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Frontmatec Kolding A/S

Platinvej 8
6000 Kolding
CVR No. 76547610

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

Frontmatec Kolding A/S
Platinvej 8
6000 Kolding

Business Registration No.: 76547610
Registered office: Kolding
Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Claus Schulz
Kurt Karlsen
Peter Løfgren Ring
Marianne Nowak Schrøder
Nathan Scott Schaan

Executive Board

Michael Isaack-Larsen

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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of its operations 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

Michael Isaack-Larsen

Board of Directors

Claus Schulz

Kurt Karlsen

Peter Løfgren Ring

Marianne Nowak Schrøder

Nathan Scott Schaan

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 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. 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 31.12.2023 and of the results of its operations 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 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 by relevant law and regulations.

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, 28.06.2024

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

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	335,839	423,804	417,600	270,595	427,041
Gross profit/loss	16,355	48,744	47,775	(49,974)	451
Operating profit/loss	(24,927)	9,231	2,899	(86,337)	(32,886)
Net financials	(5,785)	233	(5,279)	9,719	108,618
Profit/loss for the year	(25,258)	7,381	(2,063)	(63,440)	66,833
Total assets	361,227	401,880	352,819	368,108	406,477
Equity	28,994	54,222	46,556	49,063	111,533
Ratios					
Gross margin (%)	4.87	11.50	11.44	(18.47)	0.11
Net margin (%)	(7.52)	1.74	(0.49)	(23.44)	15.65
Equity ratio (%)	8.03	13.49	13.20	13.33	27.44

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

The company had revenue of DKK'000 335,839 in 2023, which represents a decrease of 20% from 2022. EBITDA was negative DKK'000 17,366 compared to a positive EBITDA DKK'000 13,952 in 2022.

The balance sheet at 31 December 2023 for the company shows total assets of DKK'000 361,227 and a shareholders' equity of DKK'000 28,994. At 31 December 2023, the company owns own shares corresponding to 10.14% of the share capital

Profit/loss for the year in relation to expected developments

In 2023, delay in several projects resulted in a decrease in revenue and EBITDA.

Outlook

The Company expects a lower revenue, but a better the profit before tax for 2024 compared to 2023.

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.

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

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.

Environmental impact

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.

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 Frontmatec 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	3
Underrepresented gender (%)	33.00

This account of the gender composition of the management of Frontmatec Kolding A/S is linked to the management report in the annual report for 2023 and covers the financial period 1 January – 31 December 2023. Frontmatec Kolding A/S has an ambition to promote an equal gender distribution in management and believes that a diverse and diverse composition of employees contributes to an innovative organization and a positive working climate that supports increased competitiveness and profitability.

The supreme governing body of Frontmatec Kolding A/S is the Board of Directors, which consists of 3 members elected by the general meeting.

A target figure has been set for the underrepresented gender on the board of directors of 33%, corresponding to 1 woman. At present, the board consists of 2 men and 1 woman, which means that the goal has been met in 2023.

	2023
Other management levels	
Total number of members	5
Underrepresented gender (%)	20.00
Target figures (%)	40.00
Year of expected achievement of target figures	2028

For other levels of management at Frontmatec Kolding A/S the goal is that 30% of such management positions should be filled by women by 2028.

The level below the Board of Directors - with direct reference to the Board of Directors - is the company's Executive Board. In 2023, it consists exclusively of a CEO, who is a man. In the other management levels, which are persons with direct reference to the CEO, the proportion is 20% (corresponding to 1 woman).

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.

Statutory report on data ethics policy

Frontmatec Kolding's Policy on Data Ethics addresses the data ethic principles applied by Frontmatec 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 Frontmatec 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. Frontmatec 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.frontmatec.com/en/legal/data-ethics-policy

Events after the balance sheet date

Besides above there have been no events since 31 December 2023, 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 2023

	Notes	2023 DKK'000	2022 DKK '000
Revenue	2	335,839	423,804
Cost of sales		(277,598)	(346,710)
Other external expenses	3	(41,886)	(28,350)
Gross profit/loss		**16,355**	**48,744**
Staff costs	4	(33,721)	(34,792)
Depreciation, amortisation and impairment losses	5	(4,442)	(4,721)
Other operating expenses		(3,119)	0
Operating profit/loss		**(24,927)**	**9,231**
Other financial income	6	5,962	4,218
Other financial expenses	7	(11,747)	(3,985)
Profit/loss before tax		**(30,712)**	**9,464**
Tax on profit/loss for the year	8	5,454	(2,083)
Profit/loss for the year	9	**(25,258)**	**7,381**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	3,106	5,249
Acquired intangible assets		407	71
Development projects in progress	11	6,357	7,440
Intangible assets	10	**9,870**	**12,760**
Plant and machinery		683	1,017
Other fixtures and fittings, tools and equipment		790	1,154
Leasehold improvements		2,759	4,145
Property, plant and equipment	12	**4,232**	**6,316**
Investments in group enterprises		125,892	125,892
Financial assets	13	**125,892**	**125,892**
Fixed assets		**139,994**	**144,968**
Raw materials and consumables		36,469	31,204
Work in progress		1,075	3,903
Prepayments for goods		7,004	3,134
Inventories		**44,548**	**38,241**
Trade receivables		14,609	61,429
Contract work in progress	14	89,434	73,498
Receivables from group enterprises		21,988	20,821
Deferred tax	15	37,710	32,629
Other receivables		8,219	12,815
Prepayments	16	3,436	1,511
Receivables		**175,396**	**202,703**
Other investments		575	575
Other investments		**575**	**575**
Cash		**714**	**15,393**
Current assets		**221,233**	**256,912**

Assets	**361,227**	**401,880**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	17	9,922	9,922
Reserve for fair value adjustments of hedging instruments		(251)	(281)
Reserve for development expenditure		5,425	7,780
Retained earnings		13,898	36,801
Equity		**28,994**	**54,222**
Other provisions	18	1,940	1,138
Provisions		**1,940**	**1,138**
Other payables		9,130	9,062
Non-current liabilities other than provisions	19	**9,130**	**9,062**
Current portion of non-current liabilities other than provisions	19	249	438
Contract work in progress	14	90,810	102,188
Trade payables		32,571	30,831
Payables to group enterprises		175,810	168,005
Other payables		21,723	35,996
Current liabilities other than provisions		**321,163**	**337,458**
Liabilities other than provisions		**330,293**	**346,520**
Equity and liabilities		**361,227**	**401,880**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Related parties with controlling interest	23		
Non-arm's length related party transactions	24		
Group relations	25		

Statement of changes in equity for 2023

	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	(281)	7,780	36,801	54,222
Value adjustments	0	37	0	0	37
Tax of entries on equity	0	(7)	0	0	(7)
Transfer to reserves	0	0	1,486	(1,486)	0
Dissolution of reserves	0	0	(3,841)	3,841	0
Profit/loss for the year	0	0	0	(25,258)	(25,258)
Equity end of year	**9,922**	**(251)**	**5,425**	**13,898**	**28,994**

Notes

1 Events after the balance sheet date

have been no events since 31 December 2023, which could significantly affect the evaluation of the group's activities and financial position.

2 Revenue

	2023 DKK'000	2022 DKK'000
Domestic	83,220	72,860
Foreign	252,619	350,944
Total revenue by geographical market	**335,839**	**423,804**
Recognition at single point of time	108,528	112,734
Recognition over time	227,311	311,070
Total revenue by activity	**335,839**	**423,804**

3 Fees to the auditor appointed by the Annual General Meeting

For an overview of fees to auditor appointed by the Annual General Meeting refer to the annual report for Merlin DK Bidco ApS, Platinvej 8, 6000 Kolding, Danmark

4 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	29,095	29,846
Pension costs	4,626	4,206
Other social security costs	0	740
	33,721	**34,792**

Average number of full-time employees	**126**	**140**

	Remuneration of Management 2023 DKK'000	Remuneration of Management 2022 DKK'000
Total amount for management categories	1,774	1,790
	1,774	**1,790**

Persuant to Sec. 98b(3) of the Danish Financial Statements Act remuneration is disclosed in total for management categories.

5 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	2,196	2,377
Depreciation of property, plant and equipment	2,246	2,344
	4,442	**4,721**

6 Other financial income

	2023 DKK'000	2022 DKK'000
Other financial income	5,962	4,218
	5,962	**4,218**

7 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	5,904	3,525
Other interest expenses	5,843	460
	11,747	**3,985**

8 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Change in deferred tax	(5,454)	2,083
	(5,454)	**2,083**

9 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(25,258)	7,381
	(25,258)	**7,381**

10 Intangible assets

	Completed development projects DKK'000	Acquired intangible assets DKK'000	Development projects in progress DKK'000
Cost beginning of year	68,457	18,942	7,440
Additions	0	389	2,036
Disposals	0	0	(3,119)
Cost end of year	**68,457**	**19,331**	**6,357**
Amortisation and impairment losses beginning of year	(63,208)	(18,871)	0
Amortisation for the year	(2,143)	(53)	0
Amortisation and impairment losses end of year	**(65,351)**	**(18,924)**	**0**
Carrying amount end of year	**3,106**	**407**	**6,357**

11 Development projects

Frontmatec Kolding has 3 development projects.

The projects is a mix og 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. 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.

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.

12 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	10,071	7,584
Additions	33	129	0
Cost end of year	**9,689**	**10,200**	**7,584**
Depreciation and impairment losses beginning of year	(8,639)	(8,917)	(3,439)
Depreciation for the year	(367)	(493)	(1,386)
Depreciation and impairment losses end of year	**(9,006)**	**(9,410)**	**(4,825)**
Carrying amount end of year	**683**	**790**	**2,759**

13 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	162,068	30,590
Frontmatec Inc	Kansas City, USA	Inc	100.00	221,391	47,388
Frontmatec Holding B.V.	Borculu, the Netherlands	B.V.	100.00	2,727	4,072
Frontmatec LLC	Moscow, Russia	LLC	100.00	205	940
Frontmatec Shanghai Co, Ltd	Shanghai, China	Co. Ltd.	100.00	(23,084)	(1,196)

14 Contract work in progress

	2023 DKK'000	2022 DKK'000
Contract work in progress	657,569	670,715
Progress billings regarding contract work in progress	(658,945)	(699,404)
Transferred to liabilities other than provisions	90,810	102,187
	89,434	**73,498**

15 Deferred tax

	2023 DKK'000
Intangible assets	(1,996)
Property, plant and equipment	1,660
Inventories	(166)
Provisions	426
Liabilities other than provisions	(8)
Other deductible temporary differences	37,794
Deferred tax	**37,710**

Changes during the year	2023 DKK'000
Beginning of year	32,629
Recognised in the income statement	5,454
Recognised directly in equity	(373)
End of year	**37,710**

Deferred tax assets

Deferred tax consists of differences between accounting and tax values.

16 Prepayments

Prepayments primarily consists of prepaid costs.

17 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, 2023, the Company owns own shares corresponding to 10.14% of the share capital.

18 Other provisions

Other provisions consists warranty obligations.

19 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
Other payables	249	438	9,130	8,056
	249	**438**	**9,130**	**8,056**

20 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Liabilities under rental or lease agreements until maturity in total	9,307	4,712

21 Contingent liabilities

The Entity participated in a Danish joint taxation arrangement where Merlin DK Bidco ApS served 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.

22 Assets charged and collateral

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

23 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

24 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

25 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).

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

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 normal 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 operating expenses
Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss 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 Intagible 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.

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.

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

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

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

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