



Frontmatec Kolding A/S

Platinvej 8
6000 Kolding
CVR No. 76547610

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 Kolding A/S

Platinvej 8

6000 Kolding

Business Registration No.: 76547610

Registered office: Kolding

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Thomas Nybo Stenager

Claus Schulz

Kurt Karlsen

Lotte Møller

Peter Løfgren Ring

Executive Board

Dennis Faxholm

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 Kolding A/S 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

Dennis Faxholm

Board of Directors

Thomas Nybo Stenager

Claus Schulz

Kurt Karlsen

Lotte Møller

Peter Løfgren Ring

Independent auditor's report

To the shareholders of Frontmatec Kolding A/S

Opinion

We have audited the financial statements of Frontmatec Kolding A/S 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

Thomas Aamand Lund

State Authorised Public Accountant
Identification No (MNE) mne47764

Management commentary

Financial highlights

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--------------------------|---------|---------|----------|----------|---------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Key figures | | | | | |
| Revenue | 423,804 | 417,600 | 270,595 | 427,041 | 318,543 |
| Gross profit/loss | 48,745 | 47,775 | (49,974) | 451 | 37,602 |
| Operating profit/loss | 9,232 | 2,899 | (86,337) | (32,886) | 11,578 |
| Net financials | 231 | (5,279) | 9,719 | 108,618 | 142 |
| Profit/loss for the year | 7,381 | (2,063) | (63,440) | 66,833 | (2,231) |
| Total assets | 401,881 | 352,819 | 368,108 | 406,477 | 341,614 |
| Equity | 54,222 | 46,556 | 49,063 | 111,533 | 45,014 |
| Ratios | | | | | |
| Gross margin (%) | 11.50 | 11.44 | (18.47) | 0.11 | 11.80 |
| Net margin (%) | 1.74 | (0.49) | (23.44) | 15.65 | (0.70) |
| Equity ratio (%) | 13.49 | 13.20 | 13.33 | 27.44 | 13.18 |

According to "Bekendtgørelse om overgang til regnskabsaflæggelse efter årsregnskabsloven" § 4, restatement of main and key figures for the years 2018, 2019 and 2020 have not been done.

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Net margin (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Revenue}}$

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Primary activities

The main activities of the company are global sales, engineering, production, installation and service of plants and machinery for industrial slaughtering. Furthermore, the company manufactures and delivers Food Production Logistics systems, selected weighing/data systems as well as yields control and tracking systems.

Development in activities and finances

In 2022 Axcel sold its' shares in the parent company Frontmatec Group ApS to Bettcher Industries Inc owned by KKR. Frontmatec Kolding A/S will continue to operate independently under their existing brand and leadership team.

The company had revenue of DKK'000 423,804 in 2022, which represents an increase of 1,5% from 2021. EBITDA was DKK'000 13,953 compared to DKK'000 8,859 in 2021.

The balance sheet at 31 December 2022 for the company shows total assets of DKK'000 401,881 and a shareholders' equity of DKK'000 54,222. At 31 December 2022, the company owns own shares corresponding to 10.14% of the share capital.

Profit/loss for the year in relation to expected developments

The Company expected an increase in operating profit before depreciation, amortisation and special items around 40% compared to 2021 which has been fulfilled.

Outlook

The Company expects the profit before tax for 2023 to be at the same level as 2022.

Knowledge resources

The leading position of the company within slaughtering industry must be maintained through continued development of new technology and products. 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.

Environmental performance

The Company is committed to comply with environmental legislation and to reduce its own environmental impact as well as the impact of its customers. The Company has in 2022 made efforts within R&D to bring solutions to the market that reduces utility cost of certain equipment that affects the environment such as water recirculation solutions and heat recovery solutions. Furthermore, the Company continues to support customers in improving production yield, animal welfare, ergonomics, hygiene and meat quality through its technical solutions and product development. In the future, The Company is committed to establishing detailed accounts of scope 1 and scope 2 GhG emissions from all legal entities as well as monitoring the scope 3 impact of the equipment sold to customers which will be used to target improvement areas for the company's environmental impact.

Research and development activities

The Company's development activities are expected to increase compared to previous years, and there will be continued focus on exploiting knowledge and experience. In addition to development activities carried out by the company, staff development is pursued in close co operation with customers, know how and industry organizations. The Company protects its intellectual rights by taking out relevant patents.

Statutory report on corporate social responsibility

Similarly, The Company protects its employees against corporal punishment, mental coercion and harassment

through its Human Resources functions and policies on employee well-being. This also extends to the safety of The Company's employees. The Company has in 2022 instated a new Health & Safety (H&S) Committee where cardinal rules of H&S have been enforced as well as a more structured reporting of incidents and near misses that is proactively being used for preventive and mitigating actions toward H&S risks in the organization. Additionally, The Company has increased its focus on communication hereof to all employees in the organization by incorporating H&S key performance indicators in business monthly reviews, in its global monthly communication platform to all employees and through various physical artefacts such as H&S awareness posters. Moreover, the Company has in 2022 rolled out an all employee ownership program where a certain amount of company shares have been reserved for all employees who will receive a payout of such shares at the point of change of ownership, provided that the company meets a set of financial targets at the point of change of ownership. This is to make sure that employees in the Company also benefit from the growth of the company and is designed to help employees become more financially independent. Finally, the Company expects its employees to treat each other with utmost respect and encourages employees to volunteer and give back to its local communities. In the future, the Company will continue to focus on health and safety as well as employee well-being and community engagement by instating an Employee Community Engagement committee designed to give employees opportunity to engage in various volunteer work that aligns with the values of the organization.

Anti-Bribery and Corruption

The Company is committed to enforce its Anti-Bribery and Corruption (ABC) policy across all legal entities of the organization and to promote a high level of integrity and accountability in all relations. Bribery and corruption is not in any way tolerated in the Company and any transgression toward the company's ABC policy is handled with utmost attention and diligence. The Company will not offer, promise or give any kind of bribes to improperly influence public officials, judges or business associates and the Company (including agents, intermediaries or other persons acting on our behalf) also refrains from receiving or accepting any bribes ourselves. The Company has in the current financial year received one whistleblower report from an anonymous employee concerning immoral behavior. An external law firm was hired to investigate the case and it was found that there was no violation of the company's ABC policy or any other policy in the Company. In the future, The Company will instate an e-learning platform to ensure employees understand the ABC policy and will execute a company-wide ABC training for relevant employees in the organization.

The Company Business Model and CSR risks

The Company delivers turnkey solutions of mechanical equipment and software within the red meat processing industry. As such, the Company acts as a trusted advisor to customers in designing, producing, installing and commissioning entire meat processing facilities in the world. To this extent, the Company aims to further grow its global market presence and is committed to continue developing products that minimize the impact on the environment through lower utility consumption, increasing animal welfare, providing innovative technology to improve working conditions of equipment operators, increase standards for hygiene and retail consumer safety as well as optimizing production yield to minimize food waste. The key risks pertaining to the operating activities of the Company pertains to health and safety, animal welfare and the ethical conduct of its suppliers and stakeholders. The Company addresses these risks by upholding collaborators to the same CSR standards as we set for ourselves. Additionally, we provide detailed technical description of health and safety requirements in operating our equipment. The Company monitors non-financial KPI's pertaining to H&S and employee well-being. Within H&S, we monitor near-miss accidents and time lost incidents through the KPI of TRIR (total recordable incident rate). For employee well-being, The Company uses a global Employee Engagement Survey to identify improvement areas within employee well-being.

Statutory report on the underrepresented gender

See description in the Parent Company, Merlin DK Bidco ApS.

Statutory report on data ethics policy

Frontmateg Kolding's Policy on Data Ethics addresses the data ethic principles applied by Frontmateg Group and describes the approach to data processing covering all data types. The overall objective of our Data Ethics Policy is to encourage and motivate all employees of the Frontmateg Group to handle data with utmost care and respect and to adhere to a responsible and sustainable use of the data by following our guiding principles on fundamental rights.

Security of data is important to us. Frontmateg Group adheres to the six fundamental ethical values developed by the expert group on data ethics to the Danish Data Ethics Council. Group Legal is the owner of the policy.

For additional information please refer to: www.frontmateg.com/en/legal/data-ethics-policy

Events after the balance sheet date

A new bank agreement with Nordea Danmark, Filial af Nordea Bank Abp was signed April 26, 2023.

Besides above there have been no events since 31 December 2022, which could significantly affect the evaluation of the Company's activities and financial position.

Treasury shares

| | Number | Nominal value DKK'000 | Share of contributed capital % |
|------------------------------------|--------------|-----------------------------|---|
| Treasury shares | 1,002 | 1,196 | 10.14 |
| Holding of treasury shares: | 1,002 | 1,196 | 10.14 |

Income statement for 2022

| | Notes | 2022 DKK'000 | 2021 DKK '000 |
|--|-------|-----------------|------------------|
| Revenue | 2 | 423,804 | 417,600 |
| Cost of sales | | (346,709) | (339,134) |
| Other external expenses | | (28,350) | (30,691) |
| Gross profit/loss | | 48,745 | 47,775 |
| Staff costs | 3 | (34,792) | (38,916) |
| Depreciation, amortisation and impairment losses | 4 | (4,721) | (5,960) |
| Operating profit/loss | | 9,232 | 2,899 |
| Other financial income | 5 | 4,218 | 158 |
| Other financial expenses | 6 | (3,987) | (5,437) |
| Profit/loss before tax | | 9,463 | (2,380) |
| Tax on profit/loss for the year | 7 | (2,082) | 317 |
| Profit/loss for the year | 8 | 7,381 | (2,063) |

Balance sheet at 31.12.2022

Assets

| | Notes | 2022 DKK'000 | 2021 DKK'000 |
|--|-------|-----------------|-----------------|
| Completed development projects | 10 | 5,249 | 7,569 |
| Acquired intangible assets | | 71 | 126 |
| Development projects in progress | 10 | 7,440 | 7,523 |
| Intangible assets | 9 | 12,760 | 15,218 |
| Plant and machinery | | 1,017 | 1,465 |
| Other fixtures and fittings, tools and equipment | | 1,154 | 1,297 |
| Leasehold improvements | | 4,145 | 5,531 |
| Property, plant and equipment | 11 | 6,316 | 8,293 |
| Investments in group enterprises | | 125,892 | 125,892 |
| Deferred tax | 13 | 32,630 | 34,810 |
| Financial assets | 12 | 158,522 | 160,702 |
| Fixed assets | | 177,598 | 184,213 |
| Raw materials and consumables | | 31,204 | 32,707 |
| Work in progress | | 3,903 | 2,475 |
| Inventories | | 35,107 | 35,182 |
| Trade receivables | | 61,429 | 48,625 |
| Contract work in progress | 14 | 73,498 | 52,974 |
| Receivables from group enterprises | | 20,821 | 20,305 |
| Other receivables | | 12,815 | 173 |
| Prepayments | 15 | 4,645 | 8,911 |
| Receivables | | 173,208 | 130,988 |
| Other investments | | 575 | 575 |
| Other investments | | 575 | 575 |
| Cash | | 15,393 | 1,861 |
| Current assets | | 224,283 | 168,606 |

| | | |
|---------------|----------------|----------------|
| Assets | 401,881 | 352,819 |
|---------------|----------------|----------------|

Equity and liabilities

| | Notes | 2022 DKK'000 | 2021 DKK'000 |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 16 | 9,922 | 9,922 |
| Reserve for fair value adjustments of hedging instruments | | (281) | (566) |
| Reserve for development expenditure | | 7,780 | 9,655 |
| Retained earnings | | 36,801 | 27,545 |
| Equity | | 54,222 | 46,556 |
| Other provisions | 17 | 1,138 | 1,960 |
| Provisions | | 1,138 | 1,960 |
| Other payables | | 9,062 | 9,258 |
| Non-current liabilities other than provisions | 18 | 9,062 | 9,258 |
| Current portion of non-current liabilities other than provisions | 18 | 438 | 0 |
| Contract work in progress | 14 | 102,188 | 65,715 |
| Trade payables | | 30,832 | 36,354 |
| Payables to group enterprises | | 168,005 | 148,338 |
| Other payables | | 35,996 | 44,638 |
| Current liabilities other than provisions | | 337,459 | 295,045 |
| Liabilities other than provisions | | 346,521 | 304,303 |
| Equity and liabilities | | 401,881 | 352,819 |
| Events after the balance sheet date | 1 | | |
| Unrecognised rental and lease commitments | 19 | | |
| Contingent liabilities | 20 | | |
| Assets charged and collateral | 21 | | |
| Related parties with controlling interest | 22 | | |
| Group relations | 23 | | |

Statement of changes in equity for 2022

| | Contributed capital DKK'000 | Reserve for fair value adjustments of hedging instruments DKK'000 | Reserve for development expenditure DKK'000 | Retained earnings DKK'000 | Total DKK'000 |
|---------------------------|-----------------------------------|--|--|---------------------------------|------------------|
| Equity beginning of year | 9,922 | (566) | 9,655 | 27,545 | 46,556 |
| Value adjustments | 0 | 366 | 0 | 0 | 366 |
| Tax of entries on equity | 0 | (81) | 0 | 0 | (81) |
| Transfer to reserves | 0 | 0 | (65) | 65 | 0 |
| Dissolution of reserves | 0 | 0 | (1,810) | 1,810 | 0 |
| Profit/loss for the year | 0 | 0 | 0 | 7,381 | 7,381 |
| Equity end of year | 9,922 | (281) | 7,780 | 36,801 | 54,222 |

Notes

1 Events after the balance sheet date

A new bank agreement with Nordea Danmark, Filial af Nordea Bank Abp was signed April 26, 2023.

Besides above there have been no events since 31 December 2022, which could significantly affect the evaluation of the group's activities and financial position.

2 Revenue

| | 2022 | 2021 |
|---|----------------|----------------|
| | DKK'000 | DKK'000 |
| Domestic | 72,860 | 70,590 |
| Foreign | 350,944 | 347,010 |
| Total revenue by geographical market | 423,804 | 417,600 |
| Recognition at single point of time | 112,734 | 92,155 |
| Recognition over time | 311,070 | 325,445 |
| Total revenue by activity | 423,804 | 417,600 |

3 Staff costs

| | 2022 | 2021 |
|---------------------------------------|---------------|---------------|
| | DKK'000 | DKK'000 |
| Wages and salaries | 29,846 | 33,422 |
| Pension costs | 4,206 | 4,516 |
| Other social security costs | 740 | 978 |
| | 34,792 | 38,916 |
| Average number of full-time employees | 140 | 151 |

| | Remuneration of Management 2022 DKK'000 |
|--|---|
| Total amount for management categories | 1,790 |
| | 1,790 |

Special incentive programmes

The Company's executive management, and a number of key employees have been granted options to purchase shares in Frontmatec Holding II ApS, at a set strike price. The program has expired due to the change in ownership of the Group.

The program, which could only be exercised by purchasing the shares in question, grants the right to acquire a number of shares in Frontmatec Holding II ApS at a price agreed in advance.

The warrant program is contingent on employment in the Company.

The value of the allotted warrants in 2022 is DKK'000 70. The value of the lapsed warrants in 2022 is DKK'000 0.

The value of exercised warrants in 2022 is DKK'000 83. The total value of the allotted warrants as of 31 December 2022 are DKK'000 0 as the program has been settled due to the change in ownership of the Group. The cost is booked as staff costs.

Persuant to Sec. 98b(3) of the Danish Financial Statements Act remuneration is disclosed in total for management categories. The remuneration has not been disclosed in 2021 due to Sec. 98b(3) of the Danish Financial Statements.

4 Depreciation, amortisation and impairment losses

| | 2022 DKK'000 | 2021 DKK'000 |
|---|-----------------|-----------------|
| Amortisation of intangible assets | 2,377 | 3,933 |
| Depreciation of property, plant and equipment | 2,344 | 2,027 |
| | 4,721 | 5,960 |

5 Other financial income

| | 2022 DKK'000 | 2021 DKK'000 |
|------------------------|-----------------|-----------------|
| Other financial income | 4,218 | 158 |
| | 4,218 | 158 |

6 Other financial expenses

| | 2022 DKK'000 | 2021 DKK'000 |
|---|-----------------|-----------------|
| Financial expenses from group enterprises | 3,525 | 4,416 |
| Other interest expenses | 462 | 1,021 |
| | 3,987 | 5,437 |

7 Tax on profit/loss for the year

| | 2022 DKK'000 | 2021 DKK'000 |
|------------------------|-----------------|-----------------|
| Change in deferred tax | 2,082 | (317) |
| | 2,082 | (317) |

8 Proposed distribution of profit and loss

| | 2022 DKK'000 | 2021 DKK'000 |
|-------------------|-----------------|-----------------|
| Retained earnings | 7,381 | (2,063) |
| | 7,381 | (2,063) |

9 Intangible assets

| | Completed development projects DKK'000 | Acquired intangible assets DKK'000 | Development projects in progress DKK'000 |
|---|---|---|---|
| Cost beginning of year | 68,457 | 18,940 | 7,523 |
| Additions | 0 | 2 | 3,563 |
| Disposals | 0 | 0 | (3,646) |
| Cost end of year | 68,457 | 18,942 | 7,440 |
| Amortisation and impairment losses beginning of year | (60,888) | (18,814) | 0 |
| Amortisation for the year | (2,320) | (57) | 0 |
| Amortisation and impairment losses end of year | (63,208) | (18,871) | 0 |
| Carrying amount end of year | 5,249 | 71 | 7,440 |

10 Development projects

Frontmatec Kolding has 4 development projects.

The projects is a mix of new products, improvements and automation projects, all consisting of the latest technology for optimizing our Customers daily operation set up.

The projects are:

1. Duoplan conveyorsystem, version 2
2. Additional drive unit for quick chill tunnel conveyor
3. Robotic numbering of pigs heads and carcasses (Neckwriter)
4. Upgrade of Autoline splitting saw APS7

The pay-back time for the projects are approximately 3-5 years.

Redeveloping of Duoplan conveyers to version 2 to reduce engineering time before it is put into production and to reduce cost significantly.

Additional drive unit for quick chill tunnel conveyor is a project developing an additional slave drive for the conveyorsystem. Usually these conveyor systems has one big drive unit. However in order to minimise the amount of materials

and heavy loads on the system and in order to have a more robust and reliable system, it is required to have one or more slavedrive on the conveyorsystems. Especially the controlsystem for the slave drive needed some effort in the development process. This also provides more handling safety and less risk for breakdowns and downtime for the Customer. This solution is now standard in Frontmatec quick chill tunnel conveyor systems.

Robotic numbering of pigs heads and carcasses (Neckwriter) is a projects for automating manual stamping process. It simply saves labor force and eliminates a trivial working position for the operator. This equipment are asked for in The North American market for high speed lines.

Upgrade of Autoline splitting saw APS7 is a improvement project in order to improve the splitting performance. Furthermore the project also involves redesign of key components in order to increase the lifetime. This will provide reduction of maintenance cost of the equipment and increasing the reliability (uptime) for the Customers. This upgrade will especially be interesting for slaughter lines in The North American market.

11 Property, plant and equipment

| | Plant and machinery DKK'000 | Other fixtures and fittings, tools and equipment DKK'000 | Leasehold improvements DKK'000 |
|---|-----------------------------------|--|--------------------------------------|
| Cost beginning of year | 9,656 | 9,704 | 7,584 |
| Additions | 0 | 367 | 0 |
| Cost end of year | 9,656 | 10,071 | 7,584 |
| Depreciation and impairment losses beginning of year | (8,191) | (8,407) | (2,053) |
| Depreciation for the year | (448) | (510) | (1,386) |
| Depreciation and impairment losses end of year | (8,639) | (8,917) | (3,439) |
| Carrying amount end of year | 1,017 | 1,154 | 4,145 |

12 Financial assets

| | Investments in group enterprises DKK'000 |
|--------------------------------------|---|
| Cost beginning of year | 237,447 |
| Cost end of year | 237,447 |
| Impairment losses beginning of year | (111,555) |
| Impairment losses end of year | (111,555) |
| Carrying amount end of year | 125,892 |

| Investments in subsidiaries | Registered in | Corporate form | Equity interest % | Equity DKK'000 | Profit/loss DKK'000 |
|-----------------------------|-----------------------------|-------------------|-------------------------|-------------------|------------------------|
| Frontmatec Equipments Inc | St. Anselme, Canada | Inc | 100.00 | 133,321 | 41,666 |
| Frontmatec Inc | Kansas City, USA | Inc | 100.00 | 179,870 | 39,250 |
| Frontmatec Holding B.V. | Borculu, the Netherlands | B.V. | 100.00 | (1,311) | 4,052 |
| Frontmatec LLC | Moscow, Russia | LLC | 100.00 | (1,118) | (476) |
| Frontmatec Shanghai Co, Ltd | Shanghai, China | Co. Ltd. | 100.00 | (23,303) | (1,419) |

13 Deferred tax

| | 2022 | 2021 |
|------------------------------------|---------------|---------------|
| | DKK'000 | DKK'000 |
| Changes during the year | | |
| Beginning of year | 34,810 | 34,493 |
| Recognised in the income statement | (2,099) | 151 |
| Recognised directly in equity | (81) | 166 |
| End of year | 32,630 | 34,810 |

Deferred tax assets

Deferred tax assets is expected to be utilized from future positive results.

14 Contract work in progress

| | 2022 | 2021 |
|---|---------------|---------------|
| | DKK'000 | DKK'000 |
| Contract work in progress | 670,715 | 563,415 |
| Progress billings regarding contract work in progress | (699,404) | (576,156) |
| Transferred to liabilities other than provisions | 102,187 | 65,715 |
| | 73,498 | 52,974 |

15 Prepayments

Prepayments primarily consists of prepaid costs.

16 Share capital

| | Number |
|-------------|------------------|
| 31 December | 9,922,000 |
| | 9,922,000 |

The Company's share capital, DKK 9,922 thousand, is composed of shares of DKK 100 or multiples hereof. At December 31, 2022, the Company owns own shares corresponding to 10.14% of the share capital.

17 Other provisions

Other provisions consists warranty obligations.

18 Non-current liabilities other than provisions

| | Due within 12 months | Due after more than 12 months | Outstanding after 5 years |
|----------------|-------------------------|-------------------------------------|------------------------------|
| | 2022 | 2022 | 2022 |
| | DKK'000 | DKK'000 | DKK'000 |
| Other payables | 438 | 9,062 | 9,500 |
| | 438 | 9,062 | 9,500 |

19 Unrecognised rental and lease commitments

| | 2022 DKK'000 | 2021 DKK'000 |
|--|-----------------|-----------------|
| Liabilities under rental or lease agreements until maturity in total | 4,712 | 4,742 |

20 Contingent liabilities

The Entity participated until november 9, 20222 in a Danish joint taxation arrangement where Frontmatec Holding III ApS served as the administration company and afterwards in a joint taxation where Merlin DK Bidco ApS serves as the administration company. 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 for obligations, if any, relating to the withholding of tax on interest, royalties and dividend 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.

21 Assets charged and collateral

Prepayment guarantees and performance bonds provided to customers amount to DKK 10.076 thousand.

22 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 |
| Merlin DK Bidco ApS - | Intermediate parent |
| Frontmatec Group ApS - | Direct parent |

23 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Merlin Buyer Inc., 41001 Kennett Pike, Suite 302, Wilmington, USA

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Merlin DK Bidco ApS, Platinvej 8, 6000 Kolding, Danmark

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).

Changes in accounting policies

Frontmatec Kolding A/S 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 decreased by DKK'000 10,773, while equity increased by DKK'000 406,727.

IFRS 15 is still applied in the recognition of revenue.

| DKK'000 | 2021 |
|---|-------------|
| Loss for the year | 165 |
| Rights of use assets | -10,773 |
| Equity | 407 |
| Lease liabilities | -7,754 |
| Current position of non-current liabilities | -3,426 |

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 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.

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.

When recognising foreign subsidiaries 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 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. Accordingly, the Company accounts for warranties in accordance with IAS 37. Revenue is recognized when control of the goods has transferred being when the goods have been shipped to the customer's specific location (delivery). A receivable is recognized by the 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.

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 write-downs of receivables recognised in current assets.

Staff costs

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

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 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**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights 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.

Intellectual property rights acquired 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.

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. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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 |
|--|--------------------|
| Plant and machinery | 3-10 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |
| Leasehold improvements | 10-40 years |
| Development costs | 3-10 years |
| Acquired Intangible assets | 3-10 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.

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.

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 project 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.

Prepayments

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

Other investments

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.

Treasury shares

Acquisition and selling prices and dividends for treasury shares are classified directly as equity in retained earnings. Gains and losses on sale are not recognised in the income statement.

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.

Other financial liabilities

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Merlin DK Bidco ApS CVR-nr. 43 27 63 01