

FRONTMATEC

Frontmatec Group ApS

Platinvej 8, DK-6000 Kolding

CVR no: 37 77 37 43

Interim financial report

Third quarter 2021

1 July – 30 September 2021



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the interim financial report of Frontmatec Group ApS for the financial period 1 July to 30 September 2021.

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

In our opinion, the interim report gives a true and fair view of the financial position of the Group at 30 September 2021 and of the results of the Group's operations and cash flows for the period ending 30 September 2021.

Further, in our opinion the Management's review gives a fair review of the development in the Group's operations and financial matters and results of the Group's operations and financial position.

Kolding, 26 November 2021

Executive Board

Allan Jan Formann Kristensen
Chief Executive Officer

Thomas Nybo Stenager
Chief Financial Officer

Board of Directors

Arne Vraalsen
Chairman

Christoffer Arthur Müller
Deputy Chairman

Christian Gymos
Schmidt-Jacobsen

Jan Kjærsgaard

Remko Rosman

Management review

Financial highlights for the group

DKK'000	3rd Quarter 2021	3rd Quarter 2020	YTD 2021	YTD 2020
Key figures				
Revenue	380.818	341.127	1.022.343	1.080.654
Gross profit	113.565	94.067	302.125	302.178
Operating profit before depreciation, amortization and special items (EBITDA before special items)	63.855	41.314	127.274	128.105
Pro forma EBITDA before special items	68.332	45.022	139.442	135.944
Net finance costs	-23.064	-28.002	-69.695	-70.587
Loss for the year	-1.337	-14.970	-53.792	-41.353
Financial development				
Cash flows from operating activities	122.536	-37.125	230.905	-3.461
Cash flows from investing activities	-12.852	-12.195	-47.615	-37.826
Cash flows from property, plant and equipment	-1.244	-677	-5.901	-5.247
Cash flows from financing activities	3.207	-12	4.100	-297
Change in cash and cash equivalents	112.891	-67.399	187.390	-59.651
Ratios				
Gross margin	29,8%	27,6%	29,6%	28,0%
Pro forma EBITDA margin before special items margin	17,5%	12,9%	13,3%	12,3%
EBITDA before special items margin	16,8%	12,1%	12,4%	11,9%

DKK'000	YTD 2021	YTD 2020	Full year 2020
Key figures			
Equity	434.446	561.280	472.756
Assets	2.663.657	2.729.071	2.582.019
Ratios			
Return on assets	2,4%	0,7%	-0,8%
Equity ratio	16,3%	20,6%	18,3%
Average number of full-time employees	1.124	1.194	1.263

Financial ratios are calculated in accordance with the following definitions:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Pro forma EBITDA before special items margin	$\frac{\text{Pro forma EBITDA before special items} \times 100}{\text{Pro forma revenue}}$
EBITDA before special items margin	$\frac{\text{EBITDA before special items} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Operating profit} \times 100}{\text{Average assets}}$
Equity ratio	$\frac{\text{Equity end of period} \times 100}{\text{Total equity and liabilities at year end}}$

Management's review

Frontmatec's Business Review

Frontmatec Group had pro forma revenue of DKK 390 million in Q3 2021, which represents an increase of 12% from pro forma revenue in Q3 2020 of DKK 348 million (IFRS revenue for the same period increased by 12% from DKK 341 million to DKK 381 million). Frontmatec Group had higher revenue due to increased order intake from projects globally with new greenfield project, automation, re-builds and upgrades. The project business is returning to normal activity level after the COVID-19 pandemic.

The higher pro forma revenue had a positive impact on pro forma EBITDA before special items. Pro forma EBITDA before special items increased from DKK 45 million in Q3 2020 to DKK 68 million in Q3 2021.

Operating profit increased with DKK 19 million from DKK 5 million in Q3 2020 to DKK 24 million in Q3 2021.

Cash flow from operating activities has improved with DKK 178 million from DKK -55 million in Q3 2020 to DKK 123 million in Q3 2021.

The balance sheet at 30 September 2021 for the Group shows total assets of DKK 2,664 million (30 September 2020: DKK 2,729 million) and equity of DKK 434 million (30 September 2020: 561 DKK million).

Outlook

The strong revenue growth in recent years slowed down in 2020 and first half of 2021 due to the uncertainties of the global pandemic. The project business has returned to normal activity level in Q3 2021 in line with management's expectations. There is a satisfactory demand for both large projects, automation, re-builds and upgrades.

EBITDA before special items (IFRS) YTD Q3 2021 is DKK 127 million in line with YTD Q3 2020 of DKK 128 million. Management expect EBITDA before special items (IFRS) in 2021 higher than 2020 depending on timing of execution of orders and a potential impact from the global pandemic.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS. The Group applies these measures because it is considered an important supplement measure of the Group's financial performance. It is to be noted that since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies (even if similar labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS.

Reconciliation from these alternative performance measures to the nearest IFRS is presented below.

Pro forma revenue (non-IFRS)

Pro forma revenue is defined as revenue from all group entities for the reporting period. Group entities included are entities where the Group has made an investment before end of the reporting period and comprise subsidiaries and associated companies. For associated companies, revenue is included on a pro rata basis. For entities acquired during the year, revenue is measured as though the acquisition date for all acquired entities during the year had been as of the beginning of the reporting period.

Management considers pro forma revenue to be a useful measure of the activities of the Group, as it is per end of 3rd Quarter 2021.

DKK'000	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Pro forma revenue (non-IFRS)				
Revenue for the reporting period (IFRS)	380.818	341.127	1.022.343	1.080.654
Impact from associated companies (pro-rata)	8.998	6.791	23.451	21.622
	389.816	347.918	1.045.794	1.102.276
Revenue (IFRS)	380.818	341.127	1.022.343	1.080.654

Pro forma EBITDA before special items (non-IFRS)

Pro forma EBITDA before special items is defined as earnings before interest, tax, special items, depreciation, amortisation and impairment for all group entities for the reporting period. Group entities included are entities where the Group has made an investment before end of the reporting period and comprise subsidiaries and associated companies. For associated companies, pro forma EBITDA before special items is included on a pro rata basis. For entities acquired during the year, pro forma EBITDA before special items is measured as though the acquisition date for all acquired entities during the year had been as of the beginning of the reporting period.

DKK'000	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Pro forma EBITDA before special items (non-IFRS)				
EBITDA before special items (non-IFRS)	65.193	40.190	131.792	127.370
Impact from associated companies (pro-rata)	3.139	4.832	7.650	8.574
	68.332	45.022	139.442	135.944
EBITDA before special items (IFRS)	63.855	41.314	127.274	128.105

Alternative Performance Measures

EBITDA before special items (non-IFRS)

EBITDA before special items (non-IFRS) is defined as earnings before interest, tax, depreciation, amortisation and impairment.

The following table provides a reconciliation of EBITDA before special items (IFRS) to EBITDA before special items (non-IFRS).

DKK'000	Q3 2021	Q3 2020	YTD 2021	YTD 2020
EBITDA before special items (non-IFRS)				
EBITDA before special items (IFRS)	63.855	41.314	127.274	128.105
Gain/Loss on disposals	-49	-126	-27	-173
Special items IFRS reclassification	1.387	-998	4.545	-562
	65.193	40.190	131.792	127.370
EBITDA (IFRS)	63.855	41.314	127.274	128.105

Special non-recurring items (non-IFRS)

Special non-recurring items are defined as non-recurring income and expenses that are not considered to be a part of the Group's ordinary operations such as restructuring costs and discontinued activities.

DKK'000	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Special non-recurring items (non-IFRS)				
External cost related to acquisitions	187	0	187	0
Costs of internal restructuring	4.031	299	7.274	5.726
Other	1.387	-908	4.545	-562
Special non-recurring items (non-IFRS)	5.605	-609	12.006	5.164
Special non-recurring items (IFRS)	4.218	389	7.461	5.726

Consolidated financial statements

Income statement

Note	DKK'000	3rd Quarter	3rd Quarter	Year to date	Year to date
		2021	2020	2021	2020
3	Revenue	380.818	341.127	1.022.343	1.080.654
	Production costs	-250.188	-229.539	-662.638	-723.400
	Other operating income	825	-469	1.669	2.792
	External costs	-17.890	-17.052	-59.249	-57.868
	Gross profit	113.565	94.067	302.125	302.178
	Staff costs	-49.710	-52.741	-174.851	-174.061
	Other operating costs	0	-12	0	-12
	Operating profit before depreciation, amortisation and special items	63.855	41.314	127.274	128.105
4	Special non-recurring items	-4.218	-389	-7.461	-5.726
	Depreciation, amortisation and impairment of non-current assets	-35.990	-35.609	-107.752	-106.962
	Operating profit	23.647	5.316	12.061	15.417
	Share of results of associates	2.207	3.502	5.294	6.010
	Financial income	779	-4.867	4.216	535
	Financial expense	-23.843	-23.135	-73.911	-71.122
	Profit/loss before tax	2.790	-19.184	-52.340	-49.160
	Tax for the period	-4.127	4.214	-1.452	7.807
	Loss for the period	-1.337	-14.970	-53.792	-41.353

Statement of comprehensive income

Note DKK'000

Loss for the period	-1.337	-14.970	-53.792	-41.353
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Items that are or may be reclassified subsequently to profit or loss:

Unrealised gain/loss on forward exchange contracts for the period	912	373	2.205	-1.863
Hereof tax	-201	-106	-486	525
Exchange rate gain/loss on foreign investments	-480	-5.861	10.457	-10.213
Other comprehensive income for the period	231	-5.594	12.176	-11.551
Comprehensive income for the period	-1.106	-20.564	-41.616	-52.904

Consolidated financial statements

Balance sheet

Note	DKK'000	30 Sep 2021	30 Sep 2020	31 Dec 2020
	ASSETS			
	Non-current assets			
	Goodwill	1.109.933	1.109.933	1.109.933
	Development completed	170.560	220.148	217.833
	Acquired Intangible assets	148.458	169.427	165.084
	Development in progress	134.860	106.349	104.398
	Intangible assets	1.563.811	1.605.857	1.597.248
	Land and buildings	128.276	127.919	126.905
	Plant and machinery	22.742	30.355	26.147
	Other fixtures and fittings, tools and equipment	14.386	12.208	16.123
	Right-of-use assets	43.529	40.121	41.345
	Property, plant and equipment	208.933	210.603	210.520
	Investments in associates	42.987	42.002	37.702
	Deferred tax assets	32.373	34.823	31.762
	Fixed asset investments	75.360	76.825	69.464
	Non-current assets	1.848.104	1.893.285	1.877.232
	Inventories	197.763	208.652	189.124
	Trade receivables	222.759	306.093	211.644
	Contract assets	120.030	190.124	153.575
	Amounts owed by Group entities	221	157	150
	Income taxes receivables	2.485	358	2.316
	Other receivables	27.904	43.480	36.184
	Prepayments	19.822	18.321	18.203
	Receivables	393.221	558.533	422.072
	Securities and Investments	3.458	575	3.517
	Cash at bank and in hand	221.111	68.026	90.074
	Current assets	815.553	835.786	704.787
	ASSETS	2.663.657	2.729.071	2.582.019

Consolidated financial statements

Balance sheet

Note	DKK'000	30 Sep	30 Sep	31 Dec
		2021	2020	2020
	EQUITY AND LIABILITIES			
	Share capital	100	100	100
	Reserve for value adjustments of hedging transactions	-1.364	-5.768	-3.083
	Reserve for foreign exchange adjustments	13.475	9.368	3.018
	Retained earnings	422.235	557.580	472.721
	Equity	434.446	561.280	472.756
	Deferred tax	88.719	103.449	100.834
	Lease liabilities	29.421	24.579	26.592
	Other long-term credit institutions	1.292.992	1.290.604	1.290.760
	Other long-term liabilities	22.751	0	22.684
	Non-current liabilities	1.433.883	1.418.632	1.440.870
	Current portion of long-term liabilities	18.019	19.381	16.920
	Other credit institutions	92.439	158.205	148.792
	Other provisions	14.523	15.214	11.236
	Contract liabilities	322.638	171.166	139.144
	Trade payables	101.190	161.116	123.639
	Amounts owed to Group entities	1.358	886	1.010
	Income taxes	0	19.802	24.545
	Deferred income	4.628	4.897	2.847
	Other payables	240.533	198.492	200.260
	Current liabilities	795.328	749.159	668.393
	Liabilities	2.229.211	2.167.791	2.109.263
	Equity and liabilities	2.663.657	2.729.071	2.582.019

Consolidated Statement of Changes in Equity
1 January - 30 September

DKK'000	Share capital	Value adjustments of hedging transactions	Foreign exchange adjustments	Retained earnings	Total
Equity at 1 January 2020	100	-4.430	19.581	599.394	614.645
<i>Comprehensive income for the period</i>					
Loss for the period	0	0	0	-41.353	-41.353
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	-1.863	0	0	-1.863
Hereof tax	0	525	0	0	525
Exchange rate on foreign investments	0	0	-10.213	0	-10.213
Other comprehensive income for the period	0	-1.338	-10.213	0	-11.551
Comprehensive income for the period	0	-1.338	-10.213	-41.353	-52.904
Share-based payment	0	0	0	-461	-461
Equity at 30 September 2020	100	-5.768	9.368	557.580	561.280
 Equity at 1 January 2021	 100	 -3.083	 3.018	 472.721	 472.756
<i>Comprehensive income for the period</i>					
Loss for the period	0	0	0	-53.792	-53.792
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	2.205	0	0	2.205
Hereof tax	0	-486	0	0	-486
Exchange rate on foreign investments	0	0	10.457	0	10.457
Other comprehensive income for the period	0	1.719	10.457	0	12.176
Comprehensive income for the period	0	1.719	10.457	-53.792	-41.616
Share-based payment	0	0	0	3.306	3.306
Equity at 30 September 2021	100	-1.364	13.475	422.235	434.446

Consolidated financial statements

Cash flow statement	Year to date	Year to date
	2021	2020
DKK'000		
Operating profit	12.061	15.417
Depreciation, amortisation and impairment losses	107.752	106.962
Provisions	3.287	2.361
Changes in receivables	29.079	-65.110
Changes in inventory, contract assets and contract liabilities	-8.639	-10.848
Changes in trade payables	-22.449	-10.015
Changes in other working capital	218.887	13.753
Interest received	4.216	535
Interest paid	-73.911	-71.122
Corporation tax paid	-39.378	-3.461
Cash flows from operating activities	230.905	-21.528
Addition of intangible assets and property, plant and equipment	-47.968	-42.370
Sale of intangible assets and property plant and equipment	353	256
Business acquisitions	0	4.288
Cash flows from investing activities	-47.615	-37.826
Contracting of long-term liabilities	4.100	-297
Cash flows from financing activities	4.100	-297
Net cash flows for the period	187.390	-59.651
Cash and cash equivalents at 1 January	-58.718	-30.528
Cash and cash equivalents at 30 September	128.672	-90.179

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Cash at bank and in hand	221.111	68.026
Other credit institutions	-92.439	-158.205
Cash and cash equivalents	128.672	-90.179

Consolidated financial statements

Notes to the financial statements

Note 1. Accounting policies

This unaudited interim financial report has been prepared in accordance with IAS 34 Interim Financial reporting as adopted by the EU.

Accounting policies applied in preparing the interim financial report are consistent with those applied in preparing Frontmatec Group ApS' consolidated annual report for 2020 to which referral is made.

Note 2. Significant accounting judgements, estimates and assumptions

In preparing the interim financial report, Management makes various accounting estimates and assumptions which form the basis of presentation, recognition and measurement of Frontmatec Group ApS' consolidated assets and liabilities. All significant accounting estimates and judgements are consistent with the description in the annual report for 1 January - 31 December 2020. Refer to descriptions in the note 3 of the annual report.

Note 3. Segment information

Advanced food processing equipment is the only operating and reporting segment. Due to differences in the product offerings in the geographical areas we therefore focus our internal reporting on geographical areas and three reportable segments: North America, Europe and Rest of the World.

With the responsibility of the total product line anchored in the local geographical areas we are capable of improving our customer specific offerings. Offerings range from first time sale of single products to turn-key projects, subsequent services operation & maintenance, upgrades and rebuilds of existing equipment, plant and sale of spare parts and wear

The segmentation reflects the internal reporting and management structure applied. The segments are primarily managed on operating profit before depreciations.

Financial period 1 July - 30 September 2021

DKK'000	North America	Europe	Rest of World	Total	Unallo- cated	Consoli- dated
Revenue	134.623	228.221	17.974	380.818	0	380.818
Operating profit before depreciation	26.256	41.033	-3.434	63.855	0	63.855
Total assets	239.801	626.840	142.177	1.008.818	1.654.839	2.663.657
Total liabilities	-360.895	-415.063	-151.110	-927.068	-1.302.143	-2.229.211
	-121.094	211.777	-8.933	81.750	352.696	434.446

There has not been allocated any equity, borrowings, cash, deferred tax and tax payables to the three operating segments.

Consolidated financial statements

Notes to the financial statements

Note 3. Segment information (continued)

Financial period 1 July - 30 September 2020

DKK'000	North America	Europe	Rest of World	Total	Unallo- cated	Consoli- dated
Revenue	101.968	215.934	23.225	341.127	0	341.127
Operating profit before depreciation	23.124	21.218	-3.028	41.314	0	41.314
Total assets	234.756	758.348	140.420	1.133.524	1.595.547	2.729.071
Total liabilities	-145.229	-375.364	-111.462	-632.055	-1.535.736	-2.167.791
	89.527	382.984	28.958	501.469	59.811	561.280

There has not been allocated any equity, borrowings, cash, deferred tax and tax payables to the three operating

DKK'000	Q3 2021	Q3 2020
Timing of revenue recognition		
Recognition at single point of time	118.701	123.608
Recognition over time	262.117	217.519
	380.818	341.127

Performance obligations are usually satisfied within a 12 months period and hence part of the transaction price allocated to unsatisfied part of ongoing contracts is not disclosed.

Note 4. Special non-recurring items

DKK'000	Q3 2021	Q3 2020
External cost related to acquisitions	182	0
Cost of internal restructuring	4.036	389
	4.218	389

Note 5. Events after the balance sheet date

There have been no events since September 30, 2021, which could significantly affect the evaluation of the Group's financial position and revenue.