

Frontmatec Group ApS

Platinvej 8
6000 Kolding
CVR No. 37773743

Annual report 2022

The Annual General Meeting adopted the
annual report on 11.07.2023

Thomas Stenager

Chairman of the General Meeting

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Entity details

Entity

Frontmatec Group ApS

Platinvej 8

6000 Kolding

Business Registration No.: 37773743

Registered office: Kolding

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Kevin Gerard Harry

Allan Jan Formann Kristensen

Executive Board

Allan Jan Formann Kristensen

Kevin Gerard Harry

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Frontmatec Group ApS for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Kolding, 11.07.2023

Executive Board

Allan Jan Formann Kristensen

Kevin Gerard Harry

Board of Directors

Kevin Gerard Harry

Allan Jan Formann Kristensen

Independent auditor's report

To the shareholders of Frontmatec Group ApS

Opinion

We have audited the financial statements of Frontmatec Group ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity'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 financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Entity'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 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 Entity'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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Aarhus, 11.07.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jacob Tækker Nørgaard

State Authorised Public Accountant
Identification No (MNE) mne40049

Management commentary

Primary activities

Frontmatec Group is a global leading provider of advanced food processing equipment. The Group develops world-class customized solutions for automation in the food industry. 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 and control systems to logistics and packaging.

Development in activities and finances

As of January 1, 2022 Frontmatec Holding I-III ApS was merged into Frontmatec Group.

In 2022 Axcel sold its' shares in the Frontmatec Group to Bettcher Industries owned by KKR. Bettcher and Frontmatec will continue to operate independently under their existing brands and leadership teams.

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

With Asuan joining forces with Frontmatec, the Group will strengthen the position in the Latin American.

The Company acquired the last 60 percent of the shares in Aira Robotics SL in May 2022 and now owns all shares in Aira Robotics S.L. Income from associates in 2022 is positively affected by DKK 63.5m due to the revaluation of the cost price of the 40 percent ownership of Aira Robotics SL.

Frontmatec Group ApS had a loss of 7.377 tDKK in 2022 compared to a loss of 125.458 t DKK in 2021. The balance sheet, at 31 December 2022 shows total assets of DKK 2.634.962 t DKK (2021: 2.111.827 tDKK) and equity of DKK 1.986.543 t DKK (2021:507.287 tDKK).

Events after the balance sheet date

Apart from the below signed credit agreement, there have been no subsequent events with material impact on the Company's income statement for 2022 and balance sheet at 31 December 2022.

In the period up to the approval of the financial statements, Frontmatec has signed a credit agreement in which the Company also participates. The agreement secures financing for the next few years.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Gross profit/loss		20,782	12,160
Staff costs	1	(33,203)	(19,860)
Depreciation, amortisation and impairment losses		(1,219)	(1,593)
Operating profit/loss		(13,640)	(9,293)
Income from investments in group enterprises		32,600	41,155
Income from investments in associates		69,067	11,731
Other financial income	2	20,616	21,028
Other financial expenses	3	(139,243)	(196,464)
Profit/loss before tax		(30,600)	(131,843)
Tax on profit/loss for the year		23,223	6,385
Profit/loss for the year		(7,377)	(125,458)
Proposed distribution of profit and loss			
Retained earnings		(7,377)	(125,458)
Proposed distribution of profit and loss		(7,377)	(125,458)

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired intangible assets		1,538	1,648
Intangible assets	4	1,538	1,648
Other fixtures and fittings, tools and equipment		1,177	1,583
Property, plant and equipment	5	1,177	1,583
Investments in group enterprises		2,238,646	1,827,998
Investments in associates		0	47,318
Financial assets	6	2,238,646	1,875,316
Fixed assets		2,241,361	1,878,547
Receivables from group enterprises		236,164	219,443
Deferred tax		36,954	9,078
Other receivables		100	1
Prepayments		2,418	2,835
Receivables		275,636	231,357
Cash	7	117,965	1,923
Current assets		393,601	233,280
Assets		2,634,962	2,111,827

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		100	100
Translation reserve		(62)	(62)
Reserve for fair value adjustments of hedging instruments		0	(1,361)
Reserve for net revaluation according to the equity method		0	20,384
Retained earnings		1,986,505	488,226
Equity		1,986,543	507,287
Lease liabilities		507	694
Debt to other credit institutions		0	1,287,584
Other payables		13,133	953
Non-current liabilities other than provisions	8	13,640	1,289,231
Current portion of non-current liabilities other than provisions	8	5,222	0
Bank loans		0	41,805
Lease liabilities		0	186
Trade payables		4,804	5,571
Payables to group enterprises		613,629	203,476
Other payables		11,124	64,271
Current liabilities other than provisions		634,779	315,309
Liabilities other than provisions		648,419	1,604,540
Equity and liabilities		2,634,962	2,111,827
Contingent liabilities	9		
Assets charged and collateral	10		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000
Equity beginning of year	100	(62)	(1,361)	20,384	488,226
Effect of mergers and business combinations	0	0	0	0	68,130
Increase of capital	0	0	0	0	1,475,960
Value adjustments	0	0	1,746	0	0
Other entries on equity	0	0	0	0	(58,818)
Tax of entries on equity	0	0	(385)	0	0
Transfer to reserves	0	0	0	(20,384)	20,384
Profit/loss for the year	0	0	0	0	(7,377)
Equity end of year	100	(62)	0	0	1,986,505

	Total DKK'000
Equity beginning of year	507,287
Effect of mergers and business combinations	68,130
Increase of capital	1,475,960
Value adjustments	1,746
Other entries on equity	(58,818)
Tax of entries on equity	(385)
Transfer to reserves	0
Profit/loss for the year	(7,377)
Equity end of year	1,986,543

Notes

1 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	31,518	18,265
Pension costs	1,685	1,595
	33,203	19,860
Average number of full-time employees	17	15

2 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	20,320	19,501
Other financial income	296	1,527
	20,616	21,028

3 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	33,001	106,304
Other interest expenses	0	480
Other financial expenses	106,242	89,680
	139,243	196,464

4 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	5,314
Additions	834
Disposals	(231)
Cost end of year	5,917
Amortisation and impairment losses beginning of year	(3,667)
Amortisation for the year	(712)
Amortisation and impairment losses end of year	(4,379)
Carrying amount end of year	1,538

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	2,394
Additions	100
Cost end of year	2,494
Depreciation and impairment losses beginning of year	(811)
Depreciation for the year	(506)
Depreciation and impairment losses end of year	(1,317)
Carrying amount end of year	1,177

6 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	1,973,999	26,931
Additions	446,050	0
Disposals	0	(26,931)
Cost end of year	2,420,049	0
Revaluations beginning of year	0	20,387
Reversal regarding disposals	0	(20,387)
Revaluations end of year	0	0
Impairment losses beginning of year	(146,001)	0
Impairment losses for the year	(35,402)	0
Impairment losses end of year	(181,403)	0
Carrying amount end of year	2,238,646	0

Investments in subsidiaries	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Frontmatec Kolding A/S	Kolding, Denmark	A/S	100.00	54,222	7,381
Frontmatec Smørum A/S	Smørum, Denmark	A/S	100.00	31,995	6,859
Frontmatec Tandslet A/S	Tandslet, Denmark	A/S	100.00	105,642	14,302
Frontmatec Skive A/S	Skive, Denmark	A/S	100.00	46,463	17,142
Frontmatec Hygiene GmbH	Beckum, Germany	GmbH	100.00	12,545	90
Frontmatec GmbH	Lünen, Germany	GmbH	100.00	58,775	33
Accles & Shelvoke, Ltd.	Birmingham, United Kingdom	Ltd.	100.00	66,112	686
Jining Xinglong Food Machinery Manufacturing Co., Ltd.	Xinglong Jining, China	Ltd.	100.00	(3,019)	(12,762)
Frontmatec Sibiu SRL	Sibiu, Romania	SRL	100.00	17,387	3,067
Frontmatec - Intecal S.A.U.	Barcelona, Spain	S.A.U	100.00	29,199	193
AIRA Robotics, S.L	Cardona, Spain	SL	100.00	74,700	1,627
Itay S.A.	Montevideo, Uruguay	S.A.	100.00	19,197	(6,737)

7 Cash

Cash amounting to 74.758 t.DKK is deposited in an escrow account. The company cannot dispose of this amount.

8 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Lease liabilities	0	507	896
Other payables	5,222	13,133	9,509
	5,222	13,640	10,405

9 Contingent liabilities

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 Merlin DK Bidco 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.

10 Assets charged and collateral

There are no assets charged or collateral.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

Changes in accounting policies

Frontmateg Group ApS has changed its accounting policies from IFRS to present the annual report in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large) according to "Bekendtgørelse om overgang til regnskabsaflæggelse efter årsregnskabsloven" the comparative figures for the fiscal year 2021 has been adapted to Årsregnskabsloven. The main changes relates to disclosures in the annual report.

There is only an impact at the financial numbers from the measurement of IFRS 16 Right of Use Assets and special items.

The impact on the figures in the annual report is mentioned below. Beside this a reclassification of special items have been made. The reclassification of special items, does not have any impact on the profit of year or equity. The impact on the comparative figures arising from the change of accounting policies from IFRS 16 to Danish Financial Statements Act is as follows for the fiscal year 2021:

For 2021 balance sheet total increased by DKK'000 522,099, while equity increased by DKK'000 207.

The comparative figures have been restated following the change in accounting policies. Comparative figures for the years 2018, 2019 and 2020 in the key figures and ratios have not been restated according to "Bekendtgørelse om overgang til regnskabsaflæggelse efter årsregnskabsloven" § 4.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises dividends etc. received from the individual group enterprises in the financial year.

Income from investments in associates

Income from investments in associates comprises dividends etc. received from the individual associates in the financial year.

Other financial income

Other financial income comprises dividends etc. received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Acquired intangible assets

Acquired intangible assets comprise acquired intellectual property rights.

Acquired intangible assets are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Acquired intangible assets are written down to the lower of recoverable amount and carrying amount.

Other fixtures and fittings, tools and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3 - 5 years

Estimated useful lives and residual values are reassessed annually.

Items of equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of

assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.