

ANNUAL REPORT 2017

SKAKO



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KEY FIGURES AND FINANCIAL RATIOS – DKK

	2017	2016	2015	2014	2013
INCOME STATEMENT, DKK THOUSANDS					
Revenue	350,375	308,059	319,136	353,585	345,459
Gross profit	83,801	84,306	88,314	81,272	72,695
Operating profit (EBIT) before special items	20,237	16,411	16,210	1,320	(555)
Special items	(24,131)	-	-	-	-
Operating profit (EBIT) after special items	(3,894)	16,411	16,210	1,320	(555)
Net financial items	(2,818)	(3,265)	(3,133)	(4,100)	(4,271)
Profit before tax	(6,712)	13,146	13,077	(2,781)	(4,826)
Profit for the year, continuing activities	(6,160)	16,540	13,242	(6,796)	(9,958)
Profit/(loss) for the year, discontinuing activities	-	-	-	(682)	1,461
Profit for the year	(6,160)	16,540	13,242	(7,478)	(8,497)
BALANCE SHEET, DKK THOUSANDS					
Non-current assets	38,912	68,470	62,734	66,429	71,581
Current assets	200,152	176,601	181,710	170,011	163,252
Assets	261,414	245,071	244,445	236,440	237,821
Equity	95,701	102,360	84,797	70,521	77,517
Non-current liabilities	3,483	13,545	15,559	15,913	18,849
Current liabilities	152,894	129,166	144,090	150,004	140,967
Net interest-bearing debt	25,956	16,870	30,439	53,379	24,607
Net working capital	99,242	81,058	75,571	80,451	57,168
OTHER KEY FIGURES, DKK THOUSANDS					
Investment in tangible assets	4,480	819	526	5,264	2,413
Cash flow from operating activities (CFFO)	(9,060)	16,853	23,854	(24,476)	(12,216)
Free cash flow	(16,547)	11,004	22,610	(22,582)	(5,835)
Average number of employees	182	183	180	191	188
FINANCIAL RATIOS					
Gross profit margin	23.9%	27.4%	27.7%	23.0%	21.0%
Profit margin before special items (EBIT margin)	5.8%	5.3%	5.1%	0.4%	(0.2%)
Liquidity ratio	131.8%	136.7%	126.1%	115.8%	115.8%
Equity ratio	36.6%	41.8%	34.7%	29.8%	32.6%
Return on equity	(6.2%)	17.7%	17.1%	(10.1%)	(11.2%)
Financial leverage	27.1%	16.5%	35.9%	75.7%	31.7%
NWC/revenue	28.3%	26.3%	23.7%	22.8%	16.5%
Earnings per share, DKK	(2.00)	5.36	4.30	(2.41)	(3.38)
Equity value per share, DKK	30.8	33.0	27.3	22.7	25.0
Share price, DKK	91	92.5	44.8	21.8	27.7
Price-book ratio	3.0	2.8	1.6	1.0	1.1
Market capitalisation, DKK thousands	282,683	287,343	139,167	67,720	86,048
ADDITIONAL NUMBERS, DKK THOUSANDS					
Order backlog	72,775	109,103	92,097	86,807	92,129

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015" from the Danish Society of Financial Analysts. Net working capital is calculated as Inventory, Trade receivables and Work in progress for third parties less Prepayments from customers and Trade payables. Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.

KEY FIGURES AND FINANCIAL RATIOS – EUR*

INCOME STATEMENT, EUR THOUSANDS	2017	2016	2015	2014	2013
Revenue	47,096	41,408	42,897	47,527	46,435
Gross profit	11,246	11,332	11,871	10,924	9,771
Operating profit (EBIT) before special items	2,720	2,206	2,179	177	(75)
Special items	(3,244)	-	-	-	-
Operating profit (EBIT) after special items	(523)	2,206	2,179	177	(75)
Net financial items	(379)	(439)	(421)	(551)	(574)
Profit before tax	(902)	1,767	1,758	(374)	(649)
Profit for the year, continuing activities	(828)	2,223	1,780	(913)	(1,339)
Profit/(loss) for the year, discontinuing activities	-	-	-	(92)	196
Profit for the year	(828)	2,223	1,780	(1,005)	(1,142)
BALANCE SHEET, EUR THOUSANDS					
Non-current assets	5,227	9,197	8,426	8,923	9,615
Current assets	26,885	23,721	24,407	22,836	21,928
Assets	35,113	32,918	32,834	31,759	31,944
Equity	12,855	13,749	11,390	9,472	10,412
Non-current liabilities	599	1,819	2,090	2,137	2,532
Current liabilities	20,405	17,350	19,354	20,149	18,935
Net interest-bearing debt	3,486	2,266	4,089	7,170	3,305
Net working capital	13,330	10,888	10,151	10,806	7,679
OTHER KEY FIGURES, EUR THOUSANDS					
Investment in tangible assets	602	110	71	707	324
Cash flow from operating activities (CFFO)	(1,217)	2,264	3,204	(3,288)	(1,641)
Free cash flow	(2,223)	1,478	3,037	(3,033)	(784)
Average number of employees	182	183	180	191	188
FINANCIAL RATIOS					
Gross profit margin	23.9%	27.4%	27.7%	23.0%	21.0%
Profit margin before special items (EBIT margin)	5.8%	5.3%	5.1%	0.4%	-0.2%
Liquidity ratio	131.8%	136.7%	126.1%	115.8%	115.8%
Equity ratio	36.6%	41.8%	34.7%	29.8%	32.6%
Return on equity	(6.2%)	17.7%	17.1%	-10.1%	-11.2%
Financial leverage	27.1%	16.5%	35.9%	75.7%	31.7%
NWC/revenue	28.3%	26.3%	23.7%	22.8%	16.5%
Earnings per share, EUR	(0.27)	0.72	0.58	-0.32	-0.45
Equity value per share, EUR	4.13	4.43	3.67	3.05	3.36
Share price, EUR	12.22	12.44	6.03	2.93	3.73
Price-book ratio	3.0	2.8	1.6	1.0	1.1
Market capitalisation, EUR thousands	37,970	38,650	18,719	9,109	11,574
ADDITIONAL NUMBERS, EUR THOUSANDS					
Order backlog	9,775	14,655	12,370	11,660	12,375

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015" from the Danish Society of Financial Analysts. Net working capital is calculated as Inventory, Trade receivables and Work in progress for third parties less Prepayments from customers and Trade payables. *On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange at 31 December 2017 of 744.49 has been used for balance sheet items, and the average rate of exchange of 743.96 has been used for income statement and cash flow items. Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.

LETTER FROM MANAGEMENT

Restructuring of SKAKO Concrete

In 2017 we closed-down the SKAKO Concrete production facility in France, which underlines SKAKO's asset light strategy. We outsourced the production to existing eastern European suppliers and moved the assembling and quality inspection to our facility in Denmark. The new Supply Chain Management setup will strengthen SKAKO's competitiveness and profitability. Further we trust that the new setup enables SKAKO to provide a higher service level towards our customers at more competitive prices. We expect an improved profitability in 2018 of approx. DKK 6m directly related to the restructuring.

We are preparing ourselves to capture future growth opportunities, and made good progress in 2017

SKAKO Vibration

- Driven by the current good business climate the European market for vibration equipment developed positively in 2017, especially within the automotive industry which is important for SKAKO.
- The success in the German automotive sector was once again confirmed in 2017. It is our aim to further increase our market shares in Germany by allocating more resources to this market. Based on our experiences in Germany we have strengthened our sales presence and services to the North American automotive market. The North American market has responded positively to SKAKO's value propositions. Consequently, in 2018 we will continue to add additional local sales- and service resources to this market.
- We will also start to build up a stronger presence in the recycling segment, which is a market expected to develop positively in the years to come. We will dedicate more resources to the sector and adapt our offering to the sector. Consequently, the recycling segment represents a good growth opportunity for SKAKO Vibration and a natural way of diversification of our business. We are in the process of adapting part of our product portfolio to fit the recycling market, and in the process of approaching key European customers.
- In Morocco we are finalising the deliveries and installation of our vibration equipment to the mining industry, which have represented a significant part of our orders and revenue in recent years. We continue to have positive expectations to further obtain new projects from the African mining industry.

SKAKO Concrete

- In 2017 SKAKO Concrete invested in expanding the presence in North America by hiring additional local sales people and will continue the expansion in 2018. We believe that this large market represents a good growth potential.
- SKAKO Concrete initiated in 2017 the development of the largest mixer, (6000 litres), in SKAKO's history which will be presented to the market mid-2018. This will allow SKAKO Concrete to address projects for larger plant sizes, where we have not been able to compete in the past.
- The good market acceptance of our concrete plant control system, SKAKOMAT, has further been proved in 2017. Apart from delivering the SKAKOMAT into new SKAKO Concrete plants we also receive orders for both replacements of old control systems and implementing SKAKOMAT in competitor's concrete plants.
- As communicated in the Company Announcement 24/2017 dated 21 December 2017 we expect to close a significant contract amounting to approx. DKK 55m with a customer in Europe.
- A key priority for Management in 2018 is to further strengthen our relationships with our existing customers and build relations with new customers by higher presence in our focus markets, and thereby pave the ground for further growth of the company. Another key priority for 2018 will be to gain efficiencies from the restructuring of SKAKO Concrete and from improved processes and systems.

The Management would like to thank all the employees of the SKAKO Group for their performance and solid contribution to the results realised in 2017 and continuous development of SKAKO.

Jens Wittrup Willumsen
Chairman of the Board

Søren Pedersen
Director

Jakob Have
CFO

Lionel Girieud
Director

HIGHLIGHTS

Revenue increased by 13.7% to DKK 350.4m in 2017 and operating profit (EBIT) before special items increased by 23.3% to 20.2m. Operating profit (EBIT) before special items was within our improved guidance for the year, cf. company announcement 16/2017 where we were guiding for an operating profit (EBIT) of DKK 17.5-22.5m.

We are entering 2018 with a lower backlog compared to prior year which will have a negative impact on our financial performance in the beginning of 2018. On 21 December 2017, SKAKO Concrete entered into a conditional agreement with a European customer. We still expect to have a final unconditional agreement with a contract value of approx. DKK 55m. The quotation activity in the Vibration division remains high.

Revenue and earnings are expected to be unevenly distributed over the year 2018 (back-end-loaded). We are guiding for an operating profit (EBIT) of DKK 25-30m in 2018.

As informed in company announcement 21/2017 we did a restructuring of SKAKO Concrete in Q4 2017 and below we provide an update on progress:

Close-down of the SKAKO Concrete production in Lille, France

We closed down the SKAKO Concrete production in Lille, France in October 2017. We have entered cooperation agreements with Group well-known eastern European suppliers. We have staffed up in production in SKAKO Concrete Denmark where we are performing assembling and quality tests. We have produced and delivered products from our new setup and we have been confirmed in our decision made.

All SKAKO Concrete's French production employees have ceased their employment and we have reached an agreement with the French union representatives, the French authorities and the affected employees. The costs for the severance packages have been paid in Q4 2017.

Sales of production building and associated land

In October 2017, we started a sales process of the production building and the associated land. The production building and associated land are classified in the balance sheet as "Assets held for sale" at a value of DKK 22.350k. The sales process is expected to be concluded in 2018.

Restructuring costs

Total restructuring costs are within our expectations. All restructuring costs have been recognised in Q4 2017 and hence no restructuring costs will be recognised in 2018. We confirm our previously communicated expectations of annual cost savings resulting from this restructuring of at least DKK 6m in 2018.

Total restructuring costs amounts to DKK 24,131k and can be split as follows:

DKK thousands	2017	2016
Impairment of land and buildings	10,053	-
Impairment of other tangible assets	874	-
Write-down of inventory	2,393	-
Redundancy costs and other staff costs	8,466	-
Other costs	2,345	-
Special items total	24,131	-

SKAKO AT A GLANCE

The SKAKO Group has two business areas:

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

SKAKO Vibration

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

Our assembly and test facilities are located in Faaborg in Denmark and Strasbourg in France and the products are based on application know-how and own developed technology.

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

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

SKAKO Concrete

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

Our assembly and test facility is located in Faaborg in Denmark, while production is outsourced to Eastern European suppliers. The products are based on own developed technology.

The main markets are Europe, North America and the Middle East. We aim to obtain higher market share on existing markets without increasing the risk profile on the orders.

Research and development

SKAKO Vibration: development efforts focused in 2017 on products defined by customers' feedbacks. These are mainly simpler products with reduced capacities compared to the rest of our range but representing a fast return on investment. For this reason, we have introduced our SKAKO GEAR TIPPER and SKAKO HYDRAULIC TIPPER to the market while SKAKOGAB continued its development towards a MINIGAB version for less industrial applications than our existing product range.

SKAKO Concrete: in 2017 we developed the Distribeton 3750 which makes us able to transport and distribute larger quantity of concrete than previously with the actual product range. We also started the development of both small laboratory mixers AM125 (125 litres) and the largest mixer we have ever made, AM6000 (6000 litres). This will allow SKAKO Concrete to address projects for larger plant sizes, where we have not been able to compete in the past. Both mixers will be displayed at exhibition later this year.

All products have been developed to strengthen our position on core markets and to attract new customers. Our innovation is aiming at adding value to the customers by developing new equipment, developing better alternative technologies and developing innovative solutions that can optimize the performance of existing plants and equipment. Several forms of direct and indirect R&D incentives in terms of tax incentives and other grants and subsidy schemes for research and development exist, all with the aim of boosting innovation and productivity. As in prior years, part of our research and development costs have been covered by research and development incentives received, cf. note 2 in the consolidated financial statements. We will continue our strong focus on developing new innovative products and solutions.

FINANCIAL REVIEW

Performance review

DKK thousands	Q4 2017	Q4 2016	Change	2017	2016	Change
Revenue	83,506	85,253	-2.0%	350,375	308,059	13.7%
Production costs	62,182	59,843	3.9%	266,574	223,753	19.1%
Gross profit	21,324	25,410	-16.1%	83,801	84,306	-0.6%
<i>Gross profit margin</i>	<i>25.5%</i>	<i>29.8%</i>	<i>-4.3pp</i>	<i>23.9%</i>	<i>27.4%</i>	<i>-3.5pp</i>
Distribution costs	7,404	9,065	-18.3%	36,890	39,418	-6.4%
Administrative expenses	7,640	8,763	-12.8%	26,674	28,477	-6.3%
Operating profit (EBIT) before special items	6,280	7,582	-17.2%	20,237	16,411	23.3%
<i>Profit margin before special items (EBIT margin)</i>	<i>7.5%</i>	<i>8.9%</i>	<i>-1.4pp</i>	<i>5.8%</i>	<i>5.3%</i>	<i>0.5pp</i>
Special items	(24,131)	-	-	(24,131)	-	-
Operating profit (EBIT) after special items	(17,851)	7,582	-335.4%	(3,894)	16,411	-123.7%
Profit for the period	(18,314)	7,402	-347.4%	(6,160)	16,540	-137.2%
Order backlog beginning of period	91,314	91,095	0.2%	109,103	92,097	18.5%
Order intake	64,967	103,261	-37.1%	314,047	325,065	-3.4%
Revenue	83,506	85,253	-2.0%	350,375	308,059	13.7%
Order backlog end of period	72,775	109,103	-33.3%	72,775	109,103	-33.3%

Revenue decreased by 2.0% in Q4 2017 but increased by 13.7% in 2017 compared to the same periods last year. The increase in 2017 was driven by a 15.8% growth in the Concrete division and a 12.2% growth in the Vibration division. The growth was mainly driven by plant sales but we also had solid growth in aftersales.

Production costs increased by 3.9% in Q4 2017 and by 19.1% in 2017 compared to the same periods last year. This led to a gross profit margin of 25.5% in Q4 2017 (29.8% in Q4 2016) and 23.9% in 2017 (27.4% in 2016). The decrease in gross profit margin is due to change in product mix and lower than expected margins on projects. It is our clear assessment that we should be able to realise higher margins on our products in 2018 and going forward. We expect an improved profitability in 2018 of approx. DKK 6m directly related to the restructuring.

Distribution costs decreased by 18.3% in Q4 2017 and by 6.4% in 2017. Comparable figures for 2016 include costs for our participation in the BAUMA exhibition.

Administrative expenses decreased by 12.8% in Q4 2017 and by 6.3% in 2017 mainly due to increased efficiency.

Operating profit (EBIT) before special items decreased by 17.2% in Q4 2017 but increased by 23.3% in 2017 compared to last year. Increased revenue and a decrease in capacity costs contributed positively to operating profit and a lower gross profit margin had a negative effect. Profit margin before special items (EBIT margin) was 7.5% in Q4 2017 (8.9% in Q4 2016) and 5.8% in 2017 (5.3% in 2016).

Special items were DKK -24,131k in 2017 (2016: DKK 0). Special items relate to the restructuring of SKAKO Concrete France and mainly consist of impairment of land and building of DKK 10,053k and redundancy costs and other staff costs for DKK 8,466k.

Operating profit (EBIT) after special items was DKK -17,851k in Q4 2017 (DKK 7,582k in Q4 2016) and DKK -3,894k in 2017 (DKK 16,411k in 2016).

Profit for the period was DKK -18,314k in Q4 2017 (7,402k in Q4 2016) and DKK -6,160k in 2017 (DKK 16,540k in 2016).

Order intake and backlog

Order intake in Q4 2017 decreased by 37.1% to DKK 64,967k and decreased by 3.4% to DKK 314,047k in 2017 compared to the same periods last year.

Order intake in Q4 2017 for the Concrete Division was DKK 29,289k (DKK 74,230k in Q4 2016) and DKK 153,247k in 2017 (DKK 171,003k in 2016).

FINANCIAL REVIEW - continued

On 21 December 2017, SKAKO Concrete entered into a conditional agreement with an expected contract value of approx. DKK 55m. The conditional agreement is not included in order intake in 2017. We still expect to have a final unconditional agreement with a contract value of approx. DKK 55m.

Order intake in Q4 2017 for the Vibration division was DKK 37,135k (DKK 29,598k in Q4 2016) and order intake in 2017 was DKK 165,922k (DKK 157,655k in 2016).

The order backlog at the beginning of Q1 2018 was DKK 72.8m compared to DKK 109.1m at the same period last year.

Cash flow developments

Cash flow from operating activities (CFFO) in Q4 2017 amounted to DKK -2,429k (DKK 20,541k in Q4 2016) and DKK -9,060k in 2017 (DKK 16,853k in 2016).

Free cash flow in Q4 2017 amounted to DKK -3,538k (DKK 17,768k in Q4 2016) and DKK -16,547k in 2017 (DKK 11,004k in 2016).

Restructuring costs paid in Q4 2017 relating to closing the SKAKO Concrete production in France impacted negatively with DKK 9.9m.

Equity

The Group's equity was DKK 95.7m at 31 December 2017 (DKK 102.4m at 31 December 2016) matching an equity ratio of 36.6%. The decrease in equity is mainly due to the loss for the year of DKK 6.2m.

Balance sheet

As of 31 December 2017, the Group's assets totalled DKK 261.4m (year end 2016: 245.1m).

Net interest-bearing debt increased by DKK 9.1m and totalled DKK 25.9m at 31 December 2017.

There have been no events that materially affect the assessment of this Annual Report 2017 after the balance sheet date and up to today.

The Parent company

Included in profit for the period in the Parent company is DKK 13.0m relating to dividend payments received from subsidiaries.

The dividend payments received from subsidiaries have no impact on the consolidated figures.

OUTLOOK 2018

Market and business conditions going forward

We are entering 2018 with a lower backlog compared to prior year which will have a negative impact on our financial performance in the beginning of 2018, when comparing to prior year. On 21 December 2017, SKAKO Concrete entered into a conditional agreement with a European customer. We still expect to have a final unconditional agreement with a contract value of approx. DKK 55m. The quotation activity in the Vibration division remains high.

In 2017 we closed-down the SKAKO Concrete production facility in France, which underlines SKAKO's asset light strategy. We outsourced the production to existing eastern European suppliers and moved the assembling and quality inspection to our facility in Denmark. The new Supply Chain Management setup will strengthen SKAKO's competitiveness and profitability. Further we trust that the new setup enables SKAKO to provide a higher service level towards our customers at more competitive prices. We expect an improved profitability in 2018 of approx. DKK 6m directly related to the restructuring.

Revenue and earnings are expected to be unevenly distributed over the year 2018 (back-end-loaded).

Outlook 2018

We are guiding for an operating profit (EBIT) of DKK 25-30m.

SHAREHOLDER INFORMATION

As of 31 December 2017, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are the same class and carry one vote each.

The Board of Directors has been authorised by the annual general meeting to increase the company's share capital by a nominal value of up to DKK 1,000,000. The authorisation is valid until 31 March 2018. Furthermore, the Board of Directors has been authorised to increase the share capital by an additional nominal value of up to DKK 2,000,000 in connection with the warrant program. The authorisation is valid until 18 April 2021.

SKAKO A/S is listed at NASDAQ Copenhagen A/S under identification code DK0010231877. The share price as of 31 December 2017 was 91.0 corresponding to a market capitalisation of DKK 282.7m.

By the end of 2017 the company had 1753 registered shareholders compared with 1687 registered shareholders by the end of 2016. The registered shareholders own a total of 88.0% of the share capital compared to 93.4% by the end of 2016.

Specification of movements in share capital

DKK thousands	2017	2016	2015	2014	2013
Share capital at 01.01.	31,064	31,064	31,064	31,064	24,362
Capital increase		-	-	-	6,702
Share capital at 31.12	31,064	31,064	31,064	31,064	31,064

Shareholders with more than 5% of the shares

Frederik2 ApS	25.75%
Danica Pension, Copenhagen:	10.22%
Maj Invest Holding A/S, Copenhagen:	9.98%

Dividend

The Board of Directors recommends that no dividend is paid for 2017.

Financial calendar 2018

9 March	Annual report for 2017
5 April	Ordinary general meeting 2018
23 May	Interim report for the period 1 January - 31 March 2018
31 August	Interim report for first half-year 2018
1 November	Interim report for the period 1 January - 30 September 2018

Annual general meeting 2018

The annual general meeting will be held on Thursday 5 April 2018 at 3 p.m. at the Company's head office, Bygmestervej 2, 5600 Faaborg, Denmark.

Investor Relations

Investors, analysts and medias are welcome to contact Jens Wittrup Willumsen (Chairman of the Board of Directors) by phone +45 23475640 or by email to skako.dk@skako.com

COMPANY ANNOUNCEMENTS 2017

Main company announcements in 2017

22 March	01 - Annual report 2016
22 March	02 - Notice to ordinary General Assembly
24 March	03 - Insider trading with SKAKO shares
30 March	04 - Granting of warrants to management and managerial employees
4 April	05 - Insider trading with SKAKO shares
7 April	06 - Insider trading with SKAKO shares
12 April	07 - Announcement on large shareholder
12 April	08 - Insider trading with SKAKO shares
12 April	09 - Insider trading with SKAKO shares
18 April	10 - Course of General Assembly on 18 April 2017
18 April	11 - Insider trading with SKAKO shares
23 May	12 - Interim report first quarter 2017
23 May	13 - Insider trading with SKAKO shares
23 May	14 - Insider trading with SKAKO shares
22 June	15 - Large order for SKAKO Concrete A/S
12 July	16 - SKAKO raises expectations to the year result
29 August	17 - Interim report first half-year 2017
7 September	18 - Insider trading with SKAKO shares
7 September	19 - Announcement on large shareholder
13 September	20 - Change of Group management
20 October	21 - Restructuring of SKAKO Concrete - annual savings of DKK 6 million
31 October	22 - Interim report for SKAKO A/S for the first three quarters of 2017
7 November	23 - Financial calendar for 2018
21 December	24 - SKAKO Concrete concludes conditional agreement of approx. DKK 55 million
28 December	25 - SKAKO appoints new strong international CFO

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

RISK MANAGEMENT ACTIVITIES

First and foremost, risk management activities in the SKAKO Group focus on financial risks to which the Company is exposed to. 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 – it 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 in EUR, reported revenue is affected by movements in the Group's trading currencies. The Group seeks to hedge against such exchange rate risks by matching positive and negative cash flows in the main currencies as much as possible.

Credit risks

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

Liquidity risk

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

Financial reporting process and internal controls

Once every quarter we carry through a detailed planning and budgetary process, and any deviations from the plans and budgets are carefully monitored.

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

Safeguarding corporate assets

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

Recommendations on corporate governance

As a listed company SKAKO observes the 'Recommendations on Corporate Governance' (issued in May 2013 and updated in November 2014) implemented by Nasdaq Copenhagen in its 'Rules for issuers of shares'. The 'Recommendations on Corporate Governance' contain 47 recommendations and are based on the comply-or-explain principle, which makes it legitimate for a company to explain why it does not comply with them. SKAKO fully complies with 42 of the 47 recommendations, and therefore complies with the 'Recommendations on Corporate Governance' in all material respects.

A complete schematic presentation of the recommendations and how we comply, Statutory report on corporate governance, cf. section 107 b of the Danish Financial Statements Act, is available on our website, http://www.skako.com/fileadmin/SKAKO/PDF/Stamdata_SKAKO/SKAKO_recommendations_on_corporate_governance_2017.pdf

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

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 2017, the committee reviewed the main accounting principles, tax strategy and compliance and key risks, etc.

In 2017, the Audit Committee held four meetings.

Statutory statement for the underrepresented gender

At SKAKO A/S we believe that a multiple and tolerant organisation makes the company stronger, increases the competitiveness and creates a good and innovative working environment.

We want to develop and benefit from the total potential of all employees and that all employees can develop their full potential in balance between working life and private life. Gender equality in the management and focus on multiplicity is an integrated part of SKAKO A/S's personnel policy.

At present, SKAKO A/S has no female board members. However, the Board of Directors is aware of this underrepresentation and wants to support and contribute to the part of female board members being increased. Considering SKAKO A/S's business and the line of business within which SKAKO A/S is operating the Board of Directors has set the specific goal that the part of women elected at the general meeting is to amount to at least 20% by 2020.

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

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

CORPORATE GOVERNANCE (continued)

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.

Report on Corporate Social Responsibility, cf. Section 99a of the Danish Financial Statements Act

SKAKO has no formal policies regarding social responsibility. However, the company works on the basis of general principles for social responsibility and on limiting the negative environmental impacts as much as possible.

To SKAKO, respect of human rights is about the company's own employee conditions and securing that suppliers and sub-suppliers deliver services to the Group in a way that considers the environment and the employees' rights including safety and health.

Through energy efficiency improvements and savings and through innovative thinking of internal transportation and communication, SKAKO contributes to reducing its climate impact.

This has resulted in the wording of the "Code of Conduct" in our production principles. This ensure that suppliers and their suppliers produce and deliver their services to the Group in a way that considers the environment and the employees' rights.

Environment

- **Production:** The Group is a know-how and engineering company with production of key components. The production consists of mainly assembling and testing and does not include energy-demand or polluting processes. All surface treatment processes are outsourced to sub-suppliers.
- **Heating:** Continuously, a number of energy-saving initiatives have been and will be carried out in order to reduce heating costs.
- **Transport:** The company has an indirect environmental impact in form of ingoing and outgoing transport such as trucks, ships and to a minor extent planes. In case of plant orders for distant markets, production of major steel constructions is executed at local sub-suppliers to a certain extent and in other cases the customer produces these constructions. Generally, there is a high focus on minimizing transport in relation to handling of plant orders.

It is the Group's view that we all have a responsibility of contributing to a better environment. The Group companies continue to focus on the environment.

Innovation

Our innovation is aimed at adding value to the market by developing new equipment, developing better alternative technologies and developing innovative solutions that can optimize the performance of existing plants and equipment.

Safety and health

The Group's policies within the working environment and in relation to the Group's employees involve a strong focus on establishing and securing a healthy working environment to prevent accidents and damage as well as creating positive relations to the workplace, in general.

Workplace environment committees have been established in Denmark and in France, respectively, in order to plan the cooperation between management and employees to increase health and safety of the Group's employees. Heart defibrillators have been mounted in the Group and a number of employees have followed first aid courses continuously to be able to increase safety among employees.

EXECUTIVE MANAGEMENT



Name	Søren Pedersen	Lionel Girieud	Jakob Have
Born in	1962	1971	1981
Title	Director	Director	CFO
Member of the Management since	2014	2016	2016
Number of shares in SKAKO	8,460	5,166	9,000
Board positions	-	-	-

BOARD OF DIRECTORS



Name	<p>Jens Wittrup Willumsen Chairman of the Board of Directors</p>	<p>Christian Herskind Jørgensen Deputy Chairman</p>
	<p>Considered as a non-independent Board member</p>	<p>Considered as a non-independent Board member</p>
Born in	1960	1961
Board member since	2010	2009
SKAKO shares	<p>Jens Wittrup Willumsen owns 50% of the shares in Frederik2 Aps. Frederik2 Aps owns 800.000 shares in SKAKO.</p> <p>Further, Jens Wittrup Willumsen has a direct ownership of 49,876 shares in SKAKO</p>	<p>Christian Herskind Jørgensen owns 50% of the shares in Frederik2 Aps. Frederik2 Aps owns 800.000 shares in SKAKO.</p> <p>Further, Christian Herskind Jørgensen has a direct ownership of 102,000 shares in SKAKO</p>
Managerial positions in other companies	<p>Chairman of the Board: Mediehuset Ingeniøren A/S COMIT A/S Copenhagen Optimization ApS Dansk Selskab for Virksomhedsledelse (VL) INDEX Award A/S SimpliDay AB Freeminds Media A/S SAHARAS A/S</p> <p>Deputy Chairman: Billund Lufthavn</p> <p>Board member: FDM Travel Charlotte Sparre A/S Experimentarium A/S Koldinghus Handiscover AB Fonden Design Society Vingo Invest ApS Ezector Solutions ApS SEC Datacom A/S</p> <p>Others positions: Colonial ApS, Director own holding company Frederik2 ApS, Director</p>	<p>Chairman of the Board: Mannaz A/S Fonden Amager Bakke LABFLEX A/S Taulov DryPort A/S</p> <p>Deputy Chairman: Fonden Soldaterlegatet Fonden til støtte for soldater i internationale missioner</p> <p>Board member: Danske Ingeniørers Efteruddannelses Fond Fonden Peder Skram Sumisura A/S Nordsøenheden/Nordsøfonden Orbicon A/S Associated Danish Ports A/S LM Byg A/S</p> <p>Others positions: Refshaleøen Holding A/S, Managing Director Refshaleøens Ejendomsselskab A/S, Managing Director Herskind Venture Capital ApS, Director Ejendomsselskabet Helsingør/Århus, Director Frederik2 ApS, Director</p>
Special competences	<p>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.</p>	<p>Christian Herskind Jørgensen is educated lawyer from University of Copenhagen and University of London and is also Reserve Colonel. His competences include significant experience within sales, marketing, strategy, management, HR and legal matters.</p>

BOARD OF DIRECTORS (continued)



Name	<p>Carsten Krogsgaard Thomsen Chairman of the Audit Committee</p> <p>Considered as an independent Board member</p>	<p>Lars Tveen</p> <p>Considered as an independent Board member</p>
Born in	1957	1963
Board member since	2017	2017
SKAKO shares	6,851	6,104
Managerial positions in other companies	<p>Board member: GN Hearing A/S GN Store Nord A/S GN Audio A/S Scales A/S Scalesgroup AB Scales AS</p> <p>Others positions: NNIT A/S, CFO</p>	<p>Chairman of the Board: Project Zero-Fonden, Denmark (local initiative to achieve carbon neutrality by 2029)</p> <p>Board member: The Energy Industry (an association under the Confederation of Danish Industries)</p> <p>The Danish Energy Agency (EUDP - Energiteknologisk Udviklings- og Demonstrationsprogram)</p> <p>Green Energy (Grøn Energi)</p>
Special competences	<p>Carsten Krogsgaard Thomsen is educated Cand. Polit. and has had a long career with primary focus on economics and finance.</p> <p>Since 2014 Carsten Krogsgaard Thomsen has been CFO in NNIT and has previously held positions as EVP in Dong Energy A/S, EVP in DSB (Danish State Railways), finance and planning manager at Rigshospitalet (the Copenhagen University Hospital) and consultant in McKinsey & Company.</p>	<p>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.</p> <p>Since 2015 Lars Tveen has been President of the Heating Division of Danfoss.</p>

BOARD OF DIRECTORS (continued)



Name	Samuel Waldorph Andreasen Considered as an independent Board member
Born in	1967
Board member since	2017
SKAKO shares	-
Managerial positions in other companies	Board member: State Dan ApS Others positions: Skiold A/S, managing director Skiold Holding A/S, director ALEXAWA ApS, director SAMAWA ApS, director
Special competences	<p>Samuel Waldorph Andreasen is educated HA and Cand. Merc. in international business economics from Aalborg University. The career includes positions as marketing coordinator at Løgstør Rør A/S, executive assistant at Skiold Holding A/S, managing director at Skiold Mullerup A/S, managing director at Skiold Echberg A/S.</p> <p>From 2006 Samuel Waldorph Andreasen has been managing director and Group director of the Skiold Group who works with development, engineering and sales of complete pig farm and animal feed milling solutions within the agricultural sector.</p>

MANAGEMENT STATEMENT

We have today discussed and approved the Annual Report 2017 of SKAKO A/S for the financial year 1 January – 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position on 31 December 2017 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 2017.

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

We recommend the Annual Report for 2017 be approved at the Annual General Meeting.

Faaborg, 9 March 2018

Executive Board

Søren Pedersen
Director

Lionel Girieud
Director

Jakob Have
CFO

Board of Directors

Jens Wittrup Willumsen
Chairman

Christian Herskind Jørgensen
Deputy Chairman

Carsten Krogsgaard Thomsen

Lars Tveen

Samuel Waldorph Andreassen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of SKAKO A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2017 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 2017 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 2017 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

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

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

Independence

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

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

Appointment

We were first appointed auditors of SKAKO A/S on 26 April 2012 for the financial year 2012. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 6 years including the financial year 2017.

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 2017. 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 long-term construction contracts Recognition of the Group's revenue is complex due to a high degree of accounting estimates and uncertainty regarding recognition of revenue from long-term construction contracts. Work in progress for third parties amounted to DKK 69 million (2016: DKK 49 million) net and prepayments from customers DKK 10 million (2016: DKK 10 million). We focused on this area, as recognition of revenue involves a number of judgements made by Management originating from percentage of completion and estimated cost to completion. Reference is made to note 14.	 Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with applicable accounting standards. We performed substantive procedures over significant contracts and costs allocated to projects in order to assess the accounting treatment and principles applied. We assessed Management's estimated cost to completion and contribution margin for construction contracts in order to evaluate valuation of construction contracts and recognised revenue. We compared the estimated contribution margins to actual contribution margins for finished projects in 2017 and 2018 and to prior year's estimates. We tested Management's estimated percentage of completion by assessing subsequent development in costs allocated to the projects and Management's updated estimates for cost to completion and contribution margin. We performed journal entry testing of revenue entries including entries regarding long-term contracts.

Deferred tax assets

At 31 December 2017, the Group has recognised deferred income tax assets of DKK 24 million (2016: DKK 23 million).

Management is required to exercise considerable judgement when determining the appropriate amount to capitalise in respect of deferred tax.

We focused on this area as the amounts involved are potentially material and the valuation of tax assets is associated with uncertainty and judgement.

Reference is made to note 12.

We evaluated Management's procedure for estimating the deferred tax assets.

In understanding and evaluating Management's judgements, we considered current year estimates and developments in the tax environment.

Further, we evaluated the Group's budgets for the coming years including key assumptions.

In addition, we evaluated and challenged the adequacy of Management's key assumptions to assess Management's estimates.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However,

future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

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

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

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

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

Odense, 9 March 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231

Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

Line Hedam
State Authorised Public Accountant
mne27768



SKAKO

ANNUAL REPORT 2017

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

DKK thousands		2017	2016
Notes			
1	Revenue	350,375	308,059
2,3	Production costs	(266,574)	(223,753)
	Gross profit	83,801	84,306
3	Distribution costs	(36,890)	(39,418)
3,4,5	Administrative expenses	(26,674)	(28,477)
	Operating profit (EBIT)	20,237	16,411
6	Special items	(24,131)	-
	Operating profit (EBIT) after special items	(3,894)	16,411
7	Financial income	30	58
7	Financial expenses	(2,848)	(3,323)
	Profit before tax	(6,712)	13,146
8	Tax on profit for the year	552	3,394
	Profit for the year	(6,160)	16,540
	Profit for the year attributable to SKAKO A/S shareholders		16,540
9	Earnings per share (EPS), DKK	(2.00)	5.36
9	Diluted earnings per share (EPS), DKK	(1.99)	5.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2017	2016
Notes			
	Profit for the year	(6,160)	16,540
	Other comprehensive income:		
	Items that have been or may subsequently be reclassified to the income statement:		
	Foreign currency translation, subsidiaries	(1,140)	496
	Value adjustments of hedging instruments	(79)	153
	Tax on items that have been or may subsequently be reclassified to the income statement	-	-
	Other comprehensive income	(1,219)	649
	Comprehensive income	(7,379)	17,189
	Comprehensive income attributable to SKAKO A/S shareholders	(7,379)	17,189

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2017	2016
Notes			
	Other intangible assets	5,088	5,356
	Intangible assets under development	2,882	542
10	Intangible assets	7,970	5,898
	Land and buildings	4,887	34,488
	Plant and machinery	163	2,727
	Operating equipment, fixtures and fittings	944	1,116
	Leasehold improvements	75	58
	Tangible assets under construction	15	453
11	Tangible assets	6,084	38,842
	Other receivables	1,147	1,145
12	Deferred tax assets	23,711	22,585
	Other non-current assets	24,858	23,730
	Total non-current assets	38,912	68,470
13	Inventories	45,662	43,425
	Trade receivables	73,012	65,521
14	Work in progress for third parties	68,648	48,830
	Income tax	648	185
	Other receivables	6,996	7,593
	Prepaid expenses	2,155	1,586
	Other investments	74	74
	Cash	2,957	9,387
	Current assets	200,152	176,601
6	Assets held for sale	22,350	0
	Assets	261,414	245,071

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

DKK thousands		2017	2016
Notes			
	Share capital	31,064	31,064
	Foreign currency translation reserve	(393)	747
	Hedging reserve	(34)	45
	Retained earnings	65,064	70,504
	Total equity	95,701	102,360
15	Bank loans and credit facilities	0	9,724
15	Financial leasing	0	237
16	Provisions	3,483	3,584
	Non-current liabilities	3,483	13,545
16	Provisions	9,050	8,714
15	Bank loans and credit facilities	28,677	16,014
15	Financial leasing	237	282
14	Prepayments from customers	10,134	9,847
	Trade payables	77,946	66,872
	Income tax	120	743
	Other liabilities	26,730	24,812
	Deferred income	0	1,882
	Current liabilities	152,894	129,166
6	Liabilities related to assets held for sale	9,336	0
	Liabilities	165,713	142,711
	EQUITY AND LIABILITIES	261,414	245,071

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands		2017	2016
Notes			
	Profit before tax	(6,712)	13,146
6	Restructuring costs	24,131	0
17	Adjustments	8,091	10,136
	Changes in receivables, etc.	(27,286)	(5,182)
	Change in inventories	(4,630)	4,833
	Change in trade payables and other liabilities, etc.	11,044	(2,166)
	Cash flow from operating activities before restructuring costs paid, financial items and tax	4,638	20,767
	Restructuring costs paid	(9,853)	-
	Financial items received and paid	(2,818)	(3,265)
	Taxes paid	(1,027)	(649)
	Cash flow from operating activities	(9,060)	16,853
	Investment in intangible assets	(3,007)	(5,030)
	Investment in tangible assets	(4,480)	(819)
	Cash flow from investing activities	(7,487)	(5,849)
	Change in borrowings	(2,455)	(2,392)
	Cash flow from financing activities	(2,455)	(2,392)
	Change in cash and cash equivalents	(19,002)	8,612
	Cash and cash equivalents at 1 January	(6,553)	(15,094)
	Foreign exchange adjustment, cash and cash equivalents	(91)	(71)
	Cash and cash equivalents at 31 December	(25,646)	(6,553)
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash and other investments	3,031	9,461
	Overdraft	(28,677)	(16,014)
	Cash and cash equivalents at the end of the year:	(25,646)	(6,553)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 1 January 2017	31,064	747	45	70,504	102,360
Comprehensive income in 2017:					
Profit for the year				(6,160)	(6,160)
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		(1,140)			(1,140)
Value adjustments of hedging instruments			(79)		(79)
Tax on other comprehensive income			0		0
Other comprehensive income	-	(1,140)	(79)	-	(1,219)
Comprehensive income, year	-	(1,140)	(79)	(6,160)	(7,379)
Share-based payment, warrants				720	720
Equity at 31 December 2017	31,064	(393)	(34)	65,064	95,701

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 01 January 2016	31,064	251	(108)	53,590	84,797
Comprehensive income in 2016:					
Profit for the year				16,540	16,540
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		496			496
Value adjustments of hedging instruments			153		153
Tax on other comprehensive income			0		0
Other comprehensive income	-	496	153	-	649
Comprehensive income, year	-	496	153	16,540	17,189
Share-based payment, warrants				220	220
Disposal treasury shares				154	154
Equity at 31 December 2016	31,064	747	45	70,504	102,360

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note No.	Description
1	Segment information and geographical revenue
2	Production costs
3	Staff costs
4	Share-based payment, warrants
5	Fee to parent company auditors appointed at the Annual General Meeting
6	Special items
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8	Tax on profit for the year
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10	Intangible assets
11	Tangible assets
12	Deferred tax
13	Inventory
14	Work-in-progress for third parties
15	Bank loans and credit facilities
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17	Adjustments, consolidated cash flow statement
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1 Segment information and geographical revenue



Accounting policy

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

SKAKO Vibration: Vibratory feeding, conveying and screening equipment

SKAKO Concrete: Concrete batching plants for ready-mix, precast and jobsite plants

Administrative functions such as Finance, HR, IT are shared by the divisions. The administrative functions are based in the individual countries, but supported by Group functions in Denmark.

Shared costs are allocated to business segments based on assessment of usage.

Revenue is presented by geographical regions. Segment income and costs include transactions between business areas. The transactions are eliminated in connection with the consolidation. Revenue is recognised in the income statement on delivery and passing of the risk to the buyer, and when the revenue can be measured reliably.

Work-in-progress for third parties is recognised in revenue based on the value of the work completed at the balance sheet date whereby the revenue corresponds to the sales value of the year's completed work based on costs incurred as percentage of the total estimated costs (percentage of completion method).

Revenue from the supply of services and spare parts are recognised as revenue in line with the services agreed being supplied so that the revenue corresponds to the sales value of the work completed in the financial year.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Segment information and geographical revenue (continued)

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

DKK thousands	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
2016					
External revenue	150,794	157,265	-	-	308,059
Internal revenue	246	3,901	-	(4,147)	-
Total revenue	151,040	161,166	-	(4,147)	308,059
Depreciations	(2,458)	(832)	(565)	-	(3,855)
Operating profit (EBIT)	5,758	13,030	(2,377)	-	16,411
Financial income	336	116	175	(569)	58
Financial expenses	(1,710)	(1,509)	(673)	569	(3,323)
Result before tax	4,384	11,636	(2,874)	-	13,146
Tax on profit for the year	2,446	947	1	-	3,394
Profit for the year	6,830	12,583	(2,873)	-	16,540
Segment non-current assets	61,981	3,944	2,545	-	68,470
Segment assets	142,982	114,829	6,270	(19,010)	245,071
Segment liabilities	66,120	77,733	17,868	(19,010)	142,711
Investments of intangible and tangible asset	5,171	678	-	-	5,849
Average number of employees	98	85	-	-	183

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 Segment information and geographical revenue (continued)

USA

Revenue: DKK 23,872k (2016: DKK 24,259k)

Europe

Revenue: DKK 247,814k (2016: DKK 208,166k)

Hereof revenue in Denmark: DKK 23,326k (2016: DKK 31,306k)

Africa

Revenue: DKK 43,478k (2016: DKK 42,543k)

Hereof revenue in Morocco: DKK 26,153k (2016: DKK 30,046k)

Rest of the world

Revenue: DKK 35,211k (2016: DKK 33,091k)

2 Production costs



Accounting policy

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

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

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



Significant estimates and assessments by Management

The obsolescence provision for inventories is based on the expected sales forecast. Sales forecasts are based on the Management's expectations of market conditions and trends, and the obsolescence provision is subject to changes in these assumptions.

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	2017	2016
Cost of goods sold during the year	191,589	144,013
Write-down of inventories for the year, net	(908)	(722)
Research and development costs	3,081	13,599
Government grants	(1,297)	(1,150)
Production staff costs and other costs	74,109	68,013
Total production costs	266,574	223,753

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 Staff costs



Accounting policy

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

DKK thousands	2017	2016
Wages, salaries and other remuneration	93,866	90,184
Contribution plans and other social security costs, etc.	19,169	15,449
Share-based payment, warrants	720	220
Other staff costs	3,833	2,176
	117,588	108,029
The amounts are included in the items:		
Production costs	68,680	67,281
Distribution costs	25,175	22,717
Administrative costs	15,268	18,031
Special items	8,465	-
	117,588	108,029

The average number of employees was 182 (2016: 183).

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

DKK thousands	2017	2016
Board of Directors and Audit committee	1,100	1,100
Executive management		
Wages, salaries and other remuneration	4,590	4,355
Contribution plans and other social security costs, etc.	808	735
Share-based payment, warrants	387	131
	5,785	5,221

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

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

4 Share-based payment, warrants



Accounting policy

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

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

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

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

At 31 December 2017, the remaining average contractual life of share based remuneration program was less than two years.

	2017 warrants			2016 warrants		
	Granted	Strike price (all)	Exercise period	Granted	Strike price (all)	Exercise period
Warrants granted	100,000	90.39	March 2020	100,000	72.35	July 2019
Executive management	60,000			60,000		
- hereof forfeited	-20,000			-20,000		
Total executive management	40,000			40,000		
Other key employees	40,000			40,000		
Number of warrants entitlements	80,000			80,000		

The recognised fair value of warrants in the consolidated income statement amounts to DKK 720k. (2016: 220k)

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

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

*The expected volatility is based on the historical volatility of the SKAKO shares in the preceding 36 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

DKK thousands	2017	2016
PwC		
Statutory audit	421	446
Other assurance engagements	0	0
Tax and indirect taxes consultancy	58	37
Other services	324	385
	803	868
Other audit firms		
Statutory audit	202	228
Other assurance engagements	0	0
Tax and indirect taxes consultancy	17	25
Other services	65	40
	284	293

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 0,4m (2016: DKK 0,4m) and consists of VAT and tax assistance and accounting advisory.

6 Special items



Accounting policy

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

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



Significant estimates and assessments by Management

Special items in 2017 include significant non-recurring items, including impairment of non-current assets and inventories, provisions as well as redundancy costs and other staff costs related to planning and execution of the restructuring project in SKAKO Concrete.

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

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

DKK thousands	2017	2016
Impairment of land and buildings*	10,053	-
Impairment of other tangible assets	874	-
Write-down of inventory	2,393	-
Redundancy costs and other staff costs	8,466	-
Other costs	2,345	-
Special items total	24,131	-

*In October 2017 we started a sales process of the production building and associated land. The production building and the associated land are classified in the balance sheet as "Assets held for sale" at a value of DKK 22.350k. The sales process is expected to be concluded in 2018.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 Net financial items



Accounting policy

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

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

DKK thousands	2017	2016
Interest on cash and bank deposits	30	58
Financial income from financial assets not measured at fair value in the income statement	30	58
Foreign exchange gains, net	0	0
Financial income	30	58
Interest on bank debt	(1,010)	(1,409)
Interest on lease debt	(2)	(91)
Financial expenses on financial liabilities not measured at fair value in the income statement	(1,012)	(1,500)
Foreign exchange losses, net	(640)	(796)
Other financial expenses	(1,196)	(1,027)
Financial expenses	(2,848)	(3,323)
Net financial items	(2,818)	(3,265)

8 Tax on profit for the year



Accounting policy

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

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

DKK thousands	2017	2016
Current tax on the profit for the year	(574)	(1,923)
Adjustment of current tax, prior years	3	0
Change in deferred tax	1,126	5,317
Adjustment of deferred tax, prior years	(3)	0
Impact on changes in corporate tax rates	0	0
Tax for the period, net income	552	3,394
Tax using the Danish corporate tax rates	1,516	(2,882)
Effect of tax rates in foreign jurisdictions	747	(1,701)
Impact in changes in corporate tax rates	(378)	0
Deferred tax assets for the year not recognised	(1,152)	7,560
Permanent differences and other items	(181)	417
	552	3,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Earnings per share (EPS)



Accounting policy

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

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

DKK thousands	2017	2016
Earnings		
Profit for the year	(6,339)	16,540
Number of shares, average		
Number of shares issued	3,106,408	3,106,408
Adjustment for treasury share	(22,567)	(22,567)
Average number of shares	3,083,841	3,083,841
Earnings per share (EPS)	(2.00)	5.36
Earnings per share, diluted	(1.99)	5.36

As of 31 December 2017, SKAKO's nominal share capital was 31,064,180 DKK divided into 3,106,418 shares of 10 DKK each. All shares are the same class and carry one vote each.

Treasury shares represents 0,73% of shares issued.

10 Intangible assets



Accounting policy

Other intangible assets

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

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

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

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

Amortisation takes place systematically over the estimated useful life of the assets which is as follows:

- Development costs, 2-10 years
- Software systems, 2-10 years



Significant estimates and assessments by Management

Management estimates the useful life of software systems. The asset is then depreciated and amortised systematically over the expected future useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Intangible assets (continued)

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

DKK thousands	Intangible assets under development	Development projects	Software	Total
Cost at 1 January 2016	561	1,537	17,914	20,012
Foreign exchange adjustments	-	(6)	(12)	(18)
Investments	542	-	4,488	5,030
Disposals	-	-	(1,531)	(1,531)
Transferred between categories	(561)	-	561	-
Transferred from tangible assets	-	-	7	7
Cost at 31 December 2016	542	1,531	21,427	23,500
Amortisation and impairment at 1 January 2016	-	1,537	16,901	18,438
Foreign exchange adjustment	-	(6)	(32)	(38)
Disposals	-	-	(1,531)	(1,531)
Amortisation	-	-	733	733
Amortisation and impairment at 31 December 2016	-	1,531	16,071	17,602
Carrying amount at 31 December 2016	542	-	5,356	5,898

DKK thousands	2017	2016
Amortisation is included in the items:		
Production costs	552	310
Distribution costs	196	114
Administrative costs	132	309
Special items	56	-
	936	733

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

Assets with an acquisition value of less than DKK 50,000 or expected life of less than one year are expensed in the Income Statement at acquisition.

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

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

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

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



Significant estimates and assessments by Management

Management makes an estimate of the useful life and residual values. The asset is then depreciated and amortized systematically over the expected future useful life.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 Tangible assets (continued)

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

DKK thousands	Land and building	Plant and machinery	Operating equipment, fixtures and fittings	Leasehold improvements	Tangible assets in course of construction	Total
Cost at 1 January 2016	56,798	22,992	17,750	6,773	547	104,860
Foreign exchange adjustments	(201)	(71)	(37)	(9)	-	(317)
Investments	-	64	277	77	401	818
Disposals	-	-	(1,717)	(2,691)	(495)	(4,903)
Transferred between categories	97	22	(119)	-	-	-
Transferred to intangible assets	-	-	(7)	-	-	(7)
Cost at 31 December 2016	56,694	23,007	16,147	4,150	453	100,451
Depreciation and impairment at 1 January 2016	21,077	19,235	15,781	5,508	494	62,095
Foreign exchange adjustments	(75)	(55)	(25)	(6)	-	(161)
Disposals	-	-	(1,503)	(1,450)	(494)	(3,447)
Amortisation	1,204	1,100	778	40	-	3,122
Transferred between categories	-	-	-	-	-	-
Depreciation and impairment at 31 December 2016	22,206	20,280	15,031	4,092	-	61,609
Carrying amount at 31 December 2016	34,488	2,727	1,116	58	453	38,842
Hereof finance leases	-	-	304	-	-	304

DKK thousands	2017	2016
Amortisation is included in the items:		
Production costs	2,570	1,891
Distribution costs	1,009	789
Administrative costs	488	442
Special items	10,871	-
	14,937	3,122

12 Deferred tax



Accounting policy

Deferred tax is calculated using the balance sheet liability method on all 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 are stated in the income statement unless they are items previously entered in the statement of other comprehensive income.

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

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

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

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

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



Significant estimates and assessments by Management

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

DKK thousands	2017	2016
Deferred tax recognised in the balance sheet:		
Deferred tax assets	23,711	22,585
Deferred tax liabilities	-	-
Deferred tax, net 31 December	23,711	22,585
Deferred tax, net at 1 January	22,585	17,268
Foreign currency translation adjustments	7	(5)
Changes in deferred tax	1,119	5,322
Deferred tax, net at 31 December	23,711	22,585
Deferred tax assets:		
Intangible assets	2,993	2,112
Property, plants and equipment	10,304	10,179
Inventories	738	838
Receivables	-	-
Provisions	1,322	1,346
Tax losses	8,326	8,114
Other items	28	(4)
	23,711	22,585
Deferred tax assets not recognised:		
Intangible assets	124	2,095
Property, plants and equipment	146	928
Inventories	401	883
Provisions	612	1,151
Tax losses	32,231	33,077
	33,514	38,134

Tax losses carried forward are not subject to time limitation. All recognised deferred tax assets are expected to be offset against positive taxable income within a 3-5 year period based on the approved business plans and budgets for the Group. The Group is expected to generate taxable income from 2018 onwards.

13 Inventory



Accounting policy

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

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



Significant estimates and assessments by Management

The obsolescence provision for inventories is based on the expected sales forecast. Sales forecasts are based on the Management's expectations of market conditions and trends, and the obsolescence provision is subject to changes in these assumptions.

DKK thousands	2017	2016
Raw materials and consumables	20,145	19,760
Work-in-progress	3,196	4,147
Finished goods and goods for resale	22,321	19,518
Inventories net of write-downs at 31 December	45,662	43,425
Carrying amount of inventories at fair value after deduction of costs to sell	-	-
Included in Income Statement under production costs:		
Write-down of inventories for the year, net positive	(908)	(722)
Costs of goods sold during the year	191,589	144,013
Write-down of inventories for the year, net (included in special items)	2,393	-

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

14 Work-in-progress for third parties



Accounting policy

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

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

When invoicing on account exceeds the value of the work completed, the liability is recognised as work-in-progress for third parties under short-term liabilities.

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



Significant estimates and assessments by Management

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

DKK thousands	2017	2016
Total costs incurred	143,497	88,352
Profit recognised as income, net	34,098	31,217
Work-in-progress for third parties	177,595	119,569
Invoicing on account to customers	(119,081)	(80,586)
Net work-in-progress for third parties	58,514	38,983
Of which work-in-progress for third parties is stated under assets and prepayments from customers	68,648 (10,134)	48,830 (9,847)
Net work-in-progress for third parties	58,514	38,983

Work-in-progress for third parties consists of all open projects at 31 December including cost and profit recognised in prior years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15 Bank loans and credit facilities



Accounting policy

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

DKK thousands	0-1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2017						
Cash and cash equivalents	2,957	-	-	2,957	2,957	0%
Interest-bearing asset	2,957	-	-	2,957	2,957	0%
Finance lease debt	(237)	-	-	(237)	(237)	0%
Debt to credit institutions	(618)	-	-	(618)	(618)	1,3%
Short term bank facilities	(28,058)	-	-	(28,058)	(28,058)	2,0%
Interest-bearing liabilities	(28,913)	-	-	(28,913)	(28,913)	1,9%
Net interest-bearing debt	(25,956)	-	-	(25,956)	(25,956)	1,9%
2016						
Cash and cash equivalents	9,387	-	-	9,387	9,387	
Interest-bearing asset	9,387	-	-	9,387	9,387	0%
Finance lease debt	(282)	(237)	-	(519)	(519)	
Debt to credit institutions	(2,067)	(8,706)	(1,018)	(11,791)	(11,791)	2,4%
Short term bank facilities	(13,947)	-	-	(13,947)	(13,947)	2,0%
Interest-bearing liabilities	(16,296)	(8,943)	(1,018)	(26,257)	(26,257)	2,2%
Net interest-bearing debt	(6,909)	(8,943)	(1,018)	(16,870)	(16,870)	2,2%

Interest-bearing debt broken down by currency: 4% in EUR (45% in 2016), 1% in US dollars (21% in 2016), 8% in British pound (21% in 2016), 81% in Danish kroner (11% in 2016) and 6% in other currencies (2% in 2016).

The undiscounted cash flows essentially correspond to the carrying amounts.

Based on the Group's net debt at the end of the 2017 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approx. DKK 259k (DKK 169k in 2016).

16 Provisions

Accounting policy

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

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

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


Significant estimates and assessments by Management

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

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

DKK thousands	2017		
	Warranties	Other provisions	Total
Provisions at 1 January	3,516	8,782	12,298
Foreign exchange adjustments	-	3	3
Additions	3,875	210	4,085
Used	(3,416)	(437)	(3,853)
Reversals	-	-	-
Provisions at 31 December	3,975	8,558	12,533
The maturity of provisions is specified as follows:			
Current liabilities	2,572	6,478	9,050
Non-current liabilities	1,403	2,080	3,483
	3,975	8,558	12,533
DKK thousands	2016		
	Warranties	Other provisions	Total
Provisions at 1 January	4,202	5,133	9,335
Foreign exchange adjustments	79	(43)	36
Additions	2,050	5,451	7,501
Used	(2,800)	(78)	(2,878)
Reversals	(15)	(1,681)	(1,696)
Provisions at 31 December	3,516	8,782	12,298
The maturity of provisions is specified as follows:			
Current liabilities	2,182	6,532	8,714
Non-current liabilities	1,334	2,250	3,584
	3,516	8,782	12,298

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Adjustments, consolidated cash flow statement

DKK thousands	2017	2016
Amortisation and depreciation	4,945	3,855
Change in provisions	(365)	2,963
Financial items received and paid	2,818	3,265
Other	693	53
	8,091	10,136

18 Exchange rate and liquidity risks and hedging and forward exchange contracts

Risk management activities in the SKAKO Group mainly focus on financial risks to which the Company is exposed to. 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 – it 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 matching positive and negative cash flows in the main currencies as much as possible.

Below is a sensitivity analysis in respect of exchange rates, given a positive change of 5% in the currencies with the highest exposures. The estimate has been provided on a non-hedged basis.

DKK thousands	Net position	Change in currency	2017: Potential impact on P/L and equity	2016: Potential impact on P/L and equity
EUR	19,315	5%	966	(422)
USD	3,662	5%	183	475
GBP	3,438	5%	172	228

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. In 2017 the Group has not defaulted in any loan agreements.

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 involve minor losses on individual customers. Overall, we therefore estimate that we have no major credit exposure on Group level. The maximum credit risk relating to receivables matches the carrying amount of such receivables.

Trade receivables can be allocated as follows:

DKK thousands	2017		2016	
Europe	50,508		30,746	
United States	3,195		6,949	
Africa	16,595		21,704	
Other	2,714		6,122	
	73,012		65,521	
Aging and provisions for bad debt, 31.12, gross:	Gross	Provision	Gross	Provision
Not due	46,014	-	47,835	-
Due 0-30 days	19,623	-	8,080	-
Due 31-120 days	3,395	180	3,817	13
Due 121-365 days	4,139	63	6,011	706
Due more than 1 year	1,398	1,314	1,765	1,268
	74,569	1,557	67,508	1,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Contractual liabilities, contingent liabilities and securities

Irrevocable operational leasing payments are as follows:

DKK thousands	2017	2016
0-1 year	1,549	1,564
1-5 years	4,165	4,796
More than 5 years	246	342
	5,960	6,702

The Group leases operating equipment on operational leasing contracts.

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

The company's financial institutions have provided bank guarantees for consignments and prepayments of a total of DKK 37.6 million (2016: DKK 41.3 million).

Towards the company's primary financial institution, a company deposit of DKK 50 million (2016: DKK 50 million) has been provided with deposit in unsecured claims, stocks, tangible assets and intangible rights.

There is a 12-month rent commitment related to the building in Denmark. The minimum rent liability amounts to DKK 1.6 million (2016: DKK 1.6 million). The Danish subsidiaries of the Group are liable for tax of the jointly taxed income, etc. of the Group. SKAKO A/S is the administrative company of the joint taxation.

20 Related parties

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

The company's related parties comprise the company's Executive management, Board of Directors 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 61 in which SKAKO A/S has controlling or significant influence.

21 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2017 after the balance sheet date and up to today.

22 Approval and publication

At the Board meeting on 9 March 2018, our Board of Directors approved this Annual Report 2017 for publication. The report will be presented to the shareholders of SKAKO A/S at the annual general meeting on 5 April 2018.

23 Group accounting policies

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

Generally

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

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

The financial statements for the Parent as well as the Parent's accounting policies are presented from the consolidated financial statements and are shown on the second last pages of this Annual Report 2017.

The accounting policies remain unchanged for the consolidated financial statements compared to 2016, with the exception of the implementation of new and amended standards as described below. Also, insignificant reclassifications in the comparative figures for 2016 have been made.

Effect of new accounting standards

The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2017. None of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2017.

Changes in accounting policies and classification for 2018

IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and related interpretations when it becomes effective. Management has evaluated the impact and prospects of the standard. The impact from IFRS 15 has only an insignificant impact on the timing of revenue recognition or classification. IFRS 15 will take effect on 1 January 2018.

IFRS 9 Financial Instruments introduces new hedge-accounting rules and a new impairment model for financial assets: the expected credit loss (ECL) model. The new impairment model for financial assets requires recognition of impairment losses based on expected credit losses (ECL) rather than incurred losses as it is the case under current practice. The ECL model involves a three-stage approach under which financial assets move through the stages as their credit quality changes. For trade receivables, the Group applies the simplified approach, which permits the use of lifetime ECL. Provision rates are determined based on grouping of trade receivables sharing the same credit risk characteristics and days past due. The impact from IFRS 9 and calculating ECL has only an insignificant impact on provisions and the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Group accounting policies (continued)

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 2017, have not been incorporated into this report.

Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management is in the process of evaluating the expected future impact of the application of IFRS 16 on the amounts reported and disclosed by the Group. Management expects the implementation of this standard to have a limited impact on the recognition of tangible assets and financial debt on the balance sheet. The standard is also expected to have a limited impact on the classification of expenses in the income statement, the classification of cash flows in the cash flow statement as well as the related key figures. IFRS 16 is effective for financial years beginning on or after 1 January 2019.

Definition of materiality

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

Consolidated financial statements

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

Consolidation principles

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

Income statement

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

Distribution costs

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

Administrative expenses

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

Receivables

Receivables comprise trade receivables and other receivables.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A write-down is recognised when there is an indication that an individual receivable cannot be collected. Assessment of bad debt is carried out for individual receivables and includes:

- Evaluation of the customer's ability to pay
- Aging of the receivable
- Possibility of offset assets against claims
- Access to other securities

The write-down is deducted from the carrying amount of trade receivables and the cost is recognised in the income statement as administrative costs.

Prepaid expenses

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

Deferred income

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

Equity

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

Treasury shares

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

Cash flow statement

The cash flow statement is prepared according to the indirect method and reflects the consolidated net cash flow broken down into operating, investing and financing activities. *Cash flow from operating activities* includes inflows from the year's operations adjusted for non-cash operating items, changes in working capital, financial income received and expenses paid, realised foreign currency translation gains and losses and income tax paid. Cash flow from investing activities includes the purchase, development, improvement or sale of intangible assets and property, plant and equipment. *Cash flow from financing activities* includes the raising and repayment of non-current and current debt not included in working capital.

Cash flow in currencies other than the function currency is recognised at average exchange rates for the months of the year unless they deviate significantly from actual exchange rates on the transaction dates.

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

Financial statements



PARENT COMPANY INCOME STATEMENT

DKK thousands		2017	2016
Notes			
	Other income	900	900
1,2	Administrative expenses	(3,358)	(3,266)
	Operating profit (EBIT)	(2,458)	(2,366)
3,7	Financial income	13,029	75,303
3	Financial expenses	(270)	(671)
	Profit before tax	10,301	72,266
4	Tax on profit for the year	3	0
	Profit for the year	10,304	72,266

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

DKK thousands		2017	2016
Notes			
	Profit for the year	10,304	72,266
	Other comprehensive income	0	0
	Comprehensive income	10,304	72,266
	Comprehensive income attributable to SKAKO A/S shareholders	10,304	72,266

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands		2017	2016
Notes			
	Other intangible assets	-	88
5	Intangible assets	-	88
	Operating equipment, fixtures and fittings	-	304
	Leasehold improvements	-	-
	Tangible assets under construction	-	-
6	Tangible assets	-	304
7	Investments in subsidiaries	164,158	164,158
	Other receivables	-	11
8	Deferred tax assets	589	589
	Other non-current assets	164,747	164,758
	Total non-current assets	164,747	165,150
	Receivables from subsidiaries	3,160	-
	Trade receivables	-	-
	Income tax	-	-
	Other receivables	-	-
	Prepaid expenses	-	-
	Other investments	74	74
	Cash	56	56
	Current assets	3,290	130
	Assets	168,037	165,280

PARENT COMPANY BALANCE SHEET AT 31 DECEMBER

DKK thousands	2017	2016
Notes		
Share capital	31,064	31,064
Retained earnings	127,384	116,360
Total equity	158,448	147,424
Debt to subsidiaries	-	16,636
Financial leasing	-	237
Non-current liabilities	-	16,873
Debt to subsidiaries	3,868	-
Bank loans and credit facilities	4,885	107
Financial leasing	237	282
Trade payables	94	64
Income tax	-	-
Other liabilities	505	530
Current liabilities	9,589	983
Liabilities	9,589	17,856
EQUITY AND LIABILITIES	168,037	165,280

PARENT COMPANY CASH FLOW STATEMENT

DKK thousands		2017	2016
Notes			
	Profit before tax	10,301	72,266
9	Adjustments	(11,644)	(73,941)
	Changes in receivables, etc.	11	427
	Change in trade payables and other liabilities, etc.	5	(157)
	Cash flow from operating activities before financial items and tax	(1,327)	(1,405)
	Financial items received and paid	(241)	(622)
	Taxes paid	-	-
	Cash flow from operating activities	(1,568)	(2,027)
	Investment in intangible assets	-	-
	Investment in tangible assets	-	-
	Cash flow from investing activities	-	-
	Change in intra-Group balances	(3,210)	6,871
	Cash flow from financing activities	(3,210)	6,871
	Change in cash and cash equivalents	(4,778)	4,844
	Cash and cash equivalents at 1 January	23	(4,821)
	Foreign exchange adjustment, cash and cash equivalents	-	-
	Cash and cash equivalents at 31 December	(4,755)	23
	Breakdown of cash and cash equivalents at the end of the year:		
	Cash and other investments	130	130
	Overdraft	(4,885)	(107)
	Cash and cash equivalents at the end of the year	(4,755)	23

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

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

DKK thousands	Share capital	Retained earnings	Equity
Equity at 1 January 2016	31,064	43,720	74,784
Comprehensive income in 2016:	-	72,266	72,266
Profit for the year			
Other comprehensive income	-	-	-
Comprehensive income, year	-	72,266	72,266
Share-based payment, share warrants	-	220	220
Disposal treasury shares	-	154	154
Equity at 31 December 2016	31,064	116,360	147,424

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1 Staff costs

Number of employees in 2017: 0 (2016: 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

In addition to the statutory audit, PwC, the Parent Company auditors appointed at the Annual General Meeting, provides other consultancy services to the Parent Company.

DKK thousands	2017	2016
PwC		
Statutory audit	150	121
Other assurance engagements	-	-
Tax and indirect taxes consultancy	50	25
Other services	406	290
	606	436
Other		
Statutory audit	-	-
Other assurance engagements	-	-
Tax and indirect taxes consultancy	-	25
Other services	-	-
	-	25

The fee for non-audit services delivered by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 0,5m (2016: DKK 0,3m) and consists of tax assistance and accounting advisory.

3 Net financial income

DKK thousands	2017	2016
Interest from subsidiaries	12	36
Dividends received from subsidiaries	13,000	-
Reversal of write-down of shares in subsidiaries	-	75,254
Financial income from financial assets not measured at fair value in the income statement	13,012	75,290
Other financial income	17	13
Financial income	13,029	75,303
Interest to subsidiaries	(155)	(423)
Interest on bank debt	(38)	(146)
Interest on lease debt	(2)	(45)
Financial expenses on financial liabilities not measured at fair value in the income statement	(195)	(614)
Other financial expenses	(75)	(57)
Financial expenses	(270)	(671)
Net financial items	12,759	74,632

4 Tax on profit for the year

DKK thousands	2017	2016
Current tax on the profit for the year	-	-
Adjustment of current tax, prior years	3	-
Change in deferred tax	-	-
Adjustment of deferred tax, prior years	-	-
Impact on changes in corporate tax rates	-	-
Tax for the period	3	0
Danish corporate tax rates	(2,266)	(15,899)
Effect of tax rates in foreign jurisdictions	-	-
Impact in changes in corporate tax rates	-	-
Deferred tax assets for the year not recognised	(594)	(657)
Permanent differences and other items	2,863	16,556
	3	0

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

5 Intangible assets

DKK thousands	2017	2016
		Software
Cost at 1 January	907	907
Investments	-	-
Disposals	-	-
Transferred between categories	-	-
Cost at 31 December	907	907
Amortisation and impairment at 1 January	819	559
Disposals	-	-
Amortisation	88	260
Amortisation and impairment at 31 December	907	819
Carrying amount at 31 December	-	88

6 Tangible assets

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

DKK thousands	Leasehold improvements	Operating equipment, fixtures and fittings	Tangible assets under construction	Total
Cost at 1 January 2016	341	2,168	494	3,003
Investments	-	-	-	-
Disposals	-	-	(494)	(494)
Transferred between categories	-	-	-	-
Cost at 31 December 2016	341	2,168	0	2,509
Depreciation and impairment at 1 January 2016	321	1,579	494	2,394
Transferred between categories	-	-	-	-
Disposals	-	-	(494)	(494)
Depreciation	20	285	-	305
Depreciation and impairment at 31 December 2016	341	1,864	0	2,205
Carrying amount at 31 December 2016	0	304	0	304
Hereof finance leases	-	304	-	589

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

7 Investments in subsidiaries

DKK thousands	2017	2016
Cost at 1 January	260,534	260,534
Investments	-	-
Disposals	-	-
Cost at 31 December	260,534	260,534
Write-down at 1 January	(96,375)	(171,629)
Reversal of write-down	-	75,254
Write-down at 31 December	(96,375)	(96,375)
Carrying amount at 31 December	164,159	164,159

The reversal of write-down in 2016 relates to shares in SKAKO Concrete A/S. We consider the fair value of SKAKO Concrete A/S to be higher than the carrying amount.

Group companies are listed on page 61.

8 Deferred tax

DKK thousands	2017	2016
Deferred tax recognised in the balance sheet:		
Deferred tax assets	589	589
Deferred tax liabilities	-	-
Deferred tax, net 31 December	589	589
Deferred tax, net at 1 January	589	589
Changes in deferred tax	-	-
Deferred tax, net at 31 December	589	589
Deferred tax assets:		
Tax losses	589	589
	589	589
Deferred tax assets not recognised:		
Intangible assets	124	104
Property, plants and equipment	146	80
Inventories	-	-
Provisions	-	-
Tax losses	4,358	4,840
	4,628	5,024

Tax losses carried forward are not subject to time limitation.

9 Adjustments, cash flow statement

DKK thousands	2017	2016
Reversal of write down of shares in subsidiaries	0	(75,254)
Dividends received from subsidiaries	(13,000)	
Depreciations	392	565
Financial items received and paid	241	622
Other	723	126
	(11,644)	(73,941)

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

10 Contractual liabilities, contingent liabilities and securities

Irrevocable operational leasing payments are as follows:

DKK thousands	2017	2016
0-1 year	-	58
1-5 years	-	-
More than 5 years	-	-
	-	58

The company leases operating equipment on operational leasing contracts. Please refer to note 19 in the consolidated financial statements.

The company has provided security in respect of guarantees concerning the continuous operation in 2018 for one of its subsidiaries.

There is a 12-month rent commitment related to the building in Denmark. The minimum rent liability amounts to DKK 1.6 million (2016: DKK 1.6 million).

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

Towards the company's primary financial institution, a company deposit of 50 million DKK has been provided with deposit in unsecured claims, stocks, tangible assets and intangible rights. The company deposit also provides a security for SKAKO Concrete A/S and SKAKO Vibration A/S.

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

11 Related parties

Please refer to note 20 in the consolidated financial statements.

In 2017 the Parent Company has sold services to subsidiaries for DKK 900 thousand (2016: DKK 900 thousand) and paid net interest expenses, cf. note 3. These transactions have in some cases led to intercompany balances which are settled as part of the normal operating cycle.

12 Events after the balance sheet date

Please refer to note 21 in the consolidated financial statements.

13 Accounting policies

The financial statements for 2017 of the parent company, SKAKO A/S has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments at fair value.

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

Supplementary accounting policies for the parent company

Investments in Subsidiaries

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

Intra-Group transactions in the Parent Company Financial Statements

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

Intercompany balances

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

SUBSIDIARIES

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

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