

The SKAKO logo is displayed in a bold, yellow, sans-serif font in the top right corner of the page. The background of the entire page is a photograph of several large, white, cylindrical industrial tanks or silos, viewed from a low angle looking up against a blue sky with scattered white clouds. The tanks are connected by a complex network of white pipes and metal walkways with railings.

1 January – 30 June 2020

INTERIM REPORT H1 2020

SKAKO A/S

CVR 36 44 04 14

Bygmestervej 2, 5600 Faaborg

IMPORTANT INFORMATION ABOUT THIS DOCUMENT

This document contains forward-looking statements. Words such as believe, expect, may, will, plan, strategy, prospect, foresee, estimate, project, anticipate, can, intend, outlook, guidance, target and other words and terms of similar meaning in connection with any discussion of future operation of financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. The Covid-19 pandemic has increased uncertainties in estimates and expectations to the future.

KEY FIGURES AND FINANCIAL RATIOS – DKK

INCOME STATEMENT, DKK THOUSANDS	Q2 2020	Q2 2019	H1 2020	H1 2019	Year 2019
Revenue from contracts with customers	74,926	94,384	172,708	183,268	354,192
Gross profit	20,677	21,578	44,571	42,313	86,092
Operating profit (EBIT)	5,497	2,248	11,082	5,617	18,005
Net financial items	(488)	(722)	(1,314)	(1,309)	(2,590)
Profit before tax	5,009	1,526	9,768	4,309	15,413
Profit for the period	4,875	1,531	9,424	3,946	14,246
BALANCE SHEET, DKK THOUSANDS					
Non-current assets	80,943	46,907	80,943	46,907	85,947
Current assets	236,324	225,977	236,324	225,977	236,383
Assets	317,267	272,884	317,267	272,884	322,330
Equity	133,337	113,654	133,337	113,654	124,417
Non-current liabilities	24,926	6,379	24,926	6,379	30,619
Current liabilities	159,003	152,851	159,003	152,851	167,294
Net debt	29,972	18,016	29,972	18,016	32,370
Net working capital	122,675	103,082	122,675	103,082	93,427
OTHER KEY FIGURES, DKK THOUSANDS					
Investment in intangible assets	225	383	524	762	2,703
Investment in tangible assets	-	412	332	589	9,415
Cash flow from operating activities (CFFO)	4,524	(586)	(643)	(5,517)	24,451
Free cash flow	4,226	(1,380)	2,456	(6,867)	(20,855)
Average number of employees	204	206	204	206	191
FINANCIAL RATIOS					
Gross profit margin	27.6%	22.9%	25.8%	23.1%	24.3%
Profit margin (EBIT margin)	7.3%	2.4%	6.4%	3.1%	5.1%
Liquidity ratio	148.6%	147.8%	148.6%	147.8%	141.3%
Equity ratio	42.0%	41.6%	42.0%	41.6%	38.6%
Return on equity	16.0%	20.0%	16.0%	20.0%	12.2%
Financial leverage	22.5%	15.9%	22.5%	15.9%	26.1%
NWC/revenue	35.7%	28.4%	35.7%	28.4%	26.4%
Earnings per share, DKK	1.58	0.50	3.06	1.28	4.62
Equity value per share, DKK	43.2	36.9	43.2	36.9	40.1
Share price, DKK	40.2	49.2	40.2	49.2	45.9
Price-book ratio	0.9	1.3	0.9	1.3	1.1
Market capitalisation, DKK thousands	124,878	152,836	124,878	152,836	142,584
ADDITIONAL NUMBERS, DKK THOUSANDS					
Order backlog	112,751	103,175	112,751	103,175	123,654

For calculation of financial ratios please see page 11. Net working capital is calculated as Inventory, Trade receivables and Contract assets less Contract liabilities and Trade payables. Backlog represents revenue from signed contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.

KEY FIGURES AND FINANCIAL RATIOS – EUR*

INCOME STATEMENT, EUR THOUSANDS	Q2 2020	Q2 2019	H1 2020	H1 2019	Year 2019
Revenue from contracts with customers	10,037	12,641	23,136	24,544	47,415
Gross profit	2,770	2,890	5,971	5,667	11,525
Operating profit (EBIT)	736	301	1,484	752	2,410
Net financial items	(65)	(97)	(176)	(175)	(347)
Profit before tax	671	204	1,309	577	2,063
Profit for the period	653	205	1,626	528	1,907
BALANCE SHEET, EUR THOUSANDS					
Non-current assets	10,861	6,282	10,861	6,282	11,506
Current assets	31,710	30,264	31,710	30,264	31,644
Assets	42,571	36,546	42,571	36,546	43,150
Equity	17,891	15,221	17,891	15,221	16,655
Non-current liabilities	3,345	854	3,345	854	4,099
Current liabilities	21,335	20,471	21,335	20,471	22,395
Net interest-bearing debt	4,022	2,413	4,022	2,413	4,333
Net working capital	16,461	13,805	16,461	13,805	12,373
OTHER KEY FIGURES, EUR THOUSANDS					
Investment in intangible and tangible assets	40	106	115	181	1,622
Cash flow from operating activities (CFFO)	600	(78)	(86)	(739)	3,273
Free cash flow	560	(185)	330	(920)	(2,792)
Average number of employees	204	206	204	206	191
FINANCIAL RATIOS					
Gross profit margin	27.6%	22.9%	25.8%	23.1%	24.3%
Profit margin (EBIT margin)	7.3%	2.4%	6.4%	3.1%	5.1%
Liquidity ratio	148.6%	147.8%	148.8%	147.8%	141.3%
Equity ratio	42.0%	41.6%	42.0%	41.6%	38.6%
Return on equity	16.0%	20.0%	16.0%	20.0%	12.2%
Financial leverage	22.5%	15.9%	22.5%	15.9%	26.1%
NWC/revenue	37.7%	28.4%	35.7%	28.4%	26.4%
Earnings per share, EUR	0.21	0.07	0.41	0.17	0.62
Equity value per share, EUR	5.8	4.9	5.8	4.9	5.4
Share price, EUR	5.4	6.6	5.4	6.6	6.1
Price-book ratio	0.9	1.3	0.9	1,3	1.1
Market capitalisation, EUR thousands	16,756	20,469	16,756	20,469	19,088
ADDITIONAL NUMBERS, EUR THOUSANDS					
Order backlog	15,130	13,821	15,130	13,821	16,553

*On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange on 30 June 2020 of 745.26 has been used for balance sheet items, and the average rate of exchange of 746.5 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.

MANAGEMENT STATEMENT

We have considered and approved the interim report of SKAKO A/S for the period 1 January – 30 June 2020.

The interim report, which has not been audited or reviewed by our auditors, has been prepared in accordance with IAS 34 *Interim financial reporting*, as adopted by the European Union and accounting policies set out in the annual report for 2019 of SKAKO A/S. Furthermore, the interim report for the period 1 January – 30 June 2020 has been prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the interim financial report gives a true and fair view of the Group's assets, liabilities and financial position on 30 June 2020 and of the results of the Group's operations and cash flows for the first six months of 2020.

We also believe that the Management commentary contains a fair review of the development in the Group's business and financial position, the results for the period and the Group's financial position as a whole. A description of the principal risks and uncertainties facing SKAKO can be found in the annual report for 2019.

Faaborg, 31 August 2020

Executive Board

Steffen Kremmer
Director

Lionel Girieud
Director

Board of Directors

Jens Wittrup Willumsen
Chairman

Christian Herskind Jørgensen
Deputy Chairman

Carsten Krogsgaard Thomsen

Lars Tveen

Sophie Louise Knauer

HIGHLIGHTS

Results and order intake

Operating profit (EBIT) for H1 2020 amounted to DKK 11.1m compared to DKK 5.6m in H1 2019. The higher operating profit (EBIT) in H1 2020 compared to H1 2019 is driven by increased gross profit margins as well as a decreasing capacity cost ratio. The improved result is generated in the Concrete division delivering an improved EBIT of DKK 4.6m in H1 2020 compared to a negative EBIT of DKK 1.9m in H1 2019. The Vibration Division has realised an EBIT of DKK 7.5 in H1 2020 compared to an EBIT of DKK 8.7m in H1 2019.

Increased contribution margins and capacity cost savings following S2020 Profit Enhancement Programme (see below) are driving the increase in EBIT in the Concrete Division even though revenue from the division has decreased with 8.1% compared to H1 2019. A decrease in revenue of 3.7% compared to H1 2019 along with slightly increased capacity costs has resulted in the decrease in EBIT from the Vibration Division. In both divisions, increased gross profit margins as well as initiated cost savings and government compensation (grants) due to the Covid-19 lockdown have offset some of the negative impact from Covid-19. Received government compensation amounts to DKK 3.0m in H1 2020, distributed with DKK 1.6m in the Concrete Division and DKK 1.4m in the Vibration Division. The received compensation (grants) reduced the need for layoffs due to Covid-19.

While we expect to remain profitable through 2020, we also expect results in H1 2020 to be better than in H2 2020. We still expect to see some impact from Covid-19 on revenue from aftersales in Q3 2020 while it is expected to return to a normal level in Q4 2020. As a result of a lack of plant orders in Q2 2020 due to the Covid-19 lockdown, revenue from plant orders is expected to be realised below the normal level in the Vibration Division in H2 2020. Revenue from plant orders is expected to be realised at a level above H2 2019 in the Concrete Division in H2 2020.

Order intake in H1 2020 amounted to DKK 161.8m compared to DKK 179.6m in H1 2019. Order intake, primarily in Q2 2020, was negatively impacted by the Covid-19 lockdown, especially in the Vibration Division. The order backlog at the beginning of H2 2020 amounts to DKK 112.8m which is an increase of 9.3% compared to the order backlog at the beginning of H2 2019. The increase in order backlog compared to the start of H2 2019, is due to the low revenue relative to order intake in Q2 2020. In August, we are beginning to see increased activity on the plant order markets for both divisions.

S2020 Profit Enhancement Programme

In 2019, SKAKO Concrete has initiated the S2020 Profit Enhancement Programme where we have high focus on improved earnings as well as increased standardization and optimization of all key products. In addition, to improve our delivery performance we have continued our investment and strong focus in our sourcing and purchase project in order to maintain a high level of quality. In sales, the Lead Qualification System has been introduced to ensure a thorough and standardized approach to customers and quotations. Shorter delivery times and high-quality project execution are other areas that have our close attention. All these initiatives aim to improve profitability on Plant orders as we have also seen in H1 2020. In addition to the initiatives in S2020 Profit Enhancement Programme, we have in June 2020 made reorganizations to be more flexible in relation to variance in activity.

The Covid-19 pandemic

The Covid-19 pandemic has had significant impact on Q2 2020 results where revenue decreased with 20.6% compared to Q2 2019. The decrease in revenue has impacted both plant orders and aftersales. Furthermore, we have seen a lower level of plant order intake in Q2 2020 due to the Covid-19 lockdown. Even though we expect to have seen the most significant impact in Q2 2020, we still expect to see some effects from the lockdown in H2 2020. Aftersales revenue is expected to normalize through Q3 2020 while revenue from plant orders is expected to be affected in the whole of H2 2020.

The Covid-19 lockdown of societies all over the world has created a challenging situation, also for SKAKO. Operations in SKAKO have continued at a reasonable level through the Covid-19 lockdown. Administrative staff in both Denmark and France have been sent home while productions in both Denmark, France and Spain have continued through the lockdown. The Danish production in both divisions has been relatively untouched. Some subcontracting has been made difficult but in general the supply chains have worked. Danish and French sales staff have worked from home but have experienced some challenges especially with aftersales and service, since many customers have stopped their activities or postponed investment decisions. The French SKAKO Vibration Minerals segment runs an almost fully outsourced business and has therefore not been affected. Subcontractors, primarily in Eastern Europe, have been able to deliver throughout the period. In Spain, Dartek has been subject to the rules of critical production and has therefore been in full operation throughout the period. Employees have been returning to the offices through June, July and August, and safe measures have been established at all facilities.

Guidance on earnings

We maintain our guidance as communicated in company announcement 9/2020 dated 17 August 2020:

Based on the results in H1 2020 and our expectation for revenue in the remaining part of 2020, we are guiding for an unchanged operating profit (EBIT) of DKK 13-18m for 2020. Due to the dynamic and unpredictable development of the Covid-19 situation and its effects on economies, the guidance is subject to higher than normal degree of uncertainty. The guidance is based on the assumption of continued gradual improvements of the market conditions during the second half of 2020 with no new material adverse events affecting the global economies.

ABOUT SKAKO

The SKAKO Group has two divisions:

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

SKAKO Vibration

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

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

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

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

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

SKAKO Concrete

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

Our engineering, assembling and test facility is located in Faaborg in Denmark and the products are based on know-how and own developed technology. The products are transported to customers either from assembling in Faaborg or from our suppliers.

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

MANAGEMENT COMMENTARY

Performance review

DKK thousands	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
Revenue from contracts with customers	74,926	94,384	(20.6%)	172,708	183,268	(5.8%)
Production costs	(54,249)	(72,806)	(25.5%)	(128,137)	(140,905)	(9.1%)
Gross profit	20,667	21,578	(4.2%)	44,571	42,313	5.3%
<i>Gross profit margin</i>	<i>27.6%</i>	<i>22.9%</i>	<i>4.7pp</i>	<i>25.8%</i>	<i>23.1%</i>	<i>2.7pp</i>
Distribution costs	(9,051)	(12,118)	(25.3%)	(20,083)	(22,803)	(11.9%)
Administrative expenses	(6,129)	(7,212)	(15.0%)	(13,406)	(13,892)	(3.5%)
Operating profit (EBIT)	5,497	2,248	144.5%	11,082	5,617	97.3%
<i>Profit margin (EBIT margin)</i>	<i>7.3%</i>	<i>2.4%</i>	<i>4.9pp</i>	<i>6.4%</i>	<i>3.1%</i>	<i>3.3pp</i>
Profit for the period	4,875	1,531	515.5%	9,424	3,943	147.7%
Average number of employees	204	206	(0.9%)	204	206	(0.9%)
Order intake	76,287	81,080	(5.9%)	161,805	179,642	(9.9%)
Order backlog end of period	112,751	103,175	9.3%	112,751	103,175	9.3%

Revenue

Revenue decreased by 20.6% in Q2 2020 and 5.8% in H1 2020 compared to the same periods last year. The decrease in H1 2020 is caused by a decrease in the Concrete Division of 8.1%, and a decrease in the Vibration Division of 3.7%. As expected, the Covid-19 lockdown has resulted in a significant decrease in revenue from aftersales in both divisions in H1 2020, where revenue from aftersales has decreased with 12.8% (-20.7% in Q2 2020) compared to the same period last year. As lockdown measures have been eased through June, we are starting to see revenue from aftersales return towards a more normal level through July and August. This is in accordance with our expectations. The Group has experienced a decrease of 1.3% (-20.6% in Q2 2020) in revenue from plant orders in H1 2020. The decrease in revenue from plant orders is primarily driven by the fact that we have not been able to perform on-site plant installations in Q2 2020 due to the Covid-19 lockdown. Revenue from plant orders only decreased with 1.3% in H1 2020 due to the increase of 20.4% we saw in Q1 2020 compared to Q1 2019. As a result of orders not signed in Q2 2020 due to the Covid-19 lockdown, revenue from plant orders is expected to be realised below the normal level in the Vibration Division in H2 2020 while the revenue from plant orders is expected to be realised at a level above H2 2019 in the Concrete Division in H2 2020 as a result of the good order intake in Q2 2020.

Revenue, DKK million	Concrete			Vibration			Group*		
	H1 2020	H1 2019	Change	H1 2020	H1 2019	Change	H1 2020	H1 2019	Change
Plants	47.4	48.5	(2.3%)	63.3	63.6	(0.5%)	110.0	111.4	(1.3%)
Aftersales	39.2	45.6	(14.0%)	24.8	27.9	(11.1%)	62.7	71.9	(12.8%)
Total	86.5	94.1	(8.1%)	88.1	91.5	(3.7%)	172.7	183.3	(5.8%)

* After eliminations

MANAGEMENT COMMENTARY - continued

Gross profit

While revenue decreased by 20.6% in Q2 2020 and 5.8% in H1 2020, production costs decreased by 25.5% in Q2 2020 and 9.1% in H1 2020 compared to the same period last year. This led to a gross profit margin of 27.6% in Q2 2020 (22.9% in Q2 2019) and 25.8% in H1 2020 (23.1% in H1 2019). The large decrease in revenue from aftersales relative to the decrease in revenue from plant orders has had a negative impact on the gross profit margins because revenue from aftersales holds higher margins. On the other hand, improved gross profit margins on plant orders have had a positive effect on gross profit margins in both divisions. In the Concrete Division we are seeing the positive effects from S2020 (see page 6). In the Vibration Division plant orders with a higher than normal gross profit margin has been delivered in Q2 2020. In the Vibration Division, this is not expected to continue through H2 2020. Government compensation (grants) has also had a positive impact on gross profit margins in Q2 2020. Received government compensation under gross profit amounts to DKK 2.5m in H1 2020, distributed with DKK 1.4m in the Concrete Division and DKK 1.1m in the Vibration Division.

Capacity costs

Distribution costs decreased by 25.3% in Q2 2020 and by 11.9% in H1 2020 compared to the same periods last year, and administrative expenses decreased by 15.0% in Q2 2020 and 3.5% in H1 2020 compared to Q2 2019 and H1 2019. The decrease in administrative and distribution expenses in H1 2020 is primarily due to cost savings initiated in connection to the Covid-19 lockdown, and government compensation (grants) received in the period due to the Covid-19 lockdown. Capacity costs have decreased in the Concrete Division while the Vibration division has seen a small increase in capacity costs due to the acquisition of Dartek. Received government compensation under capacity costs amounts to DKK 0.5m in H1 2020, distributed with DKK 0.3m in the Concrete Division and DKK 0.2m in the Vibration Division.

Operating profit

Operating profit (EBIT) amounted to DKK 5.5m in Q2 2020 and DKK 11.1m in H1 2020 compared to DKK 2.2m in Q2 2019 and DKK 5.6m in H1 2019. The higher operating profit (EBIT) is primarily driven by increased gross profit margins and capacity cost savings. The positive results are generated in both divisions where the Concrete Division has realised an EBIT of DKK 4.9m in H1 2020 compared to a negative EBIT of DKK 1.9m in H1 2019 while the Vibration Division has realised an EBIT of DKK 7.5 in H1 2020 compared to an EBIT of DKK 8.7m in H1 2019.

Increased contribution margins and capacity cost savings following S2020 (see page 6) are driving the increase in EBIT in the Concrete Division even though revenue for the division has decreased with 8.1% compared to H1 2019. A decrease in revenue of 3.7% compared to H1 2019 along with slightly increased capacity costs has resulted in the decrease in EBIT from the Vibration Division. In both divisions, initiated cost savings and government compensation (grants) due to the Covid-19 lockdown have offset some of the negative impact from Covid-19. Received government compensation amounts to DKK 3.0m in H1 2020, distributed with DKK 1.6m in the Concrete Division and DKK 1.4m in the Vibration Division.

While we expect to remain profitable through 2020, we also expect results in H1 2020 to be better than in H2 2020. We still expect to see some impact from Covid-19 on revenue from aftersales in Q3 2020 while it is expected at a more normal level in Q4 2020. As a result of a lack of plant orders in Q2 2020 due to the Covid-19 lockdown, revenue from plant orders is expected to be realised below the normal level in the Vibration Division in H2 2020. Revenue from plant orders is expected to be realised at a level above H2 2019 in the Concrete Division in H2 2020.

MANAGEMENT COMMENTARY - continued

Order intake and backlog

In Q2 2020, order intake amounted to DKK 76.3m which is a decrease of 5.9% compared to the same period last year. Order intake in Q2 2020 for the Concrete Division was DKK 47.1m compared to DKK 43.1m in Q2 2019 and order intake in Q2 2020 for the Vibration Division was DKK 29.8m compared to DKK 39.7m in Q2 2019. Order intake in Q2 2020 was negatively impacted by the Covid-19 lockdown, especially in the Vibration Division.

The Group order backlog at the beginning of H2 2020 amounts to DKK 112.8m which is an increase of 9.3% compared to the order backlog at the beginning of H2 2019. Due to the high order backlog entering 2020, we still have a good order backlog going into H2 2020. The increase in order backlog compared to the start of H2 2019, is due to the low revenue relative to order intake in Q2 2020. In August, we are beginning to see increased activity on the plant order markets for both divisions.

Order intake H1 2020, DKK million	Concrete			Vibration			Group*		
	H1 2020	H1 2019	Year 2019	H1 2020	H1 2019	Year 2019	H1 2020	H1 2019	Year 2019
Order book, beginning	64.6	72.9	72.9	60.0	34.3	34.3	123.6	106.8	106.8
Order intake	80.9	70.4	169.5	82.7	112.1	206.3	161.8	179.6	371.0
Revenue	(86.5)	(94.2)	(177.8)	(88.1)	(91.5)	(180.6)	(172.7)	(184.0)	(354.2)
Order book, ending	58.9	49.1	64.6	54.7	54.9	60.0	112.8	103.2	123.6

*After eliminations

Order intake Q2 2020, DKK million	Concrete			Vibration			Group*		
	Q2 2020	Q2 2019	Year 2019	Q2 2020	Q2 2019	Year 2019	Q2 2020	Q2 2019	Year 2019
Order book, beginning	47.4	54.4	72.9	65.0	62.3	34.3	111.4	116.5	106.8
Order intake	47.3	43.1	169.5	29.8	39.6	206.3	76.3	81.1	371.0
Revenue	(35.8)	(48.4)	(177.8)	(40.1)	(47.0)	(180.6)	(74.9)	(94.4)	(354.2)
Order book, ending	58.9	49.1	64.6	54.7	54.9	60.0	112.8	103.2	123.6

*After eliminations

Cash flow developments

In the first six months of 2020, the Group generated cash flow from operating activities (CFFO) of DKK -0.6m compared to DKK -5.5m in H1 2019. In Q2 2020 cash flow from operating activities (CFFO) amounted to DKK 4.5m. The negative cash flow in H1 2020 is primarily due to work performed on prepaid customer contracts and an increase in receivables from customer contracts that have not yet reached contractual milestones for invoicing as we have not been able to finish on-site Plant installations. Generally, our customers are fulfilling their payment obligations and the Group has a strong liquidity to see us through the current situation related to the lockdown from Covid-19. Furthermore, in April 2020 we have secured additional funds of DKK 16.4m as short-term bank loans.

Equity

The Group's equity amounted to DKK 133.3m on 30 June 2020 (DKK 113.7m on 30 June 2019) equalling an equity ratio of 42.0% (41.6% on 30 June 2019). The increase in equity is mainly due to profit for the period of DKK 9.4m. The increase in equity ratio is limited, primarily due to goodwill from the investment in Dartek in November 2019.

MANAGEMENT COMMENTARY - continued

Balance sheet

As of 30 June 2020, the Group's assets totalled DKK 317.3m (DKK 272.9m on 30 June 2020). The increase in assets is primarily due to Goodwill from the investment in Dartek in November 2019.

Non-current assets increased by DKK 34.0m and amounted to DKK 80.9m (DKK 46.9m on 30 June 2019) while current assets increased by DKK 10.3m to DKK 236.3m (DKK 226.0m on 30 June 2019). The increase in non-current assets is primarily due to Goodwill from the investment in Dartek in November 2019.

Net debt increased by DKK 12.0m and totalled DKK 30.1m on 30 June 2020 (DKK 18.0m on 30 June 2019). The increase in net debt is due to the payment structure in the Dartek acquisition where we owe a total of DKK 22.4m on 30 June 2020.

Current liabilities amounted to DKK 159.0m (DKK 152.9m on 30 June 2019). The increase in current liabilities is due to the payment structure in the Dartek acquisition.

Accounting policies as well as financial estimates and assumptions

The interim report has been prepared in accordance with IAS 34, *Interim financial reporting* as adopted by the EU and further Danish disclosure requirements in respect of interim reports for listed companies.

With the below exception, the accounting policies used for the interim report are the same as the accounting policies used for Annual Report 2019 to which we refer for a full description. 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 2020. We refer to the notes to the annual report for a description of material estimates and assumptions.

Compared with the description in Annual Report 2019, there have been no changes in the accounting estimates and assumptions made by Management in the preparation of the interim report.

Financial ratios

Financial ratios are calculated as follows:

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

*Measured over a 12-month period (1 July 2019 to 30 June 2020)

Events after the balance sheet date

There have been no events to change the assessment of the interim report after the balance sheet date until today.

Outlook 2020

We maintain our guidance as communicated in company announcement 9/2020 from 17 August 2020:

Based on the results in H1 2020 and our expectation for revenue in the remaining part of 2020, we are guiding for an unchanged operating profit (EBIT) of DKK 13-18m for 2020. Due to the dynamic and unpredictable development of the Covid-19 situation and its effects on economies, the guidance is subject to higher than normal degree of uncertainty. The guidance is based on the assumption of continued gradual improvements of the market conditions during the second half of 2020 with no new material adverse events affecting the global economies.

CONSOLIDATED INCOME STATEMENT

DKK thousands	Q2 2020	Q2 2019	H1 2020	H1 2019	Year 2019
Revenue from contracts with customers	74,926	94,384	172,708	183,268	354,192
Production costs	(54,249)	(72,806)	(128,137)	(140,955)	(268,100)
Gross profit	20,677	21,578	44,571	42,313	86,092
Distribution costs	(9,051)	(12,118)	(20,083)	(22,803)	(39,796)
Administrative expenses	(6,129)	(7,212)	(13,406)	(13,892)	(28,291)
Operating profit (EBIT) before special items	5,497	2,248	11,082	5,618	18,005
Financial income	109	-	112	6	248
Financial expenses	(597)	(722)	(1,426)	(1,315)	(2,838)
Profit before tax	5,009	1,526	9,768	4,309	15,415
Tax on profit for the period	(134)	5	(344)	(366)	(1,169)
Profit for the period	4,875	1,531	9,424	3,943	14,246
Profit for the period attributable to SKAKO A/S shareholders	4,875	1,531	9,424	3,943	14,246
Earnings per share (EPS), DKK	1.58	0.50	3.06	1.28	4.62
Diluted earnings per share (EPS), DKK	1.58	0.50	3.06	1.28	4.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands	Q2 2020	Q2 2019	H1 2020	H1 2019	Year 2019
Profit for the period	4,875	1,531	9,424	3,943	14,246
Other comprehensive income:					
Items that have been or may subsequently be reclassified to the income statement:					
Foreign currency translation, subsidiaries	(544)	82	(727)	82	349
Value adjustments of hedging instruments	(11)	(25)	28	(25)	186
Other comprehensive income	(555)	57	(699)	57	555
Comprehensive income	4,320	1,588	8,725	4,000	14,801
Comprehensive income attributable to SKAKO A/S shareholders	4,320	1,588	8,725	4,000	14,801

CONSOLIDATED BALANCE SHEET

DKK thousands	30 June 2020	30 June 2019	31 Dec 2019
Other intangible assets	33,585	5,731	37,733
Intangible assets under development	5,302	3,166	4,830
Intangible assets	38,887	8,897	42,563
Leased assets	9,306	3,652	10,423
Land and buildings	5,609	4,947	5,644
Plant and machinery	449	523	510
Operating equipment, fixtures and fittings	3,156	3,675	3,442
Leasehold improvements	287	318	268
Tangible assets under construction	58	59	60
Property, plant and equipment	18,865	13,174	20,347
Other receivables	1,539	1,261	1,267
Deferred tax assets	21,650	23,575	21,770
Other non-current assets	23,189	24,836	23,037
Total non-current assets	80,941	46,907	85,947
Inventories	61,779	54,919	59,804
Trade receivables	70,646	71,876	64,884
Contract assets	68,374	70,963	72,708
Income tax	188	167	1,266
Other receivables	6,747	7,754	7,274
Prepaid expenses	4,568	3,869	3,887
Other investments	74	74	74
Cash	23,949	16,355	26,486
Current assets	236,325	225,977	236,383
Assets	317,266	272,884	322,330

CONSOLIDATED BALANCE SHEET

DKK thousands	30 June 2020	30 June 2019	31 Dec 2019
Share capital	31,064	31,064	31,064
Foreign currency translation reserve	(498)	82	229
Hedging reserve	66	(25)	38
Retained earnings	102,705	82,533	93,086
Total equity	133,337	113,654	124,417
Leasing	6,299	2,884	7,712
Loans and borrowings	14,951	-	19,366
Provisions	3,675	3,495	3,541
Non-current liabilities	24,925	6,379	30,619
Loans and borrowings	8,195	-	8,640
Bank loans and credit facilities	22,073	28,744	20,377
Leasing	2,403	2,743	2,832
Provisions	2,010	2,210	2,025
Contracts liabilities	4,245	13,228	16,517
Trade payables	73,878	81,447	87,528
Income tax	323	81	37
Other liabilities	45,877	24,398	29,338
Current liabilities	159,004	152,851	167,294
Liabilities	183,929	159,230	197,913
EQUITY AND LIABILITIES	317,266	272,884	322,330

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands	Q2 2020	Q2 2019	H1 2020	H1 2019	Year 2019
Profit before tax	5,009	1,526	9,768	4,309	15,415
Adjustments	662	840	3,107	1,596	7,165
Change in receivables, etc.	7,658	(8,259)	(1,853)	1,167	20,348
Change in inventories	(1,528)	1,306	(1,975)	(2,713)	(7,822)
Change in trade payables and other liabilities, etc.	(7,339)	4,256	(9,383)	(9,135)	(8,635)
Cash flow from operating activities before financial items and tax	4,462	(331)	(336)	(4,776)	26,470
Financial items received and paid	(488)	(722)	(1,314)	(1,309)	(2,591)
Taxes paid	551	467	1,020	569	570
Cash flow from operating activities	4,525	(586)	(630)	(5,516)	24,450
Investment in intangible assets	(299)	(383)	(524)	(762)	(2,703)
Investment in tangible assets	-	(412)	(332)	(589)	(9,415)
Acquisition of entities	-	-	3,955	-	(33,188)
Cash flow from investing activities	(299)	(795)	3,099	(1,351)	(45,306)
Change in borrowings	17,557	-	13,934	-	35,557
Instalment on borrowings and loans	(1,371)	(743)	(2,724)	(1,483)	(3,150)
Change in short-term bank facilities	(11,473)	9,732	(16,216)	14,034	4,184
Cash flow from financing activities	4,713	8,989	(4,963)	12,551	36,591
Change in cash and cash equivalents	8,939	7,608	(2,494)	5,684	15,735
Cash and cash equivalents beginning of period	15,139	8,809	26,559	10,744	10,744
Foreign exchange adjustment, cash and cash equivalents	(56)	11	(43)	-	81
Cash and cash equivalents at end of period	24,022	16,428	24,022	16,428	26,560
Breakdown of cash and cash equivalents at the end of the year:					
Cash and other investments	24,022	16,428	24,022	16,428	26,560
Cash and cash equivalents at the end of the year:	24,022	16,428	24,022	16,428	26,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 01 January 2020	31,064	229	38	93,086	124,417
Comprehensive income in H1 2020:					
Profit for the period				9,494	9,494
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		(727)			(727)
Value adjustments of hedging instruments			28		28
Other comprehensive income	-	(727)	28	-	(699)
Comprehensive income, period	-	(727)	28	9,494	8,795
Share-based payment, warrants				124	124
Equity at 30 June 2020	31,064	(498)	66	102,704	133,337

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity at 01 January 2019	31,064	(140)	(148)	78,290	109,066
Change in accounting policy (IFRS 16)				(118)	(118)
Restated total equity at the beginning of the financial year	31,064	(140)	(148)	78,172	108,948
Comprehensive income in H1 2019:					
Profit for the period				3,943	3,943
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		222			222
Value adjustments of hedging instruments			123		123
Other comprehensive income	-	222	123	-	345
Comprehensive income, period	-	222	123	3,943	4,288
Share-based payment, warrants				418	418
Equity at 30 June 2019	31,064	82	(25)	82,533	113,654

SEGMENT INFORMATION

DKK thousands	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
H1 2020					
Revenue, external	86,541	86,167	-	-	172,708
Revenue, internal	4	1,900	-	(1,904)	-
Total revenue	86,545	88,067	-	(1,904)	172,708
Depreciation	(1,134)	(1,494)	-	-	(2,628)
Operating profit (EBIT)	4,562	7,487	(967)	-	11,082
Result before tax	3,961	6,832	(1,025)	-	9,768
Tax on profit for the year	(142)	(202)	-	-	(344)
Profit for the period	3,819	6,630	(1,025)	-	9,424
Order backlog, beginning	64,571	60,014	-	(931)	123,654
Order intake	80,856	82,733	-	(1,784)	161,805
Order backlog, ending	58,882	54,680	-	(811)	112,751
Segment non-current assets	30,807	45,361	4,773	-	80,941
Segment assets	116,313	204,501	4,947	(8,495)	317,266
Segment liabilities	43,372	148,280	736	(8,495)	183,929
Investment in intangible and tangible assets	690	166	-	-	856
Average number of employees	103	101	-	-	204

DKK thousands	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
H1 2019					
Revenue, external	94,113	89,155	-	-	183,268
Revenue, internal	-	2,332	-	(2,332)	-
Total revenue	94,133	91,487	-	(2,332)	183,268
Depreciation	(1,176)	(754)	-	-	(1,930)
Operating profit (EBIT)	(1,883)	8,672	(1,172)	-	5,617
Result before tax	(2,679)	8,203	(1,215)	-	4,309
Tax on profit for the year	135	(501)	-	-	(366)
Profit for the period	(2,544)	7,702	(1,215)	-	3,943
Order backlog, beginning	72,884	34,343	-	(406)	106,821
Order intake	70,370	112,074	-	(2,802)	179,642
Order backlog, ending	49,121	54,930	-	(876)	103,175
Segment non-current assets	29,013	13,811	4,083	-	46,907
Segment assets	121,235	156,201	4,237	(8,789)	272,884
Segment liabilities	56,501	106,036	5,483	(8,789)	159,231
Investment in intangible and tangible assets	997	354	-	-	1,351
Average number of employees	105	101	-	-	206

QUARTERLY KEY FIGURES AND FINANCIAL RATIOS

INCOME STATEMENT, DKK THOUSANDS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Full year 2019
Revenue	74,926	97,782	91,117	79,807	94,384	354,192
Gross profit	20,677	23,894	23,253	20,499	21,578	86,092
Operating profit (EBIT)	5,497	5,584	7,831	4,529	2,248	18,005
Net financial items	(488)	(825)	(436)	(845)	(722)	(2,590)
Profit before tax	5,009	4,759	7,395	3,684	1,526	15,415
Profit for the period	4,875	4,549	6,265	3,670	1,531	14,246
BALANCE SHEET, DKK THOUSANDS						
Non-current assets	80,941	81,130	85,947	46,762	46,907	85,947
Current assets	236,325	234,276	236,383	211,222	225,977	236,383
Assets	317,267	315,407	322,330	257,984	272,884	322,330
Equity	133,337	128,942	124,417	117,709	113,654	124,417
Non-current liabilities	24,925	25,485	30,619	6,069	6,379	30,619
Current liabilities	159,004	160,979	167,294	134,206	152,851	167,294
Net interest-bearing debt	29,972	34,143	32,370	8,505	18,016	32,370
Net working capital	122,675	110,710	110,710	98,478	103,082	110,710
OTHER KEY FIGURES, DKK THOUSANDS						
Investment in intangible and tangible assets	856	557	9,920	847	795	12,118
Cash flow from operating activities (CFFO)	4,525	(5,113)	20,231	9,737	(586)	24,451
Free cash flow	4,226	(1,715)	(22,877)	8,890	(1,380)	(20,855)
Average number of employees	204	210	191	206	206	191
FINANCIAL RATIOS						
Gross profit margin	27.6%	24.4%	25.5%	25.7%	22.9%	24.3%
Profit margin (EBIT margin)	7.3%	5.7%	8.6%	5.7%	2.4%	5.10%
Liquidity ratio	148.6%	145.5%	141.3%	157.4%	147.8%	141,30%
Equity ratio	42.0%	40.9%	38.6%	45.6%	41.6%	38.6%
Return on equity	16.0%	13.6%	12.2%	16.1%	20.0%	12.2%
Financial leverage	22.5%	26.5%	26.1%	7.2%	15.9%	26,1%
NWC/revenue	35.7%	30.7%	26.4%	27.6%	28.4%	26,4%
Earnings per share, DKK	1.58	1.48	2.15	1.19	0.50	4.62
Equity value per share, DKK	43.2	41.8	40.1	38.2	36.9	40.1
Share price, DKK	40.2	38.0	45.9	42.0	49.2	45.9
Price-book ratio	0.9	0.9	1.1	1.1	1.3	1.1
Market capitalisation, DKK thousands	124,878	118,044	142,584	130,470	152,836	142,584