

Frontmatec Group ApS

Platinvej 8

6000 Kolding

CVR number 37 77 37 43

Interim financial report

First quarter 2020

1 January - 31 March 2020

Contents

| | <u>Page</u> |
|--|-------------|
| Statement by Management on the interim report | 1 |
| Management's review | |
| Financial highlights for the Group | 2 |
| Frontmatec's Business Review | 3 |
| Alternative Performance Measures | 4 |
| Consolidated interim financial statements | |
| Consolidated Income Statement | 6 |
| Statement of Other Comprehensive Income | 6 |
| Consolidated Statement of Financial Position | 7 |
| Consolidated statement of Changes in Equity | 9 |
| Consolidated Cash Flow Statement | 10 |
| Notes | 11 |

Statement by Management on the Interim Financial Report

Today, the Board of Directors and the Executive Board have discussed and approved the interim financial report of Frontmatec Group ApS for the period ending 31 March 2020.

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 Company at 31 March 2020 and of the results of the Company's operations and cash flows for the period ending 31 March 2020.

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

Kolding, 29 May 2020

Executive Board

Jens Kristensen
Chief Executive Officer

Thomas Nybo Stenager
Chief Financial Officer

Henrik Andersen
Chief Commercial Officer

Board of Directors

Arne Vraalsen
Chairman

Christoffer Arthur Müller
Deputy Chairman

Christian Gymos Schmidt-Jacobsen

Jan Kjærsgaard

Management Review

Group Financial highlights

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 2019 full year DKK'000 |
|---|----------------------------------|----------------------------------|---|
| <i>Key figures</i> | | | |
| Revenue | 364,879 | 397,267 | 1,662,323 |
| Gross profit | 94,485 | 113,750 | 393,728 |
| Operating profit before depreciation, amortization and special items (EBITDA) | 31,579 | 55,155 | 171,921 |
| Pro forma EBITDA | 35,029 | 60,940 | 201,096 |
| Equity | 589,742 | 1,038,818 | 614,645 |
| Assets | 2,720,868 | 2,817,497 | 2,731,312 |
| Change in cash and cash equivalents for the year | (48,199) | (61,343) | 603 |
| Average number of full-time employees | 1,240 | 1,236 | 1,263 |

Ratios

| | | | |
|-------------------------|-------|-------|-------|
| Gross margin | 25.9% | 28.6% | 23.7% |
| Pro forma EBITDA margin | 9.4% | 14.8% | 11.8% |
| EBITDA margin | 8.7% | 13.9% | 10.3% |
| Return on assets | -0.3% | 0.9% | -1.2% |
| Equity ratio | 21.7% | 36.9% | 22.5% |

Financial ratios are calculated in accordance with the following definitions:

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

Frontmatec's Business Review

Frontmatec Group had pro forma revenue of DKK 375 million in Q1 2020, which represents a decrease of 9% from pro forma revenue in Q1 2019 of DKK 411 million (IFRS revenue for the same period decreased by 8% from DKK 397 million to DKK 365 million). The Group had decreased revenue from projects whereas revenue from after sales and other business units increased. The project business was negatively impacted by a lower backlog at the end of 2019 and by the outbreak of COVID-19 virus, especially in China, where the outbreak of the virus started to impact operations from late January 2020.

Pro forma EBITDA decreased from DKK 61 million in Q1 2019 to DKK 35 million in Q1 2020 (IFRS EBITDA decreased from DKK 55 million in Q1 2019 to DKK 32 million in Q1 2020). The decline in pro forma EBITDA (and IFRS EBITDA) was primarily the result of lower revenue and margins from projects. This was only partly off-set by improved revenue from after sales and other business units.

The balance sheet at 31 March 2020 for the Group shows total assets of DKK 2,721 million (31 March 2019: DKK 2,817 million) and equity of DKK 590 million (31 March 2019: DKK 1,039 million).

COVID-19 virus

From late January 2020 to April 2020, our Chinese market and local operations has been severely impacted by the out-break of the COVID-19 virus. From the mid-March 2020, the outbreak of the COVID-19 virus has impacted other markets as well. Many of our customers are operating at normal capacity, due to being critical to the food supply chain, why we continue to see a good underlying demand for our products and services. However, internal measures taken to ensure employee safety and the extensive travel restrictions imposed, are especially challenging to our service and installation business, which will impact short term performance. At the same time, we see customers increasingly focusing on ensuring business continuity, why larger projects could be postponed, which will also impact performance short term. Long term we do not see a risk with respect to the larger projects and the Frontmatec Group is well positioned, due to our leading technology platform.

Other business units like Stunning and Controls Systems (software) are currently not impacted by the out-break of the COVID-19 virus and our Hygiene business unit is positively impacted, due to increased focus on hygiene and food safety in general at our customers and other industries.

To mitigate the impact of the outbreak of COVID-19 virus on short term performance, the Frontmatec Group has implemented a range of initiatives to boost sales, reduce costs and improve liquidity. Public COVID-19 virus support programs are also utilised, where relevant and applicable.

Outlook

The outlook for 2020 is negatively impacted by the outbreak of the COVID-19 virus, but due to the current uncertainty and low visibility, management is not providing a revised full year 2020 outlook.

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.

| | Q1 2020 | Q1 2019 | 2019 full year |
|---|----------------|----------------|-----------------------|
| | DKK'000 | DKK'000 | DKK'000 |
| Revenue for the reporting period (IFRS) | 364,879 | 397,267 | 1,662,323 |
| Impact from acquisitions | 0 | 11,608 | 11,608 |
| Impact from associated companies (pro-rata) | 9,712 | 2,488 | 32,697 |
| Pro forma revenue (non-IFRS) | 374,591 | 411,363 | 1,706,628 |
| Revenue (IFRS) | 364,879 | 397,267 | 1,662,323 |

Pro forma EBITDA (non-IFRS)

Pro forma EBITDA is defined as earnings before interest, tax, special non-recurring items, depreciation, amortization 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 is included on a pro rata basis. For entities acquired during the year, pro forma EBITDA is measured as though the acquisition date for all acquired entities during the year had been as of the beginning of the reporting period.

Alternative Performance Measures

Pro forma EBITDA (non-IFRS) (continued)

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 2019 full year DKK'000 |
|---|--------------------|--------------------|---------------------------|
| EBITDA (non-IFRS) | 32,589 | 56,693 | 184,742 |
| Impact from acquisitions | 0 | 2,381 | 2,384 |
| Impact from associated companies (pro-rata) | 2,440 | 1,866 | 13,970 |
| Pro forma EBITDA (non-IFRS) | 35,029 | 60,940 | 201,096 |
| EBITDA (IFRS) | 31,579 | 55,155 | 171,921 |

EBITDA (non-IFRS)

EBITDA is defined as earnings before interest, tax, special non-recurring items, depreciation, amortization and impairment. The following table provides a reconciliation of Operating profit/loss (EBIT) to EBITDA:

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 2019 full year DKK'000 |
|--|--------------------|--------------------|---------------------------|
| Operating profit/loss | (8,703) | 25,273 | (33,798) |
| Amortisation of intangible assets | 20,435 | 21,981 | 89,492 |
| Depreciation of intangible assets | 4,681 | 3,745 | 20,116 |
| Amortisation of property, plant, machinery and equipme | 239 | 239 | 957 |
| Depreciation of property, plant, machinery and equipme | 5,184 | 4,815 | 18,232 |
| Depreciation on leased assets | 4,251 | 3,537 | 17,125 |
| Profit/loss on disposals | (46) | - | 112 |
| Special non-recurring items (specified below) | 6,548 | (2,897) | 72,506 |
| EBITDA (non-IFRS) | 32,589 | 56,693 | 184,742 |
| EBITDA (IFRS) | 31,579 | 55,155 | 171,921 |

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.

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 2019 full year DKK'000 |
|---|--------------------|--------------------|---------------------------|
| External costs related to acquisitions | - | 1,051 | 16,599 |
| Discontinuing outsourcing activities | - | - | 23,386 |
| Costs of internal restructuring | 6,176 | - | 23,947 |
| Other | 372 | (3,948) | 8,574 |
| Special non-recurring items (non-IFRS) | 6,548 | (2,897) | 72,506 |
| Special non-recurring items (IFRS) | 5,229 | (4,435) | 59,797 |

Consolidated Income Statement

| | Note | Q1 2020 DKK'000 | Q1 2019 DKK'000 |
|---|------|------------------------|----------------------|
| Revenue | 3 | 364,879 | 397,267 |
| Raw materials and consumables used | | (246,855) | (260,594) |
| Other operating income | | 162 | - |
| External costs | | <u>(23,701)</u> | <u>(22,923)</u> |
| Gross profit | | 94,485 | 113,750 |
| Staff costs | | (62,906) | (58,151) |
| Other operating cost | | <u>-</u> | <u>(444)</u> |
| Operating profit before depreciation amortisation and special items (EBITDA) | | 31,579 | 55,155 |
| Special non-recurring items | 4 | (5,229) | 4,435 |
| Depreciations, amortisation and impairment of non-current assets | | <u>(35,052)</u> | <u>(34,317)</u> |
| Operating profit/loss | | (8,703) | 25,273 |
| Share and results of associates | | 1,690 | 514 |
| Financial income | | 5,377 | 12,033 |
| Financial expenses | | <u>(22,889)</u> | <u>(22,801)</u> |
| Profit/loss before tax | | (24,525) | 15,019 |
| Tax for the period | | <u>4,496</u> | <u>(2,901)</u> |
| Profit/ loss for the period | | <u>(20,029)</u> | <u>12,118</u> |
| Statement of comprehensive income | | | |
| Profit/loss for the period | | (20,029) | 12,118 |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Unrealized gain on forward exchange contracts | | (2,219) | 2,482 |
| Tax | | 626 | (546) |
| Exchange rate gains/losses on foreign operations | | <u>(3,639)</u> | <u>3,341</u> |
| Other comprehensive income after tax | | (5,232) | 5,277 |
| Comprehensive income for the period | | <u>(25,262)</u> | <u>17,395</u> |

Consolidated Statement of Financial Position

| | Note | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 31.12.2019 DKK'000 |
|--|------|--------------------|--------------------|-----------------------|
| Non-current assets | | | | |
| Goodwill | | 1,109,933 | 1,123,045 | 1,109,933 |
| Development completed | | 254,201 | 302,429 | 269,964 |
| Acquired Intangible assets | | 179,906 | 184,254 | 183,940 |
| Development in progress | | 88,891 | 56,982 | 82,551 |
| Intangible assets | 5 | 1,632,931 | 1,666,710 | 1,646,388 |
| Land and buildings | | 133,965 | 132,445 | 137,073 |
| Plant and machinery | | 32,931 | 27,957 | 33,296 |
| Other fixtures and fittings, tools and equipment | | 14,214 | 14,900 | 15,160 |
| Right of Use Assets | | 46,935 | 40,834 | 48,007 |
| Property plant and equipment | 5 | 228,045 | 216,136 | 233,536 |
| Investments in associates | | 41,987 | 27,445 | 40,292 |
| Deferred tax assets | | 34,398 | 51,493 | 31,184 |
| Investments | | 76,385 | 78,938 | 71,476 |
| Total non-current assets | | 1,937,361 | 1,961,784 | 1,951,400 |
| Inventories | | 204,211 | 221,867 | 197,804 |
| Trade receivables | | 287,528 | 290,718 | 262,723 |
| Construction contracts | | 157,764 | 173,448 | 168,855 |
| Amounts owed by Group entities | | 125 | 135 | 105 |
| Income taxes receivables | | 382 | 17,217 | 639 |
| Other receivables | | 42,433 | 42,081 | 54,997 |
| Prepayments | | 21,163 | 9,259 | 1,207 |
| Receivables | | 509,395 | 532,858 | 488,526 |
| Securities and Investments | | 575 | 16,884 | 5,753 |
| Cash and bank in hand | | 69,326 | 84,104 | 87,829 |
| Total current assets | | 783,507 | 855,713 | 779,912 |
| Assets | | 2,720,868 | 2,817,497 | 2,731,312 |

Consolidated Statement of Financial Position

| | Note | Q1 2020 DKK'000 | Q1 2019 DKK'000 | 31.12.2019 DKK'000 |
|---|------|--------------------|--------------------|-----------------------|
| Equity and liabilities | | | | |
| Share capital | | 100 | 100 | 100 |
| Reserve for value adjustments of hedging | | (6,023) | (4,238) | (4,430) |
| Reserve for foreign exchange adjustments | | 15,942 | 10,699 | 19,581 |
| Retained earnings | | 579,723 | 1,032,257 | 599,394 |
| Equity | | 589,742 | 1,038,818 | 614,645 |
| | | | | |
| Deferred tax | | 111,186 | 130,028 | 118,662 |
| Lease liabilities | | 31,808 | 27,805 | 33,840 |
| Other credit institutions | | 1,294,397 | 699,668 | 1,294,250 |
| Non-current liabilities | | 1,437,391 | 857,501 | 1,446,752 |
| | | | | |
| Current position of long-term liabilities | | 18,910 | 33,094 | 17,791 |
| Other credit institutions | | 148,053 | 176,578 | 118,357 |
| Other provisions | | 15,491 | 10,001 | 12,853 |
| Contract liabilities | | 138,109 | 303,068 | 142,272 |
| Trade payables | | 175,260 | 196,952 | 171,131 |
| Payable to associate company | | - | - | 11,514 |
| Amounts owed to Group entities | | 1,928 | 997 | 1,765 |
| Income taxes | | 15,193 | 45,896 | 13,024 |
| Deferred income | | 8,452 | 6,362 | 2,780 |
| Other payables | | 172,339 | 148,230 | 178,428 |
| Current liabilities | | 693,735 | 921,178 | 669,915 |
| | | | | |
| Liabilities | | 2,131,126 | 1,778,679 | 2,116,667 |
| | | | | |
| Equity and liabilities | | 2,720,868 | 2,817,497 | 2,731,312 |

Consolidated Statement of Changes in Equity
1 January - 31 March

| | Share capital DKK'000 | Value adjust- ments of hedging transac- tions DKK'000 | Retained earnings DKK'000 | Foreign exchange adjust- ments DKK'000 | Total DKK'000 |
|---|-----------------------------|--|---------------------------------|--|------------------|
| Equity at 1 January 2019 | 100 | (6,174) | 1,019,754 | 7,358 | 1,021,038 |
| <i>Comprehensive income for the period</i> | | | | | |
| Profit for the period | - | - | 12,120 | - | 12,120 |
| <i>Other comprehensive income</i> | | | | | |
| Unrealized profit on currency and interest swap | - | 2,482 | - | - | 2,482 |
| Hereof tax | - | (546) | - | - | (546) |
| Exchange rate adjustments | - | - | - | 3,341 | 3,341 |
| Comprehensive income for the period in total | - | 1,936 | 12,120 | 3,341 | 17,397 |
| Share-based payment | - | - | 383 | - | 383 |
| Equity at 31 March 2019 | 100 | (4,238) | 1,032,257 | 10,699 | 1,038,818 |
| Equity at 1 January 2020 | 100 | (4,430) | 599,394 | 19,581 | 614,645 |
| <i>Comprehensive income for the period</i> | | | | | |
| Loss for the period | - | - | (20,029) | - | (20,029) |
| <i>Other comprehensive income</i> | | | | | |
| Unrealized loss on currency and interest swap | - | (2,219) | - | - | (2,219) |
| Hereof tax | - | 626 | - | - | 626 |
| Exchange rate adjustments | - | - | - | (3,639) | (3,639) |
| Comprehensive income for the period in total | - | (1,593) | (20,029) | (3,639) | (25,262) |
| Share-based payment | - | - | 358 | - | 358 |
| Equity at 31 March 2020 | 100 | (6,023) | 579,723 | 15,942 | 589,742 |

Consolidated cash flow statement

| | Q1 2020 | Q1 2019 |
|---|-----------------|-----------------|
| | DKK'000 | DKK'000 |
| EBIT | (8,703) | 25,273 |
| Depreciations/amortisations and impairment losses | 34,943 | 34,355 |
| Provisions | 2,638 | (569) |
| Changes in receivables | (17,826) | (112,715) |
| Changes in inventories | (6,407) | (37,831) |
| Changes in trade payables | (5,344) | (14,879) |
| Changes in other working capital | (10,608) | 129,215 |
| Financial income | 6,418 | 12,033 |
| Financial cost | (22,889) | (22,801) |
| Tax for the period | (3,142) | (12,064) |
| Cash flows from operating activities | (30,920) | 17 |
| Addition and sale of property plant and equipment | (16,997) | (19,775) |
| Business acquisitions | - | (61,433) |
| Cash flows from investing activities | (16,997) | (81,208) |
| Contracting of long-term liabilities | (282) | 19,848 |
| Cash flows from financing activities | (282) | 19,848 |
| Net cash flow | (48,199) | (61,343) |
| Cash and cash equivalents at 1 January | (30,528) | (31,131) |
| Cash and cash equivalents at 31 March | (78,727) | (92,474) |

Cash and cash equivalents include cash at bank and in hand

Notes to the Consolidated 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's consolidated annual report for 2019 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's consolidated assets and liabilities. All significant accounting estimates and judgements are consistent with the description in the annual report for 1 January - 31 December 2019. Refer to descriptions in the note 2 of the annual report.

Note 3. Revenue

Segmentation and disaggregation of revenue

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 |
|--------------------------------------|--------------------|--------------------|
| Domestic | 50,632 | 43,697 |
| Foreign | 314,247 | 353,570 |
| | 364,879 | 397,267 |
| Red meat processing | 295,196 | 332,878 |
| Other | 69,683 | 64,389 |
| | 364,879 | 397,267 |
| Timing of revenue recognition | | |
| Recognition at single point of time | 128,321 | 121,824 |
| Recognition over time | 236,558 | 275,443 |
| | 364,879 | 397,267 |

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 items

| | Q1 2020 DKK'000 | Q1 2019 DKK'000 |
|---------------------------------------|--------------------|--------------------|
| External cost related to acquisitions | - | 1,051 |
| Cost of internal restructuring | 5,229 | - |
| Other | - | (5,486) |
| | 5,229 | (4,435) |

Notes to the Consolidated Financial Statements

Note 5. Addition of intangible assets and property, plant and equipment

| | Q1 2020 | Q1 2019 |
|--|----------------|----------------|
| | DKK'000 | DKK'000 |
| Development projects | 10,432 | 11,595 |
| Acquired intangible assets | 3,178 | 751 |
| Buildings | 67 | 241 |
| Plant and equipment | 2,490 | 4,946 |
| Other fixtures and fittings, tools and equipment | 831 | 2,242 |
| | 16,997 | 19,775 |
| Right of use assets | 3,677 | 4,176 |
| | 20,674 | 23,951 |

Note 6. Events after the balance sheet date

Other than what has been described in the Management's review regarding COVID-19 virus, there have been no events since 31 March 2020, which could significantly affect the evaluation of the Group's financial position and revenue.