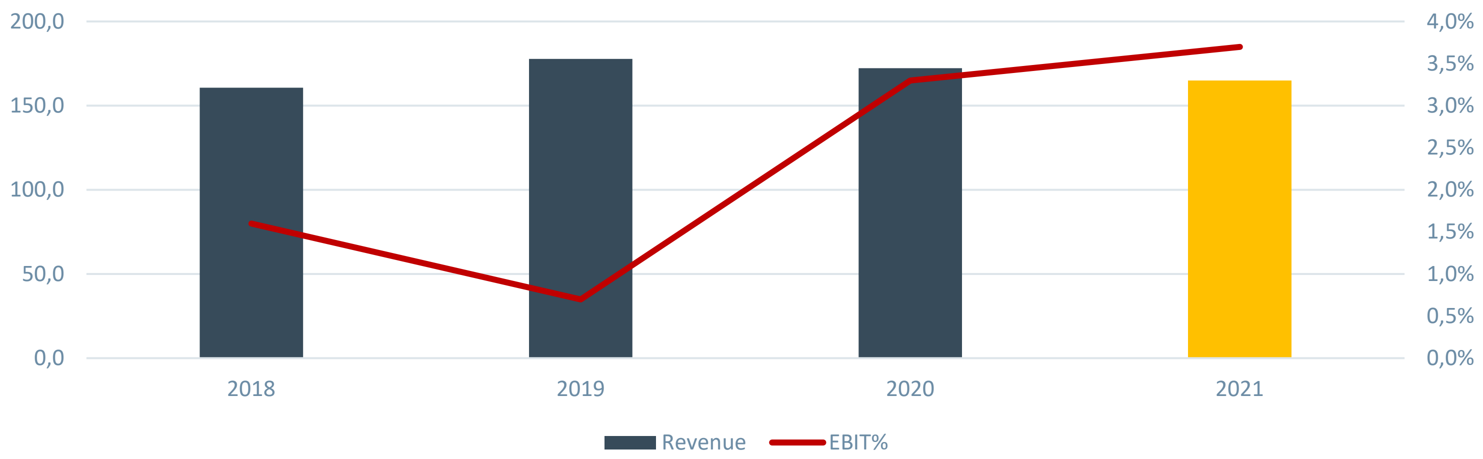
Apart from a uniform and recognizable identity the aim throughout 2022 is to increase brand awareness through intensified PR and media processing.

2.2 FINANCIAL PERFORMANCE

Financial review SKAKO Concrete

DKK million	2021	2020	Change
Plant order revenue	70.2	90.0	(22.0%)
Aftersales revenue	94.8	82.4	15.0%
Total revenue	165.0	172.4	(4.3%)
Gross profit	35.3	30.9	14.2%
Gross profit margin	21.4%	17.9%	3.5pp
Operating profit (EBIT)	6.1	5.7	7.0%
EBIT margin	3.7%	3.3%	0.4pp
Order book, beginning	34.5	64.6	(46.6%)
Order intake	199.1	142.3	39.9%
Order book, ending	68.6	34.5	98.8%

SKAKO Concrete development



Financial performance in 2021

The overall financial performance of SKAKO Concrete showed a very positive development in 2021, driven by the strategic initiatives on enhancing customer support and improving project execution.

Revenue decreased by 4.3% compared to 2020. Revenue from plant orders decreased by 22.0%, while revenue from aftersales increased by 15.0%. The decrease in plant order revenue was driven by the very low order backlog entering 2021, due to the pandemic. The increase in aftersales revenue is the result of the strategic initiative to enhance the customer support, as well as recovering from the pandemic.

Gross profit and gross profit margin were realized with DKK 35.3m and 21.4% compared to DKK 30.9m and 17.9% in 2020. The increase in gross profit margins has been realized because of a favorable mix between revenue from plant orders and aftersales and improved execution of plant orders.

EBIT and EBIT margin were realized with DKK 6.1m and 3.7% compared to DKK 5.7m and 3.3% in 2020 corresponding to a 7.0% increase in EBIT and a 0.4pp increase in EBIT margin.

Order intake amounted to DKK 199.1 compared to DKK 142.3m in 2020. In particular the strong order intake in H2 has been driving the improvement compared to 2020.

We still have a strong pipeline and expect order intake to improve through 2022. The order backlog at the end of 2021 amounts to DKK 68.6m (DKK 34.5m in 2020) which is 99% above the order backlog at the end of 2020.

Development of primary markets

In 2020 we started developing and implementing our new five-track sales strategy in SKAKO Concrete. This strategy provides plans and tools to work our way through the coming three years in a more proactive way, and expectations for 2022 are therefore positive.

Our increased focus on specific types of customers and plant orders combined with the recently implemented Objective Key Results (OKR) will result in better market position. As a consequence, we expect to see growth in revenue from both plant sales and aftersales.

Overall, our primary markets are doing well on both plant sales and aftersales, and in general we have positive feedback from all markets.

Sustainability and Green Plant

In general, SKAKO Concrete seeks to reduce its impact on the environment internally and externally. An internal production optimization project has been initiated and SKAKO Concrete has increased focus on reducing energy consumption, recycling of crushed concrete, reduction of cement, less use of water and reuse of aggregates in the production of concrete. In addition, all employees complete an annual internal code of conduct (e-learning) to have a common understanding of SKAKO's policies and guidelines.

Product development

To meet the expectations and needs from our customers and the market mainly within recycling, digitization, and technology, SKAKO Concrete has planned to invest even more in product development. We have focused further development on our key products AM mixers, the SKAKOMAT control system and our CONFLEX distribution system.

Case study

20 December 2019
Signing of contract

April 2020
Change of layout according to signed contract

July 2020
Installation in hall 5, CONFLEX track

Summer 2020
Bartram GmbH renovated hall 4

19 October 2020
New order for hall 4

27 August 2020
Change order new SKAKOMAT

February 2021
Installation in hall 4, CONFLEX track and switch track

April 2021
New pillar installation from hall 4 to mixer station

August 2021
Start-up at cut between old and new SKAKOMAT

7 June 2021
Change order new bucket for hall 4

27 September 2021
Handover to customer. Main contract

9-12 October 2021
Installation of new bucket in hall 4

November 2021
Final handover

Order for Bartram Bau-System GmbH, Germany

The customer is an long standing SKAKO customer. In 2019, they decided to make a new production hall for production of beams and frame elements. During this process, the next generation from Bartram has been the key person for this development of the factory layout to meet the future concrete requirements.

The existing plant is from 1989. The new plant is a complete CONFLEX track and a new SKAKOMAT. In total more than 200 metres track with switch tracks and two tracks into hall 4 and hall 5. This is a major upgrade of the existing plant. It has been an ongoing development of the layout and new wishes from the customer, but in good cooperation with SKAKO to meet their requirements. Today, the plant is up running with full production, and the customer is very happy with the solutions and is now talking about the next step of integrating the other production hall with the CONFLEX track and more new equipment in 2022.

3. SKAKO VIBRATION

Revenue
(DKKm)
203.2
Up from 167.6

EBIT
(DKKm)
17.3
Up from 11.8

EBIT margin
8.5%
Up from 7.0%

Order intake
(DKKm)
198.9
Up from 166.2

Order backlog
(DKKm)
54.3
Down from 58.6

The business of our customers is strengthened by the dedication of our SKAKO Vibration team in three centers of excellence.

3.1 STRATEGY & BUSINESS MODEL

At SKAKO Vibration we develop, design and sell vibratory equipment for industrial use worldwide and our quality products set in motion, separate and wash bulk material.

Our engineering, assembly and test facilities are located in Faaborg in Denmark, Strasbourg in France and San Sebastian in Spain, and our products are based on application know-how and own developed technology.

SKAKO Vibration has a flexible production where parts are sourced through both internal and external suppliers.

Our main markets are EU and North Africa, and we are focusing on our expansion in the recycling segment with our complete range of products dedicated to this industrial sector, in particular since we made the acquisition of SKAKO Dartek at the end of 2019.

SKAKO Vibration strives to be one of the leading suppliers of vibratory equipment and preferred partners within the automotive industry on targeted markets – especially through European, Asian and US players. We are already strong within the mineral segment with a strong presence in the phosphate mining sector in North Africa.

The objectives shall be obtained by having an attractive product range of high quality, and a dynamic organization with a high level of know-how about design and application.

From 2021 through 2024 SKAKO Vibration aims to grow revenue with a CAGR of 8-9% while maintaining an EBIT margin of 8%-10%. As SKAKO Vibration's revenue was significantly impacted by the Covid-19 pandemic in 2020 and in a part of 2021, some of the revenue growth is expected to come from a return to normal market conditions while another part is expected to be realized from strategic growth in the recycling industry.

To support our growth, we have based our strategy on four development stages:

Medium-term perspective

SKAKO Dartek

Upon acquisition in November 2019, Dartek Proyectos y Maquinara S.L.L was integrated into the division and became SKAKO Dartek. As expected, SKAKO Dartek's product range has been a good supplement to SKAKO Vibration's product range and allowed the division to become a leading player in the recycling segment. In the meantime, SKAKO Vibration has also considerably reinforced its market presence in Spain and Portugal.

Resilience of the recycling segment faced with the Covid-19 pandemic

The recycling segment has shown more resilience than the minerals or hardware segments since the beginning of the Covid-19 pandemic and low activity in the North-African mining sector which significantly impacted SKAKO Vibration in 2021. This confirms our strong belief that the recycling segment is an up-and-coming and forward-looking business.

In the meantime, the complexity of the recycling industry has required a rational sub-segmentation of the segment to be able to offer specific solutions to targeted customers. In addition to SKAKO Dartek's strong know-how in the field, the other expert centers of the division have started adapting their products to best meet the needs of each sub-segment. For example, the large project for Tapojärvi, which aims to process slags from the Italian iron and steel industry, includes products coming from all the three expert centers in SKAKO Vibration. The final part of this project was delivered in September 2021.

Growth from three main customer segments

The foundation for the further development of SKAKO Vibration will be our three expert centers, each with their own specific area of core competence. Business relating to the hardware, recycling and mineral segments will be conducted from our offices in Faaborg/Denmark, San Sebastian/Spain, and Strasbourg/France.

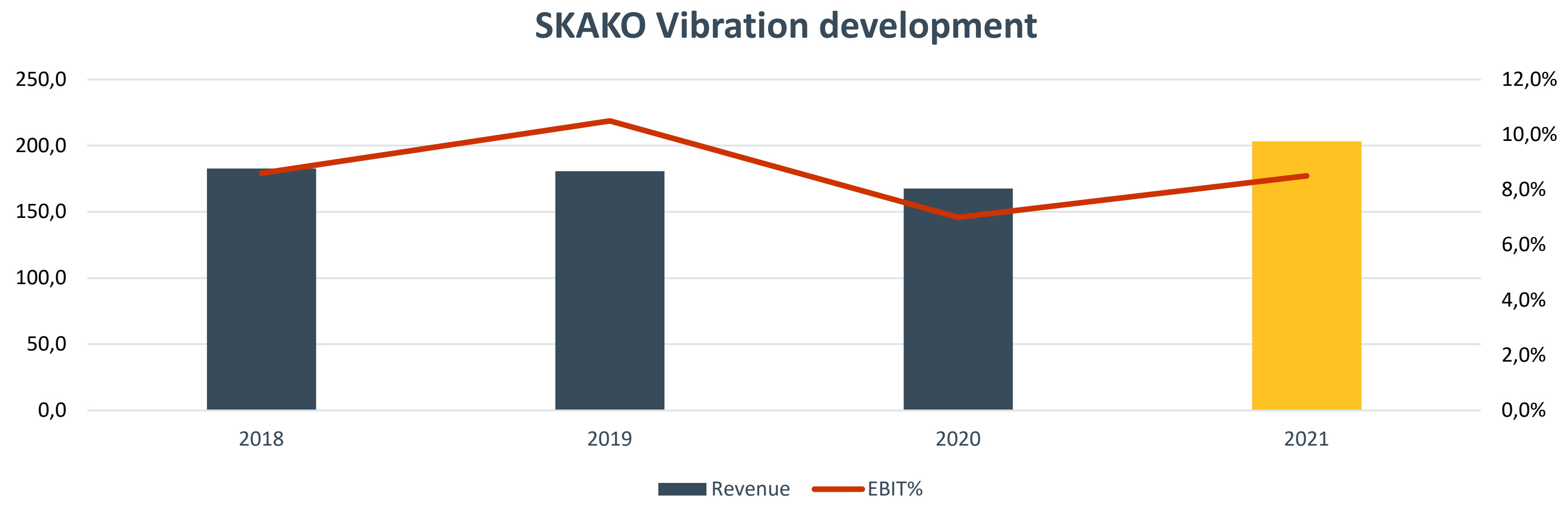
Industry 4.0 and new technology

Despite the development of our on-line monitoring system for our largest machines has been delayed due to the Covid-19 pandemic, an industrial prototype has been tested for more than one year at a customer's site under severe industrial conditions and the final product is expected to be launched in 2022. This product, which will be used by our customers with “smart production”, will also serve to refine our internal digital models of the machines that we are developing. In the same trend of optimizing new technology adoption within our organization, we have decided to update and expand our design capacities. We wish to offer our customers cutting edge products but also to provide our own organization with the benefit of the major technological developments.

3.2 FINANCIAL PERFORMANCE

Financial review SKAKO Vibration

DKK million	2021	2020	Change
Plant revenue	147.0	120.8	21.7%
Aftersales revenue	56.2	46.8	20.1%
Total revenue	203.2	167.6	21.2%
Gross profit	57.0	47.0	21.3%
Gross profit margin	28.1%	28.0%	0.1pp
Operating profit (EBIT)	17.3	11.8	46.6%
EBIT margin	8.5%	7.0%	1.5pp
Order book, beginning	58.6	60.0	(2.3%)
Order intake	198.9	166.2	19.7%
Order book, ending	54.3	58.6	(7.3%)



Financial performance in 2021

SKAKO Vibration was showing a strong performance in 2021. This is mainly related to the recovery of the markets after the Covid-19 pandemic.

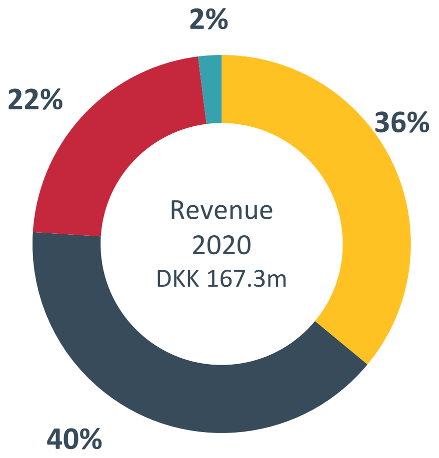
Revenue increased by 21.2% across all three segments, with especially strong growth in the hardware and recycling segments. Revenue from plant orders increased by 21.7% while revenue from aftersales increased by 20.1%. The increase in plant orders revenue was driven by the strong order intake in Q2 and Q3 2021, whereas the increase in aftersales is caused by a pick-up in industrial activity after the peak of the Covid crisis.

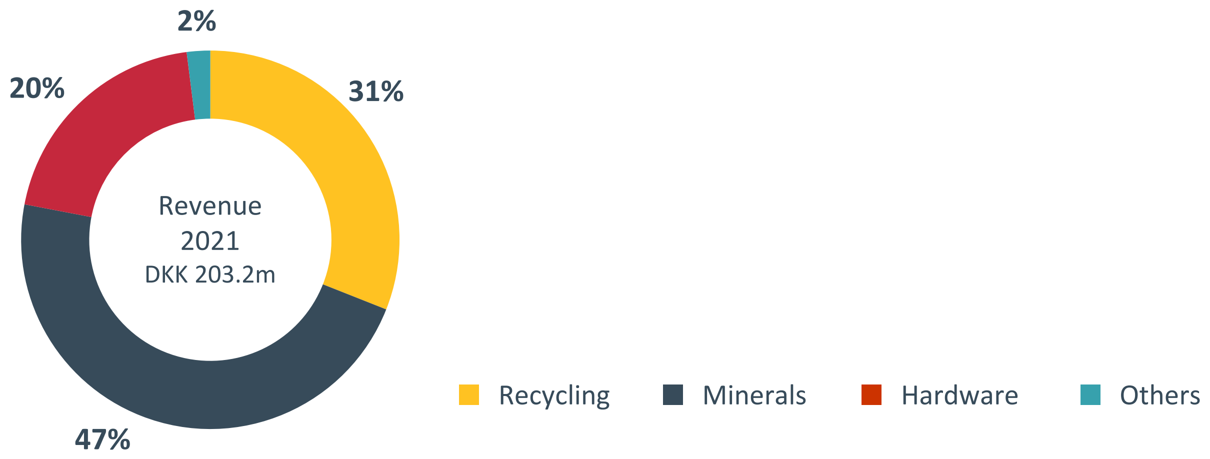
Compared to 2020, we realized a large increase in revenue from the recycling segment. This is mainly driven by the successful acquisition of SKAKO Dartek in November 2019. Furthermore, we experienced an increased demand in the hardware segment which was higher than our expectations, in particular from the automotive industry.

Gross profit and gross profit margin were realized with DKK 57.0m and 28.1% compared to DKK 47.0m and 28% in 2020. The increase in gross profit is a result of higher revenue, as gross profit margins are on a comparable level.

EBIT and EBIT margin were realized at DKK17.3m and 8.5% compared to DKK 11.8m and 7.0% in 2020. The higher EBIT and EBIT margin are due to higher revenue, however also with higher capacity cost.

Order intake amounted to DKK 198.9 compared to DKK 166.2m in 2020. In 2021. We still have a strong pipeline and expect order intake to improve through 2022. The order backlog at the end of 2021 amounts to DKK 54.3m (DKK 58.6m in 2020) which is 7.3% below the order backlog at the end of 2020.





First 100% metal slag recycling plant in the world

21 October 2019
Signed Letter of Intent

10 December 2019
Signed contract

6 October 2020
Delivery of the first equipment

1 September 2021
Start-up of the plant (“dry process”)

30 September 2021
Delivery of the last equipment (for the “wet process” of the plant)

11 November 2021
Receipt of final payment

Recycling of high value-added metals: the “Terni Project”

In December 2019, Tapojärvi signed a contract with SKAKO Vibration of EUR 3.6m (DKK 26.8m) for the complete engineering of their slag recycling plant project in Terni (Italy) including the supply of more than 50 conveyors, screens and supporting frames.

Thanks to SKAKO Vibration’s competences in project management as well as material handling and sorting techniques spread over its three expert centers in Denmark, Spain and France, the plant started running in September 2021 - despite the Covid-19 crisis - with a “dry process” of 50-80 tons of slag per hour while the “wet process” is expected to be started within the next months.

This plant is the first 100% metal slag recycling plant in the world. This means that all slag material entering the recycling plant is being reused in chemical or concrete products and in the metal industry for the most valuable components. Indeed, there are lots of expensive and exclusive metal material melted down and left inside the slag that can be recovered in the form of metal pieces sized between 1 kg and 1 mg.

4. Corporate governance

Conducting business in a reasonable manner – in all countries and operations.

4.1 COMPANY ANNOUNCEMENTS 2021

Main company announcements in 2021

8 January	01 – Notice about extraordinary general assembly
19 March	02 – Proposed dividend
19 March	03 – Annual report 2020
19 March	04 – Insider trades with SKAKO shares
22 March	05 – Warrants to executive management and leadership team
24 March	06 - Insider trades with SKAKO shares
24 March	07 – Insider trades with SKAKO shares
24 March	08 – Insider trades with SKAKO shares
6 April	09 – Notice about ordinary general meeting
28 April	10 – Course of general meeting on 28 April 2021
11 May	11 – Changes to executive management
25 May	12 – Interim report for the first quarter 2021
19 July	13 – SKAKO appoints CFO for the SKAKO Group
26 August	14 - Interim report for SKAKO A/S for the first two quarters of 2021
15 September	15 – Insider trades with SKAKO shares
16 September	16 – Insider trades with SKAKO shares
29 October	17 – Interim report for SKAKO A/S for the first three quarters of 2021
7 December	18 – SKAKO wins DKK 30 million contract with CREABETON in Switzerland
10 December	19 – Financial calendar 2022

The company announcements are available on the company website: https://skako.com/about/investor-relations/#company_announcements

4.2 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 sections 2.1 and 3.1.

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 information about the supplier "Code of Conduct".

Furthermore, SKAKO actively seeks to reduce its energy consumption by, for example, installing LED lighting in its facilities. We are also currently exploring the possibility of installing solar roof panels.

In 2022, we will start a project to outline how SKAKO can become C02 neutral.

Actions

SKAKO will reduce consumption of kWh year on year in its production sites. We expect, however, to see a small increase in consumed kWh in 2022 since we do not expect the same levels of lock downs due to the Covid-19 pandemic in 2022 as in 2021.

KPI

Consumed kWh in production sites.

Result for 2021 compared to goal for 2021

SKAKO realized 17.9% lower consumption of kWh in 2021 compared to the goal of 1,000,000 kWh. This is mainly caused by lock-down period in spring 2021.

Results & goals

Goal for 2022	Result 2021	Goal for 2021	Result 2020	Result 2019	Result 2018
950,000	848,268	1,000,000	865,865	828,828	1,417,902

Risks

Energy consumption is a variable of activity.

Anti-corruption and bribery

Policy

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.

Actions

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. Every year all SKAKO employees must conduct the Employee "Code of Conduct" e-learning session.
4. Maintain whistle blower scheme to also be available for external parties.

KPIs

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.

Results for 2021 compared to goals for 2021

1. SKAKO A/S has maintained its gift policy throughout 2021.
2. SKAKO A/S has received no reported violations of anti-corruption laws and regulations, and SKAKO Employee Code of Conduct in 2021.
3. 95% of SKAKO employees have passed the SKAKO Employee Code of Conduct e-learning. The main reason for the result not being 100% is new hires in late 2021 who did not complete the Code of Conduct session yet.
4. In 2021, 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.

Results & goals

	Goal for 2022	Result for 2021	Result 2020	Result 2019
2	0	0	0	0
3	100%	95%	99%	81%

Risks

2. Employees lack knowledge of the whistle blower scheme.
3. Employee "Code of Conduct" e-learning is not prioritized.

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 ensures 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

The part of our main suppliers that have signed our supplier "Code of Conduct".

Result for 2021 compared to goal for 2021

SKAKO has not reached the goal of having all suppliers sign our code of conduct. This will be another target in 2022 and forward. Code of Conduct for SKAKO group is currently being revised and will be launched in summer 2022.

Results & goals

Goal 2022	Result 2021	Goal for 2021	Result 2020	Result 2019
95%	85%	100%	85%	82%

Risks

Lack of transparency in compliance with SKAKOs Supplier "Code of Conduct".

Working environment

Policy

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.

Actions

1. The sick rate among employees is monitored and we follow up on employees with high absence.
2. SKAKO will produce an annual employee satisfaction survey 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.

KPIs

1. The average sick rate among employees.
2. An average employee satisfaction score of at least 3.5.
3. Number of on-the-job accidents.
4. Percentage of performance appraisal interviews each year.

Results for 2021 compared to goals for 2021

1. SKAKO is revising its global setup for monitoring sick days.
2. In 2021 an employee survey was not performed. This will follow on group level in spring 2022.
3. In 2021, SKAKO had 5 on-the-job accidents. Management does not find this satisfactory and will keep working on eliminating on-the-job accidents entirely.
4. In 2021, we did not meet our target for appraisal interviews. As this is a vital part of the employee well-being, we will keep pushing for this.

Results & goals

	Goal for 2022	Result 2021	Result 2020	Result 2019	Result 2018
1*	6.0	8.4	7.8	7.5	8.1
2**	>3.5	N/A	3.8	3.9	N/A
3	0	5	7	4	6
4	100%	85%	90%	90%	78%

Risks

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 prioritized due to workload.

*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

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

Policy

At SKAKO A/S we believe that a diverse and tolerant organization 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.

At present, SKAKO A/S has one female board member who entered the Board of Directors in April 2020 whereby SKAKO reached its goal of having at least one female board member by 2022. However, the Board of Directors is aware that this still represents an 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 40% by 2024.

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 who replaced a male manager. It is the plan of the Board of Directors to further increase the number of female managers in the years to come.

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

It is SKAKO's goal to increase the part of women in the management group within a three-year period. SKAKO A/S will reach the goal by requiring candidates of both genders in the recruiting phase and by taking into account the underrepresented gender at succession planning. SKAKO works very intentionally on showing multiplicity in its marketing to signal that the company wants to reflect the society in its employee composition.

Actions

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

KPIs

1. Share of the underrepresented gender among all employees.
2. Share of the underrepresented gender in Management.
3. Share of the underrepresented gender in the Board of Directors.

Results for 2021 compared to goals for 2021

1. In 2021, SKAKO is status quo, compared to 2020. However, the goal has not yet been realized. According to our policy this will be a continuous focus for SKAKO.
2. In 2021, SKAKO is status quo, compared to 2020. Target has not been achieved, but will be part of the evaluation criteria for future recruitments to management
3. In 2021, the Board of Directors remained unchanged, with one female board member. Changes in the Board of Directors is currently not expected.

Results & goals

	Goal for 2022	Result 2021	Result 2020	Result 2019	Result 2018
1	20% women	17% women	17% women	14% women	17% women
2	20% women	17% women	17% women	13% women	13% women
3	20% women	20% women	20% women	0% women	0% women

Risks

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

Diversity, cf. Section 107d of the Danish Financial Statements Act

Policy

At SKAKO A/S we believe that a diverse and tolerant organization 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. Therefore, no discrimination based on gender, religion, ethnicity, sexual orientation, etc. is tolerated in SKAKO. When recruiting members to the SKAKO management team, we are convinced that diversity will add value to the company.

To make sure all employees and management in SKAKO comply with SKAKOs policies of tolerance and inclusion, we have established an Employee "Code of Conduct" e-learning that describes the way SKAKO expects all its employees to act in accordance with our policies, and laws and regulations.

Actions

1. 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. Every year all SKAKO employees must carry through the Employee "Code of Conduct" e-learning. The e-learning provides the management with insight on how to secure diversity in the organization and on management level.
2. Enhance the awareness in the SKAKO management team on the benefits of diversity. This could be in a workshop with this specific purpose

KPIs

1. All employees to pass SKAKO's Employee "Code of Conduct" e-learning.

Results for 2021 compared to goals for 2021

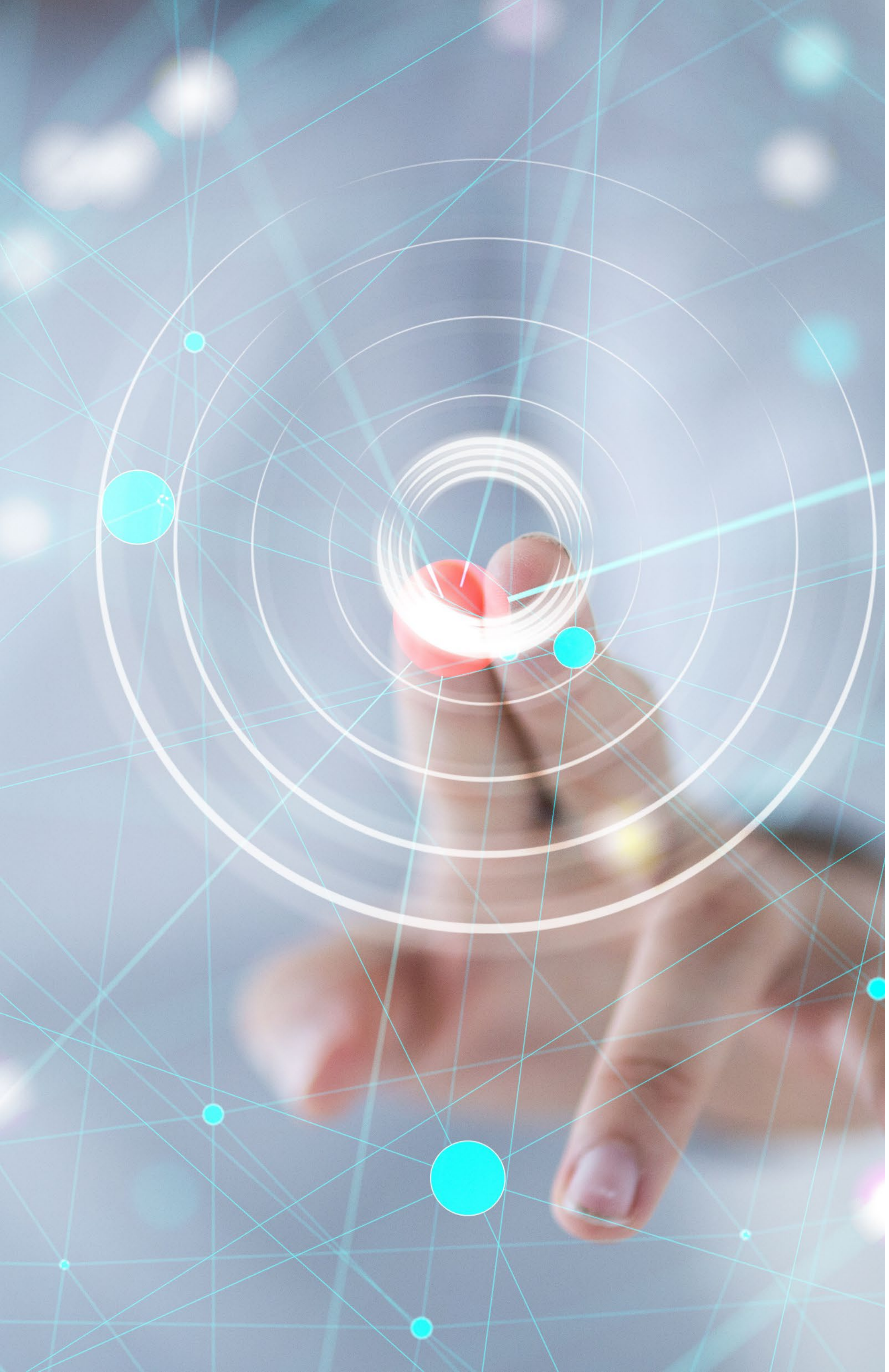
1. 95% of SKAKO employees have passed the SKAKO Employee Code of Conduct e-learning. The main reason for the result not being 100% is new hires late in 2021 who did not complete the Code of Conduct yet.

Results & goals

	Goal for 2022	Result 2021	Result 2020	Result 2019	Result 2018
1	100%	95%	90%	81%	N/A

Risks

1. Employee "Code of Conduct" e-learning is not prioritized.



Data ethics cf. Section 99d of the Danish Financial Statements Act

Policy

At SKAKO A/S we are acting with responsibility, when it comes to data ethics. This applies to all data, such as business intelligence data, employee information and supplier/ customer information. We have defined eight basic principles of working with data:

Welfare:	Data on society, democracy and social relations are treated with respect.
Dignity:	Treatment of data may not be used to harm an individual.
Privacy:	Any data treatment shall respect privacy and personal data shall be protected. It should always be considered what data are necessary and what are the sources of the data.
Own rights:	The individual should always have the right to obtain information on what data are stored and know for what purpose the data are intended.
Equality: ethnicity, disability	Treatment of data may not discriminate with regards to sexuality, sex, political opinions, religion, generical data, or other health related information.
Justice:	Treatment of data is performed with responsibility to local legislation.
Data security:	Treatment of data shall be sufficiently safe, robust and reliable. Data shall be stored and shared in way that unintended availability for unauthorized use is impossible.
Responsibility	SKAKO is responsible for data collected, stored and distributed by SKAKO.

Actions

1. Continuously communicate the basic principles of data ethics to SKAKO staff.
2. Implement annual review of data stored in CRM system.
3. Secure that all customers and suppliers are confirming their consent with data stored in CRM.

4.3 RISK MANAGEMENT

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 control 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

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 program administered by recognized and credit-rated insurance brokers and that such insurances are taken out with insurance companies with high credit ratings. The Group's insurance program 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

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, as well as geopolitical risks such as the current Ukraine crisis.

Cyber security

SKAKO maintains and enforces an IT safety policy to reduce risks from cyber crime. 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.

Project execution

The Company continuously executes projects across the world, and in some cases faces challenges in the execution. The Management continuously monitors project execution to identify possible risks as early as possible. Furthermore, projects are actively distributed among project managers to ensure that the most experienced managers execute the most complex projects.

4.4 CORPORATE GOVERNANCE AND REMUNERATION REPORT

Recommendations on corporate governance

As a listed company on 31 December 2021, SKAKO observes the ´Recommendations on Corporate Governance´ (issued in November 2017 and updated in December 2020) implemented by Nasdaq Copenhagen in its ´Rules for issuers of shares´. The ´Recommendations on Corporate Governance´ contain 40 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 37 of the 40 recommendations, and partially complies with one, 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 under Investor Relations.

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. SKAKO has not yet disclosed a tax policy. This will be uploaded to our website as soon as the Board of Directors has released it.

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 2021, the committee reviewed the main accounting principles, tax strategy and compliance and key risks, etc.

In 2021, the Audit Committee held five meetings.

Remuneration

The Company has formulated remuneration policies for the Board of Directors and Executive Management. The policies were approved on the general assembly 28 April 2021.

The policies is available on our website under Investor Relations.

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

The report is available on our website under Investor relations.

4.5 EXECUTIVE MANAGEMENT

Name	Steffen Kremmer	Lionel Girieud	Ulrik Damgaard
Born in	1962	1971	1965
Title	Director	Director	Group CFO
Member of the management since	2019	2016	2021
Number of shares in SKAKO	1,236	5,166	0
Board positions	–	–	–

4.6 BOARD OF DIRECTORS

		
Name	Jens Wittrup Willumsen	Lars Tveen
Title	Chairman of the Board of Directors and member of the audit committee Considered as a non-independent Board member	Deputy Chairman Considered as an independent Board member
Born in	1960	1963
Board member since	2010	2017
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.	6,104
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, TMC Nordic **Deputy Chairman:** Billund Lufthavn A/S **Board member:** FDM Travel A/S, Charlotte Sparre A/S, Ejendomsselskabet Experimentarium A/S, Museum Kolding, SEC Datacom Group A/S, Cogo ApS **Others positions:** Colonial ApS, Director own holding company Colonial 2 ApS, Director own holding company Frederik2 ApS, Director own investment company	**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	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.	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 and member of the Danfoss Group Executive Team.
Participation in board meetings	Jens Wittrup Willumsen participated in all board and audit committee meetings in 2021.	Lars Tveen participated in all board meetings in 2021.

			
Name	Carsten Krogsgaard Thomsen	Christian Herskind Jørgensen	Sophie Louise Knauer
Title	Chairman of the Audit Committee Considered as an independent Board member	Considered as a non-independent Board member	Considered as an independent Board member
Born in	1957	1961	1983
Board member since	2017	2009	2020
SKAKO shares	19,255	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 109,000 shares in SKAKO.	–
Managerial positions in other companies	**Board member:** NTG Nordic Transport Group A/S	**Chairman of the Board:** Fonden Amager Bakke, LABFLEX A/S, Taulov DryPort A/S, Skive Holding ApS **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, BNS A/S **Others positions:** Herskind Venture Capital ApS, Director own holding company, Ejendomsselskabet Helsingør/Århus, Director Frederik2 ApS, Director own holding company	**Board member:** Solar A/S, Rekom Group A/S, CC Globe Holding I ApS, CC Globe Holding II ApS, CC Fly Holding I ApS, CC Fly Holding II ApS, CC Mist NEW Holding ApS, CC Mist NEW Holding II ApS **Other positions:** Lady invest ApS managing director and owner.
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. From 2014 to 2020 Carsten Krogsgaard Thomsen was CFO in NNIT and previously also held positions as EVP and CFO 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.	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.	Sophie Louise Knauer is educated HA JUR and Cand. Merc. in economy and strategic management from Copenhagen Business School. Her career includes top management in TDC, CEO for People Group A/S and senior consultant at McKinsey & Company. Sophie Louise Knauer has built strong competences within strategic management and digital transformation.
Participation in board meetings	Carsten Krogsgaard Thomsen participated in all board and audit committee meetings in 2021.	Christian Herskind Jørgensen participated in all board meetings in 2021.	Sophie Louise Knauer participated in all board meetings in 2021.

We use our know-how to define the industry and develop visionary, sustainable and technology-based solutions.

4.7 SHAREHOLDER INFORMATION

As of 31 December 2021, 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 authorized by the annual general assembly to initiate a share buy-back program for up to 10% of the share capital. The authorization is valid until 31 March 2022.

SKAKO A/S is listed at NASDAQ OMX Copenhagen A/S under identification code DK0010231877. The share price as of 31 December 2021 was 55.2 corresponding to a market capitalization of DKK 171.5m.

By the end of 2021 the company had 1746 registered shareholders compared with 1663 registered shareholders by the end of 2020. The registered shareholders own a total of 94.5% of the share capital compared to 94.5% by the end of 2020.

Specification of movements in share capital

DKK Thousands	2021	2020	2019	2018	2017
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 share

Frederik2 ApS, Copenhagen	25.75%
Danica Pension, Copenhagen	10.71%
Maj Invest Holding A/S, Copenhagen	9.98%

Dividend

Based on the results in 2021 and capital structure of SKAKO A/S on 31 December 2021, the Board of Directors recommends a dividend distribution of DKK 4 per share, corresponding to 93.5% (adjusted for earn-out relating to Dartek, the dividend amounts to 81%) of profit for the year and a total dividend distribution of DKK 12.3m. With a share price of DKK 55.2 on 31 December 2021 this corresponds to a dividend yield of 7.2%.

Ex dividend date: 20 April 2022
Record date: 25 April 2022
Payment date: 26 April 2022

Financial calendar 2022

17 March	Annual report for 2021
19 April	Ordinary general meeting 2022
25 May	Interim report for the period 1 January - 31 March 2022
25 August	Interim report for first half-year 2022
10 November	Interim report for the period 1 January - 30 September 2022

Presentation of the annual report

Together with HC Andersen Capital, SKAKO A/S will do an online presentation of the annual report for 2021 on Wednesday 23 March 2022 at 11.00 – 12.00 pm.
Registration for event:
https://hcandersencapital643.clickmeeting.com/skako-praesentation-af-arsregnskabet-2021/register

Annual general meeting 2022

The annual general meeting will be held on Thursday 19 April 2022 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

5. FINANCIAL STATEMENTS

5.1 STATEMENT BY MANAGEMENT

Today, we have discussed and approved the Annual Report 2021 of SKAKO A/S for the financial year 1 January – 31 December 2021.

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 2021 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 2021.

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.

In our opinion, the annual report of SKAKO A/S for the financial year 1 January to 31 December 2021 with the file name 529900WNR3U8C847AW24-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend the Annual Report for 2021 be approved at the Annual General Meeting.

Faaborg, 17 March 2022

Executive Board

Steffen Kremmer
Director

Lionel Girieud
Director

Jens Ulrik Damgaard
Group CFO

Board of Directors

Jens Wittrup Willumsen
Chairman

Lars Tveen
Deputy Chairman

Carsten Krogsgaard Thomsen

Christian Herskind Jørgensen

Sophie Louise Knauer

5.2 INDEPENDENT AUDITOR'S REPORTS

To the shareholders of SKAKO A/S

Report on the audit of the Financial Statements

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 2021 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 2021 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 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and 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 10 years including the financial year 2021.

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 2021. 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 Revenue from customer contracts is recognised over time. The proportion of revenue to be recognised in a particular period is calculated according to the percentage of completion of the project. 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. Contract assets amounted to DKK 53 million (2020: DKK 66 million) net and contract liabilities DKK 20 million (2020: DKK 6 million). Recognition of the Group's revenue involves a high degree of subjectivity in determining significant assumptions for the total estimated costs for the contracts. We focused on this area, as recognition of revenue involves judgements made by Management originating from percentage of completion and estimated cost to completion. Reference is made to note 1 and 15.	We considered the appropriateness of the Group's accounting policies for revenue recognition and assessed compliance with applicable accounting standards. We performed risk assessment procedures with the purpose of achieving an understanding of it-systems, procedures and relevant controls relating to revenue recognition from construction contracts. In respect of controls, we assessed whether these were designed and implemented effectively to address the risk of material misstatement. We performed substantive procedures over input data from 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 the valuation of construction contracts and recognised revenue. We compared the estimated contribution margins to actual contribution margins for finished projects and to prior year's estimates. We performed a retrospective analysis of Management's ability to assess the cost to completion and expected contribution margin in prior years. 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 2021, the Group has recognised deferred tax assets of DKK 21 million (2020: DKK 21 million). Management is required to exercise considerable judgement when determining the appropriate amount to capitalise in respect of deferred tax. We focused on this area as the amounts involved are significant and the valuation of tax assets is dependent on highly subjective assumptions on budgeted taxable income for the coming years. Reference is made to note 13.	We evaluated Management's method for estimating the deferred tax assets. In understanding and evaluating Management's method and assumptions we performed a retrospective analysis of Management's ability to budget the taxable income in prior years. Further, we examined the Group's budgets and projections for the coming years including significant assumptions. We evaluated and challenged the adequacy of the significant assumptions determined by Management in developing the accounting estimate.

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 gives a true and fair view.

- 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, actions taken to eliminate threats or safeguards applied. 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of SKAKO A/S for the financial year 1 January to 31 December 2021 with the filename 529900WNR3U8C847AW24-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of SKAKO A/S for the financial year 1 January to 31 December 2021 with the file name 529900WNR3U8C847AW24-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Odense, 17 March 2022

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231

Gert Fisker Tomczyk	**Mikael Johansen**
State Authorized Public Accountant	State Authorized Public Accountant
mne9777	mne23318

5.3 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

DKK Thousands		2021	2020
Notes			
1	Revenue from contracts with customers	363,706	335,920
3,4	Production costs	(271,298)	(258,055)
	Gross profit	**92,408**	**77,865**
4	Distribution costs	(40,745)	(35,039)
4,5,6	Administrative expenses	(31,340)	(27,655)
	Operating profit (EBIT)	**20,323**	**15,171**
7	Financial income	721	461
7	Financial expenses	(5,627)	(3,545)
	Profit before tax	**15,417**	**12,087**
8	Tax on profit for the year	(2,228)	(1,228)
	Profit for the year	**13,189**	**10,859**
	Profit for the year attributable to SKAKO A/S shareholders	**13,189**	**10,859**
9	Earnings per share (EPS), DKK	4.28	3.52
9	Diluted earnings per share (EPS), DKK	4.28	3.52

Consolidated statement of comprehensive income

DKK Thousands		2021	2020
Notes			
	Profit for the year	**13,189**	**10,859**
	Other comprehensive income:		
	Items that have been or may subsequently be reclassified to the income statement:		
	Foreign currency translation, subsidiaries	773	(1,453)
	Value adjustments of hedging instruments	(233)	146
	Other comprehensive income	**540**	**(1,307)**
	Comprehensive income	**13,729**	**9,552**
	Comprehensive income attributable to SKAKO A/S shareholders	**13,729**	**9,552**

Consolidated balance sheet 31 December

Notes	DKK Thousands	2021	2020
	Intangible assets	39,068	38,961
	Intangible assets under development	3,113	2,226
10	**Intangible assets**	**42,181**	**41,187**
12	Leased assets	8,035	9,874
11	Land and buildings	5,832	5,988
11	Plant and machinery	1,053	807
11	Operating equipment, fixtures and fittings	3,059	2,909
11	Leasehold improvements	1,630	528
11	Tangible assets under construction	97	454
	Tangible assets	**19,706**	**20,560**
	Other receivables	1,272	1,521
13	Deferred tax assets	21,057	20,997
	Other non-current assets	**22,329**	**22,518**
	Total non-current assets	**84,216**	**84,265**
14	Inventories	64,080	53,077
19	Trade receivables	87,429	73,439
15, 19	Contract assets	53,037	66,376
	Income tax	-	610
	Other receivables	8,340	7,792
	Prepaid expenses	2,843	3,079
	Cash	39,075	33,420
	Current assets	**254,804**	**237,793**
	Assets	**339,020**	**322,058**

Consolidated balance sheet 31 December CONTINUED

DKK Thousands		2021	2020
Notes	Share capital	31,064	31,064
	Foreign currency translation reserve	(451)	(1,224)
	Hedging reserve	(49)	184
	Retained earnings	89,338	87,976
	Proposed dividends	12,335	9,252
	Equity	**132,237**	**127,252**
	Other liabilities	7,995	6,270
17	Provisions	3,729	3,303
16	Loans and borrowings	11,787	22,326
12	Leasing	5,611	6,556
	Non-current liabilities	**29,122**	**38,455**
17	Provisions	3,440	1,997
16	Loans and borrowings	9,849	10,118
16	Bank loans and credit facilities	35,970	31,261
12	Leasing	2,845	3,346
15	Contracts liabilities	19,762	6,051
	Trade payables	79,081	75,546
	Income tax	316	450
	Other liabilities	26,398	27,582
	Current liabilities	**177,661**	**156,351**
	Liabilities	**206,783**	**194,806**
	EQUITY AND LIABILITIES	**339,020**	**322,058**

Consolidated cash flow statement

DKK Thousands		2021	2020
Notes			
	Profit before tax	15,417	12,087
18	Adjustments	14,702	9,112
	Changes in receivables, etc.	(102)	(1,531)
	Change in inventories	(11,003)	6,727
	Change in trade payables and other liabilities, etc.	17,785	(17,933)
	Cash flow from operating activities before financial items and tax	**36,799**	**8,462**
	Financial items received and paid	(4,906)	(3,084)
	Taxes paid and received	(1,617)	(572)
	Cash flow from operating activities	**30,276**	**4,806**
10	Investment in intangible assets	(3,962)	(2,729)
11	Investment in tangible assets	(3,504)	(5,860)
20	Acquisition of entities	-	(4,507)
	Cash flow from investing activities	**(7,466)**	**(13,096)**
	New borrowings	1,471	19,282
	Repayments	(13,725)	(8,382)
	Paid dividends	(9,252)	(6,168)
	Change in short-term bank facilities	4,708	10,884
18	**Cash flow from financing activities**	**(16,798)**	**15,616**
	Change in cash and cash equivalents	6,012	7,326
	Cash and cash equivalents 1 January	33,420	26,560
	Foreign exchange adjustment, cash and cash equivalents	(357)	(466)
	Cash and cash equivalents 31 December	**39,075**	**33,420**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	39,075	33,420
	Cash and cash equivalents at the end of the year:	**39,075**	**33,420**

Consolidated statement of changes in equity

DKK Thousands

	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Proposed dividends	Equity
Equity 1 January 2021	31,064	(1,224)	184	87,976	9,252	127,252
Paid dividends					(9,252)	(9,252)
Comprehensive income in 2021:						
Profit for the year				854	12,335	13,189
Other comprehensive income:						
Foreign currency translation adjustments, subsidiaries		773				773
Value adjustments of hedging instruments			(233)			(233)
Other comprehensive income	-	773	(233)	-	-	540
Comprehensive income, year	**-**	**773**	**(233)**	**854**	**12,335**	**13,729**
Share-based payment, warrants				508	-	508
Equity 31 December 2021	**31,064**	**(451)**	**(49)**	**89,338**	**12,335**	**132,237**

Consolidated statement of changes in equity

DKK Thousands

	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Proposed dividends	Equity
Equity 1 January 2020	31,064	229	38	93,086	-	124,417
Distributed interim dividends				(6,168)		(6,168)
Comprehensive income in 2020:						
Profit for the year				1,607	9,252	10,859
Other comprehensive income:						
Foreign currency translation adjustments, subsidiaries		(1,453)				(1,453)
Value adjustments of hedging instruments			146			146
Other comprehensive income	-	(1,453)	146	-	-	(1,307)
Comprehensive income, year	**-**	**(1,453)**	**146**	**1,607**	**9,252**	**9,552**
Share-based payment, warrants				(549)	-	(549)
Equity 31 December 2020	**31,064**	**(1,224)**	**184**	**87,976**	**9,252**	**127,252**

5.4 CONSOLIDATED NOTES

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 aftersales 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 aftersales 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.

Terms of payment are depending on conditions in the specific market. Plant sales orders are in general agreed with pre-payment and payment milestones.

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.

1. Revenue from contracts with customers CONTINUED

Accounting policy CONTINUED

Aftersales, spare parts and products

Both divisions in SKAKO sell a range of spare parts and products as aftersales to the plant 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 fulfilled.

Aftersales services

In both divisions, revenue from the service contracts is recognized in the period in which the services are provided based on amounts billable to a customer. Revenue is recognized based on usage of units, and price lists according to the contract.

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 plant sales 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.

1. Revenue from contracts with customers CONTINUED

Segregation of revenue

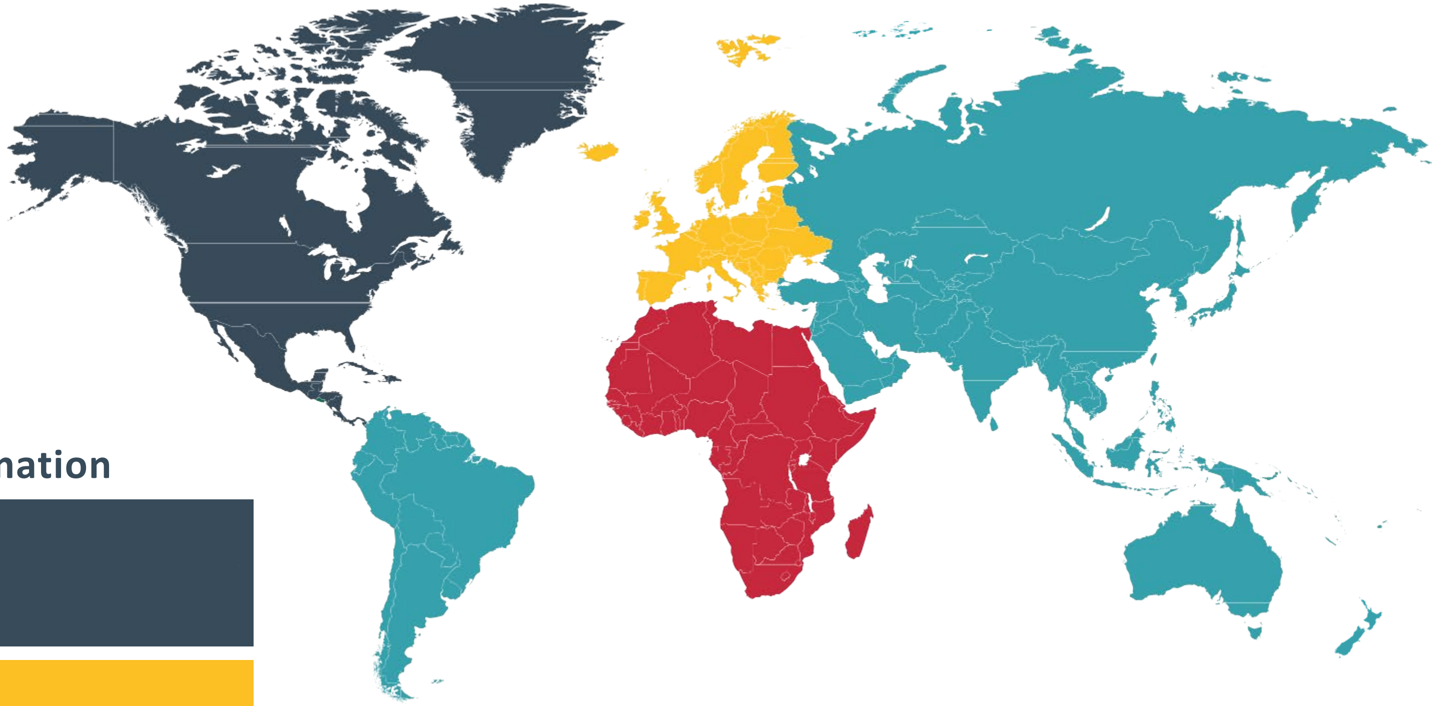
Revenue, DKK Thousands	Concrete		Vibration		Group*	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Plant	**70,145**	**90,002**	**146,951**	**120,751**	**212,587**	**209,564**
- Over time	70,145	90,002	138,182	114,333	203,819	203,146
- A point in time	-	-	8,769	6,418	8,769	6,418
Aftersales	**94,828**	**82,413**	**56,290**	**46,834**	**151,118**	**126,356**
- Over time	-	-	-	-	-	-
- A point in time	94,828	82,413	56,290	46,834	151,118	126,356
Total revenue	**164,973**	**172,415**	**203,242**	**167,585**	**363,706**	**335,920**

*After eliminations

Segregation of revenue in segments

Revenue, DKK Thousands	2021	2020
Revenue recognized that was included in the contract liability balance at the beginning of the period:		
- Plant sales	6,051	16,517
- Aftersales	-	-
Total revenue recognized from contract liabilities	**6,051**	**16,517**

1. Revenue from contracts with customers CONTINUED



Geographical revenue information

North America

Revenue: DKK 32,006k (2020: DKK 59,795k)

Europe

Revenue: DKK 282,965k (2020: DKK 248,163k)
Hereof revenue in Denmark: DKK 30,322k (2020: DKK 28,287)
Hereof revenue in France: DKK 60,050k (2020: DKK 49,138k)
Hereof revenue in the UK: DKK 26,237k (2020: DKK 29,278k)
Hereof revenue in Germany: DKK 34,757k (2020: DKK 21,114k)
Hereof revenue in Spain: DKK 40,922k (2020: DKK 28,988k)

Africa

Revenue: DKK 23,878k (2020: DKK 10,628k)
Hereof revenue in Morocco: DKK 603k (2020: DKK 1,029k)

Rest of the world

Revenue: DKK 24,920k (2020: DKK 17,333k)

Geographical non-current assets information

North America

DKK 684k (2020: DKK 802k)

Europe

DKK 83,531k (2020: DKK 82,690k)
Hereof in Denmark: DKK 68,747k (2020: DKK 69,620k)
Hereof in France: DKK 11,579k (2019: DKK 7,655k)
Hereof in Spain: DKK 2,745k (2019: DKK 5,366k)
Hereof in Other: DKK 460k (2020: DKK 48k)

2. Segment information

2021

DKK Thousands

2021	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
Concrete	164,959	-	-	-	164,959
Minerals	-	87,253	-	-	87,253
Hardware	-	31,989	-	-	31,989
Recycling	-	61,767	-	-	61,767
Other	-	17,738	-	-	17,738
Internal	14	4,494	-	(4,508)	-
Total revenue	**164,973**	**203,241**	**-**	**(4,508)**	**363,706**
Depreciations	(3,401)	(4,020)	-	-	(7,421)
Operating profit (EBIT)	**6,079**	**17,321**	**(3,077)**	**-**	**20,323**
Order backlog, beginning	34,496	58,593	-	(1,212)	91,877
Order intake	199,130	198,863	-	(3,782)	394,211
Order backlog, ending	**68,653**	**54,215**	**-**	**(486)**	**122,382**
Segment non-current assets	34,426	42,850	6,940	-	84,216
Segment assets	142,539	199,590	8,492	(11,601)	339,020
Segment liabilities	80,772	133,248	4,364	(11,601)	206,783
Investments in intangible and tangible asset	2,669	6,319	-	(1,522)	7,466
Average number of employees	82	117	-	-	199

2. Segment information

2020

DKK Thousands

2020	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
Concrete	172,388	-	-	-	172,3880
Minerals	-	50,695	-	-	50,695
Hardware	-	45,006	-	-	45,006
Recycling	-	49,060	-	-	49,060
Other	-	14,718	-	-	14,718
Internal	27	4,053	-	(4,080)	-
Total revenue	**172,415**	**167,585**	**-**	**(4,080)**	**335,920**
Depreciations	(2,678)	(3,508)	-	-	(6,186)
Operating profit (EBIT)	**7,672**	**11,798**	**(2,250)**	**-**	**17,220**
Order backlog, beginning	64,571	60,014	-	(931)	123,654
Order intake	142,340	166,164	-	(4,361)	304,143
Order backlog, ending	**34,496**	**58,593**	**-**	**(1,212)**	**91,877**
Segment non-current assets	36,746	42,418	5,101	-	84,265
Segment assets	133,968	193,936	5,155	(9,052)	324,107
Segment liabilities	67,933	128,492	7,433	(9,052)	194,806
Investments in intangible and tangible asset	10,306	2,790	-	-	13,096
Average number of employees	84	111	-	-	195

3. 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 recognized 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 recognized 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	2021	2020
Cost of goods sold during the year	169,446	163,441
Write-down of inventories for the year, net	(391)	587
Research and development costs	1,143	115
Production staff costs and other costs	101,100	93,913
Total production costs	**271,298**	**258,056**

4. Staff costs

Accounting policy

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

DKK Thousands	2021	2020
Wages, salaries and other remuneration	108,590	97,206
Contribution plans and other social security costs, etc.	14,488	13,938
Share-based payment, warrants	508	(549)
Other staff costs	2,276	1,795
	125,862	112,390
The amounts are included in the items:		
Production costs	74,466	76,011
Distribution costs	34,148	23,288
Administrative costs	17,248	13,091
	125,862	112,390

The average number of employees was 199 (2020: 195).

Staff costs 2020 include government compensation of DKK 3.8m which have been offset in salary costs, in both cost of goods sold (DKK 2.9m) and capacity cost (DKK 0.9m).

Staff cost 2021 include the final regulation of the government compensation, both cost of goods sold (DKK - 0.1) and capacity cost of (DKK - 0.3m)

4. Staff costs CONTINUED

Remuneration to Executive Management and Board of Directors

DKK Thousands	2021	2020
Board of Directors and Audit Committee	**1,250**	**1,100**
Executive Management		
Wages, salaries and other remuneration	5,538	4,698
Contribution plans and other social security costs, etc.	365	530
Share-based payment, warrants	329	(637)
	6,232	**4,591**
Total remuneration for Executive Management and Board of Directors	**7,482**	**5,691**

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

The Executive Management contracts are based on normal conditions.

The CFO position was not included in Executive Management in 2020

5. Share-based payment, warrants

Accounting policy

Plans classified as equity-settled warrants are measured at fair value at grant date and are recognized 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 Monte Carlo model. The calculation takes into account the terms and conditions under which the share warrants are allocated.

In 2016, 2017 and 2021, respectively, the Executive Management and other key employees in the Group have been granted warrants to purchase a total of 350,000 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 and 2017 have fully vested on 31 December 2021.

5. Share-based payment, warrants CONTINUED

	2021 warrants			2017 warrants			2016 warrants			Total warrants
	Granted	Strike price (all)	Execise period starts	Granted	Strike price (all)	Execise period starts	Granted	Strike price (all)	Execise period starts	Total
Warrants granted	150,000	55,60	April 2024	100,000	90,39	March 2020	100,000	72,35	July 2019	
Executive management			110,000			60,000			60,000	230,000
- hereof forfeited			-30,000			-40,000			-40,000	-110,000
Total Executive Management			80,000			20,000			20,000	120,000
Other employees			40,000			40,000			40,000	120,000
- hereof forfeited			0,000			-5,000			-5,000	-10,000
Total other employees			40,000			35,000			35,000	110,000
Number of warrant entitlements			**120,000**			**55,000**			**55,000**	**230,000**

The recognized fair value of warrants in the consolidated income statement amounts to DKK 506k (cost) (2020: -549k, income).

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

	Granted 22 March 2021	Granted 30 March 2017	Granted 18 July 2016
Average price per share	55,6	78,0	62,5
Annual hurdle rate	0%	5%	5%
Strike price per share	55,6	90,39	72,35
Expected volatility*	33,5%	43,96%	42,61%
Expected dividends**	4,1%	0	0
Cost of equity	7,00%		
Risk-free interest rate		-0,56%	-0,53%
Number of shares allocated	150,000	100,000	100,000
Fair value per warrant, DKK	16,90	18,84	14,52
Total fair value, DKK thousands	2,535	1,884	1,452

* The expected volatility is based on the historical volatility of SKAKO shares in the preceding 36 months for the 2016 and 2017 programme. For the 2021 programme, the preceding 48 months have been used

** The expected future dividend at the time of granting

6. 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	2021	2020
PwC		
Statutory audit	687	932
Other assurance engagements	0	35
Tax and indirect taxes consultancy	13	5
Other services	107	257
	806	**1,229**
Other audit firms		
Statutory audit	199	221
Other assurance engagements	0	0
Tax and indirect taxes consultancy	139	121
Other services	40	70
	379	**412**

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

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0.1m (2020: DKK 0.3m) and consists of tax, VAT and accounting advisory.

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 realized and unrealized 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	2021	2020
Interest on cash and bank deposits	210	312
Financial income from financial assets not measured at fair value in the income statement	**210**	**312**
Foreign exchange gains, net	511	149
Financial income	**721**	**461**
Interest on bank debt	(1,205)	(884)
Interest on lease debt	(161)	(252)
Financial expenses on financial liabilities not measured at fair value in the income statement	**(1,366)**	**(1,136)**
Foreign exchange losses, net	(239)	(1,014)
Other financial expenses	(4,022)	(1,395)
Financial expenses	**(5,627)**	**(3,545)**
Net financial items	**(4,906)**	**(3,084)**

8. Tax on profit for the year

Accounting policy

Tax for the year comprises current tax and changes in deferred tax and is recognized 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 recognized 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	2021	2020
Current tax on the profit for the year	(1,698)	(454)
Adjustment of current tax, prior years	(147)	-
Change in deferred tax	(1,370)	(773)
Adjustment of deferred tax, prior years	987	-
Impact on changes in corporate tax rates	-	-
Tax for the period, net income	(2,228)	(1,228)
Tax using the Danish corporate tax rates	(3,857)	(3,110)
Effect of tax rates in foreign jurisdictions	(79)	(107)
Impact in changes in corporate tax rates	-	-
Tax assets not capitalized	-	-
Tax assets not previously capitalized	2,234	3,513
Permanent and temporary differences and other items	(526)	(1,524)
	(2,228)	(1,228)

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	2021	2020
Earnings		
Profit for the year	13,189	10,859
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)	4.28	3.52
Earnings per share, diluted	4.28	3.52

As of 31 December 2021, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are of the same class and carry one vote each.

Treasury shares represent 0.73% of number of shares issued.

*) A not significant accounting mistake in 2020 could disturb year-on-year comparisons and therefore comparative figures for 2020 have been restated, as described in note 25

10. Intangible assets

Accounting policy

On initial recognition, goodwill is recognized 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 amortization and impairment losses. Goodwill is not amortized 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 utilization, 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 recognized 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 recognized in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Amortization 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 amortization 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 amortization is reduced by impairment, if any.

Amortization 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
- Other intangible assets, 3-5 years

10. Intangible assets CONTINUED

Significant estimate 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.

DKK Thousands

	Goodwill	Other intangible assets	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2021	25,440	4,426	2,226	808	27,331	60,231
Foreign exchange adjustments	-	-	-	10	(3)	7
Investments	-	-	2,441	150	882	3,473
Disposals	-	-	-	-	(603)	(603)
Transferred between categories	-	-	(1,554)	490	1,064	-
Cost at 31 December 2021	**25,440**	**4,426**	**3,113**	**1,458**	**28,671**	**63,108**
Amortisation and impairment 1 January 2021	-	674	-	178	18,192	19,044
Foreign exchange adjustment	-	-	-	-	(61)	(61)
Disposals	-	-	-	-	(603)	(603)
Amortisation	-	1,097	-	115	1,335	2,547
Amortisation and impairment 31 December 2021	**-**	**1,771**	**-**	**293**	**18,863**	**20,927**
Carrying amount 31 December 2021	**25,440**	**2,655**	**3,113**	**1,165**	**9,808**	**42,181**

10. Intangible assets CONTINUED

DKK Thousands

	Goodwill	Other intangible assets	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2020	29,399	2,840	4,828	567	23,740	61,374
Foreign exchange adjustments	-	-	(7)	-	(11)	(18)
Investments	3,145	1,586	698	140	1,892	7,461
Revaluation according to IFRS 3 (see below)	(7,104)	-	-		-	(7,104)
Disposals	-	-	-	(39)	(1,443)	(1,482)
Transferred between categories	-	-	(3,293)	140	3,153	-
Cost at 31 December 2020	**25,440**	**4,426**	**2,226**	**808**	**27,331**	**60,231**
Amortisation and impairment at 1 January 2020	-	-	-	138	18,673	18,811
Foreign exchange adjustment	-	-	-	-	(15)	(15)
Disposals	-	-	-	(39)	(1,443)	(1,482)
Amortisation	-	674	-	79	977	1,730
Amortisation and impairment at 31 December 2020	**-**	**674**	**-**	**178**	**18,192**	**19,044**
Carrying amount at 31 December 2020	**25,440**	**3,752**	**2,226**	**630**	**9,139**	**41,187**

10. Intangible assets CONTINUED

DKK Thousands	2021	2020
Depreciation is included in the items:		
Production costs	1,782	1,211
Distribution costs	636	432
Administrative costs	129	87
	2,547	**1,730**

Impairment test of goodwill:

The carrying amount of goodwill related to Dartek, DKK 22,294k, and Conparts ApS, DKK 3,145k.

Dartek

Goodwill for Dartek have been tested for impairment on 31 December 2021 based on value in use. Net cash flows for the years 2022-2026 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations in accordance with SKAKO's business plans. The discount rate used amounts to 8.0% before tax and estimates for future revenue growth (2020: 8.0% before tax). The uncertainties associated with these expectations are reflected in the cash flow. The valuation method is based on annual revenue growth of 2% in 2022 to 2026 as well as in the terminal period. The test did not result in any impairment of the carrying amounts related to the cash generating units Dartek.

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption, which will result in impairment of goodwill, are considered unlikely to become a reality.

Conparts

Goodwill for Conparts have been tested for impairment on 31 December 2021 based on value in use. Net cash flows for the years 2022-2026 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations in accordance with SKAKO's business plans. The discount rate used amounts to 8.0% before tax and estimates for future revenue growth (2020: 8.0% before tax). The uncertainties associated with these expectations are reflected in the cash flow. The valuation method is based on annual revenue growth of 2% in 2022 to 2026 as well as in the terminal period. The test did not result in any impairment of the carrying amounts related to the cash generating units Conparts.

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption, which will result in impairment of goodwill, are considered unlikely to become a reality.

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 & buildings	Plant & machinery	Operating equipment, fixtures and fittings	Leasehold improvements	Tangible assets in course of construction	Total
Cost 1 January 2021	8,023	12,151	15,945	4,766	454	41,339
Foreign exchange adjustments	(2)	72	(43)	2	-	29
Investments	126	439	1,231	1,162	37	2,995
Disposals	-	(104)	(3)	-	(394)	(501)
Cost at 31 December 2021	**8,147**	**12,558**	**17,130**	**5,930**	**97**	**43,862**
Depreciation and impairment 1 January 2021	2,035	11,344	13,036	4,238	-	30,653
Foreign exchange adjustments	-	65	391	2	-	458
Disposals	-	(104)	-	-	-	(104)
Depreciation	280	200	644	60	-	1,184
Depreciation and impairment 31 December 2021	**2,315**	**11,505**	**14,071**	**4,300**	**-**	**32,191**
Carrying amount 31 December 2021	**5,832**	**1,053**	**3,059**	**1,630**	**97**	**11,671**

11. Tangible assets CONTINUED

DKK Thousands

	Land & buildings	Plant & machinery	Operating equipment, fixtures and fittings	Leasehold improvements	Tangible assets in course of construction	Total
Cost 1 January 2020	16,228	13,423	18,670	4,470	60	52,851
Foreign exchange adjustments	(81)	7	(47)	(2)	-	(123)
Investments	632	402	402	298	394	2,128
Disposals	(8,756)	(1,681)	(3,080)	-	-	(13,517)
Cost 31 December 2020	**8,023**	**12,151**	**15,945**	**4,766**	**454**	**41,339**
Depreciation and impairment 1 January 2020	10,584	12,913	15,228	4,202	-	42,927
Foreign exchange adjustments	(43)	(28)	(53)	(3)	-	(127)
Disposals	(8,756)	(1,681)	(3,080)	-	-	(13,517)
Amortization	250	140	941	39	-	1,370
Depreciation and impairment 31 December 2020	**2,035**	**11,344**	**13,036**	**4,238**	**-**	**30,653**
Carrying amount 31 December 2020	**5,988**	**807**	**2,909**	**528**	**454**	**10,686**

DKK Thousands	**2021**	**2020**
Depreciation is included in the items:		
Production costs	829	959
Distribution costs	296	343
Administrative costs	59	68
	1,184	**1,370**

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

DKK Thousands

Lease assets	Rental of promises	Equipment	Company cars	Total
Costs 1 January 2021	8,418	809	6,291	15,518
Additions	-	-	3,172	3,172
Disposals	-	-	(1,545)	(1,545)
Exchange rate adjustment	(5)	-	(4)	(9)
Costs 31 December 2021	**8,413**	**809**	**7,914**	**17,136**
Depreciation and impairment loss 1 January 2021	1,673	105	3,866	5,644
Depreciation	1,584	59	2,048	3,691
Depreciation reversed on disposals	-	-	(233)	(233)
Exchange rate adjustment	-	-	(1)	(1)
Depreciation and impairment loss 31 December 2021	**3,257**	**164**	**5,680**	**9,101**
Carrying amount 31 December 2021	**5,156**	**645**	**2,234**	**8,035**

DKK Thousands

Lease assets	Rental of promises	Equipment	Company cars	Total
Costs 1 January 2020	6,998	766	5,812	13,576
Additions	2,217	43	1,472	3,732
Transferred between categories	245	-	(245)	-
Disposals	(1,034)	-	(739)	(1,773)
Exchange rate adjustment	(8)	-	(9)	(17)
Costs 31 December 2020	**8,418**	**809**	**6,291**	**15,518**
Depreciation and impairment loss 1 January 2020	908	45	2,202	3,155
Depreciation	1,800	60	1,910	3,770
Depreciation reversed on disposals	(1,034)	-	(238)	(1,272)
Exchange rate adjustment	(1)	-	(8)	(9)
Depreciation and impairment loss 31 December 2020	**1,673**	**105**	**3,866**	**5,644**
Carrying amount 31 December 2020	**6,745**	**704**	**2,425**	**9,874**

12. Leases – right-of-use assets CONTINUED

Lease liabilities – DKK Thousands	2021	2020
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	5,611	6,556
Current liabilities	2,845	3,346
Total lease liabilities	**8,456**	**9,902**
Recognized in the profit and loss statement:		
Interest expenses related to lease liabilities	177	252
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	1,893	2,984
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	-	-

Cash flow from leasing – DKK Thousands	2021	2020
Interests	(177)	(252)
Liabilities payment	(3,289)	(3,677)
Adjustments in total according to leases	**(3,466)**	**(3,929)**

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 recognized 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 utilization 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 estimate by Management

Deferred tax assets, including the tax value of tax losses allowed for carry forward, are recognized 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 utilized. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries is recognized unless the Parent is able to control the time of realization of such deferred tax, and it is probable that such deferred tax will not be realized as current tax in the foreseeable future. Deferred tax is recognized in respect of eliminations of intra-Group profits and losses.

13. Deferred tax CONTINUED

DKK Thousands	2021	2020
Deferred tax recognized in the balance sheet:		
Deferred tax assets	21,057	20,997
Deferred tax liabilities	-	-
Deferred tax, net 31 December	**21,057**	**20,997**
Deferred tax, net 1 January	20,997	21,770
Foreign currency translation adjustments	-	-
Changes in deferred tax	60	(773)
Deferred tax, net 31 December	**21,057**	**20,997**
Deferred tax:		
Intangible assets	(1,094)	477
Property, plants and equipment	9,587	10,327
Inventories	(273)	256
Provisions	1,971	1,186
Tax losses	13,333	14,083
Other items	(2,467)	(5,332)
	21,057	**20,997**
Deferred tax assets not recognized:		
Intangible assets	-	74
Property, plants and equipment	205	131
Inventories	-	-
Other items	121	-
Tax losses	26,324	28,064
	26,650	**28,269**

Tax losses carried forward are not subject to time limitation. All recognized deferred tax assets are expected to be offset against positive taxable income within a five-year period. Recognition is based on current results 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 2.0m in the recognized 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 realizable 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.

Inventory – DKK Thousands	2021	2020
Raw materials and consumables	14,854	15,420
Work-in-progress	7,111	4,327
Finished goods and goods for resale	42,115	33,330
Inventories net of write-downs at 31 December	64,080	53,077
Included in Income Statement under production costs:		
Write-down of inventories for the year, net	(391)	587
Costs of goods sold during the year	169,446	159,343

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 recognized 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 estimated 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 recognized as a contract liability under short-term liabilities.

If projects are expected to be loss-making, the loss is recognized 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 have been completed.

Significant assessment 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.

15. Contract assets and liabilities CONTINUED

DKK Thousands	2021	2020
Total costs incurred	133,466	170,724
Valuation after IFRS 9 (note 18)	(134)	(126)
Profit recognized as income, net	32,237	47,140
Contract assets	165,569	217,738
Contract liabilities	(132,294)	(157,413)
Net contract assets and liabilities	33,275	60,325
Of which contract assets are stated under assets	53,037	66,376
and contract liabilities	(19,762)	(6,051)
Net contract assets and liabilities	33,275	60,325

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

The majority of all contract assets and liabilities on 31 December are expected to be revenue recognized in 2022.

16. Bank loans and credit facilities

Accounting policy

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

DKK Thousands

2021	0-1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
Cash and cash equivalents	39,075	-	-	39,075	39,075	0.0%
Assets	**39,075**	**-**	**-**	**39,075**	**39,075**	**0.0%**
Lease debt	(2,845)	(5,611)	-	(8,456)	(8,456)	2.4%
Other debt	(9,849)	-	-	(9,849)	(9,849)	0.0%
Debt to credit institutions	-	(11,787)	-	(11,787)	(11,787)	0.4%
Short term bank facilities	(35,970)	-	-	(35,970)	(35,970)	2.3%
Liabilities	**(48,664)**	**(17,398)**	**-**	**(66,062)**	**(66,062)**	**1.1%**
Net debt	**(9,589)**	**(17,398)**	**-**	**(26,987)**	**(26,987)**	**1.1%**

16. Bank loans and credit facilities CONTINUED

DKK Thousands

2020	0-1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
Cash and cash equivalents	33,420	-	-	33,420	33,420	0.0%
Assets	**33,420**	**-**	**-**	**33,420**	**33,420**	**0.0%**
Lease debt	(3,346)	(6,556)	-	(9,902)	(9,902)	2.4%
Other debt	(10,118)	(4,747)	-	(14,865)	(14,865)	0.0%
Debt to credit institutions	-	(17,579)	-	(17,579)	(17,579)	0.4%
Short term bank facilities	(31,261)	-	-	(31,261)	(31,261)	2.3%
Liabilities	**(44,725)**	**(28,882)**	**-**	**(73,607)**	**(73,607)**	**1.1%**
Net debt	**(11,305)**	**(28,882)**	**-**	**(40,187)**	**(40,187)**	**1.1%**

Based on the Group's net debt at the end of the 2021 financial year, a rise of 1 percentage point in the general interest rate level will cause a decrease in consolidated annual earnings after tax and equity of approx. DKK 266k (DKK 380k in 2020).

Cash management

SKAKO is committed to maintaining a flexible capital structure. On 31 December 2021, SKAKO had undrawn committed credit facilities in the amount of DKK 12,342 (2020: DKK 21,150k). On 31 December 2021, SKAKO had 'cash and cash equivalents' and 'bank overdraft', net of DKK 3,105k (2020: DKK 2,159k).

Capital management

SKAKO monitors capital on the basis of the net debt relative to EBITDA. At the end of the year, the net debt to EBITDA ratio was equity ratio was 1.0 (2020: 1.7).
SKAKO has a medium-term goal of a net debt to EBITDA ratio below 2.5.

17. Provisions

Accounting policy

Provisions are recognized 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 realized 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 assessment 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 uncertain by nature. 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.

17. Provisions CONTINUED

DKK Thousands	2021		
	Warranties	Other provisions	Total
Provisions at 1 January	3,439	1,861	5,300
Foreign exchange adjustments	5	(3)	2
Additions	1,426	4,143	5,569
Used	(1,143)	(1,859)	(3,002)
Reversals	(700)	-	(700)
Provisions at 31 December	3,027	4,142	7,169
The maturity of provisions is specified as follows: Current liabilities	2,034	1,695	3,729
Non-current liabilities	993	2,447	3,440
	3,027	4,142	7,169

DKK Thousands	2020		
	Warranties	Other provisions	Total
Provisions at 1 January	3,249	2,317	5,566
Foreign exchange adjustments	(16)	(10)	(26)
Additions	2,166	-	2,166
Used	(1,960)	(446)	(2,406)
Reversals	-	-	0
Provisions at 31 December	3,439	1,861	5,300
The maturity of provisions is specified as follows: Current liabilities	1,959	38	1,997
Non-current liabilities	1,480	1,823	3,303
	3,439	1,861	5,300

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	2021	2020
Amortisation and deprivation	7,421	6,870
Change in provisions	1,869	(265)
Financial items received and paid	4,906	3,084
Other	506	(577)
	14,702	9,112

Change in borrowings and short-term credit facilities

DKK Thousands	2021	2020
Borrowings 1 January	73,607	58,925
Repayments	(13,725)	(8,382)
Other adjustments	-	(7,104)
New borrowings	6,423	30,320
Currency adjustments	(243)	(152)
Borrowings 31 December	66,062	73,607

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 20210 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 longer 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.

19. Exchange rate, liquidity and credit risks CONTINUED

Below is a sensitivity analysis in respect of exchange rates, given a positive change of 5% in the currencies with the highest exposures. We do not consider a currency risk on EUR. The estimate has been provided on a non-hedged basis.

DKK Thousands	Net position	Change in currency	2021: Potential impact on P/L and Equity	2020: Potential impact on P/L and equity
EUR	15,079	0%	0	1,591
USD	7,231	5%	362	660
GBP	2,040	5%	102	287
MAD	21,648	5%	1,082	375

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. All trade receivables are considered to be paid within one year

Trade receivables can be allocated as follows:

DKK Thousands	2021	2020
Europe	58,283	46,780
The USA	5,988	7,830
Africa	4,402	18,345
Other	18,756	484
	87,429	73,439

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

19. Exchange rate, liquidity and credit risks CONTINUED

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 2021 and 31 December 2020 was determined as follows for both trade receivables and contract assets:

31 December 2021 – 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	0.1%	0.4 %	1.0%	1.9%	100.0%	
Gross carrying amount – trade receivables	81,551	5,889	495	580	2,015	90,530
Gross carrying amount – contract assets	52,897	0	0	0	0	52,897
Loss allowance	**134**	**26**	**5**	**11**	**2,015**	**2,191**

31 December 2020 – 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	0.1%	0.1 %	1.0%	5.0%	53.3%	
Gross carrying amount – trade receivables	59,769	5,613	7,271	335	1,171	74,159
Gross carrying amount – contract assets	66,502	0	0	0	0	66,502
Loss allowance	**126**	**6**	**73**	**17**	**624**	**846**

The closing loss allowances for trade receivables and contract assets as at 31 December 2021 reconcile to the opening loss allowances as follows:

DKK Thousands	Contract assets		Trade receivables	
	2021	**2020**	**2021**	**2020**
1 January – calculated under IFRS 9	126	237	720	1,786
Increase in loan loss allowance recognized in profit or loss during the year	134	126	2,057	720
Receivables written off during the year as uncollectible	0	0	0	(135)
Unused amount reversed	(126)	(237)	(720)	(1,651)
At 31 December	**134**	**126**	**2,057**	**720**

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 recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

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 recognized 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 recognized in the income statement under financial items, unless they qualify for recognition directly in equity.

20. Acquisitions CONTINUED

Significant assessment by Management

Purchase price allocation

For acquisitions of entities, the assets, liabilities and contingent liabilities of the acquiree are recognized 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 recognized 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 1 November 2020, SKAKO gained control over Conparts ApS (Faaborg, Denmark) through the acquisition of 100% of the shares.

The calculated goodwill represents staff know-how that SKAKO expects to utilize in the existing business.

Transactions costs related to the acquisition of Conparts amounts to DKK 0.4m where all has been recognized in 2020. Transaction costs have been recognized 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 Conparts 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 0.0m and DKK 0.0m respectively.

20. Acquisitions CONTINUED

DKK Thousands	2020 Conparts ApS
Consideration paid cash	1,500
Consideration recognized as a debt	-
Fair value of contingent consideration (earn out)	3,007
Total estimated cost of acquisition	**4,507**

DKK Thousands	2020
Intangible assets	1,586
Property, plant and equipment	-
Inventories	-
Customer contracts	-
Trade and other receivables	-
Cash and cash equivalents	125
Non-current liabilities	-
Deferred tax	(349)
Trade payables	-
Other payables	-
Net assets acquired	**1,362**
Goodwill	**3,145**

The price paid for Conparts ApS is fixed at DKK 5.5m with an upfront payment of DKK 1.5m, and the remaining amount (contingent consideration) over a five year period until 2025. The fair value of the contingent consideration is based on a level 3 fair value calculation.

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 16.7 million (2020: DKK 1.5 million).

Towards the company's primary financial institution, a deposit of DKK 50 million (2020: 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 (2020: DKK 3.0 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 131 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 2021 after the balance sheet date and up to today.

24. Approval and publication

At the Board meeting on 17 March 2022, our Board of Directors approved this Annual Report 2021 for publication. The report will be presented to the shareholders of SKAKO A/S at the annual general meeting on 19 April 2022.

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 last part of this Annual Report 2021

The accounting policies remain unchanged for the consolidated financial statements compared to 2020.

Effect of new accounting standards

Amendments to IFRS 4, 7, 9 and 16, as well as IAS 39 have no impact on the Group's accounting policies, due to immateriality to SKAKO.

Changes in accounting policies and classification for 2022

No new standards are expected to be implemented in 2022.

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 2021 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 unrealized intra- Group profits on inventories are eliminated. The accounting items of subsidiaries are recognized 100% in the consolidated financial statements.

Income statement

Income and costs are recognized 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.

25. Group accounting policies CONTINUED

Prepaid expenses

Prepaid expenses recognized 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 recognized 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 recognized 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 recognized 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, realized 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 recognized in the reporting period in which such changes are made. See list of significant estimates and assessments in chapter 5.4

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
- Net debt to EBITDA = Net debt / EBITDA (EBIT less depreciations)
- 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
- ROIC = NOPAT / (Invested capital this year + invested capital prior year) / 2
- NOPAT = Profit for the period +/- net financial income
- Invested capital = Total assets - net cash and credits - deferred tax assets – non-interest-bearing current liabilities

26. Correction of not significant mistake in the financial figures for 2020

In connection with the preparation of the financial report for H1 2021, we encountered an accounting error in SKAKO's ERP system whereby some purchases in SKAKO Concrete were recognized as inventory instead of productions costs. The resulting mistake in the financial statements amounts to DKK 2.0m in 2020 distributed with DKK 1.0m in Q2 2020 and DKK 1.0m in Q4 2020.

The mistake is not significant for the annual report and does not affect cash flows but could disturb comparisons between 2021 and 2020, which is why the comparative figures for 2020 have been corrected. The correction has a negative effect on the result for 2020 of DKK 2.0m, just as inventories and equity are correspondingly negatively affected with this amount. The effect of the correction on the comparative figures for 2020 is shown in the tables below.

EBIT for SKAKO A/S for 2020 before correction of the mistake amounted to DKK 17.2m. With the correction of DKK 2.0 m, EBIT amounts to DKK 15.2m.

The discovery of the error in the ERP system has led to updates being implemented to SKAKO's ERP system.

The correction has no impact on cash flow. The total balance has decreased from DKK 324.1m to DKK 322.1m

SKAKO A/S, DKKm	Q2 2020	Correction	Q2 2020, corrected	Q1-Q3 2020	Correction	Q1-Q3 2020, corrected
Revenue	74.9	-	74.9	252.7	-	252.7
Production costs	(54.2)	(1.0)	(55.2)	(189.1)	(1.0)	(190.1)
EBIT	5.5	(1.0)	4.5	15.0	(1.0)	14.0
Inventory (balance sheet)	61.8	(1.0)	60.8	60.9	(1.0)	59.9
Equity (Balance sheet)	133.3	(1.0)	132.3	136.2	(1.0)	135.2

26. Correction of not significant mistake in the financial figures for 2020

SKAKO A/S, DKKm	Q4 2020	Correction	Q4 2020, corrected	Full year 2020	Correction	Full year 2020, corrected
Revenue	83.2	-	83.2	335.9	-	335.9
Production costs	(66.9)	(1.0)	(67.9)	(256.0)	(2.0)	(258.0)
EBIT	2.2	(1.0)	1.2	17.2	(2.0)	15.2
Inventory (balance sheet)	53.1	(2.0)	51.1	53.1	(2.0)	51.1
Equity (Balance sheet)	129.3	(2.0)	127.3	129.3	(2.0)	127.3

SKAKO Concrete, DKKm	Q2 2020	Correction	Q2 2020, corrected	Q1-Q3 2020	Correction	Q1-Q3 2020, corrected
Revenue	35.9	-	35.9	126.8	-	126.8
Production costs	(28.2)	(1.0)	(29.2)	(102.4)	(1.0)	(103.4)
EBIT	2.7	(1.0)	1.7	7.0	(1.0)	6.0

SKAKO Concrete, DKKm	Q4 2020	Correction	Q4 2020, corrected	Full year 2020	Correction	Full year 2020, corrected
Revenue	45.6	-	45.6	172.4	-	172.4
Production costs	(37.1)	(1.0)	(38.1)	(139.5)	(2.0)	(141.5)
EBIT	0.7	(1.0)	(0.3)	7.7	(2.0)	5.7

5.5 PARENT COMPANY FINANCIAL STATEMENTS

Parent company income statement

DKK Thousands		2021	2020
Notes			
	Revenue	0	0
	Other income	900	900
1,2	Administrative expenses	(4,061)	(3,124)
	Operating profit (EBIT)	**(3,161)**	**(2,224)**
3,7	Financial income	148	167
3	Financial expenses	(868)	(331)
	Profit before tax	**(3,881)**	**(2,388)**
4	Tax on profit for the year	1,381	684
	Profit for the year	**(2,500)**	**(1,704)**

Parent company statement of comprehensive income

DKK Thousands		2021	2020
Notes			
	Profit for the year	(2,500)	(1,704)
	Other comprehensive income	0	0
	Comprehensive income	(2,500)	(1,704)
	Comprehensive income attributable to SKAKO A/S shareholders	(2,500)	(1,704)

Parent company balance sheet - 31 December

DKK Thousands		2021	2020
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	687	159
	Other non-current assets	**164,845**	**164,317**
	Total non-current assets	**164,845**	**164,317**
	Receivables from subsidiaries	13,960	375
	Trade receivables	-	-
	Income tax	1,305	525
	Other receivables	195	-
	Prepaid expenses	-	-
	Other investments	-	-
	Cash	20,182	26
	Current assets	**35,642**	**926**
	Assets	**200,487**	**165,243**

Parent company balance sheet - 31 December

DKK Thousands	2021	2020
Notes		
Share capital	31,064	31,064
Retained earnings	92,825	107,152
Proposed dividends	12,335	9,252
Total equity	**136,224**	**147,468**
Debt to subsidiaries	27,848	10,996
Bank loans and credit facilities	35,970	4,982
Trade payables	24	309
Other liabilities	421	1,488
Current liabilities	**64,263**	**17,775**
Liabilities	**64,263**	**17,775**
EQUITY AND LIABILITIES	**200,487**	**165,243**

Parent company cash flow statement

Notes	DKK Thousands	2021	2020
	Profit before tax	(3,881)	(2,388)
9	Adjustments	1,227	(385)
	Changes in receivables, etc.	(975)	537
	Change in trade payables and other liabilities, etc.	(1,352)	1,089
	Cash flow from operating activities before financial items and tax	**(4,981)**	**(1,147)**
	Financial items received and paid	(720)	(164)
	Taxes paid and received	854	-
	Cash flow from operating activities	**(4,847)**	**(1,311)**
	Change in intra-Group balances	3,267	6,666
	Change in short-term bank facilities	30,988	739
	Distributed dividends	(9,252)	(6,168)
	Cash flow from financing activities	**25,003**	**1,237**
	Change in cash and cash equivalents	20,156	(74)
	Cash and cash equivalents 1 January	26	130
	Cash and cash equivalents 31 December	**20,182**	**26**
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash	20,182	26
	Other investments	-	-
	Cash and cash equivalents at the end of the year	**20,182**	**26**

Parent company statement of changes in equity

DKK Thousands	Share capital	Retained earnings	Proposed dividends	Equity
Equity 1 January 2021	31,064	107,152	9,252	147,468
Paid dividends			(9,252)	(9,252)
Comprehensive income in 2021:				
Loss for the year	-	(14,835)	12,335	(2,500)
Other comprehensive income	-	-	-	-
Comprehensive income, year	-	**(14,835)**	**12,335**	**(2,500)**
Share-based payment, share warrants	-	508	-	508
Equity 31 December 2021	**31,064**	**92,825**	**12,335**	**136,224**

DKK Thousands	Share capital	Retained earnings	Proposed dividends	Equity
Equity 1 January 2020	31,064	124,825	-	155,889
Distributed interim dividends		(6,168)		(6,168)
Comprehensive income in 2020:				
Loss for the year	-	(10,956)	9,252	(1,704)
Other comprehensive income	-	-		-
Comprehensive income, year	-	**(10,956)**	**9,252**	**(1,704)**
Share-based payment, share warrants	-	(549)	-	(549)
Equity 31 December 2020	**31,064**	**107,152**	**9,252**	**147,468**

5.6 PARENT COMPANY NOTES

1. Staff costs

Number of employees in 2021: 0 (2020: 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	2021	2020
PWC		
Statutory audit	366	297
Other assurance engagements	-	35
Tax and indirect taxes consultancy	-	-
Other services	83	237
	449	**569**

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the parent company amounts to DKK 0.08m (2020: DKK 0.24m) and consists of accounting and tax advisory.

3. Net financial income

DKK Thousands	2021	2020
Interest from subsidiaries	8	25
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	**8**	**25**
Other financial income	140	142
Financial income	**148**	**167**
Interest to subsidiaries	(391)	(196)
Interest on bank debt	(221)	(27)
Interest on lease debt	-	-
Financial expenses on financial liabilities not measured at fair value in the income statement	**(612)**	**(223)**
Other financial expenses	(256)	(107)
Financial expenses	**(868)**	**(331)**
Net financial items	**(720)**	**(164)**

4. Tax on profit for the year

DKK Thousands	2021	2020
Current tax on the profit for the year	854	525
Adjustment of current tax, prior years	-	-
Change in deferred tax	-	-
Adjustment of deferred tax, prior years	527	159
Impact on changes in corporate tax rates	-	-
Tax for the period	1,381	684
Danish corporate tax rates	854	525
Effect of tax rates in foreign jurisdictions	-	-
Impact in changes in corporate tax rates	-	-
Tax assets not capitalized	527	-
Permanent differences and other items	-	159
	1,381	684

5. Intangible assets

DKK Thousands	2021	2020
	Software	Software
Cost 1 January	907	907
Investments	-	-
Disposals	-	-
Transferred between categories	-	-
Cost 31 December	**907**	**907**
Amortization and impairment 1 January	907	907
Disposals	-	-
Amortisation	-	-
Amortization and impairment 31 December	**907**	**907**
Carrying amount 31 December	**-**	**-**

6. Tangible assets

DKK Thousands	Leasehold improvements	Operating equipment, fixtures and fittings	Total
Cost 1 January 2021	341	2,168	2,509
Investments	-	-	-
Disposals	-	-	-
Transferred between categories	-	-	-
Cost 31 December 2021	**341**	**2,168**	**2,509**
Depreciation and impairment 1 January 2021	341	2,168	2,509
Transferred between categories	-	-	-
Disposals	-	-	-
Depreciation	-	-	-
Depreciation and impairment 31 December 2021	**341**	**2,168**	**2,509**
Carrying amount 31 December 2021	**-**	**-**	**-**

DKK Thousands	Leasehold improvements	Operating equipment, fixtures and fittings	Total
Cost 1 January 2020	341	2,168	2,509
Investments	-	-	-
Disposals	-	-	-
Transferred between categories	-	-	-
Cost 31 December 2020	**341**	**2,168**	**2,509**
Depreciation and impairment 1 January 2020	341	2,168	2,509
Transferred between categories	-	-	-
Disposals	-	-	-
Depreciation	-	-	-
Depreciation and impairment 31 December 2020	**341**	**2,168**	**2,509**
Carrying amount 31 December 2020	**-**	**-**	**-**

7. Investments in subsidiaries

DKK Thousands	2021	2020
Cost 1 January	260,534	260,534
Investments	-	-
Disposals	-	-
Cost 31 December	**260,534**	**260,534**
Write-down 1 January	(96,375)	(96,375)
Reversal of write-down	-	-
Write-down 31 December	**(96,375)**	**(96,375)**
Carrying amount 31 December	**164,159**	**164,159**

Group companies are listed on page 131.

8. Deferred tax

DKK Thousands	2021	2020
Deferred tax recognized in the balance sheet:		
Deferred tax assets	687	159
Deferred tax liabilities	-	-
Deferred tax, net 31 December	**687**	**159**
Deferred tax, net 1 January	159	-
Changes in deferred tax	528	159
Deferred tax, net 31 December	**687**	**159**
Deferred tax assets:		
Tax losses	687	159
	687	**159**
Deferred tax assets not recognized:		
Intangible assets	-	74
Property, plants and equipment	205	131
Inventories	-	-
Other items	121	-
Tax losses	4,088	4,616
	4,414	**4,821**

Tax losses carried forward are not subject to time limitation.

9. Adjustments, cash flow statement

Adjustments

DKK Thousands	2021	2020
Dividends received from subsidiaries	-	-
Depreciations	-	-
Financial items received and paid	720	164
Other	507	(549)
	1,227	(385)

Change in borrowings and short-term credit facilities

DKK Thousands	2021	2020
Borrowings 1. January	4,982	4,243
Repayments	-	-
New borrowings	30,988	739
Currency adjustments	-	-
Borrowings 31. December	35,970	4,982

10. Contracts liabilities, contingent liabilities and securities

Please refer to note 21 in the consolidated financial statements.

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 (2020: 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 (2020: DKK 3.0 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 22 in the consolidated financial statements.

In 2021, the Parent Company has sold services to subsidiaries for DKK 900 thousand (2020: DKK 900 thousand) and paid net interest expenses, cf. note 3.

12. Events after the balance sheet date

Please refer to note 23 in the consolidated financial statements.

13. Accounting policies

The financial statements for 2021 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 under reporting class D. 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 recognized 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 recognized 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 recognized in the parent company financial statements at the carrying amount. Accordingly, additions to or disposals of investments are recognized at the carrying amount, and any difference between the carrying amount of net assets and the consideration paid is recognized 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 %
Conparts ApS	Denmark	100 %
SKAKO Vibration A/S	Denmark	100 %
SKAKO Vibration Ltd.	UK	100 %
SKAKO Dartek 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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