

# FRONTMATEC

## **Frontmatec Group ApS**

Platinvej 8, DK-6000 Kolding

CVR no: 37 77 37 43

## **Interim financial report**

**First quarter 2021**

**1 January – 31 March 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 January to 31 March 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 31 March 2021 and of the results of the Group's operations and cash flows for the period ending 31 March 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, 28 May 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	Q1 2021	Q1 2020
<b>Key figures</b>		
Revenue	325,175	364,879
Gross profit	86,303	94,485
Operating profit before depreciation, amortization and special items (EBITDA before special items)	23,820	31,579
Pro forma EBITDA before special items	28,141	35,029
Net finance costs	-20,698	-17,512
Loss for the year	-28,203	-20,029
Equity	455,238	589,742
Assets	2,608,046	2,720,868
<b>Financial development</b>		
Cash flows from operating activities	2,677	-30,920
Cash flows from investing activities	-18,263	-16,997
Cash flows from property, plant and equipment	-3,845	-3,388
Cash flows from financing activities	2,191	-282
Change in cash and cash equivalents	-13,395	-48,199
<b>Ratios</b>		
Gross margin	26.5%	25.9%
Pro forma EBITDA margin before special items margin	8.4%	9.4%
EBITDA before special items margin	7.3%	8.7%
Return on assets	-0.5%	-0.3%
Equity ratio	17.5%	21.7%
Average number of full-time employees	1,146	1,240

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 335 million in Q1 2021, which represents a decrease of 11% from pro forma revenue in Q1 2020 of DKK 375 million (IFRS revenue for the same period decreased with 11% from DKK 365 million to DKK 325 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 Q1 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 35 million in Q1 2020 to DKK 28 million in Q1 2021.

Special items (IFRS) decreased from DKK -5 million in Q1 2020 to DKK 0 million in Q1 2021.

Operating loss was DKK -12 million in Q1 2021 compared to DKK -8 in Q1 2020.

Cash flow from operating activities has improved with DKK 34 million from DKK -31 million in Q1 2020 to DKK 3 million in Q1 2021.

The balance sheet at 31 March 2021 for the Group shows total assets of DKK 2,608 million (31 March 2020: DKK 2,721 million) and equity of DKK 455 million (31 March 2020: 590 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 similar or above 2020.

## 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 1st Quarter 2021.

DKK'000	Q1 2021	Q1 2020
<b>Pro forma revenue (non-IFRS)</b>		
Revenue for the reporting period (IFRS)	325,175	364,879
Impact from associated companies (pro-rata)	9,544	9,712
	<b>334,719</b>	<b>374,591</b>
<b>Revenue (IFRS)</b>	<b>325,175</b>	<b>364,879</b>

### 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	Q1 2021	Q1 2020
<b>Pro forma EBITDA before special items (non-IFRS)</b>		
EBITDA before special items (non-IFRS)	24,727	32,589
Impact from associated companies (pro-rata)	3,414	2,440
	<b>28,141</b>	<b>35,029</b>
<b>EBITDA before special items (IFRS)</b>	<b>23,820</b>	<b>31,579</b>

## 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	Q1 2021	Q1 2020
<b>EBITDA before special items (non-IFRS)</b>		
EBITDA before special items (IFRS)	23,820	31,579
Gain/Loss on disposals	1	-309
Special items	906	1,319
	<b>24,727</b>	<b>32,589</b>
<b>EBITDA (IFRS)</b>	<b>23,820</b>	<b>31,579</b>

### 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	Q1 2021	Q1 2020
<b>Special non-recurring items (non-IFRS)</b>		
Costs of internal restructuring	284	6,176
Other	906	372
<b>Special non-recurring items (non-IFRS)</b>	<b>1,190</b>	<b>6,548</b>
<b>Special non-recurring items (IFRS)</b>	<b>284</b>	<b>5,229</b>

## Consolidated financial statements for the period 1 January - 31 March

### Income statement

		<u>Q1 2021</u>	<u>Q1 2020</u>
<b>Note</b>	<b>DKK'000</b>		
3	Revenue	325,175	364,879
	Production costs	-218,465	-246,855
	Other operating income	124	162
	External costs	-20,531	-23,701
	<b>Gross profit</b>	<b>86,303</b>	<b>94,485</b>
	Staff costs	-62,483	-62,906
	Other operating costs	0	0
	<b>Operating profit before depreciation, amortisation and special items</b>	<b>23,820</b>	<b>31,579</b>
4	Special non-recurring items	-284	-5,229
	Depreciation, amortisation and impairment of non-current assets	-35,802	-35,053
	<b>Operating loss</b>	<b>-12,266</b>	<b>-8,703</b>
	Share of results of associates	2,787	1,690
	Financial income	3,326	5,377
	Financial expense	-24,024	-22,889
	<b>Loss before tax</b>	<b>-30,177</b>	<b>-24,525</b>
	Tax for the period	1,974	4,496
	<b>Loss for the period</b>	<b>-28,203</b>	<b>-20,029</b>

### Statement of comprehensive income

		<u>Q1 2021</u>	<u>Q1 2020</u>
<b>Note</b>	<b>DKK'000</b>		
	Loss for the period	-28,203	-20,029
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
	Unrealised gain/loss on forward exchange contracts for the period	503	-2,219
	Hereof tax	-111	625
	Exchange rate gain/loss on foreign investments	9,644	-3,639
	<b>Other comprehensive income for the period</b>	<b>10,036</b>	<b>-5,233</b>
	<b>Comprehensive income for the period</b>	<b>-18,167</b>	<b>-25,262</b>



## Consolidated financial statements for the period 1 January - 31 March

### Balance sheet

Note	DKK'000	31 Mar 2021	31 Mar 2020	31 Dec 2020
	<b>ASSETS</b>			
	<b>Non-current assets</b>			
	Goodwill	1,109,933	1,109,933	1,109,933
	Development completed	201,642	254,201	217,833
	Acquired Intangible assets	160,684	179,906	165,084
	Development in progress	116,414	88,891	104,398
	<b>Intangible assets</b>	<b>1,588,673</b>	<b>1,632,931</b>	<b>1,597,248</b>
	Land and buildings	130,730	133,965	126,905
	Plant and machinery	25,513	32,931	26,147
	Other fixtures and fittings, tools and equipment	15,969	14,214	16,123
	Right-of-use assets	40,051	46,935	41,345
	<b>Property, plant and equipment</b>	<b>212,263</b>	<b>228,045</b>	<b>210,520</b>
	Investments in associates	40,493	41,987	37,702
	Deferred tax assets	34,060	34,398	31,762
	<b>Fixed asset investments</b>	<b>74,553</b>	<b>76,385</b>	<b>69,464</b>
	<b>Non-current assets</b>	<b>1,875,489</b>	<b>1,937,361</b>	<b>1,877,232</b>
	<b>Inventories</b>	<b>200,431</b>	<b>204,211</b>	<b>189,124</b>
	Trade receivables	213,167	287,528	211,644
	Contract assets	138,126	157,764	153,575
	Amounts owed by Group entities	148	125	150
	Income taxes receivables	0	382	2,316
	Other receivables	29,827	37,007	36,184
	Prepayments	24,797	21,163	18,203
	<b>Receivables</b>	<b>406,065</b>	<b>503,969</b>	<b>422,072</b>
	<b>Securities and Investments</b>	<b>3,645</b>	<b>6,001</b>	<b>3,517</b>
	<b>Cash at bank and in hand</b>	<b>122,416</b>	<b>69,326</b>	<b>90,074</b>
	<b>Current assets</b>	<b>732,557</b>	<b>783,507</b>	<b>704,787</b>
	<b>ASSETS</b>	<b>2,608,046</b>	<b>2,720,868</b>	<b>2,582,019</b>

## Consolidated financial statements for the period 1 January - 31 March

### Balance sheet

Note	DKK'000	31 Mar	31 Mar	31 Dec
		2021	2020	2020
	<b>EQUITY AND LIABILITIES</b>			
	Share capital	100	100	100
	Reserve for value adjustments of hedging transactions	-2,691	-6,023	-3,083
	Reserve for foreign exchange adjustments	12,662	15,942	3,018
	Retained earnings	445,167	579,723	472,721
	<b>Equity</b>	<b>455,238</b>	<b>589,742</b>	<b>472,756</b>
	Deferred tax	93,687	111,186	100,834
	Lease liabilities	26,147	31,808	26,592
	Other credit institutions	1,291,196	1,294,397	1,290,760
	Other long-term liabilities	22,611	0	22,684
	<b>Non-current liabilities</b>	<b>1,433,641</b>	<b>1,437,391</b>	<b>1,440,870</b>
	Current portion of long-term liabilities	17,856	18,910	16,920
	Other credit institutions	194,529	148,053	148,792
	Other provisions	11,661	15,491	11,236
	Contract liabilities	158,225	138,109	139,144
	Trade payables	127,636	175,260	123,639
	Amounts owed to Group entities	1,445	1,928	1,010
	Income taxes	20,069	15,193	24,545
	Deferred income	6,786	8,452	2,847
	Other payables	180,960	172,339	200,260
	<b>Current liabilities</b>	<b>719,167</b>	<b>693,735</b>	<b>668,393</b>
	<b>Liabilities</b>	<b>2,152,808</b>	<b>2,131,126</b>	<b>2,109,263</b>
	<b>Equity and liabilities</b>	<b>2,608,046</b>	<b>2,720,868</b>	<b>2,582,019</b>

## Consolidated financial statements for the period 1 January - 31 March

### Statement of changes in equity

DKK'000	Share capital	Value adjustments of hedging transactions	Foreign exchange adjustments	Retained earnings	Total
<b>Equity at 1 January 2020</b>	<b>100</b>	<b>-4,430</b>	<b>19,581</b>	<b>599,394</b>	<b>614,645</b>
<i>Comprehensive income for the period</i>					
Loss for the period	0	0	0	-20,029	-20,029
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	-2,219	0	0	-2,219
Hereof tax	0	626	0	0	626
Exchange rate on foreign investments	0	0	-3,639	0	-3,639
<b>Other comprehensive income for the period</b>	<b>0</b>	<b>-1,593</b>	<b>-3,639</b>	<b>0</b>	<b>-5,232</b>
<b>Comprehensive income for the period</b>	<b>0</b>	<b>-1,593</b>	<b>-3,639</b>	<b>-20,029</b>	<b>-25,261</b>
Share-based payment	0	0	0	358	358
<b>Equity at 31 March 2020</b>	<b>100</b>	<b>-6,023</b>	<b>15,942</b>	<b>579,723</b>	<b>589,742</b>
 <b>Equity at 1 January 2021</b>	 <b>100</b>	 <b>-3,083</b>	 <b>3,018</b>	 <b>472,721</b>	 <b>472,756</b>
<i>Comprehensive income for the period</i>					
Loss for the period	0	0	0	-28,203	-28,203
<i>Other comprehensive income</i>					
Unrealised profit on currency and interest swap in group entities	0	503	0	0	503
Hereof tax	0	-111	0	0	-111
Exchange rate on foreign investments	0	0	9,644	0	9,644
<b>Other comprehensive income for the period</b>	<b>0</b>	<b>392</b>	<b>9,644</b>	<b>0</b>	<b>10,036</b>
<b>Comprehensive income for the period</b>	<b>0</b>	<b>392</b>	<b>9,644</b>	<b>-28,203</b>	<b>-18,167</b>
Share-based payment	0	0	0	649	649
<b>Equity at 31 March 2021</b>	<b>100</b>	<b>-2,691</b>	<b>12,662</b>	<b>445,167</b>	<b>455,238</b>

## Consolidated financial statements for the period 1 January - 31 March

### Cash flow statement

	<u>Q1 2021</u>	<u>Q1 2020</u>
<b>DKK'000</b>		
Operating loss	-12,266	-8,703
Depreciation, amortisation and impairment losses	35,802	34,943
Provisions	425	2,638
Changes in receivables	13,563	-17,826
Changes in inventory, contract assets and contract liabilities	-11,307	-6,407
Changes in trade payables	3,997	-5,344
Changes in other working capital	2,904	-10,608
Interest received	3,326	6,418
Interest paid	-24,024	-22,889
Corporation tax paid	-9,742	-3,142
<b>Cash flows from operating activities</b>	<b><u>2,677</u></b>	<b><u>-30,920</u></b>
 Addition of intangible assets and property, plant and equipment	 -18,286	 -16,997
Sale of intangible assets and property plant and equipment	23	0
<b>Cash flows from investing activities</b>	<b><u>-18,263</u></b>	<b><u>-16,997</u></b>
 Contracting of long-term liabilities	 2,191	 -282
<b>Cash flows from financing activities</b>	<b><u>2,191</u></b>	<b><u>-282</u></b>
 <b>Net cash flows for the period</b>	 <b><u>-13,395</u></b>	 <b><u>-48,199</u></b>
 Cash and cash equivalents at 1 January	 -58,718	 -30,528
 <b>Cash and cash equivalents at 31 March</b>	 <b><u>-72,113</u></b>	 <b><u>-78,727</u></b>
 The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.		
Cash at bank and in hand	122,416	69,326
Other credit institutions	-194,529	-148,053
<b>Cash and cash equivalents</b>	<b><u>-72,113</u></b>	<b><u>-78,727</u></b>

## Consolidated financial statements for the period 1 January - 31 March

### 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 January - 31 March 2021

DKK'000	North America	Europe	Rest of World	Total	Unallo- cated	Consoli- dated
Revenue	100,064	220,874	4,237	325,175	0	325,175
Operating profit before depreciation	12,196	17,693	-6,069	23,820	0	23,820
Total assets	224,011	656,825	131,001	1,011,837	1,596,209	2,608,046
Short term liabilities	-140,164	-375,550	-127,750	-643,464	-1,509,344	-2,152,808
	<u>83,847</u>	<u>281,275</u>	<u>3,251</u>	<u>368,373</u>	<u>86,865</u>	<u>455,238</u>

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

## Consolidated financial statements for the period 1 January - 31 March

### Notes to the financial statements

#### Note 3. Segment information (continued)

##### Financial period 1 January - 31 March 2020

DKK'000	North America	Europe	Rest of World	Total	Unallo- cated	Consoli- dated
Revenue	103,242	251,898	9,739	364,879	0	364,879
Operating profit before depreciation	18,672	17,527	-4,620	31,579	0	31,579
Total assets	200,932	734,996	144,025	1,079,953	1,640,915	2,720,868
Short term liabilities	-125,732	-368,078	-113,011	-606,821	-1,524,305	-2,131,126
	<b>75,200</b>	<b>366,918</b>	<b>31,014</b>	<b>473,132</b>	<b>116,610</b>	<b>589,742</b>

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

DKK'000	Q1 2021	Q1 2020
<b>Timing of revenue recognition</b>		
Recognition at single point of time	136,274	123,518
Recognition over time	188,901	241,361
	<b>325,175</b>	<b>364,879</b>

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	Q1 2021	Q1 2020
Cost of internal restructuring	284	5,229
	<b>284</b>	<b>5,229</b>

#### Note 5. Events after the balance sheet date

There have been no events since 31 March 2021, which could significantly affect the evaluation of the Group's financial position and revenue.