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Merlin DK Bidco ApS

Platinvej 8
6000 Kolding
CVR No. 43276301

Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

Nathan Scott Schaan
Chairman of the General Meeting

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Entity details

Entity

Merlin DK Bidco ApS
Platinvej 8
6000 Kolding

Business Registration No.: 43276301
Registered office: Kolding
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Massimo Bizzi
Nathan Scott Schaan
Dennis Michael Gallagher

Executive Board

Massimo Bizzi
Nathan Scott Schaan
Dennis Michael Gallagher

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Merlin DK Bidco ApS for the financial year 01.01.2023 - 31.12.2023.

The annual report is presented in accordance with 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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, 28.06.2024

Executive Board

Massimo Bizzi

Nathan Scott Schaan

Dennis Michael Gallagher

Board of Directors

Massimo Bizzi

Nathan Scott Schaan

Dennis Michael Gallagher

Independent auditor's report

To the shareholders of Merlin DK Bidco ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Merlin DK Bidco ApS for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 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 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 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 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 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 consolidated financial statements and the parent 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 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 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 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 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 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 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.

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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 28.06.2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Jacob Tækker Nørgaard
State Authorised Public Accountant
Identification No (MNE) mne40049

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000
Key figures		
Revenue	1,852,821	323,345
Gross profit/loss	879,365	131,043
Operating profit/loss	(179,735)	(83,212)
Net financials	(13,635)	19,395
Profit/loss for the year	(236,740)	(59,312)
Profit for the year excl. minority interests	(236,740)	(56,617)
Balance sheet total	5,441,998	6,169,085
Investments in property, plant and equipment	19,254	363,501
Equity	4,388,335	4,673,363
Equity excl. minority interests	4,388,335	4,647,989
Cash flows from operating activities	41,392	1,471
Cash flows from investing activities	(96,685)	(3,300,978)
Cash flows from financing activities	(137,101)	3,386,184
Average number of employees	1,269	1,325
Ratios		
Gross margin (%)	47.46	40.53
Net margin (%)	(12.78)	(18.34)
Equity ratio (%)	80.64	75.34

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):
Gross profit/loss * 100
Revenue

Net margin (%):
Profit/loss for the year * 100
Revenue

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities

Merlin Group is owned by KKR, a leading global investment firm, and Bettcher Industries, a KKR portfolio company. Bettcher and Frontmatec operates independently under their existing brands and leadership teams. The companies expect to collaborate on sharing best practices and driving future innovation and product development. They will also explore further strategic acquisition opportunities, including bringing additional businesses with leading brands into the platform.

Merlin 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 role high-quality systems for the entire value chain of the meat industry — from carcass grading to slaughter lines, ducting and deboning lines and control systems to logistics and packaging.

Merlin Group is headquartered in Kolding, Denmark. The Group has production facilities in Denmark, Romania, Canada, China, Spain, UK, and Germany and serves its global customers through its own sales offices with main locations in Denmark, Germany, Croatia, UK, Poland, France, Spain, Netherlands, 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 operational improvement initiatives in order to continue to enhance profitability.

Development in activities and finances

Merlin DK Bidco ApS acquired Frontmatec Group November 9 2022 and the Group was included in the consolidated figures from that date. The comparative figures for 2022 only cover two months whereas the financial year 2023 covers 12 months.

Merlin Group had a revenue of DKK 1.852,8 million and operating loss of DKK 179,7 million in 2023. The balance sheet, at 31 December 2023, for the Group shows total assets of DKK 5.442,9 million and equity of DKK 4.388,3 million.

Profit/loss for the year in relation to expected developments

In the annual report 2022 the outlook for 2023 was an operating profit of 290-310 m DKK according to US GAAP, which are used in the reporting to the owners. However the outlook according to Danish Financial Statements Act should have been an operating loss of 99 m DKK.

The operating loss in 2023 ended at 179 m DKK due to lower activity than expected and higher costs.

Outlook

The Group expects an operating loss in the range of DKK 130 - 135 million and an activity level similar to 2023. (Turnover of 1,9 billion DKK +/- 10%).

Use of financial instruments

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 Interest.

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

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.
This requires that employees acquire new knowledge and are willing to participate in necessary changes. This effort will be supported through staff development education and a positive working environment

Research and development activities

Merlin DK Bidco continuously invests in development, updates and improvements of its product portfolio. Costs related to development of products are expensed in the income statement, or accounted for as an asset following the accounting policies.

Statutory report on corporate social responsibility

Enviroment
Frontmatec has continued its commitment to assisting customers in enhancing various aspects of production efficiency and sustainability throughout the year. These efforts encompassed initiatives to improve yield, animal welfare, ergonomics, hygiene standards, and overall product quality. Building upon these endeavors, 2023 marked a significant milestone for Frontmatec as it started to plan its first company-wide data collection on utility consumption to quantify greenhouse gas (GHG) emissions to be gathered in 2024.

Given that the company does not yet have any quantitative data on GhG emissions (data collection to commence in 2024), it is not possible to measure any results pertaining to environmental impact in the year of 2023. However, the group has designed a new product for stunning named "Co2 Reduction Kit" planned for market launch in 2024 and is estimated to reduce Co2 gas consumption in stunning by 36,7% to 50% per pig processed. This GhG emission assessment will serve as a crucial step towards establishing detailed accounts of scope 1 and scope 2 GHG emissions across all sites. Looking ahead, Frontmatec aims to further elevate its environmental accountability and sustainability practices. The company plans to leverage external expertise to establish a structured reporting cadence for GHG emissions across its entire operational footprint and create GhG emission reduction plans.

This strategic initiative underscores Frontmatec's commitment to reducing its environmental footprint and advancing sustainability across its global operations. Material risks identified by Frontmatec pertaining to environmental impact are highly product-focused and include Food Waste Management, Water use of equipment and Life-time GhG emissions of equipment. The reason for this is that Frontmatec supplies world-class, high volume automation equipment for the red meat processing industry.

Thus, the environmental impact performance of a piece of equipment can have significant effect on the environment, depending on whether or not it is optimized for GhG reduction. Thus, Frontmatec is, and will continue to in the future, investing in Research and Development activities to optimize its equipment for yield improvements, reduce utility consumption and overall reduce the environmental impact and material risk. Less material risks include impact from Frontmatecs operating activities such as employee travelling, shipping, and production of equipment.

While of these are considered important and are not neglected in Frontmatec, they have a far less impact on the environment than that of the equipment being sold.

Human Rights

As a global leader in turnkey food processing solutions, Frontmatec is acutely aware of the profound impact it has on the environment, its stakeholders, and broader society. Guided by the aspiration to continuously improve corporate social responsibility, Frontmatec prioritizes the protection of human rights and the cultivation of a workplace culture defined by diversity and inclusivity.

In 2023, Frontmatec remains committed to fostering equal opportunities and eliminating discrimination based on race, ethnicity, religion, gender, sexual orientation, or age across its organizational framework and business partners. Through communication and enforcement of its Human Rights policy, Frontmatec ensures universal compliance and understanding across all units of the company. In particular, the human rights risk that is deemed most relevant for Frontmatec is Labor Rights and in particular hereunder Health and Safety, which is due to the labour focused manufacturing footprint and setup that Frontmatec uses.

To mitigate risks pertaining to this, Frontmatec has in 2023 further strengthened its Health and Safety (H&S) efforts across the entire group. The company has, among other initiatives established a company wide H&S community has been established that also includes sister companies under the Fortifi brand; implemented a new incident reporting system to ensure the capture of both near misses and incidents; launched mobile applications to improve ease of reporting in order to incentivize employees to report H&S incidents; conducted training on incident investigations to H&S champions; conducted safety gear trainings; established H&S KPIs in the Daily Management Boards and Gemba Walks; rolled out new standards for safety audits.

Social and employee relations

Frontmatec is highly committed to fostering an environment where its employees thrive both personally and professionally. This dedication extends to prioritizing health, safety, and employee well-being, as well as actively engaging with local communities in meaningful ways. Frontmatec will further bolster its efforts in these areas through rolling out its Employee Community Engagement Committee, empowering employees to participate in volunteer opportunities that resonate with the organization's values.

In early 2023, Frontmatec proudly introduced its "All Employee Ownership" program, granting every employee a stake in the company through ownership of shares. This unique initiative ensures that all Frontmatec employees directly benefit from the company's success, promoting economic empowerment and financial stability among its workforce.

Furthermore, Frontmatec has in 2023 started an initiative to find and establish partnerships with non-profit organizations and encouraging its employees to volunteer at local Food Banks, leveraging the collective knowledge and resources of its workforce to make a positive impact worldwide. This initiative underscores Frontmatec's commitment to social responsibility within the food processing industry.

Frontmatec continues to invest in initiatives aimed at enhancing working conditions for its employees. The group started building a new factory and office space for its employees in Spain in 2023, renovated its office spaces in Romania, established a food court in Denmark, constructed a building extension to give employees more office space in Denmark and moved two sites into new leased locations. Additionally, in 2023, the company has redoubled its efforts to strengthen health and safety measures across all business units. Rigorous review processes and Key Performance Indicator (KPI) assessments have been integrated into the monthly business review procedures, ensuring a steadfast focus on employee well-being and organizational safety standards. Frontmatec also worked with Employee Engagement Survey results and have increased mean employees satisfaction score from 3.63 to 3.79.

The group will continue to work with Employee Engagement Survey results to drive employee wellbeing. Some of the initiatives currently planned for the future is the implementation of a larger HSE Management System (Health, Safety and Environment); implement JHA (Job Hazard Analysis) practices; establish new Fortifi-wide safety cardinal rules coined “Life Saving Behaviors”; run internal campaigns focused on remaining safe while being on-site at customers and installations tasks, finalize the new facility in Spain, and more. Overall, Merlin will continue to progress all initiatives and policies into 2024.

Anti-Bribery and Corruption

Frontmatec is committed to enforcing its Anti-Bribery and Corruption (ABC) policy across all legal entities, promoting integrity and accountability in all interactions with business partners. Bribery and corruption are unequivocally prohibited and all employees must adhere to the code of conduct. The company refrains from offering or receiving bribes to influence public officials or business associates. To bolster compliance, Frontmatec plans to introduce a new e-learning platform for comprehensive ABC policy training as well as other policies.

Additionally, in 2023, the company reviewed all policies to ensure they remain updated and aligned with standards and regulations. These measures reflect Frontmatec's commitment to ethical conduct and corporate governance. Frontmatec considers the risk of legal consequences, fines, badwill, loss of revenue, loss of customers, etc. as the key material risks within this policy area. In some cases, Frontmatec deals through collaborators where there is less control.

Actions include training and awareness, Code of Conduct, assessment of high risk geograpghical regions where this applies in particular and screening of high-risk countries. As such, in the future Frontmatec will ensure that all employees are trained in its Anti-Bribery and Corruption policies, made understandable via an easily accessible online tool. Lastly, Frontmatec will continue to progress all initiatives and policies pertaining to ABC into 2024.

The Group Business Model and CSR risks

Frontmatec excels in providing comprehensive solutions encompassing mechanical equipment and software tailored specifically for the red meat processing industry. As a trusted industry advisor, Frontmatec guides its clientele through every stage of the process, from initial design and production to the installation and commissioning of meat processing facilities on a global scale.

With a steadfast commitment to expanding its global market presence, Frontmatec places significant emphasis on ongoing product development endeavors geared towards promoting environmental sustainability. These initiatives include strategies to reduce utility consumption, enhance animal welfare standards, introduce innovative technologies aimed at improving working conditions, elevate hygiene protocols, ensure retail consumer safety, and optimize production yield to minimize food waste.

Recognizing the inherent operational risks associated with health and safety, animal welfare, and ethical supply chain practices, Frontmatec aims mitigates these risks by holding its collaborators to the same exacting standards of Corporate Social Responsibility (CSR) it upholds internally. Furthermore, Frontmatec provides detailed technical specifications delineating health and safety requirements for the operation of its equipment.

In order to effectively monitor its performance in key areas, Frontmatec employs a robust system of non-financial Key Performance Indicators (KPIs), particularly in the realms of health and safety, and employee well-being. This includes tracking near-miss accidents and incidents resulting in lost time through metrics such as the Total Recordable Incident Rate (TRIR) for health and safety, and conducting a comprehensive global Employee Engagement Survey to identify areas for enhancing workforce welfare.

Statutory report on the underrepresented gender

	2023
Supreme management body	
Total number of members	2
Underrepresented gender (%)	0.00
Target figures (%)	30.00
Year of expected achievement of target figures	2028

This statement on the gender composition of the management of Merlin Group is linked to the management report in the annual report for 2023 and covers the financial period 1 January – 31 December 2023.

Merlin Group strives for a diverse composition of employees, inspired by a conviction that gender balance contributes to an innovative organization and a positive working climate that supports increased competitiveness and profitability.

A target figure has been set for the underrepresented gender on the board of directors of 30%, which is to be achieved by 2028, corresponding to 1 woman.

At present, the board consists of 2 men, which means that the goal has not been met in 2023.

Work is being done to increase the proportion of female board members through the following initiatives:
- Increased focus on bringing more women into the board
- Establishment of an HR organization with increased focus on the development of organization, competencies and values

	2023
Other management levels	
Total number of members	8
Underrepresented gender (%)	12.50
Target figures (%)	30.00
Year of expected achievement of target figures	2028

Frontmatec Group maintains a comprehensive Corporate Social Responsibility (CSR) policy aimed at fostering inclusivity, equality, and diversity among all employees.

Merlin Group wants to increase the number of female managers in the company and has therefore set specific target figures for the proportion of the underrepresented gender in both senior management and policies for the rest of management.

To ensure diversity among the other levels of management, a policy has been developed to increase the proportion of the underrepresented gender in the rest of the management. Other management positions include management, middle managers and department heads. Work is being done to increase the proportion of female managers through the following initiatives:

- Targeted recruitment and training of hiring committees/managers in relation to avoid bias
- Increased focus on bringing more women into management roles
- Ensure equal conditions between the sexes, e.g. regarding flexibility in relation to working hours, maternity leave and leave
- Establishment of an HR organization with increased focus on the development of organization, competencies and values

Merlin has a target at Group level that 30% of senior management (board members elected by the general meeting), corresponding to 1 woman, and 35% of other management positions, corresponding to 3 women, should be held by women by 2028. Other management positions include the Executive Board, division- and department heads.

Statutory report on data ethics policy

Frontmatec maintains robust General Data Protection and IT Security Policies outlining key principles for data processing and usage. These policies cover guidelines for internet usage, email communication, ethical standards, and post-employment data management. Committed to ethical data usage, Frontmatec ensures that insights from data align with CSR policies. Sensitive data receives the utmost care and access is restricted to necessary personnel. Data sharing follows secure channels and employees are instructed to promptly delete data when it is no longer needed.

Employees using social media for work-related purposes are expected to maintain a high level of professionalism, with strict guidelines against unauthorized publication of internal materials. To ensure compliance, Frontmatec has established a GDPR Steering Committee and invested in new software for managing and executing activities within the GDPR framework, ensuring data integrity across the organization.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	2	1,852,821	323,345
Other operating income		7,918	2,693
Cost of sales		(807,958)	(164,669)
Other external expenses	3	(173,416)	(30,326)
Gross profit/loss		**879,365**	**131,043**
Staff costs	4	(649,449)	(110,650)
Depreciation, amortisation and impairment losses	5	(405,659)	(67,985)
Other operating expenses		(3,992)	(35,620)
Operating profit/loss		**(179,735)**	**(83,212)**
Other financial income	6	29,162	33,145
Impairment losses on financial assets		(7,028)	0
Other financial expenses	7	(35,769)	(13,750)
Profit/loss before tax		**(193,370)**	**(63,817)**
Tax on profit/loss for the year	8	(43,370)	4,505
Profit/loss for the year	9	**(236,740)**	**(59,312)**

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	504,282	577,722
Acquired intangible assets		1,141,836	1,244,380
Goodwill		2,537,826	2,705,494
Development projects in progress	11	177,456	162,153
Intangible assets	10	**4,361,400**	**4,689,749**
Land and buildings		217,881	230,929
Plant and machinery		62,412	69,910
Other fixtures and fittings, tools and equipment		44,452	53,539
Property, plant and equipment	12	**324,745**	**354,378**
Fixed assets		**4,686,145**	**5,044,127**
Raw materials and consumables		104,877	110,689
Work in progress		16,270	17,033
Manufactured goods and goods for resale		114,915	125,019
Inventories		**236,062**	**252,741**

Trade receivables		250,616	288,953
Contract work in progress		114,704	240,320
Other receivables		32,972	37,268
Tax receivable		3,130	3,768
Prepayments	13	29,672	24,743
Receivables		**431,094**	**595,052**
Other investments		4,498	575
Investments		**4,498**	**575**
Cash		**84,199**	**276,590**
Current assets		**755,853**	**1,124,958**
Assets		**5,441,998**	**6,169,085**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		5,057	5,057
Translation reserve		(31,169)	(25,095)
Reserve for fair value adjustments of hedging instruments		39	(681)
Retained earnings		4,414,408	4,668,708
Equity belonging to Parent's shareholders		**4,388,335**	**4,647,989**
Equity belonging to minority interests		**0**	**25,374**
Equity		**4,388,335**	**4,673,363**
Deferred tax	14	344,619	369,150
Other provisions	15	11,589	7,900
Provisions		**356,208**	**377,050**
Lease liabilities		310	507
Debt to other credit institutions		10,315	7,844
Other payables		35,426	38,633
Non-current liabilities other than provisions	16	**46,051**	**46,984**
Current portion of non-current liabilities other than provisions	16	7,595	3,473
Bank loans		17,284	28,303
Prepayments received from customers		189,300	477,002
Trade payables		173,147	167,357
Payables to group enterprises		105,545	205,858
Tax payable		21,917	17,133
Other payables		135,416	171,992
Deferred income	17	1,200	570
Current liabilities other than provisions		**651,404**	**1,071,688**
Liabilities other than provisions		**697,455**	**1,118,672**
Equity and liabilities		**5,441,998**	**6,169,085**

Events after the balance sheet date	1
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Consolidated statement of changes in equity for 2023

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Equity belonging to Parent's shareholders DKK'000
Equity beginning of year	5,057	(25,095)	(681)	4,668,708	4,647,989
Effect of mergers and business combinations	0	0	0	(17,560)	(17,560)
Exchange rate adjustments	0	(6,074)	0	0	(6,074)
Value adjustments	0	0	720	0	720
Profit/loss for the year	0	0	0	(236,740)	(236,740)
Equity end of year	**5,057**	**(31,169)**	**39**	**4,414,408**	**4,388,335**

	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	25,374	4,673,363
Effect of mergers and business combinations	(25,374)	(42,934)
Exchange rate adjustments	0	(6,074)
Value adjustments	0	720
Profit/loss for the year	0	(236,740)
Equity end of year	**0**	**4,388,335**

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		(179,735)	(83,212)
Amortisation, depreciation and impairment losses		405,659	67,985
Other provisions		3,689	(3,555)
Working capital changes	18	(119,134)	30,325
Adjustment for non-cash items		0	(2,330)
Cash flow from ordinary operating activities		**110,479**	**9,213**
Financial income received		29,161	12,553
Financial expenses paid		(35,770)	(13,750)
Taxes refunded/(paid)		(62,478)	(6,545)
Cash flows from operating activities		**41,392**	**1,471**
Acquisition etc. of intangible assets		(57,306)	0
Sale of intangible assets		22,384	0
Acquisition etc. of property, plant and equipment		(18,831)	(18,269)
Sale of property, plant and equipment		0	1,476
Acquisition of enterprises		(42,932)	(3,284,185)
Cash flows from investing activities		**(96,685)**	**(3,300,978)**
Free cash flows generated from operations and investments before financing		**(55,293)**	**(3,299,507)**
Repayments of loans etc.		(126,150)	(1,506,873)
Incurrence of debt to group enterprises		0	205,858
Dividend paid		0	(66,564)
Cash capital increase		0	4,825,413
Escrow account		(3,923)	(71,650)
Capital movements		(7,028)	0
Cash flows from financing activities		**(137,101)**	**3,386,184**
Increase/decrease in cash and cash equivalents		**(192,394)**	**86,677**
Cash and cash equivalents beginning of year		201,769	0

Currency translation adjustments of cash and cash equivalents	74,824	115,092
Cash and cash equivalents end of year	**84,199**	**201,769**

Cash and cash equivalents at year-end are composed of:		
Cash	84,199	276,590
Securities	0	(74,821)
Cash and cash equivalents end of year	**84,199**	**201,769**

Notes to consolidated financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Revenue

	2023 DKK'000	2022 DKK'000
North America	785,407	155,719
Europe	998,906	164,210
Rest of World	68,508	3,416
Total revenue by geographical market	**1,852,821**	**323,345**

3 Fees to the auditor appointed by the Annual General Meeting

	2023 DKK'000	2022 DKK'000
Statutory audit services	3,093	3,189
Tax services	144	870
Other services	237	1,638
	3,474	**5,697**

4 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	573,623	97,895
Pension costs	30,002	4,569
Other social security costs	45,824	8,186
	649,449	**110,650**

Average number of full-time employees	**1,269**	**1,325**

	Remuneration of management 2023 DKK'000	Remuneration of management 2022 DKK'000
Executive Board	3,973	3,086
	3,973	**3,086**

5 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	361,306	60,134
Depreciation on property, plant and equipment	44,353	7,851
	405,659	**67,985**

6 Other financial income

	2023 DKK'000	2022 DKK'000
Other interest income	1,769	527
Exchange rate adjustments	27,393	32,618
	29,162	**33,145**

7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	9,593	2,798
Other interest expenses	4,297	1,190
Exchange rate adjustments	21,879	9,762
	35,769	**13,750**

8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	51,625	3,828
Change in deferred tax	(24,339)	(9,719)
Adjustment concerning previous years	16,084	1,386
	43,370	**(4,505)**

9 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(236,740)	(56,617)
Minority interests' share of profit/loss	0	(2,695)
	(236,740)	**(59,312)**

10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	588,668	1,262,483	2,735,893	162,153
Exchange rate adjustments	(56)	(138)	0	(829)
Transfers	2,539	0	0	(2,539)
Additions	357	4,154	14,725	37,646
Disposals	(2,888)	0	0	(18,975)
Cost end of year	**588,620**	**1,266,499**	**2,750,618**	**177,456**
Amortisation and impairment losses beginning of year	(10,946)	(18,103)	(30,399)	0
Exchange rate adjustments	14	20	0	0
Amortisation for the year	(73,417)	(106,580)	(182,393)	0
Reversal regarding disposals	11	0	0	0
Amortisation and impairment losses end of year	**(84,338)**	**(124,663)**	**(212,792)**	**0**
Carrying amount end of year	**504,282**	**1,141,836**	**2,537,826**	**177,456**

11 Development projects

Development projects and development projects in progress comprise development of various technologies within the business of advanced food processing equipment to be used in the slaughter business. The development projects consists of both new products as well as improving already existing technology.

The products which is developed will be sold to existing and new clients on existing markets in the slaughter business.

The main development projects at year end consists of the development of a shared software platform, that will connect the Groups products and the development of new machines within the slaughter business, which can automatize slaughter lines more in the future.

The cost of development projects comprise costs such as salaries and indirect cost. In general the projects has an expected pay-back time of 3-7 years.

Management are regularly evaluating the development projects and in this process it is evaluated how the progress is, how the expectations are to the market in the future and the costs to complete the projects. All projects at year end have been evaluated an it is management's assessment, that all the projects can be finalize and will generate positive cash flow now or when finalized.

12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	233,296	72,303	56,403
Exchange rate adjustments	(3,901)	(361)	(306)
Additions	5,092	5,624	8,538
Disposals	0	(32)	(725)
Cost end of year	**234,487**	**77,534**	**63,910**
Depreciation and impairment losses beginning of year	(2,367)	(2,393)	(2,864)
Exchange rate adjustments	144	54	39
Depreciation for the year	(14,383)	(12,783)	(17,188)
Reversal regarding disposals	0	0	555
Depreciation and impairment losses end of year	**(16,606)**	**(15,122)**	**(19,458)**
Carrying amount end of year	**217,881**	**62,412**	**44,452**

13 Prepayments

Prepayments primarily comprise prepaid cost.

14 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	378,219	410,251
Property, plant and equipment	33,808	32,771
Receivables	3,709	4,383
Liabilities other than provisions	(376)	(799)
Tax losses carried forward	(70,741)	(77,456)
Deferred tax	**344,619**	**369,150**

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	369,150	0
Recognised in the income statement	(24,338)	(9,719)
Recognised directly in equity	(720)	(192)
Acquired through business combination	0	378,836
Currency rate adjustment	527	225
End of year	**344,619**	**369,150**

15 Other provisions

Provisions comprise expected expenses relating to guarantee commitments, losses on construction contracts, restructurings, etc.

16 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Lease liabilities	197	190	310	0
Debt to other credit institutions	1,430	1,312	10,315	3,476
Other payables	5,968	1,971	35,426	21,558
	7,595	**3,473**	**46,051**	**25,034**

17 Deferred income

Deferred income consists of accrued income from service contracts.

18 Changes in working capital

	2023 DKK'000	2022 DKK'000
Increase/decrease in inventories	142,295	(23,636)
Increase/decrease in receivables	(249,993)	(34,772)
Increase/decrease in trade payables etc.	5,790	(28,089)
Other changes	(17,226)	116,822
	(119,134)	**30,325**

19 Contingent liabilities

The Parent and the Danish subsidiaries participate in a Danish joint taxation arrangement in which Merlin DK Bidco ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Parent and the Danish subsidiaries are therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20 Assets charged and collateral

The shares in Frontmatec Group ApS, Frontmatec Kolding A/S, Frontmatec GmbH, Frontmatec Tandslet A/S, Frontmatec Smørum A/S, Frontmatec Skive A/S and Frontmatec Hygiene GmbH are provided as security for all debt in Nordea Group.

Merlin Dk Bidco ApS has granted Suretyship for all bank debt in Nordea in Frontmatec Group ApS, Frontmatec Kolding A/S, Frontmatec GmbH, Frontmatec Tandslet A/S, Frontmatec Smørum A/S, Frontmatec Skive A/S, and Frontmatec Hygiene GmbH. The companies are – to the extent that the obligation includes liability or collateral for other group companies' obligations towards Nordea Danmark, Filial af Nordea Bank Abp, Finland or other companies in the Nordea group – limited to an amount corresponding to highest of;

(i) the equity of the relevant company at the time when the relevant company is requested to make payment, and,
(ii) the equity of the relevant company on December 31, 2023

As security for mortgage loan of DKK 9.7 million, mortgage is granted on the land and buildings at a book value of DKK 33,2 million with a owner's mortgage with security in the property Mommarkvej 293-301, Tandslet of DKK 15,0 million, Hassellunden 9, Smørum DKK 6.3 million and owner's mortgage with security in the property.

As security for the loan of DKK 9,4 million in Bank of China Jining, the company's real estate certificate 0043939 is granted to the Bank of China.

As security for all bank loan floating, mortgage deed over chattels is granted by Frontmatec Tandslet A/S DKK 37.7 million and Frontmatec Kolding A/S DKK 15.0 million.

Furthermore Merlin DK Bidco ApS, Frontmatec Group ApS, Frontmatec Smørum A/S and Skive A/S have issued a negative pledge towards the Nordea.

Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Smørum A/S and Frontmatec Hygiene GmbH, Frontmatec Equipements Inc, Frontmatec Inc, Frontmatec B.V. and Frontmatec Holding B.V. have issued a guarantee of payment for all bank debt.

Prepayment guarantees and performance bonds provided to customers amount to DKK 48,9 million.

21 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

22 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Merlin Buyer Inc., 4001 Kennett Pike, Suite 302, Wilmington, USA

23 Subsidiaries

	Registered in	Corporate form	Ownership %
Frontmatec Kolding A/S	Kolding, Denmark	A/S	100.00
Frontmatec Equipements Inc.	St. Anselme, Canada	Inc.	100.00
Frontmatec Inc.	Kansas City, USA	Inc.	100.00
Frontmatec Shanghai Co. Ltd.	Shanghai, China	Co. Ltd.	100.00
Frontmatec B.V.	Borculo, the Netherlands	B.V.	100.00
Frontmatec Holding B.V.	Borculo, the Netherlands	B.V.	100.00
Frontmatec Smørum A/S	Smørum, Denmark	A/S	100.00
Frontmatec Tandslet A/S	Tandslet, Denmark	A/S	100.00
Frontmatec Hygiene GmbH	Beckum, Germany	GmbH	100.00
Frontmatec GmbH	Lünen, Germany	GmbH	100.00
Frontmatec Sp. Z.o.o	Grodzisk, Poland	Sp. Z.o.o.	100.00
Frontmatec S.L.	Sallent, Spain	S.L.	100.00
Frontmatec LLC	Moscow, Russia	LLC	100.00
Frontmatec Skive A/S	Skive, Denmark	A/S	100.00
Accles & Shelvoke, Ltd.	Birmingham, United Kingdom	Ltd.	100.00
Accles & Shelvoke Inc.	West Greenwhich, USA	Inc.	100.00
Carometec Inc	Peosta, USA	Inc.	100.00
Jining Xinglong Food Machinery Manufacturing Co., Ltd.	Xinglong Jining, China	Co. Ltd.	100.00
Frontmatec Sibiu SRL	Sibiu, Romania	SRL	100.00
Industrial Tecnico Alimentaria S.A.	Barcelona, Spain	S.A.	100.00
AIRA Robotics, S.L	Cardona, Spain	SL	100.00
Iltay S.A.	Montevideo, Uruguay	S.A.	100.00

Frontmatec Group ApS	Kolding Denmark	ApS	100.00

Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Other external expenses		(520)	(739)
Gross profit/loss		**(520)**	**(739)**
Other operating expenses		(256)	(35,156)
Operating profit/loss		**(776)**	**(35,895)**
Other financial income	2	9,764	38,328
Other financial expenses	3	(9,587)	(2,798)
Profit/loss before tax		**(599)**	**(365)**
Tax on profit/loss for the year	4	3,229	(7,654)
Profit/loss for the year	5	**2,630**	**(8,019)**

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Investments in group enterprises		4,829,611	4,814,611
Financial assets		**4,829,611**	**4,814,611**
Fixed assets		**4,829,611**	**4,814,611**
Receivables from group enterprises		96,843	199,380
Other receivables		0	40
Receivables		**96,843**	**199,420**
Cash		**1,850**	**17,919**
Current assets		**98,693**	**217,339**
Assets		**4,928,304**	**5,031,950**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		5,057	5,057
Retained earnings		4,814,967	4,812,337
Equity		**4,820,024**	**4,817,394**
Deferred tax	6	4,418	7,654
Provisions		**4,418**	**7,654**
Trade payables		88	495
Payables to group enterprises		103,437	205,858
Other payables		337	549
Current liabilities other than provisions		**103,862**	**206,902**
Liabilities other than provisions		**103,862**	**206,902**
Equity and liabilities		**4,928,304**	**5,031,950**
Events after the balance sheet date	1		
Employees	7		
Contingent liabilities	8		
Assets charged and collateral	9		
Related parties with controlling interest	10		
Non-arm’s length related party transactions	11		

Parent statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	5,057	4,812,337	4,817,394
Profit/loss for the year	0	2,630	2,630
Equity end of year	**5,057**	**4,814,967**	**4,820,024**

Notes to parent financial statements

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	9,593	26,165
Other interest income	171	137
Exchange rate adjustments	0	12,026
	9,764	**38,328**

3 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	9,587	2,798
	9,587	**2,798**

4 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Change in deferred tax	(3,229)	7,654
	(3,229)	**7,654**

5 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	2,630	(8,019)
	2,630	**(8,019)**

6 Deferred tax

	2023 DKK'000	2022 DKK'000
Tax losses carried forward	4,418	7,654
Deferred tax	**4,418**	**7,654**

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	7,654	0
Recognised in the income statement	(3,236)	7,654
End of year	**4,418**	**7,654**

7 Employees

The Entity has no employees other than the Executive Board. The Executive Officer has not received any remuneration.

8 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

9 Assets charged and collateral

The shares in Frontmatec Group, Aps, Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Smørum A/S, Frontmatec Skive A/S, Frontmatec GmbH and Frontmatec Hygiene GmbH are provided as security for all bank debt.

Merlin DK Bidco ApS issued a guarantee of repayment of any present and furture obligation which Frontmatec Group, Aps, Frontmatec Kolding A/S, Frontmatec Tandslet A/S, Frontmatec Smørum A/S, Frontmatec Skive A/S, Frontmatec GmbH and Frontmatec Hygiene GmbH have or may have towards the Nordea Group

Furthermore, the Merlin DK Bidco ApS has issued a negative pledge to the bank.

The joint taxation liability mentioned above is also valid for the Parent Company.

10 Related parties with controlling interest

KKR & Co.,Inc.	Ultimate parent
KKR Merlin Aggregator GP LLC.	Intermediate parent
KKR Merlin Aggregator L.P.	Intermediate parent
KKR Merlin Aggregator II L.P.	Intermediate parent
Merlin Holding Inc.	Intermediate parent
Merlin Intermediate Holding Inc.	Intermediate parent
Merlin ParentCo Inc.	Intermediate parent
Merlin Buyer Inc.	Intermediate parent
Red Bam Holding Inc.	Intermediate parent
Bettcher Industries Inc.	Intermediate parent

11 Non-arm’s length related party transactions

Only non-arm's length related party transactions are disclosed in the annual report. No such transactions were conducted during the financial year.

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Non-comparability
Due to Merlin DK Bidco being established on May 23, 2022, the comparison figures for the parent company will only cover 6 months. Additionally, the capital shares were only transferred at the end of October, which means that the comparison figures for the consolidated financial statements will only cover 2 months.

It is important to note that this may affect the comparison of the group's financial results and position in relation to previous periods.

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.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on

transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

Income statement

Revenue

Revenue recognition

The Company 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

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

Sale of spare parts

The Company 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.

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

Cost of sales
Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 wages and salaries, 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.

Other operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity’s primary activities.

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.

Impairment losses on financial assets
Impairment losses on financial assets comprises impairment losses on financial assets which are not measured at fair value on a current basis.

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
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 15 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Development projects
Development projects comprise development projects completed and in progress with related intellectual property rights, acquired intangible assets and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity in the reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-10 years.

Acquired intangible assets
Acquired intangible assets consits of customer relationships, trade name and backlog and are amortised on a straight-line basis over their estimated useful life. Useful lives are reassessed annually. The amortisation periods used are 2-15 years.

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 on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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
Buildings	10 - 40 years
Plant and machinery	3 - 10 years
Other fixtures and fittings, tools and equipment	3 - 5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and 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.

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a contract in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet in receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

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

Other investments (current assets)
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

Cash
Cash comprises cash in hand and bank deposits.

Minority interests
On initial recognition, minority interests are measured at the minority interests’ share of the acquiree’s net assets measured at fair value. No goodwill related to the minority interests’ equity interests in the acquiree is recognised.

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.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

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.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes, and financial income, financial expenses and income tax paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments, and purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs, and the raising of loans, repayments of interest-bearing debt, including lease liabilities, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.