Frontmatec Holding III ApS

Platinvej 8, DK-6000 Kolding

CVR no: 37 77 37 27

Annual report 2020

Approved at the Company's annual general meeting on 9 July 2021

Chairman

Thomas Stenager

Contents

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Frontmatec Holding III ApS for the financial year 1 January – 31 December 2020.

The financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and supplementary Danish disclosure requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2020 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2020.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 9 July 2021

Executive Board:

Christoffer Arthur Müller
Chief Executive Officer

Board of Directors:

Christian Gymos Schmidt-Jacobsen Chairman	Jesper Frydensberg Rasmussen	Peter Nygaard

Independent auditor's report

To the shareholders of Frontmatec Holding III ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Frontmatec Holding III ApS for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2020, and of the results of their operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

Key audit matters

Based on our risk assessment, we have assessed the relevant internal controls for construction contracts primarily relating to contract acceptance, change orders, monitoring of project development, costs incurred and estimation of costs to complete and assessment of specific project risks.

Valuation of construction contracts

Refer to notes 2, 3, 20 and 21 in the consolidated financial statements. Significant judgements are required by Management in determining stage of completion and estimating profit on each project, including assessment of provisions for specific project risks.

At 31 December the carrying value of construction contract assets was DKK 154 million and construction contract liabilities DKK 139 million.

Minor changes in the stage of completion and specific project risks can have a significant impact on the valuation and recognition of construction contracts and income for the year. Accordingly, the valuation of construction contracts is considered to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment, we have assessed the relevant internal controls for construction contracts primarily relating to contract acceptance, change orders, monitoring of project development, costs incurred and estimation of costs to complete and assessment of specific project risks.

We obtained from Management an overview of the Group's construction contracts at 31 December 2020 covering both in progress contracts as of year-end and contracts completed during the year.

Independent auditor's report

Based on assessed project risks and materiality, we selected a sample of contracts where we obtained the underlying contracts, including change orders, original budget and any changes made to original budgets, including estimates of costs to complete and project reports and corresponding risk provision, where deemed relevant by us. For the selected contracts, we assessed and challenged Management's assumptions for determining stage of completion with due consideration to its assessment of project risks and risk provisions and estimated profit/loss through interviews with project controllers, project management, legal department and management representatives as well as our understanding and assessment of the contract terms, associated project risks, including valuation of change orders under discussion with customers and final acceptance.

For the selected completed contracts, we performed retrospective reviews of assessment of project risk and development and utilisation of risk provisions to assess the completeness and accuracy of Management's assumptions applied throughout the contract period.

Valuation of goodwill

The Group has a carrying value of goodwill arising from acquisitions of DKK 1.110 million. The value of goodwill is supported by Management's assessment of the future value based on strategic plans, and value-in-use calculations which are based on future cash flow. We focused on this area because the valuation assessment of Goodwill is dependent on complex and subjective judgements by Management as well as estimation over the future outcome, which is uncertain by nature. Accordingly, the carrying value of goodwill is considered to be a key audit matter. Refer to note 2 and 14 in the Consolidated Financial.

How the matter was addressed in the audit

We assessed the Group's impairment methodology including the identification of CGUs. We challenged Management's estimates and key assumptions used in the valuation of Goodwill, comprising revenue development, profit margins, proposed capital expenditure and growth expectations, etc. Furthermore, we evaluated Management's sensitivity analysis and challenged key assumptions within the valuation calculations.

We evaluated the disclosures in relation to impairment testing of goodwill.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report

Copenhagen, 9 July 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Bill Haudal Pedersen State-Authorised Public Accountant Identification No (MNE) mne30131	Søren Alsen Lauridsen State-Authorised Public Accountant Identification No (MNE) mne40040

Management's review

Company details

Name	Frontmatec Holding III ApS
Address, zip code, city	Platinvej 8, DK-6000 Kolding
CVR no.	37 77 37 27
Established	6 June 2016
Registered office	Kolding
Financial year	1 January – 31 December
Website	http://www.frontmatec.com/
Board of Directors	Christian Gymos Schmidt-Jacobsen, chairman Jesper Frydensberg Rasmussen Peter Nyegaard
Executive Board	Christoffer Arthur Müller , CEO
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab City Tower Værkmestergade 2 DK-8000 Aarhus C

Management's review

Financial highlights for the Group

DKK'000	2020	2019	2018	2017
Key figures				
Revenue	1,415,574	1,662,323	1,418,685	1,341,573
Gross profit	367,311	393,448	397,322	351,593
Operating profit before depreciation amortization and special items (EBITDA before special items)	126,400	171,641	206,971	182,775
Pro forma EBITDA	214,329	200,816	225,821	215,879
Net finance costs	-98,395	-114,913	-73,592	-67,796
Loss for the year	-125,788	-156,900	-79,915	-74,517
Equity	478.575	620,408	772,392	758,221
Balance sheet totals	2,592,103	2,738,669	2,701,320	2,382,500
Financial development				
Cash flows from operating activities	67,889	-149,412	104,189	90,815
Cash flows from investing activities	-52,318	-182,089	-78,804	-304,336
Cash flows from property, plant and equipment	-31,858	-16,901	-18,745	-22,429
Cash flows from financing activities	-39,703	330,739	-54,591	818,105
Change in cash and cash equivalents for the year	-24,623	-32,475	-32,005	610,867
Ratios				
Gross margin (%)	25.9%	23.7%	28.0%	26.2%
Pro forma EBITDA before special items margin (%)	14.9%	11.8%	15.8%	14.9%
EBITDA before special items margin (%)	8.9%	10.3%	14.6%	13.6%
Return on assets (%)	-0.8%	-1.3%	-0.2%	1.0%
Equity ratio (%)	18.5%	22.7%	28.6%	31.8%
Number of employees	1,163	1,263	1,230	1,000

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

Pro forma EBITDA before special items are calculated in accordance with the definitions of Alternative Performance Measures on page 15.

Definition of financial ratios:

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 (%) $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$

Frontmatec's business review

About Frontmatec

Frontmatec is a global leading provider of advanced food processing equipment. Frontmatec develops world-class customized solutions for automation in the food industry and other hygiene sensitive industries. The Group is especially renowned for the high-quality systems for the entire value chain of the meat industry – from carcass grading to slaughter lines, cutting and deboning lines, hygiene systems and control systems to logistics and packaging.

Frontmatec is headquartered in Kolding, Denmark and has production facilities in Denmark, Romania, Canada, China, UK and Germany. Frontmatec serves its global customers through a network of sales partners in addition to its own sales offices in Denmark, Germany, UK, Poland, France, Spain, Netherlands, Russia, China, Canada and USA.

The strategy of the group is to leverage its strong market position and full-line product offering to outperform the underlying market growth while at the same time executing on operational improvement initiatives in order to continue to enhance profitability significantly.

Highlights 2020

The global pandemic impacted Frontmatec in 2020. Most customers have focused on ensuring business continuity and many large Greenfield projects, which were expected in 2020, were postponed. Consumers around the world still need food and the Frontmatec business model has proven to be resilient. Frontmatec has an important role in the food value chain and despite extensive travel restrictions and measures taken to ensure employee and customer safety, most companies in the Group has delivered robust performance in 2020. The underlying demand for food and in particular meat is still high due to the continuous growing global population combined with an increasing demand for automation. Therefore, we do not expect any long term impact from the pandemic with respect to larger projects.

Overall, the business units in Frontmatec have performed satisfactory and have shown resilience to the global pandemic. The After Sales business unit and other business units including Hygiene solutions, Stunning equipment and Software solutions, have improved revenue and profit in 2020. The project business unit has lower revenue due to lower sale of the large Greenfield projects.

In May 2019, the manufacturing site in Kolding was relocated, which resulted in significant and unexpected costs in 2020, due to low efficiency and rework of machinery for several larger projects that were manufactured and installed in 2020. As a result, the operating profit before depreciations and Special items was negatively impacted with DKK 79 million in 2020. Corrective actions have been put in place during 2020, including improved layout of the factory site, hiring of new people, restructuring of the organization, and standardizing processes from signing the contract to handover to the customer. These changes have improved profit in Kolding in 2021.

Financial statements

The Frontmatec Group had Pro forma revenue of DKK 1,441 million in 2020, which represents a decrease of 16% from 2019 (DKK 1,707 million). The Group had lower revenue from the large Greenfield projects, whereas revenue from upgrades, automation, software, after sales, stunning and hygiene equipment has improved.

Pro forma EBITDA before special items was DKK 214 million in 2020 and improved from DKK 201 million in 2019.

EBITDA before special items (IFRS) was DKK 126 million in 2020 and DKK 46 million lower than 2019. The failed relocation in Kolding has impacted EBITDA before special items (IFRS) negatively in 2020 with DKK 79 million. These costs are considered extraordinary and non-recurring and have been adjusted in Pro forma EBITDA before special items of DKK 214 million.

Management did not provide an outlook in 2019 due to the circumstances around COVID-19. EBITDA before special items (IFRS) for 2020 was lower than expected. The financial impact from the failed relocation in Kolding was higher than anticipated.

Cash flows from operating activities have improved with DKK 217 million from DKK -149 million in 2019 to DKK 68 million in 2020.

The balance sheet at 31 December 2020 for the Group shows total assets of DKK 2,592 million (2019: DKK 2,739 million) and equity of DKK 479 million (2019: DKK 620 million).

Events after the balance sheet date

There have been no events since 31 December 2020, which could significantly affect the evaluation of the Group's financial position and revenue.

Frontmatec's business review

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. We 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, we expect an increase in activity and EBITDA before special items (IFRS) above 2020 in the range of 10-20% or at the same level as 2020, given the uncertainties of the global pandemic in 2021.

Sustainability and CSR (in accordance with Danish Financial Statement Act §99a)

Food and meat in particular is a precious resource that has a major impact on the global sustainability. We, as a leading provider of advanced food processing equipment are fully aware of this and we want to take an active part to in helping feeding the growing global population, while using less resources. Our contribution towards this goal is to continuously design and develop solutions that maximizes the yield of each raw material and eliminate meat that could be used for human consumption from going to waste. We want Frontmatec to be a company where people are safe at work; and not just in Frontmatec locations, but equally at the plants where we provide our solutions. Frontmatec has implemented measure for Corporate Social Responsibility which are included in the UN Global Compact communication on progress report. How we work with sustainability and our contribution to the UN Sustainability Development Goals is available on the Frontmatec website:
https://www.frontmatec.com/media/6566/frontmatec-cop_2020.pdf

Account of the gender composition of management (in accordance with Danish Financial Statement Act §99b)

Frontmatec Group has a policy for diversity and equality, e.g. with a fair representation of gender and cultural mix on the board of directors as well as in the executive management group, based on a desire to strengthen the company's versatility, broaden its competences and improve its decision-making processes.

It is Frontmatec Group's policy that regardless of gender, race, and religion, all employees must be treated equally in order to ensure that everyone has equal opportunities for employment.

The board of directors aims to ensure that its members complement each other in the best possible way with respect to age, experience, nationality, gender, etc. for the purpose of ensuring a competent and versatile contribution to the work of the board in Frontmatec Group. These factors are taken into account when new candidates for the board of directors are identified, and the nomination of candidates will always be based on an assessment of their competences, how they match Frontmatec Group's requirements and how they will contribute to the overall efficiency of the board of directors.

The share of women in the company's board of directors is 0% (2019: 0%), senior management is 14% (2019: 14%) and the total number of employees is 8% (2019: 8%). The objective is to have at least one woman represented in the Board of Directors and at least 20% women in the senior management group before 2024.

Corporate Governance

With the Danish private equity firm Axcel as the principal shareholder, the Group is subject to the guidelines of the Danish Venture and Private Equity Association (DVCA, www.dvca.dk) for responsible ownership and corporate governance. Frontmatec Group intends to fully comply with all guidelines where it is relevant.

Management's focus on corporate governance is, among other things, based on the Danish Companies Act, the Danish Financial Statements Act, the company's articles of association and good practice from comparable companies.

In addition, the management is continuously monitoring the development in the field of corporate governance to ensure that the Group, internally as well as externally, is managed in a way that is in accordance with applicable laws in order to protect the interests of all stakeholders.

Frontmatec's business review

Board of directors

The board of directors of Frontmatec Group ApS ensures that the executive board in Frontmatec Group ApS complies with the objectives, strategies and business processes decided by the board of directors. Moreover, the board of directors ensures on an ongoing basis that the governance structure and control systems are appropriate and working well.

The board of directors consists of five members. The principal shareholder Axcel has appointed Christoffer Arthur Müller and Christian Schmidt-Jacobsen. The remaining three members of the board of directors are independent.

The board of directors has adopted the rules of procedure for the board of directors. In addition, the board of directors uses committees for special tasks. Thus, a chairman committee, an audit and risk committee and a remuneration committee have been established.

The following board members are represented on the individual committees:

- Chairman committee: Arne Vraalsen and Christoffer Arthur Müller
- Audit and risk committee: Christoffer Arthur Müller
- Remuneration committee: Arne Vraalsen

The board of directors meet on a predetermined schedule of meetings at least six times a year. Usually there is an annual strategy seminar in connection with an ordinary board meeting. The seminar defines the objectives and strategy of the Group.

The chairman committee meets with the management of the company on a monthly basis.

Audit and risk committee meetings are held three to four times a year. The work of the audit committee is described in an annual calendar, which is approved by the board of directors. The committee is responsible for monitoring the company's financial reporting and the internal control environment as well as determining the relations and framework of the external audit. Standard procedures have been established, focusing on e.g. updating financial reporting standards and reviews of any items containing material accounting estimates and items of a one-off nature.

Frontmatec Holding III ApS' Board of Directors and Executive Board hold other executive positions as described below:

Christoffer Arthur Müller, Partner

Appointed in June 2016

CEO Frontmatec Holding II ApS incl. one subsidiary, Vice chairman of the board of directors Frontmatec Group ApS, CEO Müller-Scheibye Invest ApS, CEO Mopani ApS, Chairman of the board of directors Mountain Top Holding III ApS including 3 daughter companies, Member of the board of directors of Brødrene Müller Holding A/S, Member of the board of directors Müller Gas Equipment A/S.

Christian Gymos Schmidt-Jacobsen, CEO

Elected in June 2016

CEO Axcel management A/S, CEO Spero Invest ApS, CEO and chairman of the board of directors Axcel Management Holding ApS, Chairman of the board of directors of Frontmatec Holding II ApS and one daughter company, Member of the board of directors of Frontmatec Group ApS, Chairman of the board of directors of AX V INV1 Holding III OY including two daughter companies, Chairman of the board of directors for AX IV Moment Holding III ApS including 4 daughter companies, Chairman of the board of directors AX V INV8 Holding III ApS including one daughter company, Chairman of the board of directors IsaDora AB, Member of the board of directors Axcel GP Fonden including two daughter companies, Member of the board of directors Axcel V GP ApS, Member of the board of directors Axcel VI GP ApS.

Jesper Frydensberg Rasmussen, Head of Finance

Elected in July 2016

CEO JNP AX-III INV ApS, CEO MNGT2 ApS, CEO JEBA Invest ApS, Member of the board of directors of Frontmatec Holding II ApS and one daughter company, CEO of AX V Nissens III ApS and two daughter companies, CEO of Mountain Top Holding III ApS and two daughter companies, CEO AX V GUBI Holding III ApS, CEO AX V ESB Holding III ApS, CEO AX V Phase One Holding III ApS and two daughter companies, CEO AX VI Moment Holding III ApS and three daughter company, member of the board of directors for AX VI Moment Holding III ApS and two daughter companies, CEO and member of the board of directors for AX VI INV2 Holding III ApS and three daughter companies, CEO LLLEJ Invest ApS, member of the board of directors for Loopia Holding III AB and three daughter

Frontmatec's business review

companies, member of the board of directors for SuperOffice Holding III and two daughter companies, member of the board of directors for AX V INV1 Holding III OY and two daughter companies.

Peter Nyegaard

Elected in July 2016

Member of the board of directors for Øens Murerfirma A/S, Member of the board of directors for AX VI Moment Holding III ApS and four daughter companies, CEO JNP AX-III INV ApS, Vice Chairman of the board of directors of Danmarks Skibskredit A/S, Member of the board of directors of MNGT2 ApS, Chairman of the board of directors of FIH Holding A/S, Member of the board of directors of Frontmatec Holding II ApS and one daughter company, Member of the board of directors of AC IV HoldCo P/S, CEO of Yggdrasill ApS, Member of the board of directors of Axcel Mamagement Holding ApS, Member of the board of directors of AX V Niessens III ApS, Member of the board of directors of Mountain Top Holding III ApS and two daughter companies, Member of the board of directors of AX V GUBI Holding III Aps, Member of the board of directors of AX V ESB Holding III ApS, Member of the board of directors of AX VI INV2 Holding III Aps and three daughter companies, Member of the board of directors of AX V Phase One Holding III ApS and two daughter companies, Chairman of the board of directors of Axcel Management AB, Member of the board of directors of Loopia Holding AB and three daughter companies, member of the board of directors of AX VI AddPRo Holding III AB and two daughter companies, member of the board of directors for SuperOffice Holding III and two daughter companies, member of the board of directors for AX V INV1 Holding III OY and four daughter companies.

Financial reporting and control environment

The Board of Directors and Executive Board set out general requirements for business processes and internal controls. A number of policies are defined by the Executive Board and approved by the Board of Directors. The overall operational responsibility for risk management and internal controls relating to financial reporting rests with the Executive Board. The Audit Committee appointed by the Board of Directors assesses at regular intervals Frontmatec's overall organisational structure and organisation and the staffing of the functions that are important to internal controls and risk management.

In collaboration with the local management of the individual subsidiaries, the Executive Board assesses whether the Group has an appropriate and effective control environment. The Executive Board reports regularly to the Board of Directors on the development of Frontmatec's operations, the company's financial performance and risk position.

Frontmatec's central finance function is responsible for risk management and internal controls relating to financial reporting. The Group finance function prepares Group accounting policies and instructions and ensures that the company has permanent procedures in place for the preparation of financial statements, including an assessment of new accounting regulation and the presentation of the financial reporting to Frontmatec's stakeholders.

The Board of Directors and Executive Board receive monthly reports with detailed financial follow-up. All construction contracts are reviewed on a monthly basis on project meetings by project managers and local management. Deviations to expectations on the construction contracts are reviewed and approved by Executive Board.

Risk

Risk management is considered an essential and natural part of the realization of the Group's objectives and strategy. The daily activities, the implementation of the established strategy and the continuous use of business opportunities involve inherent risks, and the company's handling of these risks is therefore seen as a natural and integrated part of the daily work and a way to ensure stable and reliable growth.

Unusual risks

The Group has no particular commercial or financial risks other than risks of common occurrence within the industry. The Group considers the risks in the industry to be related to the global market conditions.

Financial risks

The Group is exposed to changes in exchange rates and interest rates due to its operational and financial set-up. The Group manages its financial risks through instruments for hedging of currencies and interest.

Frontmatec's business review

Knowledge resources

The leading position of the Group within the red meat processing industry is dependent on the ability to retain and attract employees with special skills and experience in order to achieve its business goals.

IT risks

Frontmatec uses IT to a significant extent and is vulnerable to interruptions of operations and breaches of the established security. Frontmatec constantly seeks to improve its IT security in order to ensure that a high level of security is maintained at all times.

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 period 1 January to 31 December. Group entities included are entities where the Group has made an investment per 31 December 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 annual reporting period.

Management considers pro forma revenue to be a useful measure of the full year activities of the Group, as it is per year-end.

DKK million	2020	2019
Revenue for the period ending 31 December	1,416	1,662
Impact from acquisitions (full year revenue)	0	12
Impact from associated companies (pro rata)	25	33
Pro forma revenue (non-IFRS) for the period ending 31 December	1,441	1,707
Revenue (IFRS)	1,416	1,662

Pro forma EBITDA before special items (non-IFRS)

Pro forma EBITDA before special items is defined as earnings before interest, tax, special items, depreciation, amortization and impairment for all group entities for the period 1 January to 31 December. Group entities included are entities where the Group has made an investment per 31 December 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 annual reporting period.

Management considers Pro forma EBITDA before special items to be a useful measure of full year performance of the Group as it is per year-end by adding financials for associated companies and full year numbers for acquired businesses during the year and by excluding such interest, tax, special items, depreciation, amortization and impairment, i.e. the measure is not impacted by capital investments or special income and expenses that are considered to be non-recurring.

DKK million	2020	2019
EBITDA before special items (non-IFRS)	207	185
Impact from acquisitions (full year EBITDA before special items)	0	2
Impact from associated companies	7	14
Pro forma EBITDA before special items (non-IFRS) for the period ending 31 December	214	201
EBITDA before special items (IFRS)	126	172

Alternative performance measures

EBITDA before special items (non-IFRS)

EBITDA before special items is defined as earnings before interest, tax, depreciation, amortization and impairment. Management considers EBITDA before special items to be a useful measure to monitor the underlying performance because by excluding the before mentioned items, the measure is not impacted by capital investments when measuring performance.

The following table provides a reconciliation of operating profit before depreciation, amortisation and special items (EBITDA before special items (IFRS) to EBITDA before special items (non-IFRS):

DKK million	2020	2019
EBITDA before special items (IFRS)	126	172
Loss on disposals	2	0
Special items	79	13
EBITDA before special items (non-IFRS) for the period ending 31 December	207	185
EBITDA before special items (IFRS)	126	172

Special items (non-IFRS)

Special 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. Management considers adjustments for special items to be a useful measure to monitor the underlying and ordinary performance of the Group.

The following table provides a specification of Special items:

DKK million	2020	2019
External costs related to acquisitions	0	17
Discontinuing outsourcing activities	0	23
Costs of internal restructuring	87	24
Other	1	9
	88	73
Special items (IFRS)	9	60

Consolidated financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2020	2019
4	**Revenue**	1,415,574	1,662,323
5,6	Production costs	-970,548	-1,156,856
8	Other operating income	9,886	154
	External costs	-87,601	-112,173
	Gross profit	367,311	393,448
6	Staff costs	-238,899	-221,695
9	Other operating costs	-2,012	-112
	Operating profit before depreciation, amortisation and special items	126,400	171,641
10	Special items	-8,759	-59,797
7	Depreciation, amortisation and impairment of non-current assets	-139,599	-145,922
	Operating loss	-21,958	-34,078
17	Share of results of associates	1,739	13,361
11	Financial income	670	2,889
12	Financial expense	-99,065	-116,914
	Loss before tax	-118,614	-134,742
13	Tax for the year	-7,174	-22,158
	Loss for the year	-125,788	-156,900

Statement of comprehensive income

Note	DKK'000	2020	2019
	Loss for the year	-125,788	-156,900
	Items that are or may be reclassified subsequently to profit or loss:		
	Unrealised gain on forward exchange contracts for the year	1,769	2,236
	Hereof tax	-422	-492
	Exchange rate gain/loss on foreign investments	-16,562	12,223
	Other comprehensive income for the year	-15,215	13,967
	Comprehensive income for the year	-141,003	-142,933

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Non-current assets		
	Goodwill	1,109,933	1,109,933
	Development completed	217,833	269,964
	Acquired intangible assets	165,084	183,940
	Development in progress	104,398	82,551
14	**Intangible assets**	1,597,248	1,646,388
	Land and buildings	126,905	137,073
	Plant and machinery	26,147	33,296
	Other fixtures and fittings, tools and equipment	16,123	15,160
16	Right-of-use assets	41,345	48,007
15	**Property, plant and equipment**	210,520	233,536
17	Investments in associates	37,702	40,292
22	Deferred tax asset	37,176	37,393
	Fixed asset investments	74,878	77,685
	Non-current assets	1,882,646	1,957,609
18	**Inventories**	189,124	197,804
19	Trade receivables	211,644	262,723
20,21	Contract assets	153,575	168,855
	Income taxes receivable	2,316	639
	Other receivables	36,184	54,991
	Prepayments	18,203	1,207
	Receivables	421,922	488,415
	Securities and investments	3,517	5,753
	Cash at bank and in hand	94,894	89,082
	Current assets	709,457	781,054
	ASSETS	2,592,103	2,738,663

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
23	Share capital	18,270	18,270
	Reserve for value adjustments of hedging transactions	-3,172	-4,425
	Reserve for foreign exchange adjustments	-2,198	13,211
	Retained earnings	432,304	537,770
	Minority interests	33,371	55,582
	Equity	478,575	620,408
	Liabilities		
22	Deferred tax	100,834	118,662
24	Lease liabilities	26,592	33,840
24	Other credit institutions	1,290,760	1,294,250
24	Other long-term liabilities	22,684	0
	Non-current liabilities	1,440,870	1,446,752
24	Current portion of long-term liabilities	16,920	17,791
	Other credit institutions	148,792	118,357
25	Other provisions	11,236	12,853
20,21	Contract liabilities	139,144	142,272
	Trade payables	123,639	171,131
	Payable to associate company	0	11,514
	Income taxes	24,545	13,024
	Deferred income	2,847	2,780
	Other payables	205,535	181,781
	Current liabilities	672,658	671,503
	Liabilities	2,113,528	2,118,255
	EQUITY AND LIABILITIES	2,592,103	2,738,663

Consolidated financial statements for the period 1 January – 31 December

Statement of changes in equity

Minority interest 6,96%

DKK'000	Share capital	Value adjust-ments of hedging transact-tions	Foreign exchange adjust-ments	Retained earnings	Total equity	Minority interests	Total
Equity at 1 January 2019	18,270	-6,047	1,841	691,128	705,192	67,200	772,392
Comprehensive income for the year							
Loss for the year	0	0	0	-145,948	-145,948	-10,952	-156,900
Other comprehensive income							
Unrealised profit on currency and interest swap in group entities	0	2,080	0	0	2,080	156	2,236
Hereof tax	0	-458	0	0	-458	-34	-492
Exchange rate on foreign investments	0	0	11,370	0	11,370	853	12,223
Other comprehensive income for the year	0	1,622	11,370	0	12,992	975	13,967
Comprehensive income for the year	0	1,622	11,370	-145,948	-132,956	9,977	-142,933
Dividend tax	0	0	0	-6,135	-6,135	0	-6,135
Share-based payment	0	0	0	-470	-470	-35	-505
Transactions with minority interests	0	0	0	-805	-805	-1,606	-2,411
Equity at 31 December 2019	18,270	-4,425	13,211	537,770	564,826	55,582	620,408

DKK'000	Share capital	Value adjust-ments of hedging transact-tions	Foreign exchange adjust-ments	Retained earnings	Total equity	Minority interests	Total
Equity at 1 January 2020	18,270	-4,425	13,211	537,770	564,826	55,582	620,408
Comprehensive income for the year							
Loss for the year	0	0	0	-117,033	-117,033	-8,745	-125,778
Other comprehensive income							
Unrealised profit on currency and interest swap in group entities	0	1,646	0	0	1,646	123	1,769
Hereof tax	0	-393	0	0	-393	-29	-422
Exchange rate gain/loss on foreign investments	0	0	-15,409	0	-15,409	-1,153	-16,562
Other comprehensive income for the year	0	1,253	-15,409	0	-14,156	-1,059	-15,215
Comprehensive income for the year	0	1,253	-15,409	-117,033	-131,189	-9,804	-140,993
Share-based payment	0	0	0	-1,684	-1,684	-126	-1,810
Capital contribution	0	0	0	13,251	13,251	-12,281	970
Equity at 31 December 2020	18,270	-3,172	-2,198	432,304	445,204	33,371	-478,575

Consolidated financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	2020	2019
Operating loss	-21,958	-34,078
Depreciation, amortisation and impairment losses	139,599	145,922
Provisions	-1,617	32,250
Changes in receivables	52,890	4,722
Changes in inventory, contract assets and contract liabilities	20,832	-141,758
Changes in trade payables	-59,006	-30,183
Changes in other working capital	49,994	33,358
Interest received	670	2,889
Interest paid	-99,065	-116,913
Corporation tax paid	-14,941	-43,421
Cash flows from operating activities	67,398	-147,212
Addition of intangible assets and property, plant and equipment	-62,889	-122,076
Sale of property, plant and equipment	6,307	2,026
Business acquisitions	0	-63,039
Dividends received	4,264	0
Cash flows from investing activities	-52,318	-182,089
Contracting of long-term liabilities	-4,361	325,157
Leasing activities	-18,109	0
Capital movement	-17,233	5,582
Cash flows from financing activities	-39,703	330,739
Net cash flows for the year	-24,623	1,438
Cash and cash equivalents at 1 January	-29,275	-30,713
Cash and cash equivalents at 31 December	-53,898	-29,275

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Cash at bank and in hand	94,894	89,082
Other credit institutions	-148,792	-118,357
Cash and cash equivalents at 31 December	-53,898	-29,275

Consolidated financial statements for the period 1 January – 31 December

Content of notes to the Consolidated Financial Statements

Consolidated financial statements for the period 1 January – 31 December

Notes to the Consolidated Financial Statements

1 Adoption of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as the amount of interest rate hedge relationships is limited.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

2 Key accounting estimates and judgements

The financial reporting process is subject to systematic assessment on an ongoing basis in collaboration with the Audit Committee. The tasks and focus areas of the Audit Committee are updated every year in the form of an annual wheel. According to the annual wheel, the tasks of the Audit Committee include monitoring the financial reporting process in connection with the publication of annual and interim reports, including a review of accounting policies and significant accounting estimates and judgments:

Revenue/construction contracts
The total expected costs related to construction contracts are partly based on an estimate, as they include provisions for unforeseen cost deviations in future supplies of raw materials, subcontractor products and services plus commissioning and handing over. Cost estimates have an impact when assessing the progress of contract works and thereby revenue recognition.

Impairment test
An estimate is made of the future free net cash flow based on budgets and the strategy and projections for subsequent years. Significate parameters in this estimate are discount rate, revenue development, EBIT margins and growth expectations for the years after the budget year.

Deferred tax liabilities and assets
Deferred tax assets are recognised if it is likely that there will be taxable income in the future against which timing differences or tax loss carry forwards may be used.
For this purpose, Management estimates the coming years' earning based on budgets and expected growth.

Inventories
The net realisable value of inventories is calculated as selling price less costs of completion and costs necessary to make the sale. The net realisable value is determined, taking into account marketability, obsolescence and development in expected selling prices. Following the economic trend in the market, Management have given special attention to inventory turnover when determining net realisable value.

Trade receivables
Estimates are used in determining the level of receivables that cannot be collected according to Management. When evaluating the adequacy of the allowance for doubtful receivables, Management analyses trade receivables and examines changes in customer creditworthiness, customer payment patterns and current economic trends.

Warranties
Warranties are measured on the basis of empirical information covering several years as well as estimates by Management of future trends.

Fair value
Estimates and judgements used to determine fair value is described in the relevant notes.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 **Other general accounting policies**

Frontmatec Group ApS is a private limited company registered in Denmark. The company holds a bond listed on Nasdaq OMX Copenhagen. The financial statements section of the Annual Report for the year 1 January 2020 - 31 December 2020 comprises both the consolidated financial statements of Frontmatec Holding III ApS and its subsidiaries (the Group) and the separate Parent Company financial statements.

The consolidated annual accounts are presented in accordance with IFRS as adopted by the EU and other requirements of the Danish Financial Statements Act reporting class D.

Basis of recognition and measurement

Assets are recognised in the balance sheet when it is probable that future financial benefits will accrue to the Group and the value of the assets can be measured reliably. Liabilities are recognised in the balance sheet when the Group as a result of a previous event has a legal or actual commitment, and it is probable that future financial benefits will flow out of the Group and the value of the liability can be measured reliably. Measurement at initial and subsequent recognition of assets and liabilities takes place as described for each individual item below. At recognition and measurement, various risks and losses which appear before the annual report is presented and which confirm or invalidate matters which existed on the balance sheet date are taken into consideration.

Reporting currency

The annual report is presented in Danish kroner (DKK) and rounded to thousands of DKK. DKK is the presentation currency of the activities of the Group and the functional currency of the Parent Company.

Consolidation

The consolidated financial statements comprise the Parent Company Frontmatec Holding III ApS and entities controlled by it. Control is presumed to exist when the parent owns, directly or indirectly, more than half of the voting power of an entity is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. Control may also exist by virtue of an agreement or articles of association or when the parent otherwise has a controlling interest in the subsidiary or actually exercises controlling influence over it.

The existence and effect of potential voting rights that are currently substantive are considered when assessing whether control exists including whether the parent has an exposure or has rights to variable returns from its involvement with the entity.

The consolidated entities' financial statements are prepared in accordance with the accounting policies applied by the parent. The consolidated financial statements are prepared on the basis of the financial statements of the consolidated entities by adding together like items. Intra-group income, expenses, gains, losses, investments, dividends and balances are eliminated.

Business combinations

Recently acquired or sold subsidiaries are recognised in the consolidated comprehensive income statement for the period in which the parent controls such entities. Comparative figures are not restated for recently acquired or sold entities.

The acquisition method is applied to the acquisition of subsidiaries. The cost is made up at the fair value of the consideration. Acquisition-related costs are recognised in the comprehensive income statement. Conditional payments are recognised at fair value at the amount expected to be paid. Identifiable assets and liabilities in the acquired entities are recognised at the fair value at the time of acquisition. Provisions for restructuring expenses relating to the acquired entity are recognised if the restructuring has been decided at the time of acquisition. Provisions for deferred tax are recognised according to fair value revaluations of assets and liabilities. Any residual difference between the cost and the Group's share of the fair value of the identifiable assets and liabilities including deferred tax is recognised as goodwill or negative goodwill.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

If there is uncertainty regarding the identification or measurement of acquired assets, liabilities and contingent liabilities or the determination of the consideration at the date of acquisition, initial recognition is based on provisional values. The provisional values can be adjusted or additional assets or liabilities included until 12 month after the acquisition date. If new information has occurred regarding circumstances that existed at the time of acquisition which would have affected the statement of value at the time of acquisition if the information had been known, assets and liabilities including goodwill are restated accordingly.

Currency translation

The functional currency is determined for each of the reporting entities. The functional currency is the currency primarily used by the individual reporting entity in connection with day-to-day operations. Transactions in another currency than the functional currency are transactions in foreign currency.

Transactions in another currency than the functional currency are translated at a periodic average currency rate or the exchange rate on the transaction date. Receivables, payables and other monetary items denominated in foreign currencies are translated into Danish kroner (DKK) at the exchange rate on the balance sheet date. Any foreign exchange differences between rates prevailing on the date of transaction and the payment date or the balance sheet date, as the case may be, are recognised in the comprehensive income statement as financial items.

Foreign group entities

As regards foreign operations, the items in their financial statements are translated using the following principles:

- Balance sheet items are translated at the closing rate.
- Items in the comprehensive income statement are translated at an average periodic exchange rate.

Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the comprehensive income statement from the rate at the date of the transaction to the closing rate are recognised through other comprehensive income and attributed to a separate translation reserve in equity.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at fair value. On subsequent recognition, derivative financial instruments are measured at fair value at the balance sheet date. Positive and negative fair values are recognised as other receivables and other payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets or liabilities are recognised in the comprehensive income statement together with changes in the fair value of the hedged asset or liability.

Fair value adjustments of derivative financial instruments designated and qualifying as a cash flow hedge are taken to equity until the hedged transaction is carried through. Where the future transaction results in recognition of an asset or a liability, the accumulated fair value adjustment is transferred from equity to the cost of the asset or liability. Where the future transaction results in income or expenses, the accumulated fair value adjustment is transferred from equity to the comprehensive income statement together with the hedged item.

Fair value adjustments of derivative financial instruments which do not qualify for being treated as hedging instruments are recognised in the comprehensive income statement as financial income or expenses.

Comprehensive income

Revenue recognition

The Group recognizes revenue from the following major sources:

- Sale of spare parts and consumables
- Construction and installation of specialized machinery and equipment including automation
- Supply of service

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

Sale of spare parts

The Group sells spare parts and consumables directly to customers. Sales-related warranties associated with spare parts cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37. Revenue is recognized when control of the goods has transferred being when the goods have been shipped to the customer's specific location (delivery). A receivable is recognized by the Group when the goods are delivered to customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Construction and installation of specialized machinery and equipment

The Group constructs and sells specialized machinery and equipment including automation under long-term contracts with customers. Such contracts are entered into before construction begins. Under the terms of the contracts, the Group has an enforceable right to payment for work done. Revenue from these contracts is therefore recognized over time on a cost-to cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognized a contract asset for any work performed. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date under the cost-to-cost method then the Group recognizes a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is typically less than one year.

Supply of service

The Group provides service for maintenance and repair purposes. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15. Payment for service rendered is typically not due from the customer until the service is completed and therefore a contract asset is recognized over the period in which the installation services are performed representing the entity's right to consideration for the services performed to date.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the entity's core activities.

Production costs

Production costs comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories. Production costs regarding construction contracts for third parties are recognised as incurred. Production costs further include research and development costs not satisfying the capitalisation criteria.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 **Other general accounting policies (continued)**

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets. **Grants**

Grants for research and development costs are recognised in the comprehensive income statement as other operating income on a systematic basis over the period in which the Group recognises the expenses for which the grants are intended to compensate.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Special items

Special items include significant income and costs of a special nature in terms of the Group's revenue generating operating activities which cannot be attributed directly to the Group's ordinary operating activities. Such income and costs include the cost related to significant restructuring of processes and fundamental structural adjustment, as well as gains or losses arising in this connection, and which are significant over time.

Special items also include items that by nature are non-recurring, specifically impairment of goodwill, gains and losses on the disposal of activities and transaction cost in a business combination. These items are classified separately in the income statement, in order to provide a more accurate and transparent view of the Group's recurring operating profit.

Amortisation, depreciation of intangible assets and property, plant and equipment

The item comprises amortisation, depreciation of intangible assets and property, plant and equipment.

Intangible assets and property, plant and equipment are amortised/depreciated on a straight-line basis over the expected useful life of each individual asset. The amortisation/depreciation basis is the cost and a scrap value of zero. The expected useful lives of the assets are as follows:

	Useful life (years)
Buildings	10-40
Plant and machinery	3-10
Other fixtures and fittings, tools and equipment	3-5
Development costs	3-10
Acquired intangible assets	3-10

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associate's profit/loss after elimination of internal profits or losses.

Financial income and expenses

Financial income and expenses are recognised in the comprehensive income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, dividends declared from other securities and investments, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities in consolidated financial statements and parent company financial statements the period 1 January - 31 December.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the years deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the comprehensive income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Current tax liabilities and current tax receivable, respectively, are recognised in the balance sheet, computed as calculated tax of the taxable income of the year, adjusted for tax paid on account.

Deferred tax is recognised and measured by the balance orientated liability method of all temporary differences between book value and value for tax of assets and liabilities. Tax value of the assets is computed on the basis of the planned use of the individual asset. Deferred tax is measured on the basis of the tax rules and the rates of tax in the respective countries, which with the legislation on the balance sheet day, will apply when the deferred tax is expected triggered as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the statement of comprehensive income. Deferred tax assets, including value for tax of tax losses allowed for carry forward are recognised in the balance sheet with the value at which the asset is expected to be realised, either through set off in deferred tax liabilities or as net tax assets.

Balance sheet

Goodwill

Goodwill is measured in the balance sheet at cost in connection with initial recognition. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to the cash flow generating units as defined by Management. The determination of cash generating units complies with the managerial structure and the internal control and reporting in the Group.

Other intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation and impairment losses.

Development projects are capitalised if they are clearly defined and identifiable and the following recognition criteria can be satisfied:

- the technical feasibility of completing the project can be demonstrated
- plans are to produce and market the product or to use the product or the process
- sufficient technical and financial resources to complete and use or sell the project are available
- it is probable that the project will generate future economic benefits and that a potential, future market or possibility of internal use in the entity exists
- the cost can be made up reliably.

Development costs not satisfying the above criteria are expensed in the comprehensive income statement as incurred.
The cost of development projects is measured at direct costs incurred as well as a portion of costs directly attributable to the individual development projects.

Property, plant and equipment

Land and buildings, plant and facilities and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated, as the scrap value expects to exceed carrying amounts.

Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use. The cost of self-constructed non-current assets includes the cost of direct materials and labour, etc. directly used in the production process and a portion of the relating production overheads.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Investments in group entities

Investments in subsidiaries are in the Parent company's financial statements measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value.

Investments in associates

Investment in associates is accounted for using the equity method.

Dividends received from associates below represent the actual amounts attributable and hence received by the Group. The other summary information that precedes the reconciliation to the Group's carrying amount represents amounts included in the IFRS financial statements of the associate, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

Impairment test

Goodwill is tested for impairment at least once a year and when there is evidence of impairment, the first time being before the end of the year of acquisition. The carrying amounts of other non-current assets are reviewed each year to determine whether there is any evidence of impairment. If any such evidence exists, the recoverable amount of the as-set is calculated. The recoverable amount is the higher of the fair value of the assets less expected disposal costs or value in use.

Impairment losses are recognised if the carrying amount of an asset or a cash generating unit exceeds the recoverable amount of the asset or the cash generating unit. Impairment losses are recognised in the comprehensive income statement under the same heading as the related amortisation and depreciation. Impairment of goodwill is not reversed.
Recognition of impairment of other assets is reversed to the extent that changes have taken place in the assumptions and estimates that led to the recognition of impairment.

Loss on impairment is only reversed to the extent that the new carrying amount of the asset does not exceed the carrying amount which the asset would have had after depreciation or amortisation if the asset had not been written down for impairment.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value. The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

Work in progress and finished goods are measured at manufacturing cost, which includes the cost of raw materials, consumables and direct payroll costs plus production overheads.

Production overheads comprise direct attributable costs incurred in connection with processing raw materials into finished goods, including labour as well as maintenance and amortisation/depreciation of intangible assets and property, plant and equipment used in the production process.

Receivables

Receivables are recognised initially at fair value less expected credit loss. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the report date, including time value of money where appropriate.

Construction contracts

Ongoing service supplies and construction contracts are measured at the fair value of the work performed less advances received. The fair value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total expenses on each individual construction contract.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Where the outcome of a construction contract cannot be made up reliably, the fair value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the construction contract are expected to exceed the total fair value, the expected loss is recognised as a loss making agreement under "Provisions" and is expensed in the comprehensive income statement.

The value of each construction contract less prepayments is classified as contract assets when the fair value exceeds prepayments and as contract liabilities when prepayments exceed the fair value.

The individual construction contract is recognised in the balance sheet under receivables or liabilities dependent on whether the net value, calculated as the purchase price less received prepayments, is negative or positive.

Securities and investments

Securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

Cash

Cash comprises cash and bank balances, utilised draft facilities and are measured at amortised cost.

Employee obligations

Pension obligations and similar non-current liabilities

The Group has entered into pension plans and similar arrangements with most employees.

Contributions to defined contribution plans where the Group makes fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any outstanding contributions are recognised in the statement of financial position as other payables.

Incentive programme

The value of services received in exchange for granted options is measured at the fair value of the options granted.
For equity-settled programmes, the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity as an owner transaction.

On initial recognition of the share options, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest so that the total recognition is based on the actual number of vested options.

Accordingly, recognition is based on the number of options ultimately vested. The fair value of granted options is estimated using an option pricing model, taking into account the terms and conditions upon which the options were granted.

Provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on construction contracts, restructurings, etc. Provisions are recognised when the entity has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax

Current tax payables and receivables are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

3 Other general accounting policies (continued)

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on nonamortisable goodwill.

Deferred tax is measured according to the taxation rules and taxation rates in the respective countries applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Borrowing costs, including capital losses, are recognised as financing costs in the comprehensive income statement over the term of the loan. Other liabilities are measured at net realisable value.

Deferred income

Deferred income is measured at cost in consolidated financial statements and parent company financial statements for the period 1 January - 31 December.

Cash flow statement

The cash flow statement shows the entity's net cash flows, broken down by operating, investing and financing activities, the year's changes in cash and cash equivalents and the entity's cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are presented using the indirect method and are made up as the profit or loss for the year, adjusted for non-cash operating items, changes in working capital, paid net financials and paid income taxes.

Cash flows from investing activities comprise payments in connection with purchase and sale of fixed assets, securities which are part of investment activities and payments in connection with purchase and sale of businesses and activities.

Cash flows from financing activities comprise dividends paid to shareholders, capital increases and reductions, borrowings and repayments of interest bearing debt.

Cash and cash equivalents comprise cash and short-term securities in respect of which the risks of changes in value are insignificant.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

4 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 year ended 31 December 2020

DKK'000	North America	Europe	Rest of World	Total	Unallocated	Consolidated
Revenue	396,676	949,499	69,399	1,415,574	0	1,415,574
Operating profit before depreciation	89,644	46,153	-18,156	117,656	0	117,641
Total assets	210,836	674,346	129,041	1,014,223	1,577,880	2,592,103
Short term liabilities	-86,810	-417,555	-110,037	-614,402	-1,499,126	-2,113,528
	124,026	256,791	19,004	399,821	78,754	478,575

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

Financial year ended 31 December 2019

DKK'000	North America	Europe	Rest of World	Total	Unallocated	Consolidated
Revenue	573,756	984,352	104,216	1,662,323	0	1,662,323
Operating profit before depreciation	106,944	6,986	-2,086	111,844	0	111,844
Total assets	205,496	720,170	142,485	1,068,151	1,670,512	2,738,663
Short term liabilities	-191,413	-376,044	-105,539	-672,996	-1,445,259	-2,118,255
	14,083	344,126	36,946	395,155	225,253	614,596

There are no single customers with revenue of more than 10% of the total revenue.

DKK'000	2020	2019
Timing of revenue recognition		
Recognition at single point of time	475,146	486,665
Recognition over time	940,428	1,175,658
	1,415,574	1,662,323

Performance obligations are usually satisfied within a 12-month period and hence part of the transaction price allocated to the unsatisfied part of ongoing contracts is not disclosed.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

	DKK'000	2020	2019
5	**Production costs**		
	Production costs for the year	962,707	1,148,030
	Inventory write-down for the year	7,841	8,826
		970,548	1,156,856
6	**Staff costs**		
	Wages and salaries	463,096	490,937
	Pensions	17,314	18,383
	Other social security costs	31,322	34,588
		511,732	543,908
	Average number of full-time employees	1,163	1,263
	Staff costs are recognised as follows financial statements:		
	Production costs	272,833	318,113
	Staff costs	238,899	221,695
	Special non-recurring costs	0	4,100
		511,732	543,908

Total remuneration to the Executive Board of DKK 0 thousand and Board of Directors of DKK 0 thousand are included in staff costs (DKK 0 thousand in 2019).

For details on share based payment please refer to note 31.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

	DKK'000	2020	2019
7	**Depreciation, amortisation and impairment losses**		
	Development completed	71,512	74,261
	Acquired intangible assets	27,537	35,347
	Buildings	8,477	7,454
	Plant and equipment	8,629	6,025
	Other fixtures and fittings, tools and equipment	5,921	5,710
	Right-of-use assets	17,523	17,125
		139,599	145,922

8	**Other operating income**		
	COVID-19 related compensation	7,937	0
	Government Grant	462	0
	Profit on sale of business activity	1,487	0
	Profit on sale of property, plant and equipment	0	154
		9,886	154

9	**Other operating cost**		
	Loss on sale of property, plant and equipment	2,012	112
		2,012	112

10	**Special items**		
	External cost related to acquisitions	68	13,215
	Discontinuing outsourcing activities	0	23,386
	Cost of internal restructuring	7,682	23,196
	External consultants	1,009	0
		8,759	59,797

11	**Financial income**		
	Other interest receivable, exchange rate gains and similar income	670	2,889
		670	2,889

12	**Financial expenses**		
	Exchange rate losses	5,001	419
	Interest expense, and similar expenses	92,450	114,543
	Calculated interest expense for right of use assets	1,614	1,952
		99,065	116,914

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

	DKK'000	2020	2019
13	**Tax for the year**		
	Current tax for the year	18,931	13,813
	Current tax for last year	6,909	1
	Changes in provision for deferred tax	-18,666	8,344
		7,174	22,158
	Specified as follows:		
	Tax for the year	-157	23,203
	Tax for last year	6,909	-1,047
	Tax on profit/loss	6,752	22,156
	Tax on changes in OCI	422	2
		7,174	22,158
	Reconciliation of tax rate:		
	Tax according to Danish tax rate	-26,095	-29,643
	Differences in the tax rates in foreign subsidiaries relative to 22%	5,687	14,050
	Non-taxable income and non-deductible costs	20,673	5,512
	Adjustments of current tax regarding previous years	0	-286
	Not recognised deferred tax asset	6,909	32,525
		7,174	22,158
	Effective tax rate	-6.0 %	-16.4 %

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Intangible assets

DKK'000	Goodwill	Development completed	Acquired intangible assets	Development in progress	Total
Cost price					
Cost at 1 January 2020	1,109,933	505,873	309,888	82,551	2,008,245
Acquisitions	0	0	0	0	0
Exchange rate adjustments	0	-1,656	-632	-791	-3,079
Transfer	0	20,715	0	-20,715	0
Additions in the year	0	156	9,273	43,538	52,967
Disposals in the year	0	-575	-547	-185	-1,307
Cost at 31 December 2020	1,109,933	524,513	317,982	104,398	2,056,826
Amortisation and write-downs					
Balance at 1 January	0	235,909	125,948	0	361,857
Exchange rate adjustments	0	-626	-332	0	-958
Transfer	0	0	0	0	0
Amortisation in the year	0	71,512	27,537	0	99,049
Disposals in the year	0	-115	-255	0	-370
Balance at 31 December 2020	0	306,680	152,898	0	459,578
Carrying amount at 31 December 2020	1,109,933	217,833	165,084	104,398	1,597,248
Cost price					
Cost at 1 January 2019	1,100,455	479,231	282,455	47,262	1,909,403
Acquisitions	9,478	0	18,836	0	28,314
Exchange rate adjustments	0	728	178	700	1,606
Transfer	0	24,690	-359	-24,690	-359
Additions in the year	0	1,224	8,778	59,279	69,281
Disposals in the year	0	0	0	0	0
Cost at 31 December 2019	1,109,933	505,873	309,888	82,551	2,008,245
Amortisation and write-downs					
Balance at 1 January	0	161,259	90,645	0	251,904
Exchange rate adjustments	0	389	80	0	469
Transfer	0	0	-124	0	-124
Amortisation in the year	0	74,261	35,347	0	109,608
Disposals in the year	0	0	0	0	0
Balance at 31 December 2019	0	235,909	125,948	0	361,857
Carrying amount at 31 December 2019	1,109,933	269,964	183,940	82,551	1,646,388

The management performs an impairment test of the carrying amount at least annually and more frequently if there are indicators of impairment. In the review of other non-current assets there were no evidence of impairment.

The annual impairment test is performed on 31 December 2020.

The recoverable amount of goodwill to the individual cash generating units are calculated based on the Capital Asset Pricing Model (CAPM model).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

14 Intangible assets (continued)

The impairment test as at 31 December 2020 showed no evidence of impairment for 2020. Management believes that currently no changes in the key assumptions are reasonably likely to reduce the headroom to zero in the CGU.

The definition of CGU in the impairment test is based on the certainty by which the carrying amount of the intangible assets can reasonably be allocated and monitored. The impairment test is based on the CGU "Advanced food processing equipment".

Key assumptions

The recoverable amount of the individual cash-generating unit to which the goodwill amounts to, is calculated based on the calculations of capital value. The most significant uncertainties are connected to the determination of discount rates, growth rates and expected changes in costs in the budget and terminal periods.

Assumptions used in the calculation is an EBIT Margin of 8.5 percent in 2021. The increased EBIT is based on the turnaround of Kolding. The long-term EBIT margin of 12-18 percent.

The expected annual growth rate and the expected margins in the budget period are based on historical experience and the assumptions about expected market developments as detailed above.

Growth is supported by a rising world population, increasing urbanising, growing wealth and as an outcome of the COVID-19 Pandemic there is an increasing demand for food well-being and food safety. The entities have a potential to grow in both their core markets as well as in other markets where other group entities are located.

The discount rate has been revised for the CGU to reflect the latest market assumptions for the risk-free rate based on a 10-year government bond, the equity risk premium and the cost of debt.

The long term growth rate for the terminal period is based on the expected growth in the world economy, specifically for the industry.

Cash generating unit	**Annually average growth rate in EBIT in budget period**	**Growth rate in terminal period**	**Discount rate after tax**	**Discount rate before tax**
Advanced food processing equipment	12-18	1%	10,5	8,2

A sensibility analysis has been made of the main assumptions in the impairment test to identify the lowest and/or highest discount rate and the lowest growth rate for each cash generating unit. The sensibility analysis shows no evidence of impairment.

Completed development projects and development projects in progress are own developed R&D.

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Notes to the financial statements

15 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost price				
Cost at 1 January 2020	156,757	53,130	28,639	238,526
Acquisitions	0	0	0	0
Exchange rate adjustments	-3,561	-2,844	-706	-7,111
Transfer	0	0	0	0
Additions in the year	1,401	8,134	7,366	16,901
Disposals in the year	0	-7,303	-2,072	-9,375
Cost at 31 December 2020	154,597	51,117	33,227	238,941
Amortisation and write-downs				
Balance at 1 January	19,684	19,834	13,479	52,997
Exchange rate adjustments	-469	-1,607	-362	-2,438
Transfer	0	0	0	0
Amortisation in the year	8,477	8,629	5,921	23,027
Disposals in the year	0	-1,886	-1,934	-3,820
Balance at 31 December 2020	27,692	24,970	17,104	69,766
Carrying amount at 31 December 2020	126,905	26,147	16,123	169,175
Cost price				
Cost at 1 January 2019	143,051	35,318	23,810	202,179
Acquisitions during the year	54	13	506	573
Exchange rate adjustments	2,955	2,399	476	5,830
Additions in the year	11,395	13,772	6,691	31,858
Transfer	554	5,634	177	6,365
Disposals in the year	-252	-4,006	-3,021	-7,279
Cost at 31 December 2019	157,757	53,130	28,639	239,526
Amortisation and write-downs				
Balance at 1 January	12,105	9,687	9,480	31,272
Exchange rate adjustments	210	1,214	235	1,659
Transfer	122	6,053	-45	6,130
Depreciation in the year	7,454	6,025	5,710	19,189
Accumulated depreciation and write-downs of disposals	-207	-3,145	-1,901	-5,253
Balance at 31 December 2019	19,684	19,834	13,479	52,997
Carrying amount at 31 December 2019	137,073	33,296	15,160	185,529

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

16 Right-of-use assets

DKK'000	Land and buildings	Plant and machinery	Other fixture and fittings, tools and equipment	Total
Balance at 1 January 2020	38,431	133	9,443	48,007
Exchange rate adjustments	-600	-3	-181	-784
Additions in the year	5,604	664	5,184	11,452
Re-measurement of leading debt	226	0	-33	193
Depreciation in the year	-11,368	-331	-5,824	-17,523
Balance at 31 December 2020	32,293	463	8,589	41,345
Balance at 1 January 2019	27,681	541	8,436	36,658
Exchange rate adjustments	302	1	21	324
Additions in the year	23,578	0	6,015	29,593
Re-measurement of leading debt	-742	0	-701	-1,443
Depreciation in the year	-12,388	-409	-4,328	-17,125
Balance at 31 December 2019	38,431	133	9,443	48,007

The Group leases several assets including building and cars. The lease terms range from 1 to 3 years for cars and 2 to indefinite for buildings.

Management estimate for the expected use of tight-of-use assets with no defines expiry date a range of 1.5 to 5 years was applied.

Leases does not include variable lease payments.

Approximately one third of the leases for cars expires in the current financial year. The expired contracts were replaced with new leases for identical underlying assets. The resulted in additions to right-of-use assets of DKK 5.2 million.

The addition to land and buildings relate to new leases of buildings in Kolding and Shanghai.

DKK'000	2020	2019
Depreciation expense on right-of-use assets	17,507	17,125
Interest expense on lease liabilities	1,614	1,952
	19,121	19,077

The total cash outflow for leases amount to DKK 18.1 million for the Frontmatec Group.

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Notes to the financial statements

17 Investments in associates

Associates

AIRA ROBOTICS, S.L (Aira)

Principal activity	Legal form	Domicile	Direct Group holding
Development and sales of robotic solutions for the meat industry	S.L.	Cardona, Spain	40%

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts in associates' financial statements prepared in accordance with IFRS Standards (adjusted by the Group for equity accounting purposes).

DKK'000	2020
Current assets	40,329
Non-current assets	13,404
Current liabilities	-14,246
Non-current liabilities	-4,371
Equity attributable to owners of the company	35,116
Non-controlling interest in associate	-21,070
Controlling interest in associate	14,046
Goodwill	23,656
Carrying amount of the Group's interest in the associate	37,702
Revenue	64,738
Profit for the year	4,318
Other comprehensive income attributable to other owners of the company	-2,580
Total comprehensive income	1,738
Dividends received from the associate during the year	4,264

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aira recognised in the consolidated financial statements.

Cost price for the investment in Aira is DKK 26.9 million.

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Notes to the financial statements

18 Inventories

DKK'000	2020	2019
Raw materials and consumables	97,845	100,509
Work in progress	14,822	24,113
Manufactured goods and goods for resale	76,457	73,182
	189,124	197,804

19 Trade receivables

DKK'000	2020	2019
Receivables from sales	211,644	266,723
Write down at 1 January	9,471	3,376
Acquired write downs	0	159
Foreign exchange adjustments	-48	93
Addition	321	7,464
Reversals/realised	-4,156	-1,621
Write-down at 31 December	5,588	9,471

The credit period is between 8-60 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. Expected credit losses on trade receivables are estimated based on past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Historical losses are fairly limited since the majority of trade receivables relate to projects where prepayments are received.

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Notes to the financial statements

20 Contract assets and liabilities

DKK'000	2020	2019
Contractual assets		
Construction contracts	153,575	168,855
Contractual liabilities		
Construction contracts	-139,144	-142,272

Recorded revenue related to contracts

Contracts (assets) with customers include sales value of work performed where the Group has not yet obtained an unconditional right to payment since the work has not been completed in full and thereby accepted by the customer.

Contracts (liabilities) include unconditional prepayments for work not yet performed. The liabilities at 1 January 2020 of DKK 142.3 million (2019: DKK 234.2 million) have been recognised as revenue in 2020 and 2019 respectively.

Significant change in contractual assets and liabilities

The change in contractual assets and contractual liabilities is driven by changed mix in project phases.

Not satisfied performance obligations related to construction contracts

In accordance with IFRS 15.112 the Group does not disclose information on not-satisfied performance obligations since the construction contract have an activity range of less than one year.

21 Construction contracts

DKK'000	2020	2019
Selling price of work performed	1,348,183	1,345,973
Progress billings	-1,333,752	-1,319,390
	14,431	26,583
recognised as follows:		
Contracts assets	153,575	168,855
Contracts liabilities	-139,144	-142,272
	14,431	26,583

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Notes to the financial statements

22 Deferred tax

Deferred tax relates to:

DKK'000	2020	2019
Intangible assets	-97,251	-119,131
Property, plant and equipment	1,383	4,365
Current assets	2,226	-36,558
Liabilities	3,420	4,882
Tax loss carry forwards	27,090	65,173
Deferred tax at 31 December	-63,132	-81,269
recognised as follows:		
Deferred tax assets	37,702	37,393
Deferred tax liability	-100,834	-118,662
Deferred tax at 31 December	-63,132	-81,269

Carry forward losses are recognized based on the expected utilization within 3-5 year.

Carry forward losses of DKK 49.5 million are not registered deferred tax as it is not expected to be utilized within the 3-5 years.

23 Share capital

The Parent Company's share capital, DKK 18,270 thousand, is composed of shares of DKK 0.01 or multiples hereof.

DKK'000	2020	2019
1 January	18,270	18,270
31 December	18,270	18,270

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Notes to the financial statements

24 Long–term liabilities

Breakdown of certain liabilities according to long-term and short-term liabilities:

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2020	Due within 1 year	Total 31/12 2020
Mortgage debt	3,831	3,598	7,429	1,128	8,557
Other credit institutions	1,283,331	0	1,283,331	0	1,283,331
Other long-term liabilities	1,184	21,500	22,684	743	23,427
Lease liabilities	26,592	0	26,592	15,792	42,384
	1,314,938	25,098	1,340,036	17,663	1,357,699

DKK'000	Due between 1 and 5 years	Due after more than 5 years	Total long-term liabilities at 31/12 2019	Due within 1 year	Total 31/12 2019
Mortgage debt	4,502	4,026	8,528	1,128	9,656
Other credit institutions	1,285,722	0	1,285,722	1,731	1,287,453
Lease liabilities	32,288	1,552	33,840	14,932	48,772
	1,322,512	5,578	1,328,090	17,791	1,345,881

The fair value is other credit institutions is calculated as redemption cost for the outstanding bonds. The fair value is DKK 1,354 million for the Senior Secured Floating Rate Bonds. Significant observable inputs (level 2) have been used in the fair value measurement.

Interest for EUR 175,000,000 Senior Secured Floating Rate Bonds until due date 10 October 2024 amount to DKK 286.8 million.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's central finance function.

25 Provisions

DKK'000	2020	2019
Warranties at 1 January	12,853	10,570
Acquisition of warranty	0	0
Exchange rate adjustments	-653	334
Utilised during the year	-5,612	-11,272
Reversal	-4,398	-105
Provision for the year	9,046	13,326
Warranties at 31 December	11,236	12,853

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26 Security for loans and contingent liabilities

Group

The shares in Frontmatec Group ApS, Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Skive A/S, Frontmatec Smørum A/S, Frontmatec Hygiene GmbH, Frontmatec Equipment Inc., Frontmatec Inc. and Frontmatec B.V. are held as security for all bank debt and EUR 175m Nordic Bond.

As security for mortgage loan of DKK 9.7 million, mortgage is granted on the land buildings at a book value of DKK 36.4 million with an owner's mortgage secured on the property Mommarksvej a293-301, Tandslet of DKK 15.0 million, Hassellunden 9, Smørum DKK 6.2 million.

As security for EUR 175m Nordic Bond is granted with an owner's mortgage secured on the property, Mommarksvej 293-301, Tandslet of DKK 2.5 million.

As security for all bank loans, floating company deed over chattels is granted by Frontmatec Tandslet A/S, DKK 37.7 million, Frontmatec Smørum A/S, DKK 3 million and Frontmatec Kolding A/S, DKK 15 million.

As security for bank loan of CNY 10 million mortgage is granted on the land of the property, No. 11 Industrial Garden, Huangtun town, Jining High & New Tech. Development Zone, Shandong, R.R. 272100 China.

Furthermore, the Group has issued a negative pledge to the bank.

Frontmatec Group ApS, Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec GmbH and Frontmatec Hygiene GmbH, Frontmatec Equipment Inc., Frontmatec Inc. have issued a guarantee of payment for all bank debt and EUR 175m Nordic Bond.

Prepayment guarantees and performance bonds provided to customers amount to DKK 35.2 million.

The Group's Danish companies are jointly and severally liable for tax on consolidated taxable income etc. The total amount of corporation tax payable is disclosed in the annual report of Frontmatec Holding III ApS, which is the administration company for joint taxation.

Furthermore, the Group's Danish companies are jointly and severally liable for Danish withholding taxes on dividends, royalties and interest. Any subsequent changes to corporation taxes and withholding taxes may render the Company liable for a greater amount.

The Group is involved in disputes. The outcome of such disputes is by nature unknown but is not expected to have significant impact on our financial position.

27 Financial risks

The Group's financial risks comprise currency, interest, and price risks. Management identifies the level and concentration of risks and initiates policies to address these through continuous business reviews. The Group is also exposed to liquidity and credit risks, but it is the Group's policy not to engage in any active speculation in financial risks.

Currency risk

The Group's currency risk derives from the impact of exchange rates on future commercial payments and financial payments. Most of the Group's revenue is order-based and consists mainly of sales in the functional currency used by the individual company. The Group enters into forward contracts no later than when the sales contract becomes effective.

Production costs typically consist of internal costs and procurement in the Group's functional currency and other currencies.

The Group's has a EUR 175,000,000 Senior Secured Floating Rate Bonds due 10 October 2024.

The Group's main currencies for commercial purposes are DKK, EUR, USD, CAD, CNY, GBP and RUB.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

27 **Financial risks (continued)**

An increase of 5% in a given exchange rate against DKK would in 2020 have had the following impact on the consolidated profit for the year and equity.

DKK'000	EUR	USD	CAD	CNY	GBP	RUB
Profit/Loss	-61,228	1,461	1,755	-609	523	98
Equity	-56,379	5,143	5,012	-3,808	2,165	91

The currency exposures arising from financial instruments; thus, the analysis does not include the hedged commercial transactions.

Interest risk

Interest rate risks concern the interest-bearing financial assets and liabilities of the Company. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of corporate bonds, bank and mortgage debt. Interest rate risks occur when interest rate levels change. A 1% increase in the interest rate will have a DKK 14.2 million effect on the Company's interest expenses. The Group has entered into an interest swap to minimize the interest risk.

Price risk

The Company has a low price risk on procurement and sales. The possibilities to apply price adjustments to the sales prices depend partly on the market situation. Price changes can therefore affect the profit/loss both upwards and downwards. It is company policy not to enter into long-term price agreements with neither customers nor vendors.

Liquidity risk

The purpose of the Company's cash management is to ensure that the Company at all times has sufficient and flexible financial resources at its disposal and is able to honour its obligations when due. The Company's liquidity reserves consist of credit balances and fixed overdraft facilities.

Financial counterpart risk

The use of financial instruments entails the risk that the counterparty may not be able to honour its obligations. The Company minimizes risk by limiting its use of financial institutions to those with an acceptable credit rating.

Commercial credit risk

The credit risk incurred from trade receivables is generally managed by continuous credit evaluation of customers and trading partners. Credit risks on counterparties other than banks are minimized through the use of export letters of credit, prepayments.

The maximum credit risk related to financial assets corresponds to the accounting value plus write-downs.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

28 **Derivatives**

Fair value hedge

To minimize the foreign currency exposure arising from intercompany balances, the Company uses forward exchange contracts. The change in fair value is specified below:

DKK'000	2020	2019
Fair value	-14,132	-7,424
Included in the income statement	-14,132	-7,424

The contract notional amount on the forward exchange contracts are:

	2020	2019
DKK/USD	-73,875	-62,456
DKK/GBP	-3,701	-3,747
DKK/CAD	0	-29,019
CNH/DKK	122,650	106,636

Cash-flow hedge

To minimise the foreign currency exposure arising from future cash transactions and to minimize the interest fluctuations on long-term liabilities, the company used forward exchange contracts and interest rate caps. The change in fair value is specified below:

DKK'000	2020	2019
Fair value	-3,716	-6,947
Included in other comprehensive income	1,769	2,236

The contract notional amount on the forward exchange contracts are:

DKK'000	2020	2019
AUD/DKK	2,926	38,339
USD/DKK	11,111	3,688
USD/CAD	1,000	-

Expected recognition for the hedges are in 2021.

The conditions on the interest rate caps are:

DKK'000	2020	2019
Principal amount	871,328	871,328
Strike	0%	0%
Expire	10/10 2022	10/10 2022

At 31 December 2020 the fair value of the Group's hedge instruments amounted to DKK -17.8 million (2019: DKK -14.4 million).

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

29 Related parties

Related parties with significant influence consist of the Company's Board of Directors and Executive Board plus close relatives of these persons.

Related parties also include companies on which these persons exert considerable influence.

Transactions between the consolidated group enterprises are eliminated in these consolidated financial statements. In 2020 there were no transactions between related parties not part of the Group apart from the transactions mentioned below and in notes 6 and 31.

In 2020 the Group had tax and interest transactions with Frontmatec Holding I ApS and Frontmatec Holding II ApS for an amount between 0.1-0.6 million (2019: DKK 0.1-0.6 million).

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% voting rights or minimum 5% of the share capital:

- Axcel IV K/S (Denmark)
- Axcel IV K/S 2 (Denmark)
- ATP Private Equity Partners V K/S (Denmark)
- General Electric Pension Trust (USA)
- Partners Group Equity (Master Fund). Llc (USA)
- Partners Group Global Value Sicav (Luxembourg)

30 Fees paid to auditors appointed at the annual general meeting

DKK'000	2020	2019
Total fees to Deloitte		
Fee for statutory audit	1,260	921
Other assurance engagements	5	0
Fee for tax advice	266	1,281
Fee for non-audit services	942	8,296
	2,473	10,498
Total fees to other auditors		
Fee for statutory audit	363	459
Other assurance engagements	0	0
Fee for tax advice	168	466
Fee for non-audit services	616	1,312
	1,147	2,237

The fee for non-audit services provided to the Group in 2020 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 0.6 million and consisted of financial advisory and accounting services. The fee for non-audit services provided to the Group in 2019 by Deloitte Statsautoriseret Revisionspartnerselskab, Denmark, amounted to DKK 8.1 million and consisted of M&A activities and financial advisory services.

The subsidiaries Frontmatec Shanghai Co. Ltd., China, Frontmatec Jining Co., Ltd., China, Frontmatec B.V., The Netherlands, Frontmatec Holding B.V., The Netherlands, Frontmatec Sp. Z. o. o., Poland, Frontmatec LLC, Russia, Accles & Shelvoke, Ltd., UK, Accles & Shelvoke Inc., USA, Frontmatec Sibiu SRL, Romania and Frontmatec – Intecal S.A.U., Spain are not audited by the Parent company's auditors, but by another recognised local audit firm.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

31 **Incentive programmes**

The group executive management, and a number of key employees in the Group have been granted options to purchase shares in Frontmatec Holding II ApS, at a set strike price.

The program, which can only be exercised by purchasing the shares in question, grants the right to acquire a number of shares in Frontmatec Holding II ApS at a price agreed in advance. The warrant program is contingent on employment in the Company.

The value of the allotted warrants in 2020 is DKK 0.8 million. The value of the lapsed warrants in 2020 is DKK 2.6 million. The value of exercised warrants in 2020 is DKK 0 million. The total value of the allotted warrants as of 31 December 2020 are DKK 16.9 million. The cost is booked as staff costs.

The fair value of the warrants allocated is estimated by means of the Monte Carlo simulations. The value is calculated under the following assumptions:

Estimated volatility (based on a view of peer-Companies)	25.00%
Risk-free interest	0.00%
Market value at the time of establishment	DKK 12.3 million
Expiry (number of years)	2.67

Every A1 warrant grants the right to buy 1 share in Frontmatec Holding II ApS with a nominal value of 0.01 at a rate of DKK 0.01 at the Exit date

Every A2 warrant grants the right to buy 1 share in Frontmatec Holding II ApS with a nominal value of 0.01 at a rate of DKK 10-12.9 + 8 % p.a.

Every B warrant grants the right to buy 1 share in Frontmatec Holding II ApS with a nominal value of 0.01 at a rate of DKK 10-12.9 + 16 % p.a.

The participants may exercise their warrants in the below periods and in the event of Exit.

Issued	Exercise period one	Exercise period two
Sep-2016- to Dec-2016	1 October 2021 to 1 November 2021	1 October 2023 to 1 November 2023
Aug-1028	1 August 2023 to 1 September 2023	1 August 2025 to 1 September 2025
Mar-2019	1 October 2023 to 1 November 2023	1 October 2025 to 1 November 2025
Jan-2020	1 January 2025 to 1 February 2025	1 January 2027 to 1 February 2027
Feb-2020	1 February 2005 to 1 March 2025	1 February 2027 to 1 March 2027
Feb-2020	1 April 2025 to 1 Maj 2025	1 April 2027 to 1 May 2027

Number of warrants

	A1 warrants	A2 warrants	B warrants
1 January 2020	258,500	3,396,466	1,701,464
Allotted in 2020	0	716,504	363,097
Lapsed in 2020	0	-632,900	-324,525
31 December 2020	258,500	3,480,070	1,740,036

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

32 Reconciliation of financing activities

	2019	Cash flows	FX movement	2020
Lang-term borrowings	1,294,250	-2,630	-860	1,290,760
Short-term credit institutions	2,859	-1,731	0	1,128
	1,297,109	-4,361	-860	1,291,888

	2018	Cash flows	FX movement	2019
Lang-term borrowings	682,686	611,518	46	1,294,250
Short-term credit institutions	33,420	-30,561	0	2,859
	716,106	580,957	46	1,297,109

33 Events after the balance sheet date

There have been no events since 31 December 2020, which could significantly affect the evaluation of the group's activities and financial position.

34 New standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Consolidated financial statements for the period 1 January – 31 December

Notes to the financial statements

34 New standards and interpretations issued but not yet effective (Continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have any impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Parent company financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2020	2019
	Other external costs	-16	-107
	Operating loss	-16	-107
2	Financial income	8	226
3	Financial expenses	-170	-12
	Profit/Loss before tax	-178	107
4	Tax for the year	39	-31
	Profit/Loss for the year	-139	76

Statement of comprehensive income

Note	DKK'000	2020	2019
	Profit/Loss for the year	-139	76
	Items that are or may be reclassified subsequently to profit or loss:		
	Other comprehensive income for the year after tax	0	0
	Comprehensive income for the year	-139	76

Parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
5	Investments in subsidiaries	912,652	913,779
6	Deferred tax assets	312	305
	Fixed assets Investments	912,964	914,084
	Non-current assets	912,964	914,084
7	Amounts owed by group entities	12	6
	Receivables	12	6
	Cash	4,031	1,050
	Total current assets	4,043	1,056
	ASSETS	917,007	915,140
	EQUITY AND LIABILITIES		
8	Share capital	18,270	18,270
	Reserve for retained earnings	893,486	893,486
	Equity	911,756	911,756
	Amounts owed to Group entities	35	0
	Other payables	5,216	3,245
	Current liabilities	5,251	3,245
	Liabilities	5,251	3,245
	EQUITY AND LIABILITIES	917,007	915,140

Parent company financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2019	18,270	893,549	911,819
Comprehensive income for the year			
Profit for the year	0	76	76
Comprehensive income for the year	0	76	76
Equity at 31 December 2019	18,270	893,625	911,895
Equity at 1 January 2020	18,270	893,625	911,895
Comprehensive income for the year			
Loss for the year	0	-139	-139
Comprehensive income for the year	0	-139	-139
Equity at 31 December 2020	18,270	893,486	911,756

Parent company financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	2020	2019
EBIT	-16	-107
Changes in receivables	-6	18
Changes in trade payables	35	0
Changes in other working capital	1,971	3,096
Financial income	8	226
Financial costs	-170	-12
Tax for the year	32	25
Cash flows from operating activities	1,854	3,246
Capital movements	1,127	-2,411
Cash flows from investing activities	1,127	-2,411
Cash flows from financing activities	0	0
Net cash flows for the year	2,981	835
Cash and cash equivalents at 1 January	1,050	215
Cash and cash equivalents at 31 December	4,031	1,050
Cash at bank and in hand	4,031	1,050
Cash and cash equivalents at 31 December	4,031	1,050

Parent company financial statements for the period 1 January – 31 December

Content of notes to the Parent company Financial Statements

Note	
1	Accounting policies - Parent
2	Financial income
3	Financial expenses
4	Tax for the year
5	Investments in subsidiaries
6	Deferred tax
7	Related parties
8	Share capital
9	Fees paid to auditors appointed at the annual general meeting
10	Events after the balance sheet date

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies – Parent Company

The financial statements of the parent company (Frontmatec Holding III ApS) are presented in accordance with IFRS as adopted by the EU and other requirements of the Danish Financial Statements Act for reporting for large class C companies.

To ensure uniform presentation, the terminology used in the consolidated financial statements has as far as possible been applied in the parent company's financial statements. The parent company's accounting policies on recognition and measurement are generally consistent with those of the Group. The instances in which the parent company's accounting policies deviate from those of the Group have been described below.

The accounting policies for the parent company are unchanged from 2019.

The company's main activity, dividend income from Group enterprises, is presented first in the income statement.

Dividend from Group enterprises

Dividend from investments in subsidiaries is recognised as income in the parent company's income statement in the financial year in which the dividend is declared. This will typically be at the time of the approval by the Annual General Meeting of distribution from the company concerned. When the dividend distributed exceeds the accumulated earnings after the date of acquisition, the dividend is recognised in the income statement, however, this will trigger an impairment test of the investment.

Investments

Investments in Group enterprises are measured at cost less impairment. Where the cost exceeds the recoverable amount, an impairment loss is recognised to this lower value. To the extent the distributed dividend exceeds the accumulated earnings after the date of acquisition, an impairment test of the investment is triggered.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

	DKK'000	2020	2019
2	**Financial income**		
	Other interest receivable, exchange rate gains and similar income	8	226
		8	226
3	**Financial expenses**		
	Interest expense from subsidiaries	1	5
	Interest expense, exchange rate losses and similar income	169	7
		170	12
4	**Tax for the year**		
	Changes in provision for deferred tax	-39	31
		-39	31
	Specified as follows:		
	Tax for the year	-39	-26
	Tax for last year	0	57
		-39	31
	Reconciliation of tax rate:		
	Tax according to Danish tax rate	-39	24
	Non-taxable income and non-deductible costs	0	-50
	Changes in provision for deferred tax	0	57
		-39	37
	Effective tax rate	22.0 %	29,0 %

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

5 Investments in subsidiaries

DKK'000	2020	2019
Cost at 1 January	913,779	911,368
Addition of investment	3,500	3,185
Sale of investment	-4,627	-774
Cost at 31 December	912,652	913,779
Carrying amount at 31 December	912,652	913,779

Investments in subsidiaries are specified as follows:

Subsidiaries	Legal form	Domicile	Direct Group holding
o Frontmatec Holding II ApS	ApS	Kolding, Denmark	92,96%

The management performs an impairment test of the carrying amount of investments in subsidiaries at least annually and more frequently if there is indication of impairment. The annual impairment test is performed on 31 December 2020.

The recoverable amount of investments related to the individual cash generating units is calculated based on the Capital Assets Pricing Model (CAPM model).

The impairment test as at 31 December 2020 showed no evidence of impairment for 2020. Management believes that currently no changes in the key assumptions are reasonably likely to reduce the headroom to zero in the CGU.

Key assumptions

The recoverable amount of the individual cash-generating unit to which the goodwill amounts to, is calculated based on the calculations of capital value. The most significant uncertainties are connected to the determination of discount rates, growth rates and expected changes in costs in the budget and terminal periods.

Assumptions used in the calculation is an EBIT Margin of 8.5 percent in 2021. The increased EBIT is based on the turnaround of Kolding. The long-term EBIT margin of 12-18 percent.

The expected annual growth rate and the expected margins in the budget period are based on historical experience and the assumptions about expected market developments as detailed above.

Growth is supported by a rising world population, increasing urbanising, growing wealth and as an outcome of the COVID-19 Pandemic there is an increasing demand for food well-being and food safety. The entities have a potential to grow in both their core markets as well as in other markets where other group entities are located.

The discount rate has been revised for the CGU to reflect the latest market assumptions for the risk-free rate based on a 10-year government bond, the equity risk premium and the cost of debt.

The long term growth rate for the terminal period is based on the expected growth in the world economy, specifically for the industry.

Cash generating unit	Annually average growth rate in EBIT in budget period	Growth rate in terminal period	Discount rate after tax	Discount rate before tax
Frontmatec Holding II ApS	12-18	1%	10,5	8,2

A sensibility analysis has been made of the main assumptions in the impairment test to identify the lowest and/or highest discount rate and the lowest growth rate for each cash generating unit. The sensibility analysis shows no evidence of impairment.

Parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

6 **Deferred tax**

Deferred tax relates to:

DKK'000	2020	2019
Tax loss carry forwards	312	305
Deferred tax at 31 December	312	305
recognised as follows:		
Deferred tax assets	312	305
Deferred tax at 31 December	312	305

Tax loss carry forwards are recognised based on the expected utilization within 3-5 year.

7 **Security for loans and contingent liabilities**

The Company has issued a negative pledge to the bank.

The joint taxation liability mentioned in note 26 in the consolidated financial statements is also valid for the Parent Company.

8 **Related parties**

Related party transaction mentioned in note 29 in the consolidated financial statements is also valid for the Parent Company.

9 **Share capital**

The parent company's share capital, DKK 18,270 thousand, is composed of share of DKK 0.01 or multiples thereof.

10 **Fees paid to auditors appointed at the annual general meeting**

DKK'000	2020	2019
Total fees to Deloitte		
Fee for statutory audit	28	14
Fee for tax advice	0	6
Fee for non-audit services	-13	87
	15	107

11 **Events after the balance sheet date**

There have been no events since 31 December 2020, which could significantly affect the evaluation of the company's financial position and revenue.

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Jesper Frydensberg Rasmussen
Board of Directors
On behalf of: Frontmatec Holding III ApS
Serial number: PID:9208-2002-2-022748085774
IP: 80.167.xxx.xxx
2021-07-09 10:08:55Z
NEM ID

Christoffer Arthur Müller
Executive Board
On behalf of: Frontmatec Holding III ApS
Serial number: PID:9208-2002-2-170256321400
IP: 194.182.xxx.xxx
2021-07-09 11:32:18Z
NEM ID

Peter Nyegaard
Board of Directors
On behalf of: Frontmatec Holding III ApS
Serial number: PID:9208-2002-2-187262509757
IP: 176.23.xxx.xxx
2021-07-09 12:55:45Z
NEM ID

Christian Gymos Schmidt-Jacobsen
Board of Directors
On behalf of: Frontmatec Holding III ApS
Serial number: PID:9208-2002-2-033971282765
IP: 2.107.xxx.xxx
2021-07-09 15:54:21Z
NEM ID

Thomas Nybo Stenager
Chairman
On behalf of: Frontmatec Holding III ApS
Serial number: PID:9208-2002-2-117466508151
IP: 95.142.xxx.xxx
2021-07-13 06:12:12Z
NEM ID

Bill Haudal Pedersen
State Authorised Public Accountant
On behalf of: Deloitte Statsautoriseret Revisionspart…
Serial number: PID:9208-2002-2-171332147953
IP: 80.62.xxx.xxx
2021-07-13 13:07:17Z
NEM ID

Søren Alsen Lauridsen
State Authorised Public Accountant
On behalf of: Deloitte Statsautoriseret Revisionspart…
Serial number: PID:9208-2002-2-237070461813
IP: 87.49.xxx.xxx
2021-07-13 15:36:13Z
NEM ID