

FRONTMATEC

Frontmatec Group ApS

Platinvej 8, DK-6000 Kolding

CVR no: 37 77 37 43

Interim financial report

First quarter 2022

1 January – 31 March 2022



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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 2022.

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 2022 and of the results of the Group's operations and cash flows for the period ending 31 March 2022.

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 May 2022

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	1st Quarter 2022	1st Quarter 2021
Key figures		
Revenue	467.317	325.175
Gross profit	129.256	86.303
Operating profit before depreciation, amortisation and special items (EBITDA before special items)	63.121	23.820
Pro forma EBITDA before special items	65.608	28.141
Operating profit/loss	24.785	-12.266
Net finance costs	-26.427	-20.698
Loss for the period	-4.395	-28.203
Equity	448.692	455.238
Balance sheet totals	2.855.418	2.608.046
Financial development		
Cash flows from operating activities	57.618	2.677
Cash flows from investing activities	-39.984	-18.263
Cash flows from property, plant and equipment	-3.823	-3.845
Cash flows from financing activities	28.532	2.191
Change in cash and cash equivalents	46.166	32.342
Ratios		
Gross margin (%)	27,7%	26,5%
Pro forma EBITDA margin before special items margin (%)	13,8%	8,4%
EBITDA before special items margin (%)	13,5%	7,3%
Return on assets (%)	0,9%	-0,5%
Equity ratio (%)	15,7%	17,5%
Average number of full-time employees	1.276	1.146

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

In January 2022, Frontmatec Group acquired the majority of the shares in Itay S.A., the parent company of Asuan. Asuan deliver innovative and customized solutions to the meat industry in Uruguay. Based in Montevideo, Asuan employs 125 employees and has subsidiaries in Brazil and Mexico. Latin America is a strategically important market to Frontmatec with some of the largest and most respected meat processors in the world. With Asuan joining forces with Frontmatec, the Group will strengthen the position in the Latin America.

Frontmatec Group had pro forma revenue of DKK 476 million in Q1 2022, which represents an increase of 43% from pro forma revenue in Q1 2021 of DKK 335 million (IFRS revenue for the same period increased with 44% from DKK 325 million to DKK 467 million). Revenue in Q1 2021 was impacted by covid-19, which returned to normal level from second half 2021. The Group continue to benefit from an increasing demand for automation. The acquisition of Asuan contributed with revenue of DKK 26 million.

The increased pro forma revenue and improved gross margins had positive impact on pro forma EBITDA before special items. Pro forma EBITDA before special items increased from DKK 28 million in Q1 2021 to DKK 66 million in Q1 2022.

Special items (IFRS) increased from DKK 0 million in Q1 2021 to DKK 1 million in Q1 2022.

Operating profit was DKK 25 million in Q1 2022 compared to DKK -12 in Q1 2021.

Cash flow from operating activities has improved with DKK 55 million from DKK 3 million in Q1 2021 to DKK 58 million in Q1 2022.

The balance sheet at 31 March 2022 for the Group shows total assets of DKK 2,855 million (31 March 2021: DKK 2,608 million) and equity of DKK 449 million (31 March 2021: DKK 455 million).

Outlook

Management expect that revenue and EBITDA will continue to improve in line with the higher run-rate in second half 2021. Management expect an increase in EBITDA before special items (IFRS) above 2021 in the range of 50% or more.

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 similarly labelled). Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS.

A reconciliation from these alternative performance measures to the nearest IFRS measure 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 2022.

	1st Quarter 2022	1st Quarter 2021
DKK'000		
Pro forma revenue (non-IFRS)		
Revenue for the reporting period (IFRS)	467.317	325.175
Impact from associated companies (pro-rata)	8.502	9.544
	475.819	334.719
Revenue (IFRS)	467.317	325.175

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.

	1st Quarter 2022	1st Quarter 2021
DKK'000		
Pro forma EBITDA before special items (non-IFRS)		
EBITDA before special items (non-IFRS)	61.703	24.727
Impact from associated companies (pro-rata)	3.905	3.414
	65.608	28.141
EBITDA before special items (IFRS)	63.121	23.820

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	1st Quater 2022	1st Quater 2021
EBITDA before special items (non-IFRS)		
EBITDA before special items (IFRS)	63.121	23.820
Gain/Loss on disposals	-38	1
Special items	-1.380	906
	61.703	24.727
EBITDA (IFRS)	63.121	23.820

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	1st Quater 2022	1st Quater 2021
Special non-recurring items (non-IFRS)		
Costs of internal restructuring	0	284
External cost related to acquisitions	784	0
Other	-1.380	906
Special non-recurring items (non-IFRS)	-596	1.190
Special non-recurring items (IFRS)	784	284

Consolidated financial statements for the period 1 January - 31 March

Income statement

		1st Quarter	1st Quarter
		2022	2021
Note	DKK'000		
3	Revenue	467.317	325.175
	Production costs	-313.211	-218.465
	Other operating income	2.385	124
	External costs	-27.235	-20.531
	Gross profit	129.256	86.303
	Staff costs	-66.135	-62.483
	Other operating costs	0	0
	Operating profit before depreciation, amortisation and special items	63.121	23.820
4	Special non-recurring items	-784	-284
	Depreciation, amortisation and impairment of non-current assets	-37.552	-35.802
	Operating profit/loss	24.785	-12.266
	Share of results of associates	2.763	2.787
	Financial income	76	3.326
	Financial expense	-26.503	-24.024
	Profit/loss before tax	1.121	-30.177
	Tax for the period	-5.516	1.974
	Loss for the period	-4.395	-28.203
Attributable to:			
	Shareholders in Frontmatec Group ApS	-3.435	-28.203
	Minority interests	-960	0
		-4.395	-28.203

Statement of comprehensive income

		1st Quarter	1st Quarter
		2022	2021
Note	DKK'000		
	Loss for the period	-4.395	-28.203
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
	Unrealised gain/loss on forward exchange contracts for the period	-840	503
	Hereof tax	36	-111
	Exchange rate gain/loss on foreign investments	3.915	9.644
	Other comprehensive income for the period	3.111	10.036
	Comprehensive income for the period	-1.284	-18.167

Consolidated financial statements for the period 1 January - 31 March

Balance sheet

Note	DKK'000	31 Mar 2022	31 Mar 2021	31 Dec 2021
	ASSETS			
	<i>Non-current assets</i>			
	Goodwill	1.137.807	1.109.933	1.109.933
	Development completed	153.263	201.642	156.789
	Acquired Intangible assets	158.817	160.684	142.765
	Development in progress	146.712	116.414	141.392
	Intangible assets	1.596.599	1.588.673	1.550.879
	Land and buildings	134.418	130.730	128.488
	Plant and machinery	26.354	25.513	22.303
	Other fixtures and fittings, tools and equipment	17.605	15.969	15.254
	Right-of-use assets	36.542	40.051	39.625
	Property, plant and equipment	214.919	212.263	205.670
	Investments in associates	50.081	40.493	47.318
	Deferred tax assets	35.955	34.060	35.917
	Fixed asset investments	86.036	74.553	83.235
	Non-current assets	1.897.554	1.875.489	1.839.784
	Inventories	222.954	200.431	195.107
	Trade receivables	285.936	213.167	219.739
	Contract assets	115.585	138.126	130.584
	Amounts owed by Group entities	240	148	228
	Income taxes receivables	13.842	0	10.160
	Other receivables	32.917	29.827	20.276
	Prepayments	25.832	24.797	27.898
	Receivables	474.352	406.065	408.885
	Securities and Investments	4.442	3.645	4.568
	Cash at bank and in hand	256.116	122.416	209.950
	Current assets	957.864	732.557	818.510
	ASSETS	2.855.418	2.608.046	2.658.294

Consolidated financial statements for the period 1 January - 31 March

Balance sheet

Note	DKK'000	31 Mar	31 Mar	31 Dec
		2022	2021	2021
	EQUITY AND LIABILITIES			
	Share capital	100	100	100
	Reserve for value adjustments of hedging transactions	-2.885	-2.691	-2.081
	Reserve for foreign exchange adjustments	17.805	12.662	13.890
	Retained earnings	404.937	445.167	407.520
	Shareholders in Frontmatec Group ApS	419.957	455.238	419.429
	Minority interests	28.735	0	0
	Equity	448.692	455.238	419.429
	Deferred tax	95.044	93.687	89.477
	Lease liabilities	23.882	26.147	28.743
	Other long-term credit institutions	1.295.812	1.291.196	1.293.751
	Other long-term liabilities	37.019	22.611	22.842
	Non-current liabilities	1.451.757	1.433.641	1.434.813
	Current portion of long-term liabilities	16.216	17.856	14.289
	Other credit institutions	68.406	194.529	52.159
	Other provisions	9.564	11.661	7.548
	Contract liabilities	451.915	158.225	348.188
	Trade payables	146.017	127.636	137.368
	Amounts owed to Group entities	635	1.445	1.429
	Income taxes	2.148	20.069	888
	Deferred income	3.888	6.786	794
	Other payables	256.180	180.960	241.389
	Current liabilities	954.969	719.167	804.052
	Liabilities	2.406.726	2.152.808	2.238.865
	Equity and liabilities	2.855.418	2.608.046	2.658.294

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	Minority interests	Total
Equity at 1 January 2021	100	-3.083	3.018	472.721	0	472.756
<i>Comprehensive income for the period</i>						
Loss for the period	0	0	0	-28.203	0	-28.203
<i>Other comprehensive income</i>						
Unrealised profit on currency and interest swap in group entities	0	503	0	0	0	503
Hereof tax	0	-111	0	0	0	-111
Exchange rate gain on foreign investments	0	0	9.644	0	0	9.644
Other comprehensive income for the period	0	392	9.644	0	0	10.036
Comprehensive income for the period	0	392	9.644	-28.203	0	-18.167
Share-based payment	0	0	0	649	0	649
Equity at 31 March 2021	100	-2.691	12.662	445.167	0	455.238
 Equity at 1 January 2022	 100	 -2.081	 13.890	 407.520	 0	 419.429
<i>Comprehensive income for the period</i>						
Loss for the period	0	0	0	-3.435	-960	-4.395
<i>Other comprehensive income</i>						
Unrealised loss on currency and interest swap in group entities	0	-840	0	0	0	-840
Hereof tax	0	36	0	0	0	36
Exchange rate on foreign investments	0	0	3.915	0	0	3.915
Other comprehensive income for the period	0	-804	3.915	0	0	3.111
Comprehensive income for the period	0	-804	3.915	-3.435	-960	-1.284
Transactions with minority interest	0	0	0	0	29.695	29.695
Share-based payment	0	0	0	852	0	852
Equity at 31 March 2022	100	-2.885	17.805	404.937	28.735	448.692

Consolidated financial statements for the period 1 January - 31 March

Cash flow statement

	1st Quarter 2022	1st Quarter 2021
DKK'000		
Operating profit/loss	24.785	-12.266
Adjustment for special non-recurring items, gain of sale of property, plant and equipment and non-cash items	2.678	0
Depreciation, amortisation and impairment losses	37.550	35.802
Provisions	1.170	425
Changes in receivables	-42.402	13.563
Changes in inventory, contract assets and contract liabilities	58.843	-11.307
Changes in trade payables	-1.807	3.997
Changes in other working capital	8.704	2.903
Interest received	76	3.326
Interest paid	-24.503	-24.024
Corporation tax paid	-7.476	-9.742
Cash flows from operating activities	57.618	2.677
Addition of intangible assets and property, plant and equipment	-11.127	-16.997
Sale of intangible assets and property plant and equipment	32	0
Business acquisitions	-28.889	0
Cash flows from investing activities	-39.984	-16.997
Contracting of long-term liabilities	-677	-282
Other credit institutions	32.510	46.944
Leasing activities	-3.301	0
Cash flows from financing activities	28.532	46.662
Net cash flows for the period	46.166	32.342
Cash and cash equivalents at 1 January	209.950	90.074
Cash and cash equivalents at 31 March	256.116	122.416
The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.		
Cash at bank and in hand	256.116	122.416
Cash and cash equivalents	256.116	122.416

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 2021 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 2021. 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: 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 2022

DKK'000	America	Europe	Rest of World	Total	Unallo-cated	Consoli-dated
Revenue	182.224	265.368	19.725	467.317	0	467.317
Operating profit before depreciation	25.770	38.355	-1.788	62.337	0	62.337
Total assets	336.938	669.409	134.563	1.140.910	1.714.509	2.855.419
Short term liabilities	-568.251	-464.596	-147.742	-1.180.589	-1.226.138	-2.406.727
	-231.313	204.813	-13.179	-39.679	488.371	448.692

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 2021

DKK'000	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
	83.847	281.275	3.251	368.373	86.865	455.238

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

DKK'000	1st Quater 2022	1st Quater 2021
Timing of revenue recognition		
Recognition at single point of time	151.735	136.274
Recognition over time	315.582	188.901
	467.317	325.175

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	1st Quater 2022	1st Quater 2021
External cost related to acquisitions	784	0
Cost of internal restructuring	0	284
	784	284

Consolidated financial statements for the period 1 January - 31 March

Note 5. Business acquisitions

Acquisition of companies in Q1 2022

During Q1 2022, the Group acquired 60% of the shares in Ittay S.A.

Principal activity	Date of control	Voting rights and ownership	
Equipment provider in red meat industry	January 2022	60%	
			DKK'000
Turnover Q1 2022			26.125
Turnover included in the consolidated financial statements			26.125
Profit Q1 2022			(853)
Profit included in the consolidated financial statements			(853)
Part of the consideration DKK 8 million is contingent based on the entity's ability to reach certain EBIT earnings measures for the years 2022-2024.			
The acquisition of Ittay S.A.. will further strengthen Frontmatec's global position as the number one provider of advanced processing equipment and will significantly strengthen the position within distribution and the South American market.			
The fair value adjustments are based on preliminary opening balance			
			DKK'000
Development completed			13.867
Acquired intangible assets			23.450
Total intangible assets			37.317
Property, plant and equipment			11.596
Deferred tax assets			3.673
Inventory			12.185
Other short-term receivables			35.613
Bank			20.574
Long-term debt			(576)
Deferred tax			(9.140)
Other credit institutions			(2.847)
Other short-term debt			(62.032)
Net assets acquired			46.363
Goodwill			27.874
Total consideration			74.237
Majority share of total consideration			44.542

After recognition of identifiable assets and liabilities at fair value, goodwill in relation to the acquisitions was assessed at DKK 27.8m. The goodwill represents the value of assets where the fair value cannot be measured reliably, the value of the acquired staff and knowhow, expected synergies from the merger of acquired companies and the existing activities in Frontmatec as well as the value of access to new markets.

Consolidated financial statements for the period 1 January - 31 March

Note 6. Events after the balance sheet date

In April 2022, Frontmatec Group acquired the remaining 60% in AIRA to take 100% ownership of the Spanish based company AIRA – Assessorament Industrial Robòtica, S.L. to capitalize on the robot potential. The ownership will secure the unique competences in free arm robotic solutions and support the increasing level of automation in the global meat industry.

The owners of Frontmatec Holding III ApS (ultimate parent company of Frontmatec Group ApS) have on the 24 May 2022 entered into an agreement concerning the sale of 100% of its shares in Frontmatec Holding III ApS to Merlin DK Bidco ApS a subsidiary of KKR-backed CO backed Bettcher Industries. Completion of the Sale is subject to customary conditions, including obtaining required merger control clearances (the “Sale Conditions”).

Completion of the Sale is expected to occur in the second half of 2022.

Pursuant to the terms and conditions (the “Terms and Conditions”) of the EUR 175,000,000 Senior Secured Floating Rate Bonds due 2024 (ISIN DK0030452263) (the “Bonds”), completion of the Sale will either require a waiver or consent from the bondholders or that the Bonds are redeemed in connection with completion of the Sale.

It is the expectation that, following and subject to satisfaction or waiver of the Sale Conditions, Frontmatec Group ApS will exercise its call option to redeem all of the outstanding Bonds, in accordance with the Terms and Conditions.

Other than the acquisition mentioned and the sale of Frontmatec to KKR-backed BETTCHER Industires, there have been no events since 31 march 2022, which could significantly affect the evaluation of the Group's financial position and revenue.