

# **Frontmatec Group ApS**

Platinvej 8

6000 Kolding

CVR number 37 77 37 43

## **Interim financial report**

**Second quarter 2020**

**1 April - 30 June 2020**

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## **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 30 June 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 30 June 2020 and of the results of the Company's operations and cash flows for the period ending 30 June 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, 28 August 2020

### **Executive Board**

Thomas Nybo Stenager  
Chief Financial Officer

Henrik Andersen  
Chief Commercial Officer

### **Board of Directors**

Arne Vraalsen  
Chairman

Christoffer Arthur Müller  
Deputy Chairman

Remko Rosman

Christian Gymos Schmidt-Jacobsen

Jan Kjærsgaard

## Group Financial Highlights

	<u>2nd Quarter 2020</u>	<u>2nd Quarter 2019</u>	<u>Half year 2020</u>	<u>Half year 2019</u>
<i>Key figures in DKK '000</i>				
Revenue	374,648	450,955	739,527	848,222
Gross profit	113,626	136,917	208,110	250,667
Operating profit before depreciation, amortization and special items (EBITDA)	55,212	72,046	86,791	127,201
Pro forma EBITDA	55,631	75,408	90,923	135,671

### Ratios

Gross margin	30.3%	30.4%	28.1%	29.6%
Pro forma EBITDA margin	14.6%	16.2%	12.1%	15.5%
EBITDA margin	14.7%	16.0%	11.7%	15.0%

	<u>Half year 2020</u>	<u>Half year 2019</u>	<u>Full year 2019</u>
<i>Key figures in DKK '000</i>			
Equity	582,885	1,040,430	614,645
Assets	2,700,368	2,777,754	2,731,312
Change in cash and cash equivalents	7,748	(53,906)	603
Average number of full-time employees	1,204	1,234	1,263

### Ratios

Return on assets	0.7%	0.2%	-1.2%
Equity ratio	21.6%	37.5%	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 380 million in Q2 2020, which represents a decrease of 18% from pro forma revenue in Q2 2019 of DKK 464 million (IFRS revenue for the same period decreased by 17% from DKK 451 million to DKK 375 million). The Group had decreased revenue from projects whereas revenue from after sales and other business units increased. The project business was negatively impacted and many greenfield projects and larger upgrades have been postponed.

Pro forma EBITDA has increased from DKK 35 million in Q1 2020 to DKK 56 million in Q2 2020 due to improved margins and lower fixed costs (IFRS EBITDA increased from DKK 32 million in Q1 2020 to DKK 55 million in Q2 2020)

Compared to last year, pro forma EBITDA decreased from DKK 75 million in Q2 2019 to DKK 56 million in Q2 2020 (IFRS EBITDA decreased from DKK 72 million in Q2 2019 to DKK 55 million in Q2 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.

Special non-recurring items (IFRS) decreased with DKK 30 million from Q2 2019 to Q2 2020 due to reduced restructuring costs in Q2 2020. Non-recurring costs were DKK 0 million in Q2 2020.

Operating profit has increased from DKK 7 million in Q2 2019 to DKK 19 million in Q2 2020.

Cash flow from operating activities has increased with DKK 91 million from DKK -57 million in 1st half year 2019 to DKK 34 million in 1st half year 2020.

The balance sheet at 30 June 2020 for the Group shows total assets of DKK 2,700 million (30 June 2019: DKK 2,778 million) and equity of DKK 583 million (30 June 2019: DKK 1,040 million).

### COVID-19 pandemic

All markets and local operations have been impacted by the COVID-19 pandemic. The pandemic started to impact sales and operations in China from late January, and impacted Europe and North America from March. Our customers are increasingly focusing on ensuring business continuity, why greenfield and larger upgrade projects have been postponed. Our customers are critical to the food supply chain, why we continue to see a good underlying demand for our products and services. Despite extensive travel restrictions and internal measures taken to ensure employee safety, the service and installation business has not been impacted by COVID-19. 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, Controls Systems (software) and Hygiene has not been negatively impacted by the COVID-19 pandemic.

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

## **Frontmatec's Business Review**

### **Outlook**

It is expected that the COVID-19 pandemic will continue to impact the project business throughout the rest of 2020, and especially on greenfield projects and larger upgrades. After sales and other business units are expected to continue without negative impact from COVID-19. EBITDA for the full year 2020 is expected in the range between DKK 150 million - DKK 200 million. The uncertainty to the outlook is high due to the uncertainty in the market caused by the COVID-19 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.

	<u>2nd Quarter 2020</u>	<u>2nd Quarter 2019</u>	<u>Half year 2020</u>	<u>Half year 2019</u>
Revenue for the reporting period (IFRS)	374,648	450,955	739,527	848,222
Impact from acquisitions	-	-	-	11,608
Impact from associated companies (pro-rata)	5,119	13,438	14,831	16,424
<b>Pro forma revenue (non-IFRS)</b>	<b><u>379,767</u></b>	<b><u>464,393</u></b>	<b><u>754,358</u></b>	<b><u>876,254</u></b>
<b>Revenue (IFRS)</b>	<b><u>374,648</u></b>	<b><u>450,955</u></b>	<b><u>739,527</u></b>	<b><u>848,222</u></b>

### 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)

	<u>2nd Quarter 2020</u>	<u>2nd Quarter 2019</u>	<u>Half year 2020</u>	<u>Half year 2019</u>
EBITDA (non-IFRS)	54,329	72,037	87,181	129,174
Impact from acquisitions	-	-	-	2,381
Impact from associated companies (pro-rata)	1,302	3,371	3,742	4,116
<b>Pro forma EBITDA (non-IFRS)</b>	<b><u>55,631</u></b>	<b><u>75,408</u></b>	<b><u>90,923</u></b>	<b><u>135,671</u></b>
<b>EBITDA (IFRS)</b>	<b><u>55,212</u></b>	<b><u>72,046</u></b>	<b><u>86,791</u></b>	<b><u>127,201</u></b>

### 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 (EBIT) to EBITDA:

	<u>2nd Quarter 2020</u>	<u>2nd Quarter 2019</u>	<u>Half year 2020</u>	<u>Half year 2019</u>
Operating profit/loss	18,804	6,519	10,101	31,792
Amortisation of intangible assets	20,434	21,980	40,869	43,961
Depreciation of intangible assets	6,379	4,054	11,323	7,799
Amortisation of property, plant, machinery and equipment	239	239	478	478
Depreciation of property, plant, machinery and equipment	5,028	4,814	10,212	9,629
Depreciation on leased assets	4,219	4,512	8,470	8,049
Profit/loss on disposals	-	(388)	(46)	56
Special non-recurring items (specified below)	(775)	30,307	5,773	27,410
<b>EBITDA (non-IFRS)</b>	<b><u>54,329</u></b>	<b><u>72,037</u></b>	<b><u>87,181</u></b>	<b><u>129,174</u></b>
<b>EBITDA (IFRS)</b>	<b><u>55,212</u></b>	<b><u>72,046</u></b>	<b><u>86,791</u></b>	<b><u>127,201</u></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.

	<u>2nd Quarter 2020</u>	<u>2nd Quarter 2019</u>	<u>Half year 2020</u>	<u>Half year 2019</u>
External costs related to acquisitions	-	4,204	-	5,255
Discontinuing outsourcing activities	-	14,533	-	14,533
Costs of internal restructuring	(749)	7,969	5,427	7,969
Other	(26)	3,601	346	(347)
<b>Special non-recurring items (non-IFRS)</b>	<b><u>(775)</u></b>	<b><u>30,307</u></b>	<b><u>5,773</u></b>	<b><u>27,410</u></b>
<b>Special non-recurring items (IFRS)</b>	<b><u>107</u></b>	<b><u>29,928</u></b>	<b><u>5,337</u></b>	<b><u>25,493</u></b>

## Consolidated Income Statement

Figures in DKK '000

	Note	2nd Quarter 2020	2nd Quarter 2019	Half year 2020	Half year 2019
Revenue	3	374,648	450,955	739,527	848,222
Raw materials and consumables used		(247,007)	(289,023)	(493,862)	(549,617)
Other operating income		3,099	-	3,261	-
External costs		(17,115)	(25,015)	(40,816)	(47,938)
<b>Gross profit</b>		<b>113,626</b>	<b>136,917</b>	<b>208,110</b>	<b>250,667</b>
Staff costs		(58,414)	(65,259)	(121,320)	(123,410)
Other operating cost		-	388	-	(56)
<b>Operating profit before depreciation amortisation and special items (EBITDA)</b>		<b>55,212</b>	<b>72,046</b>	<b>86,791</b>	<b>127,201</b>
Special non-recurring items	4	(107)	(29,928)	(5,337)	(25,493)
Depreciations, amortisation and impairment of non-current assets		(36,300)	(35,599)	(71,353)	(69,916)
<b>Operating profit</b>		<b>18,804</b>	<b>6,519</b>	<b>10,101</b>	<b>31,792</b>
Share and results of associates		818	2,598	2,508	3,112
Financial income		25	7,832	5,402	19,865
Financial expenses		(25,098)	(19,918)	(47,987)	(42,719)
<b>Profit/loss before tax</b>		<b>(5,451)</b>	<b>(2,969)</b>	<b>(29,976)</b>	<b>12,050</b>
Tax for the period		(903)	(3,416)	3,593	(6,317)
<b>Profit/ loss for the period</b>		<b>(6,354)</b>	<b>(6,385)</b>	<b>(26,383)</b>	<b>5,733</b>
<b>Statement of comprehensive income</b>					
Profit/loss for the period		(6,354)	(6,385)	(26,383)	5,733
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Unrealized gain/loss on forward exchange contracts		(16)	1,325	(2,236)	3,807
Tax		5	(292)	631	(838)
Exchange rate gain/loss on foreign operations		(712)	6,965	(4,351)	10,306
<b>Other comprehensive income after tax</b>		<b>(724)</b>	<b>7,998</b>	<b>(5,956)</b>	<b>13,275</b>
<b>Comprehensive income for the period</b>		<b>(7,077)</b>	<b>1,613</b>	<b>(32,339)</b>	<b>19,008</b>

## Consolidated Statement of Financial Position

Figures in DKK '000

	Note	Half year 2020	Half year 2019	Full year 2019
<b>Non-current assets</b>				
Goodwill		1,109,933	1,123,045	1,109,933
Development completed		236,650	284,971	269,964
Acquired Intangible assets		174,151	177,865	183,940
Development in progress		98,909	73,725	82,551
<b>Intangible assets</b>		<b>1,619,643</b>	<b>1,659,606</b>	<b>1,646,388</b>
Land and buildings		130,936	131,068	137,073
Plant and machinery		31,999	28,637	33,296
Other fixtures and fittings, tools and equipment		13,198	15,978	15,160
Right of Use Assets		42,859	55,300	48,007
<b>Property plant and equipment</b>		<b>218,992</b>	<b>230,983</b>	<b>233,536</b>
Investments in associates		38,512	30,044	40,292
Deferred tax assets		34,618	55,981	31,184
<b>Investments</b>		<b>73,130</b>	<b>86,025</b>	<b>71,476</b>
<b>Total non-current assets</b>		<b>1,911,765</b>	<b>1,976,614</b>	<b>1,951,400</b>
<b>Inventories</b>		<b>207,667</b>	<b>212,941</b>	<b>197,804</b>
Trade receivables		233,685	235,285	262,723
Construction contracts		199,424	179,782	168,855
Amounts owed by Group entities		65	216	105
Income taxes receivables		355	17,111	639
Other receivables		44,374	40,014	54,997
Prepayments		18,180	26,298	1,207
<b>Receivables</b>		<b>496,083</b>	<b>498,706</b>	<b>488,526</b>
<b>Securities and Investments</b>		<b>575</b>	<b>16,308</b>	<b>5,753</b>
<b>Cash and bank in hand</b>		<b>84,278</b>	<b>73,185</b>	<b>87,829</b>
<b>Total current assets</b>		<b>788,603</b>	<b>801,140</b>	<b>779,912</b>
<b>Assets</b>		<b>2,700,368</b>	<b>2,777,754</b>	<b>2,731,312</b>

## Consolidated Statement of Financial Position

Figures in DKK '000

	Note	Half year 2020	Half year 2019	Full year 2019
<b>Equity and liabilities</b>				
Share capital		100	100	100
Reserve for value adjustments of hedging		(6,035)	(3,205)	(4,430)
Reserve for foreign exchange adjustments		15,230	17,664	19,581
Retained earnings		573,590	1,025,871	599,394
<b>Equity</b>		<b>582,885</b>	<b>1,040,430</b>	<b>614,645</b>
Deferred tax		106,455	123,077	118,662
Lease liabilities		27,079	39,628	33,840
Other credit institutions		1,290,874	790,963	1,294,250
<b>Non-current liabilities</b>		<b>1,424,408</b>	<b>953,668</b>	<b>1,446,752</b>
Current position of long-term liabilities		19,591	16,092	17,791
Other credit institutions		107,058	158,222	118,357
Other provisions		14,573	10,561	12,853
Contract liabilities		158,889	227,603	142,272
Trade payables		158,143	176,193	171,131
Payable to associate company		-	-	11,514
Amounts owed to Group entities		1,831	997	1,765
Income taxes		20,035	56,296	13,024
Deferred income		6,562	3,345	2,780
Other payables		206,393	134,347	178,428
<b>Current liabilities</b>		<b>693,075</b>	<b>783,656</b>	<b>669,915</b>
<b>Liabilities</b>		<b>2,117,483</b>	<b>1,737,324</b>	<b>2,116,667</b>
<b>Equity and liabilities</b>		<b>2,700,368</b>	<b>2,777,754</b>	<b>2,731,312</b>

**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
<b>Equity at 1 January 2019</b>	<b>100</b>	<b>(6,174)</b>	<b>1,019,754</b>	<b>7,358</b>	<b>1,021,038</b>
<i>Comprehensive income for the period</i>					
Profit for the period	-	-	5,733	-	5,733
<i>Other comprehensive income</i>					
Unrealized profit on currency and interest swap	-	3,807	-	-	3,807
Hereof tax	-	(838)	-	-	(838)
Exchange rate adjustments	-	-	-	9,951	9,951
<b>Comprehensive income for the period in total</b>	<b>-</b>	<b>2,969</b>	<b>5,733</b>	<b>9,951</b>	<b>18,653</b>
Share-based payment	-	-	739	-	739
<b>Equity at 30 June 2019</b>	<b>100</b>	<b>(3,205)</b>	<b>1,026,226</b>	<b>17,309</b>	<b>1,040,430</b>
<b>Equity at 1 January 2020</b>	<b>100</b>	<b>(4,430)</b>	<b>599,394</b>	<b>19,581</b>	<b>614,645</b>
<i>Comprehensive income for the period</i>					
Loss for the period	-	-	(26,383)	-	(26,383)
<i>Other comprehensive income</i>					
Unrealized loss on currency and interest swap	-	(2,236)	-	-	(2,236)
Hereof tax	-	631	-	-	631
Exchange rate adjustments	-	-	-	(4,351)	(4,351)
<b>Comprehensive income for the period in total</b>	<b>-</b>	<b>(1,605)</b>	<b>(26,383)</b>	<b>(4,351)</b>	<b>(32,339)</b>
Share-based payment	-	-	579	-	579
<b>Equity at 30 June 2020</b>	<b>100</b>	<b>(6,035)</b>	<b>573,590</b>	<b>15,230</b>	<b>582,885</b>

## Consolidated Cash Flow Statement

Figures in DKK '000

	<b>Half year 2020</b>	<b>Half year 2019</b>
EBIT	10,101	31,792
Depreciations/amortisations and impairment of non-current assets	71,507	63,219
Provisions	1,720	(9)
Changes in receivables	(2,663)	(32,094)
Changes in inventories	(9,863)	(28,905)
Changes in trade payables	(12,988)	(35,638)
Changes in other working capital	26,302	(16,224)
Financial income	1,656	19,865
Financial cost	(47,987)	(42,719)
Tax for the period	(4,122)	(16,705)
<b>Cash flows from operating activities</b>	<b>33,664</b>	<b>(57,418)</b>
Addition of intangible assets and property plant and equipment	(29,919)	(41,980)
Sale of intangible assets and property plant and equipment	-	980
Business acquisitions	4,288	(49,521)
<b>Cash flows from investing activities</b>	<b>(25,631)</b>	<b>(90,521)</b>
Contracting of long-term liabilities	(285)	94,033
<b>Cash flows from financing activities</b>	<b>(285)</b>	<b>94,033</b>
<b>Net cash flow</b>	<b>7,748</b>	<b>(53,906)</b>
Cash and cash equivalents at 1 January	(30,528)	(31,131)
<b>Cash and cash equivalents at 30 June</b>	<b>(22,780)</b>	<b>(85,037)</b>

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.

<b>Note 3. Revenue Segmentation and disaggregation of revenue</b>	<b>2nd Quarter 2020</b>	<b>2nd Quarter 2019</b>	<b>Half year 2020</b>	<b>Half year 2019</b>
Domestic	66,056	91,091	123,651	139,884
Foreign	308,592	359,864	615,876	708,338
	<b>374,648</b>	<b>450,955</b>	<b>739,527</b>	<b>848,222</b>
Red meat processing	297,926	381,042	581,430	707,586
Other	76,722	69,913	158,097	140,636
	<b>374,648</b>	<b>450,955</b>	<b>739,527</b>	<b>848,222</b>
<b>Timing of revenue recognition</b>				
Recognition at single point of time	147,180	129,547	289,492	255,961
Recognition over time	227,468	321,408	450,035	592,261
	<b>374,648</b>	<b>450,955</b>	<b>739,527</b>	<b>848,222</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.

<b>Note 4. Special items</b>	<b>2nd Quarter 2020</b>	<b>2nd Quarter 2019</b>	<b>Half year 2020</b>	<b>Half year 2019</b>
External cost related to acquisitions	-	4,204	-	5,255
Discontinuing outsourcing activities	-	14,533	-	14,533
Cost of internal restructuring	107	6,052	5,337	6,052
Other	-	5,139	-	-347
	<b>107</b>	<b>29,928</b>	<b>5,337</b>	<b>25,493</b>

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

Other than what has been described in the Management's review regarding COVID-19 pandemic, there have been no events since 30 June 2020, which could significantly affect the evaluation of the Group's financial position and revenue.