

FRONTMATEC

Frontmatec Group ApS

Platinvej 8, DK-6000 Kolding

CVR no: 37 77 37 43

Interim financial report

Second quarter 2021

1 April – 30 June 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 April to 30 June 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 June 2021 and of the results of the Group's operations and cash flows for the period ending 30 June 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, 30 August 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	2nd Quarter 2021	2nd Quarter 2020	Half year 2021	Half year 2020
Key figures				
Revenue	316.350	374.648	641.525	739.527
Gross profit	102.257	113.625	188.560	208.110
Operating profit before depreciation, amortization and special items (EBITDA before special items)	39.599	55.212	63.419	86.791
Pro forma EBITDA before special items	42.969	55.631	71.068	90.922
Net finance costs	-25.933	-25.073	-46.631	-42.585
Loss for the year	-24.252	-6.354	-52.455	-26.383
Financial development				
Cash flows from operating activities	105.692	64.584	108.369	33.664
Cash flows from investing activities	-16.500	-8.634	-34.763	-25.631
Cash flows from property, plant and equipment	-812	-1.182	-4.657	-4.570
Cash flows from financing activities	-1.298	-3	893	-285
Change in cash and cash equivalents	87.894	55.947	74.499	7.748
Ratios				
Gross margin	32,3%	30,3%	29,4%	28,1%
Pro forma EBITDA margin before special items margin	13,4%	14,6%	10,8%	12,1%
EBITDA before special items margin	12,5%	14,7%	9,9%	11,7%

DKK'000	Half year 2021	Half year 2020	Full year 2020
Key figures			
Equity	434.258	582.885	472.756
Assets	2.580.350	2.700.368	2.582.019
Ratios			
Return on assets	1,5%	0,7%	-0,8%
Equity ratio	16,8%	21,6%	18,3%
Average number of full-time employees	1.146	1.204	1.163

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 321 million in Q2 2021, which represents a decrease of 15% from pro forma revenue in Q2 2020 of DKK 380 million (IFRS revenue for the same period decreased with 16% from DKK 375 million to DKK 316 million). The Group had lower revenue from the large greenfield projects, whereas revenue from after sales and other business areas increased. The project business was negatively impacted by the COVID-19 pandemic and especially the greenfield projects and larger upgrades were postponed in second half of 2020, which impacted turnover from projects negatively in Q2 2021.

The lower pro forma revenue from greenfield projects had a negative impact on pro forma EBITDA before special items. Pro forma EBITDA before special items declined from DKK 56 million in Q2 2020 to DKK 43 million in Q2 2021.

Special items (IFRS) increased from DKK 0 million in Q2 2020 to DKK 3 million in Q2 2021.

Operating profit was DKK 1 million in Q2 2021 compared to DKK 19 million in Q2 2020.

Cash flow from operating activities has improved with DKK 41 million in Q2 2021 from DKK 65 million in Q2 2020 to DKK 106 million in Q2 2021.

The balance sheet at 30 June 2021 for the Group shows total assets of DKK 2,580 million (30 June 2020: DKK 2,700 million) and equity of DKK 434 million (30 June 2020: 583 DKK million).

Outlook

The strong revenue growth in recent years slowed down in 2020 due to the uncertainties of the global pandemic. Management expect that the larger greenfield projects will continue to be postponed due to the global pandemic in the first half of 2021. Management expect several of these to materialize when the pandemic is under control. Furthermore, as a result of the pandemic, new health and safety regulations are likely to be introduced in many markets which will drive demand for automation, re-builds and upgrades to comply with the new regulations.

Based on above, management expect an EBITDA before special items (IFRS) in 2021 which is at the same level as 2020 or above depending on the 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 2nd Quarter 2021.

DKK'000	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>YTD 2021</u>	<u>YTD 2020</u>
Pro forma revenue (non-IFRS)				
Revenue for the reporting period (IFRS)	316.350	374.648	641.525	739.527
Impact from associated companies (pro-rata)	4.909	5.119	14.453	14.831
	<u>321.259</u>	<u>379.767</u>	<u>655.978</u>	<u>754.358</u>
Revenue (IFRS)	<u>316.350</u>	<u>374.648</u>	<u>641.525</u>	<u>739.527</u>

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	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>YTD 2021</u>	<u>YTD 2020</u>
Pro forma EBITDA before special items (non-IFRS)				
EBITDA before special items (non-IFRS)	41.872	54.329	66.557	87.180
Impact from associated companies (pro-rata)	1.097	1.302	4.511	3.742
	<u>42.969</u>	<u>55.631</u>	<u>71.068</u>	<u>90.922</u>
EBITDA before special items (IFRS)	<u>39.599</u>	<u>55.212</u>	<u>63.419</u>	<u>86.791</u>

Alternative Performance Measures

EBITDA before special items (non-IFRS)

EBITDA before special items 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	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>YTD 2021</u>	<u>YTD 2020</u>
EBITDA before special items (non-IFRS)				
EBITDA before special items (IFRS)	39.599	55.212	63.419	86.791
Gain/Loss on disposals	21	0	-20	-47
Special items IFRS reclassification	2.252	-883	3.158	436
	<u>41.872</u>	<u>54.329</u>	<u>66.557</u>	<u>87.180</u>
EBITDA (IFRS)	<u>39.599</u>	<u>55.212</u>	<u>63.419</u>	<u>86.791</u>

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	<u>Q2 2021</u>	<u>Q2 2020</u>	<u>YTD 2021</u>	<u>YTD 2020</u>
Special non-recurring items (non-IFRS)				
Costs of internal restructuring	2.959	-749	5.495	5.427
Other	2.252	-26	906	346
Special non-recurring items (non-IFRS)	<u>5.211</u>	<u>-775</u>	<u>6.401</u>	<u>5.773</u>
Special non-recurring items (IFRS)	<u>2.959</u>	<u>108</u>	<u>3.243</u>	<u>5.337</u>

Consolidated financial statements

Income statement		2nd Quarter	2nd Quarter	Half year	Half Year
		2021	2020	2021	2020
Note	DKK'000				
3	Revenue	316.350	374.648	641.525	739.527
	Production costs	-193.985	-247.007	-412.450	-493.862
	Other operating income	720	3.099	844	3.261
	External costs	-20.828	-17.115	-41.359	-40.816
	Gross profit	102.257	113.625	188.560	208.110
	Staff costs	-62.658	-58.413	-125.141	-121.319
	Other operating costs	0	0	0	0
	Operating profit before depreciation, amortisation and special items	39.599	55.212	63.419	86.791
4	Special non-recurring items	-2.959	-108	-3.243	-5.337
	Depreciation, amortisation and impairment of non-current assets	-35.960	-36.300	-71.762	-71.353
	Operating profit/loss	680	18.804	-11.586	10.101
	Share of results of associates	300	818	3.087	2.508
	Financial income	111	25	3.437	5.402
	Financial expense	-26.044	-25.098	-50.068	-47.987
	Loss before tax	-24.953	-5.451	-55.130	-29.976
	Tax for the period	701	-903	2.675	3.593
	Loss for the period	-24.252	-6.354	-52.455	-26.383

Statement of comprehensive income

Note	DKK'000				
	Loss for the period	-24.252	-6.354	-52.455	-26.383

Items that are or may be reclassified subsequently to profit or loss:

Unrealised gain/loss on forward exchange contracts for the period	790	-16	1.293	-2.236
Hereof tax	(174)	5	-285	631
Exchange rate gain/loss on foreign investments	1.293	-712	10.937	-4.351
Other comprehensive income for the period	1.909	-723	11.945	-5.956
Comprehensive income for the period	-22.343	-7.077	-40.510	-32.339

Consolidated financial statements

Balance sheet

Note	DKK'000	30 June 2021	30 June 2020	31 Dec 2020
	ASSETS			
	<i>Non-current assets</i>			
	Goodwill	1.109.933	1.109.933	1.109.933
	Development completed	183.451	236.650	217.833
	Acquired Intangible assets	155.289	174.151	165.084
	Development in progress	129.891	98.909	104.398
	Intangible assets	1.578.564	1.619.643	1.597.248
	Land and buildings	129.012	130.936	126.905
	Plant and machinery	24.135	31.999	26.147
	Other fixtures and fittings, tools and equipment	15.035	13.198	16.123
	Right-of-use assets	36.076	42.859	41.345
	Property, plant and equipment	204.258	218.992	210.520
	Investments in associates	40.792	38.512	37.702
	Deferred tax assets	35.603	34.618	31.762
	Fixed asset investments	76.395	73.130	69.464
	Non-current assets	1.859.217	1.911.765	1.877.232
	Inventories	202.534	207.667	189.124
	Trade receivables	264.381	233.685	211.644
	Contract assets	90.440	199.424	153.575
	Amounts owed by Group entities	148	65	150
	Income taxes receivables	0	355	2.316
	Other receivables	31.643	44.374	36.184
	Prepayments	22.355	18.180	18.203
	Receivables	408.967	496.083	422.072
	Securities and Investments	3.847	575	3.517
	Cash at bank and in hand	105.785	84.278	90.074
	Current assets	721.133	788.603	704.787
	ASSETS	2.580.350	2.700.368	2.582.019

Consolidated financial statements

Balance sheet

Note	DKK'000	30 June 2021	30 June 2020	31 Dec 2020
	EQUITY AND LIABILITIES			
	Share capital	100	100	100
	Reserve for value adjustments of hedging transactions	-2.075	-6.035	-3.083
	Reserve for foreign exchange adjustments	13.955	15.230	3.018
	Retained earnings	422.278	573.590	472.721
	Equity	434.258	582.885	472.756
	Deferred tax	90.573	106.455	100.834
	Lease liabilities	23.976	27.079	26.592
	Other long-term credit institutions	1.292.069	1.290.874	1.290.760
	Other long-term liabilities	22.751	0	22.684
	Non-current liabilities	1.429.369	1.424.408	1.440.870
	Current portion of long-term liabilities	16.012	19.591	16.920
	Other credit institutions	90.004	107.058	148.792
	Other provisions	14.069	14.573	11.236
	Contract liabilities	236.367	158.889	139.144
	Trade payables	114.587	158.143	123.639
	Amounts owed to Group entities	1.400	1.831	1.010
	Income taxes	4.936	20.035	24.545
	Deferred income	4.559	6.562	2.847
	Other payables	234.789	206.393	200.260
	Current liabilities	716.723	693.075	668.393
	Liabilities	2.146.092	2.117.483	2.109.263
	Equity and liabilities	2.580.350	2.700.368	2.582.019

Consolidated Statement of Changes in Equity
1 January - 30 June

DKK'000	Share capital	Value adjust- ments of hedging trans- actions	Foreign exchange adjust- ments	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	-26.383	-26.383
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	-2.236	0	0	-2.236
Hereof tax	0	631	0	0	631
Exchange rate on foreign investments	0	0	-4.351	0	-4.351
Other comprehensive income for the period	0	-1.605	-4.351	0	-5.956
Comprehensive income for the period	0	-1.605	-4.351	-26.383	-32.339
Share-based payment	0	0	0	579	579
Equity at 30 June 2020	100	-6.035	15.230	573.590	582.885
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	-52.455	-52.455
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	1.293	0	0	1.293
Hereof tax	0	-285	0	0	-285
Exchange rate on foreign investments	0	0	10.937	0	10.937
Other comprehensive income for the period	0	1.008	10.937	0	11.945
Comprehensive income for the period	0	1.008	10.937	-52.455	-40.510
Share-based payment	0	0	0	2.012	2.012
Equity at 30 June 2021	100	-2.075	13.955	422.278	434.258

Consolidated financial statements

Cash flow statement	Half year	Half Year
	2021	2020
DKK'000		
Operating profit/ loss	-11.586	10.101
Depreciation, amortisation and impairment losses	71.762	71.507
Provisions	2.833	1.720
Changes in receivables	10.459	-2.663
Changes in inventory, contract assets and contract liabilities	-13.410	-9.863
Changes in trade payables	-9.052	-12.988
Changes in other working capital	132.999	26.303
Interest received	3.437	1.656
Interest paid	-50.068	-47.987
Corporation tax paid	-29.005	-4.122
Cash flows from operating activities	108.369	33.664
Addition of intangible assets and property, plant and equipment	-35.094	-29.919
Sale of intangible assets and property plant and equipment	331	0
Business acquisitions	0	4.288
Cash flows from investing activities	-34.763	-25.631
Contracting of long-term liabilities	893	-285
Cash flows from financing activities	893	-285
Net cash flows for the period	74.499	7.748
Cash and cash equivalents at 1 January	-58.718	-30.528
Cash and cash equivalents at 30 June	15.781	-22.780
The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.		
Cash at bank and in hand	105.785	84.278
Other credit institutions	-90.004	-107.058
Cash and cash equivalents	15.781	-22.780

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 our 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 parts.

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

Financial period 1 April - 30 June 2021

DKK'000	North America	Europe	Rest of World	Total	Unallocated	Consolidated
Revenue	115.898	189.589	10.863	316.350	0	316.350
Operating profit before depreciation	24.971	18.309	-4.271	39.009	0	39.599
Total assets	245.802	615.544	139.902	1.001.248	1.579.102	2.580.350
Total liabilities	-198.841	-417.208	-148.957	-765.006	-1.381.086	-2.146.092
	<u>46.961</u>	<u>198.336</u>	<u>-9.055</u>	<u>236.242</u>	<u>198.016</u>	<u>434.258</u>

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 April - 30 June 2020

DKK'000	North America	Europe	Rest of World	Total	Unallo- cated	Consoli- dated
Revenue	93.521	261.583	19.544	374.648	0	374.648
Operating profit before depreciation	18.568	39.916	-3.272	55.212	0	55.212
Total assets	224.011	656.825	131.001	1.011.837	1.596.209	2.700.368
Total liabilities	-119.822	-393.356	-100.600	-613.778	-1.474.019	-2.117.483
	<u>104.189</u>	<u>263.469</u>	<u>30.401</u>	<u>398.059</u>	<u>122.190</u>	<u>582.885</u>

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

DKK'000	Q2 2021	Q2 2020
Timing of revenue recognition		
Recognition at single point of time	134.258	125.012
Recognition over time	<u>182.092</u>	<u>249.636</u>
	<u>316.350</u>	<u>374.648</u>

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	Q2 2021	Q2 2020
Cost of internal restructuring	<u>2.959</u>	<u>108</u>
	<u>2.959</u>	<u>108</u>

Note 5. Events after the balance sheet date

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