

1 January – 30 September 2020

SKAKO

INTERIM REPORT Q3 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Revenue from contracts with customers	79,968	79,807	252,676	263,075	354,192
Gross profit	18,998	20,499	63,569	62,812	86,092
Operating profit (EBIT)	3,926	4,529	15,008	10,147	18,005
Net financial items	(500)	(845)	(1,814)	(2,154)	(2,590)
Profit before tax	3,426	3,684	13,194	7,993	15,413
Profit for the period	3,065	3,670	12,489	7,613	14,246
BALANCE SHEET, DKK THOUSANDS					
Non-current assets	80,342	46,762	80,342	46,762	85,947
Current assets	249,485	211,222	249,485	211,222	236,383
Assets	329,832	257,984	329,832	257,984	322,330
Equity	136,224	117,709	136,224	117,709	124,417
Non-current liabilities	24,518	6,069	24,518	6,069	30,619
Current liabilities	169,090	134,206	169,090	134,206	167,294
Net debt	40,203	8,505	40,203	8,505	32,370
Net working capital	132,802	98,478	132,802	98,478	93,427
OTHER KEY FIGURES, DKK THOUSANDS					
Investment in intangible assets	53	685	577	1,274	2,703
Investment in tangible assets	935	162	1,267	924	9,415
Cash flow from operating activities (CFFO)	(9,279)	9,737	(9,922)	4,220	24,451
Free cash flow	(10,267)	8,890	(7,811)	2,022	(20,855)
Number of employees	206	206	206	206	210
FINANCIAL RATIOS					
Gross profit margin	23.8%	25.7%	25.2%	23.9%	24.3%
Profit margin (EBIT margin)	4.9%	5.7%	5.9%	3.9%	5.1%
Liquidity ratio	147.5%	157.4%	147.5%	157.4%	141.3%
Equity ratio	41.3%	45.6%	41.3%	45.6%	38.6%
Return on equity	15.1%	16.1%	15.1%	16.1%	12.2%
Financial leverage	29.5%	7.2%	29.5%	7.2%	26.1%
NWC/revenue	38.1%	27.6%	31.4%	27.6%	26.4%
Earnings per share, DKK	0.99	1.19	4.05	2.47	4.62
Equity value per share, DKK	44.2	38.2	44.2	38.2	40.1
Share price, DKK	43.9	42.0	43.9	42.0	45.9
Price-book ratio	1.0	1.1	1.0	1.1	1.1
Market capitalisation, DKK thousands	136,372	130,470	136,372	130,470	142,584
ADDITIONAL NUMBERS, DKK THOUSANDS					
Order backlog	94,900	92,529	94,900	92,529	123,654

For calculation of financial ratios please see page 12. 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 signed 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	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Revenue from contracts with customers	10,723	10,693	33,880	35,249	47,415
Gross profit	2,547	2,747	8,524	8,416	11,525
Operating profit (EBIT)	527	607	2,012	1,360	2,410
Net financial items	(67)	(113)	(243)	(289)	(347)
Profit before tax	459	494	1,769	1,071	2,063
Profit for the period	411	492	1,675	1,020	1,907
BALANCE SHEET, EUR THOUSANDS					
Non-current assets	10,790	6,263	10,790	6,263	11,506
Current assets	33,505	28,290	33,505	28,290	31,644
Assets	44,295	34,554	44,295	34,554	43,150
Equity	18,295	15,766	18,295	15,766	16,655
Non-current liabilities	3,293	813	3,293	813	4,099
Current liabilities	22,708	17,975	22,708	17,975	22,395
Net interest-bearing debt	5,399	1,139	5,399	1,139	4,333
Net working capital	17,835	13,190	17,835	13,190	12,373
OTHER KEY FIGURES, EUR THOUSANDS					
Investment in intangible and tangible assets	173	113	248	294	1,622
Cash flow from operating activities (CFFO)	(1,246)	1,304	(1,333)	565	3,273
Free cash flow	(1,049)	1,191	(1,379)	271	(2,792)
Average number of employees	206	206	206	206	210
FINANCIAL RATIOS					
Gross profit margin	23.8%	25.7%	25.2%	23.9%	24.3%
Profit margin (EBIT margin)	4.9%	5.7%	5.9%	3.9%	5.1%
Liquidity ratio	147.5%	157.4%	147.5%	157.4%	141.3%
Equity ratio	41.3%	45.6%	41.3%	45.6%	38.6%
Return on equity	15.1%	16.1%	15.1%	16.1%	12.2%
Financial leverage	29.5%	7.2%	29.5%	7.1%	26.1%
NWC/revenue	38.1%	27.6%	31.4%	27.6%	26.4%
Earnings per share, EUR	0.13	0.16	0.54	0.33	0.62
Equity value per share, EUR	5.9	5.1	5.9	5.1	5.4
Share price, EUR	5.9	5.6	5.9	5.6	6.1
Price-book ratio	1.0	1.1	1.0	1.1	1.1
Market capitalisation, EUR thousands	18,314	17,475	18,314	17,475	19,088
ADDITIONAL NUMBERS, EUR THOUSANDS					
Order backlog	12,737	12,393	12,737	12,393	16,553

*On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange on 30 September 2020 of 744.62 has been used for balance sheet items, and the average rate of exchange of 745.79 has been used for income statement and cash flow items.

Backlog represents anticipated revenue from contracts or orders signed 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 September 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 September 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 September 2020 and of the results of the Group's operations and cash flows for the first nine 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, 30 October 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 Q1-Q3 2020 amounted to DKK 15.0m compared to DKK 10.1m in Q1-Q3 2019. The higher operating profit (EBIT) in Q1-Q3 2020 compared to Q1-Q3 2019 is driven by increased gross profit margins as well as a decreasing capacity cost ratio. The positive results are generated in both divisions where the Concrete Division has realised an EBIT of DKK 7.0m in Q1-Q3 2020 compared to an EBIT of DKK 0.0m in Q1-Q3 2019 while the Vibration Division has realised an EBIT of DKK 9.8 in Q1-Q3 2020 compared to an EBIT of DKK 11.8m in Q1-Q3 2019.

Increased contribution margins and capacity cost savings following the S2020 Profit Enhancement Programme (see below) are driving the increase in EBIT in the Concrete Division even though revenue for the division has decreased with 5.4% compared to Q1-Q3 2019. A decrease in revenue of 3.0% compared to Q1-Q3 2019 along with increased capacity costs due to the acquisition of Dartek has resulted in the decrease in EBIT from the Vibration Division. Due to Covid-19 the added costs from the acquisition of Dartek, has not yet been offset by a corresponding increase in revenue in Q1-Q3 2020. 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 3.8m in Q1-Q3 2020, of which DKK 1.6m was received in the Concrete Division and DKK 2.2m was received in the Vibration Division.

While we expect to remain profitable in Q4 2020, we also expect the results to be below those from first three quarters of 2020. Revenue from aftersales returned to a normal level in Q3 2020 and is also expected to remain at a normal level in Q4 2020. In the Vibration Division revenue from plant orders is expected to be realised below the normal level in Q4 2020 as a result of a lack of plant orders in Q2 and Q3 2020 due to the uncertainties resulting from Covid-19. In the Concrete Division revenue from plant orders is expected to be realised at the same level as Q4 2019 due to the high order backlog going into 2020 and high order intake in Q2 2020.

Order intake in Q1-Q3 2020 amounted to DKK 223.9m compared to DKK 248.8m in Q1-Q3 2019. Order intake has been negatively impacted by uncertainties resulting from Covid-19. The order backlog at the beginning of Q4 2020 amounts to DKK 94.9m which is an increase of 2.6% compared to the order backlog at the beginning of Q4 2019. Due to the high order backlog entering 2020, we still have a good order backlog going into Q4 2020. While order intake for aftersales is returning to a normal level, we still experience some hesitation on signing plant orders. August started optimistically with regards to plant order intake but the increase in Covid-19 cases through September resulted in decisions yet again being delayed. Our pipeline is good, and we do not see projects being cancelled. However, the decisions process is prolonged due to the uncertainties resulting from Covid-19.

S2020 Profit Enhancement Programme in SKAKO Concrete

In 2019, SKAKO Concrete 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 Q1-Q3 2020. In addition to the previous initiatives in S2020 Profit Enhancement Programme, we have in June and September 2020 made reorganizations to be more flexible in relation to variance in activity.

In September 2020, SKAKO Concrete signed a contract to acquire the small danish company Conparts ApS on 1 November 2020. The acquisition is made to further enhance profitability in SKAKO Concrete through a strengthened aftersales business.

The Covid-19 pandemic

The Covid-19 pandemic has had significant impact on Q1-Q3 2020, primarily in Q2 2020 where revenue decreased with 20.6% compared to Q2 2019. The decrease in revenue impacted both plant orders and aftersales. Furthermore, we have seen a lower level of plant order intake in Q2 and Q3 2020 due to uncertainties resulting from Covid-19. 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 Q4 2020. Aftersales revenue has returned to a normal level in Q3 2020 while revenue and order intake from plant orders are still affected by the uncertainties resulting from Covid-19.

The Covid-19 lockdown of societies all over the world in Q2 2020 created a challenging situation, also for SKAKO. Operations in SKAKO continued at a reasonable level through the Covid-19 lockdown. Administrative staff in both Denmark and France was sent home while productions in both Denmark, France and Spain continued through the lockdown. Employees returned to the offices through June, July and August, and safe measures have been established at all facilities. With the rise in Covid-19 infections in September, SKAKO has reinforced its safe measures to enable employees to keep working from our offices.

Dividends

Earlier this year SKAKO suspended dividends announced in the annual report for 2019 due to the uncertainties created by the surge of Covid-19. Even though uncertainties still exist, we currently view them as significantly reduced compared to the previous situation. Therefore, we have decided to distribute an interim dividend of DKK 2 per share corresponding to the dividend announced in the annual report for 2019.

Ex dividend date: 3 November 2020
Record date: 5 November 2020
Payment date: 10 November 2020

HIGHLIGHTS (continued)

Guidance on earnings

Based on the results in Q1-Q3 2020 and our expectation for revenue in Q4 2020, we are narrowing our guidance to an operating profit (EBIT) of DKK 15-18m for 2020 (previous guidance EBIT of DKK 13-18m).

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 last part 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	Q3 2020	Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change
Revenue from contracts with customers	79,968	79,807	0.2%	252,676	263,075	(4.0%)
Production costs	(60,970)	(59,308)	2.8%	(189,107)	(200,263)	(5.6%)
Gross profit	18,998	20,499	(7.3%)	63,569	62,812	1.2%
<i>Gross profit margin</i>	<i>23.8%</i>	<i>25.7%</i>	<i>(1.9pp)</i>	<i>25.2%</i>	<i>23.9%</i>	<i>1.3pp</i>
Distribution costs	(7,786)	(8,929)	(12.8%)	(27,870)	(31,732)	(12.2%)
Administrative expenses	(7,286)	(7,041)	3.5%	(20,691)	(20,933)	(1.2%)
Operating profit (EBIT)	3,926	4,529	(13.9%)	15,008	10,147	47.7%
<i>Profit margin (EBIT margin)</i>	<i>4.9%</i>	<i>5.7%</i>	<i>(0.8pp)</i>	<i>5.9%</i>	<i>3.9%</i>	<i>2.0pp</i>
Profit for the period	3,065	3,670	(16.5%)	12,489	7,613	64.0%
Number of employees	206	206	0.0%	206	206	0.0%
Order intake	62,090	69,140	(10.2%)	223,895	248,783	(10.0%)
Order backlog end of period	94,900	92,529	2.6%	94,900	92,529	2.6%

Revenue

Revenue increased by 0.2% in Q3 2020 and decreased by 4.0% in Q1-Q3 2020 compared to the same periods last year. The decrease in Q1-Q3 2020 is caused by a decrease in the Concrete Division of 5.4%, and a decrease in the Vibration Division of 3.0%. As expected, the Covid-19 lockdown has resulted in a significant decrease in revenue from aftersales in both divisions in Q1-Q3 2020, where revenue from aftersales has decreased with 8.1% (primarily due to a decrease of 20.9% in Q2 2020) compared to the same period last year. Organic growth was negative with 12.2% compared to Q1-Q3 2019. As lockdown measures have been eased through Q2 and Q3 2020, we are starting to see revenue from aftersales return towards a more normal level. However, even though revenue from aftersales in Q3 2020 is 2.0% above Q3 2019, the increase in infection levels through September has shown that revenue from aftersales is sensitive to the development in Covid-19. The Group experienced a decrease of 1.3% in revenue from plant orders in Q1-Q3 2020 compared to the same period last year, primarily due to an increase of 20.4% in Q1 2020 and a decrease of 20.5% in Q2 2020 while Q3 2020 has been close to the levels of Q3 2019. The decrease in revenue from plant orders in Q2 was primarily driven by the fact that we were not able to perform on-site plant installations due to the Covid-19 lockdown. In the Vibration Division, revenue from plant orders is expected to be realised below the normal level in Q4 2020 as a result of a lack of plant orders in Q2 and Q3 2020 due to the uncertainties resulting from Covid-19. In the Concrete Division, revenue from plant orders is expected to be realised at the same level as Q4 2019 due to the high order backlog going into 2020 and high order intake in Q2 2020.

Revenue, DKK million	Concrete			Vibration			Group*		
	Q1-Q3 2020	Q1-Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change
Plants	65.5	67.0	(2.2%)	92.1	93.0	(1.0%)	156.8	158.8	(1.3%)
Aftersales	61.3	67.0	(8.5%)	36.5	39.6	(7.8%)	95.9	104.3	(8.1%)
Total	126.8	134.0	(5.4%)	128.6	132.6	(3.0%)	252.7	263.1	(4.0%)

* After eliminations

MANAGEMENT COMMENTARY - continued

Revenue, DKK million	Concrete			Vibration			Group*		
	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019	Change	Q3 2020	Q3 2019	Change
Plants	18.1	18.5	(2.2%)	28.8	29.4	(2.0%)	46.8	47.4	(1.3%)
Aftersales	22.1	21.4	3.3%	11.7	11.7	0.0%	33.2	32.4	2.4%
Total	40.2	39.9	0.8%	40.5	41.1	(1.5%)	80.0	79.8	0.2%

* After eliminations

Gross profit

In Q3 2020 revenue increased with 0.2% while production costs increased with 2.8% compared to Q3 2019. This led to a gross profit margin of 23.8% which represents a decrease of 1.9 percentage points compared to Q3 2019. Following the continued work under the S2020 Profit Enhancement Programme (see page 6) in the Concrete division, a reorganization was conducted in September resulting in one-time extra costs of DKK 0.8m under production costs which impacts the gross profit margin negatively. Furthermore, while the Concrete division realised an increase in revenue in Q3 2020 of 0.8%, the Vibration division realised a decrease in revenue of 1.5%. In general revenue in the Vibration division is realised with a higher gross profit margin than revenue in the Concrete division.

In Q1-Q3 2020 revenue decreased with 4.0% while production costs decreased with 5.6% compared to the same period last year. This led to a gross profit margin of 25.2% which represents an increase of 1.3 percentage points compared to Q1-Q3 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 the S2020 Profit Enhancement Programme. In the Vibration Division plant orders with a higher than normal gross profit margin have been delivered in H1 2020. Government compensation (grants) has also had a positive impact on gross profit margins in Q1-Q3 2020. Received government compensation under gross profit amounts to DKK 2.9m in Q1-Q3 2020 of which DKK 1.4m was received in the Concrete Division and DKK 1.5m was received in the Vibration Division.

Results, DKK million	Concrete			Vibration			Group*		
	Q1-Q3 2020	Q1-Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change	Q1-Q3 2020	Q1-Q3 2019	Change
Revenue	126.8	134.0	(5.4%)	128.6	132.6	(3.0%)	252.7	263.1	(4.0%)
Gross profit	24.4	23.1	5.6%	39.2	39.7	(1.3%)	63.6	62.8	1.3%
Gross profit margin	19.2%	17.2%	2.0pp	30.5%	29.9%	0.6pp	25.2%	23.9%	1.3pp
Operating profit (EBIT)	7.0	0.0	(N/A)	9.8	11.8	(16.9%)	15.0	10.1	47.7%
EBIT-margin	5.5%	0.0%	5.5pp	7.6%	8.9%	(1.3pp)	5.9%	3.8%	2.1pp

* After eliminations

Capacity costs

Distribution costs decreased by 12.8% in Q3 2020 and by 12.2% in Q1-Q3 2020 compared to the same periods last year, and administrative expenses increased by 3.5% in Q3 2020 and decreased by 1.2% in Q1-Q3 2020 compared to Q3 2019 and Q1-Q3 2019. The decrease in administrative and distribution expenses in Q1-Q3 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 0.9m in Q1-Q3 2020, of which DKK 0.3m was received in the Concrete Division and DKK 0.6m was received in the Vibration Division.

MANAGEMENT COMMENTARY - continued

Operating profit

Operating profit (EBIT) amounted to DKK 3.9m in Q3 2020 and DKK 15.0m in Q1-Q3 2020 compared to DKK 4.5m in Q3 2019 and DKK 10.1m in Q1-Q3 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 7.0m in Q1-Q3 2020 compared to an EBIT of DKK 0.0m in Q1-Q3 2019 while the Vibration Division has realised an EBIT of DKK 9.8 in Q1-Q3 2020 compared to an EBIT of DKK 11.8m in Q1-Q3 2019.

Increased contribution margins and capacity cost savings following the S2020 Profit Enhancement Programme are driving the increase in EBIT in the Concrete Division even though revenue for the division has decreased with 5.4% compared to Q1-Q3 2019. A decrease in revenue of 3.0% compared to Q1-Q3 2019 along with increased capacity costs due to the acquisition of Dartek 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 3.8m in Q1-Q3 2020, distributed with DKK 1.6m in the Concrete Division and DKK 2.2m in the Vibration Division.

While we expect to remain profitable in Q4 2020, we also expect the results to be below those from first three quarters of 2020. Revenue from aftersales returned to a normal level in Q3 2020 and is also expected to remain at a normal level in Q4 2020. In the Vibration Division revenue from plant orders is expected to be realised below the normal level in Q4 2020 as a result of a lack of plant orders in Q2 and Q3 2020 due to the uncertainties resulting from Covid-19. In the Concrete Division revenue from plant orders is expected to be realised at the same level as Q4 2019 due to the high order backlog going into 2020 and high order intake in Q2 2020.

Order intake and backlog

In Q3 2020, order intake amounted to DKK 62.0m which is a decrease of 10.2% compared to the same period last year. Order intake in Q3 2020 for the Concrete Division amounted to DKK 24.3m compared to DKK 38.6m in Q3 2019. Order intake in Q3 2020 for the Vibration Division amounted to DKK 38.8m compared to DKK 31.4m in Q3 2019. Order intake in both divisions in Q3 2020 was negatively impacted by the uncertainties resulting from Covid-19.

The Group order backlog at the beginning of Q4 2020 amounts to DKK 94.9m which is an increase of 2.6% compared to the order backlog at the beginning of Q4 2019. Due to the high order backlog entering 2020, we still have a good order backlog going into Q4 2020. While order intake for aftersales is returning to a normal level, we still experience some hesitation on signing plant orders. August started optimistically with regards to plant order intake but the increase in Covid-19 cases through September resulted in decisions yet again being delayed. Our pipeline is good, and we do not see projects being cancelled. However, the decisions process is prolonged due to the uncertainties resulting from Covid-19.

Order intake Q1-Q3 2020, DKK million	Concrete			Vibration			Group*		
	Q1-Q3 2020	Q1-Q3 2019	Year 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Order book, beginning	64.6	72.9	72.9	60.0	34.3	34.3	123.7	106.8	106.8
Order intake	105.1	109.0	169.5	121.6	143.5	206.3	223.9	248.8	371.0
Revenue	(126.8)	(134.0)	(177.8)	(128.6)	(132.6)	(180.6)	(252.7)	(263.1)	(354.2)
Order book, ending	42.9	47.9	64.6	53.0	45.2	60.0	94.9	92.5	123.6

*After eliminations

Order intake Q3 2020, DKK million	Concrete			Vibration			Group*		
	Q3 2020	Q3 2019	Year 2019	Q3 2020	Q3 2019	Year 2019	Q3 2020	Q3 2019	Year 2019
Order book, beginning	58.9	49.1	72.9	54.7	54.9	34.3	112.9	103.2	106.8
Order intake	24.3	38.6	169.5	38.8	31.4	206.3	62.0	69.2	371.0
Revenue	(40.3)	(39.8)	(177.8)	(40.5)	(41.1)	(180.6)	(80.0)	(79.1)	(354.2)
Order book, ending	42.9	47.9	64.6	53.0	45.2	60.0	94.9	92.5	123.6

*After eliminations

MANAGEMENT COMMENTARY - continued

Cash flow developments

In the first nine months of 2020, SKAKO generated a cash flow from operating activities (CFFO) of DKK -9.9m compared to DKK 4.2m in the first nine months of 2019. In Q3 2020 cash flow from operating activities (CFFO) amounted to DKK -8.2m compared to DKK 9.7m in Q3 2019. As expected, the negative cash flow in Q1-Q3 2020 is primarily due to work performed on prepaid customer contracts and an increase in trade receivables and 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. We expect to see an improvement of cash flows in Q4 2020 and Q1 2021.

Equity

The Group's equity amounted to DKK 136.2m on 30 September 2020 (DKK 117.7m on 30 September 2019) equalling an equity ratio of 41.3% (45.6% on 30 September 2019). The increase in equity is mainly due to profit for the period of DKK 12.5m. The decrease in equity ratio is primarily due to goodwill from the investment in Dartek in November 2019.

Balance sheet

As of 30 September 2020, the Group's assets totalled DKK 329.8m (DKK 258.0m on 30 September 2019). The increase in assets is primarily due to Goodwill from the investment in Dartek in November 2019 and an increase in trade receivables and receivables from customer contracts.

Non-current assets increased by DKK 33.5m and amounted to DKK 80.3m (DKK 46.8m on 30 September 2019) while current assets increased by DKK 38.3m to DKK 249.5m (DKK 211.2m on 30 September 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 31.7m and totalled DKK 40.2m on 30 September 2020 (DKK 8.5m on 30 September 2019). The increase in net debt is primarily due to the payment structure in the Dartek acquisition where we owe a total of DKK 22.4m on 30 September 2020. Also, the increase in trade receivables and receivables from customer contracts has resulted in an increased utilisation of credit facilities.

Current liabilities amounted to DKK 169.1m (DKK 134.2m on 30 September 2019). The increase in current liabilities is primarily due to the payment structure in the Dartek acquisition. Also, the increase in trade receivables and receivables from customer contracts has resulted in an increased utilisation of credit facilities.

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 the 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 October 2019 to 30 September 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.

Dividends

Earlier this year SKAKO suspended dividends announced in the annual report for 2019 due to the uncertainties created by the surge of Covid-19. Even though uncertainties still exist, we currently view them as significantly reduced compared to the previous situation. Therefore, we have decided to distribute an interim dividend of DKK 2 per share corresponding to the dividend announced in the annual report for 2019.

Ex dividend date: 3 November 2020

Record date: 5 November 2020

Payment date: 10 November 2020

Outlook 2020

Based on the results in Q1-Q3 2020 and our expectation for revenue in Q4 2020, we are narrowing our guidance to an operating profit (EBIT) of DKK 15-18m for 2020 (previous guidance EBIT of DKK 13-18m).

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 last part of 2020 with no new material adverse events affecting the global economies.

CONSOLIDATED INCOME STATEMENT

DKK thousands	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Revenue from contracts with customers	79,968	79,807	252,676	263,075	354,192
Production costs	(60,970)	(59,308)	(189,107)	(200,263)	(268,100)
Gross profit	18,998	20,499	63,569	62,812	86,092
Distribution costs	(7,786)	(8,929)	(27,870)	(31,732)	(39,796)
Administrative expenses	(7,286)	(7,041)	(20,691)	(20,933)	(28,291)
Operating profit (EBIT) before special items	3,926	4,529	15,008	10,147	18,005
Financial income	11	-	123	-	248
Financial expenses	(511)	(845)	(1,937)	(2,154)	(2,838)
Profit before tax	3,426	3,684	13,194	7,993	15,415
Tax on profit for the period	(361)	(14)	(705)	(380)	(1,169)
Profit for the period	3,065	3,670	12,489	7,613	14,246
Profit for the period attributable to SKAKO A/S shareholders	3,065	3,670	12,489	7,613	14,246
Earnings per share (EPS), DKK	0.99	1.19	4.05	2.47	4.62
Diluted earnings per share (EPS), DKK	0.99	1.19	4.05	2.47	4.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK thousands	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Profit for the period	3,065	3,670	12,489	7,613	14,246
Other comprehensive income:					
Items that have been or may subsequently be reclassified to the income statement:					
Foreign currency translation, subsidiaries	(412)	252	(1,139)	334	349
Value adjustments of hedging instruments	305	(1)	333	(26)	186
Other comprehensive income	(107)	251	(806)	308	555
Comprehensive income	2,958	3,921	11,683	7,921	14,801
Comprehensive income attributable to SKAKO A/S shareholders	2,958	3,921	11,683	7,921	14,801

CONSOLIDATED BALANCE SHEET

DKK thousands	30 September 2020	30 September 2019	31 Dec 2019
Other intangible assets	33,417	5,329	37,733
Intangible assets under development	5,490	3,510	4,830
Intangible assets	38,907	8,839	42,563
Leased assets	8,820	3,437	10,423
Land and buildings	5,750	5,054	5,644
Plant and machinery	406	583	510
Operating equipment, fixtures and fittings	3,006	3,558	3,442
Leasehold improvements	273	312	268
Tangible assets under construction	58	59	60
Property, plant and equipment	18,313	13,003	20,347
Other receivables	1,509	1,263	1,267
Deferred tax assets	21,612	23,657	21,770
Other non-current assets	23,121	24,920	23,037
Total non-current assets	80,341	46,762	85,947
Inventories	60,907	56,855	59,804
Trade receivables	75,377	61,893	64,884
Contract assets	77,206	62,338	72,708
Income tax	187	26	1,266
Other receivables	7,559	8,077	7,274
Prepaid expenses	4,357	3,777	3,887
Other investments	-	74	74
Cash	23,898	18,182	26,486
Current assets	249,491	211,222	236,383
Assets	329,832	257,984	322,330

CONSOLIDATED BALANCE SHEET

DKK thousands	30 September 2020	30 September 2019	31 Dec 2019
Share capital	31,064	31,064	31,064
Foreign currency translation reserve	(910)	334	229
Hedging reserve	371	(26)	38
Proposed dividends	6,213	-	-
Retained earnings	99,486	86,337	93,086
Total equity	136,224	117,709	124,417
Leasing	5,921	2,539	7,712
Loans and borrowings	14,928	-	19,366
Provisions	3,669	3,529	3,541
Non-current liabilities	24,518	6,069	30,619
Loans and borrowings	8,195	-	8,640
Bank loans and credit facilities	32,103	21,629	20,377
Leasing	2,954	2,519	2,832
Provisions	2,010	2,178	2,025
Contracts liabilities	6,566	8,681	16,517
Trade payables	74,121	73,928	87,528
Income tax	656	-	37
Other liabilities	42,485	25,271	29,338
Current liabilities	169,090	134,206	167,294
Liabilities	193,608	140,276	197,913
EQUITY AND LIABILITIES	329,832	257,984	322,330

CONSOLIDATED CASH FLOW STATEMENT

DKK thousands	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Profit before tax	3,426	3,684	13,194	7,993	15,415
Adjustments	1,831	1,590	4,926	3,184	7,165
Change in receivables, etc.	(14,055)	18,376	(15,908)	19,543	20,348
Change in inventories	872	(1,937)	(1,103)	(4,649)	(7,822)
Change in trade payables and other liabilities, etc.	(827)	(11,191)	(10,210)	(20,327)	(8,635)
Cash flow from operating activities before financial items and tax	(8,753)	10,522	(9,101)	5,744	26,470
Financial items received and paid	(500)	(845)	(1,814)	(2,154)	(2,591)
Taxes paid	(27)	60	993	629	570
Cash flow from operating activities	(8,226)	9,737	(9,922)	4,220	24,450
Investment in intangible assets	(53)	(162)	(577)	(924)	(2,703)
Investment in tangible assets	(935)	(685)	(1,267)	(1,274)	(9,415)
Acquisition of entities	-	-	3,955	-	(33,188)
Cash flow from investing activities	(988)	(847)	2,111	(2,198)	(45,306)
Change in borrowings	706	-	14,640	-	35,557
Instalment on borrowings and loans	(1,382)	(735)	(4,106)	(2,218)	(3,150)
Change in short-term bank facilities	10,856	(6,381)	(5,360)	7,654	4,184
Cash flow from financing activities	10,180	(7,116)	5,174	5,436	36,591
Change in cash and cash equivalents	(88)	1,774	(2,637)	7,458	15,735
Cash and cash equivalents beginning of period	24,022	16,429	26,559	10,744	10,744
Foreign exchange adjustment, cash and cash equivalents	(37)	53	(24)	53	81
Cash and cash equivalents at end of period	23,898	18,255	23,898	18,255	26,560
Breakdown of cash and cash equivalents at the end of the year:					
Cash and other investments	23,898	18,255	23,898	18,255	26,560
Cash and cash equivalents at the end of the year:	23,898	18,255	23,898	18,255	26,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Proposed dividends	Equity
Equity on 01 January 2020	31,064	229	38	93,086	-	124,417
Comprehensive income in Q1-Q3 2020:						
Profit for the period				12,489	-	12,489
Proposed dividends				(6,213)	6,213	-
Other comprehensive income:						
Foreign currency translation adjustments, subsidiaries		(1,139)				(1,139)
Value adjustments of hedging instruments			333			333
Other comprehensive income	-	(1,139)	333	-	6,213	(806)
Comprehensive income, period	-	(1,139)	333	6,276	6,213	11,683
Share-based payment, warrants				124	-	124
Equity on 30 September 2020	31,064	(910)	371	99,486	6,213	136,224

DKK thousands	Share capital	Foreign currency translation reserve	Hedging reserve	Retained earnings	Equity
Equity on 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 Q1-Q3 2019:					
Profit for the period				7,613	7,613
Other comprehensive income:					
Foreign currency translation adjustments, subsidiaries		474			474
Value adjustments of hedging instruments			122		122
Other comprehensive income	-	474	122	-	596
Comprehensive income, period	-	474	122	7,613	8,209
Share-based payment, warrants				551	551
Equity on 30 September 2019	31,064	334	(26)	86,336	117,709

SEGMENT INFORMATION

DKK thousands	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
Q1-Q3 2020					
Revenue, external	126,792	125,857	-	-	252,649
Revenue, internal	25	2,692	-	(2,717)	-
Total revenue	126,817	128,549	-	(2,717)	252,649
Depreciation	(1,700)	(2,265)	-	-	(3,965)
Operating profit (EBIT)	6,952	9,844	(1,788)	-	15,009
Result before tax	5,657	9,358	(1,821)	-	13,194
Tax on profit for the year	(361)	(344)	-	-	(705)
Profit for the period	5,296	9,014	(1,821)	-	12,489
Order backlog, beginning	64,571	60,014	-	(931)	123,654
Order intake	105,105	121,569	-	(2,779)	223,895
Order backlog, ending	42,859	53,034	-	(993)	94,900
Segment non-current assets	30,695	45,691	3,955	-	80,341
Segment assets	123,696	204,111	4,623	(2,598)	329,832
Segment liabilities	44,042	147,173	4,991	(2,598)	193,608
Investment in intangible and tangible assets	1,029	815	-	-	1,844
Average number of employees	101	105	-	-	206

DKK thousands	Concrete	Vibration	Not distributed including parent company	Eliminations	Group total
Q1-Q3 2019					
Revenue, external	134,000	129,075	-	-	263,075
Revenue, internal	-	3,497	-	(3,497)	-
Total revenue	134,000	132,572	-	(3,497)	263,075
Depreciation	(1,669)	(1,148)	-	-	(2,817)
Operating profit (EBIT)	25	11,769	(1,647)	-	10,147
Result before tax	(1,240)	10,948	(1,715)	-	7,993
Tax on profit for the year	121	(501)	-	-	(380)
Profit for the period	(1,120)	10,448	(1,715)	-	7,613
Order backlog, beginning	72,884	34,334	-	(397)	106,821
Order intake	108,978	143,491	-	(3,686)	248,783
Order backlog, ending	47,862	45,253	-	(586)	92,529
Segment non-current assets	28,721	13,958	4,083	-	46,762
Segment assets	109,593	152,089	4,536	(8,234)	257,984
Segment liabilities	45,994	97,525	4,990	(8,234)	140,275
Investment in intangible and tangible assets	1,241	957	-	-	2,198
Average number of employees	105	101	-	-	206

QUARTERLY KEY FIGURES AND FINANCIAL RATIOS

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Full year 2019
INCOME STATEMENT, DKK THOUSANDS						
Revenue	79,968	74,926	97,782	91,117	79,807	354,192
Gross profit	18,998	20,677	23,894	23,253	20,499	86,092
Operating profit (EBIT)	3,926	5,497	5,584	7,831	4,529	18,005
Net financial items	(500)	(488)	(825)	(436)	(845)	(2,590)
Profit before tax	3,426	5,009	4,759	7,395	3,684	15,415
Profit for the period	3,065	4,875	4,549	6,265	3,670	14,246
BALANCE SHEET, DKK THOUSANDS						
Non-current assets	80,342	80,941	81,130	85,947	46,762	85,947
Current assets	249,485	236,325	234,276	236,383	211,222	236,383
Assets	329,832	317,267	315,407	322,330	257,984	322,330
Equity	136,224	133,337	128,942	124,417	117,709	124,417
Non-current liabilities	24,518	24,925	25,485	30,619	6,069	30,619
Current liabilities	169,090	159,004	160,979	167,294	134,206	167,294
Net interest-bearing debt	40,203	29,972	34,143	32,370	8,505	32,370
Net working capital	132,802	122,675	110,710	110,710	98,478	110,710
OTHER KEY FIGURES, DKK THOUSANDS						
Investment in intangible and tangible assets	988	856	557	9,920	847	12,118
Cash flow from operating activities (CFFO)	(9,279)	4,525	(5,113)	20,231	9,737	24,451
Free cash flow	(10,267)	4,226	(1,715)	(22,877)	8,890	(20,855)
Number of employees	206	204	210	210	206	210
FINANCIAL RATIOS						
Gross profit margin	23.8%	27.6%	24.4%	25.5%	25.7%	24.3%
Profit margin (EBIT margin)	4.9%	7.3%	5.7%	8.6%	5.7%	5.10%
Liquidity ratio	147.5%	148.6%	145.5%	141.3%	157.4%	141.30%
Equity ratio	41.3%	42.0%	40.9%	38.6%	45.6%	38.6%
Return on equity	15.1%	16.0%	13.6%	12.2%	16.1%	12.2%
Financial leverage	29.5%	22.5%	26.5%	26.1%	7.2%	26.1%
NWC/revenue	38.1%	35.7%	30.7%	26.4%	27.6%	26.4%
Earnings per share, DKK	0.99	1.58	1.48	2.15	1.19	4.62
Equity value per share, DKK	44.2	43.2	41.8	40.1	38.2	40.1
Share price, DKK	43.9	40.2	38.0	45.9	42.0	45.9
Price-book ratio	1.0	0.9	0.9	1.1	1.1	1.1
Market capitalisation, DKK thousands	136,372	124,878	118,044	142,584	130,470	142,584