

WINDOWMASTER INTERNATIONAL A/S - HALF-YEAR REPORT 2022

WindowMaster is a well-established, Danish CleanTech company contributing to sustainable buildings via a market-leading position within intelligent natural ventilation solutions. Growth prospects are supported by megatrends such as Climate change, CleanTech, and Digitalization as well as implementation of new environmental regulation. WindowMaster is listed on Nasdaq First North Growth Market in Copenhagen. This half-year report contains information that WindowMaster is required to disclose pursuant to the EU Market Abuse Regulation. The report was submitted for publication on 18 August 2022.

Financial Highlights H1 2022 – Historically high order intake and revenue, and strong rebound in profitability in Q2

- Order intake increased 25% to DKK 143.7m in H1 2022 (H1 2021: DKK 114.6m)
- Revenue increased 10% to DKK 117.8m in H1 2022 (H1 2021: DKK 107.3m)
- EBITDA increased 18% to DKK 6.4 (H1 2021: DKK 5.5m) corresponding to an EBITDA margin of 5.5% (H1 2021: 5.1%)
- The outlook for 2022 is maintained. Revenue is still expected to be in the range of DKK 220-235m and EBITDA between DKK 13-18m. However, based on the developments in Q2, both revenue and EBITDA are now expected to be in the upper end of the guided ranges.

FINANCIAL KEY FIGURES H1 2022

DKKm	H1 2022	H1 2021	Change
Order intake	143.7	114.6	25%
Revenue	117.8	107.3	10%
Gross Profit	48.6	45.6	6%
Gross Margin %	41.3%	42.6%	
EBITDA	6.4	5.5	18%
EBITDA %	5.5%	5.1%	
Result after tax	-0.8	-0.3	
Net working capital	29.0	21.3	
Cash flow from operations	-0.9	-8.5	
NWC % of revenue (12 months running)	14.4%	13.6%	
Equity ratio % (net cash)	26.1%	32.3%	

Erik Boyter, CEO comments on the developments in the first half: “We are pleased to report that the challenges we experienced in terms of cost inflation in Q1 have been mitigated through price actions in Q2, which means that the half-year results are in line with budget, allowing us to maintain our guidance for the full year with a bias towards the high end of the range. Market activity is high, and our opportunity pipeline is growing, which bodes well for our future growth prospects.”

MARKET ACTIVITY

In general, market activity is high and investments in intelligent natural ventilation solutions are on the rise – both for new buildings and integrated offerings for full indoor climate solutions, and for refurbishment of existing buildings.

Demand is driven by investments in energy efficient solutions and environmental regulation in both EU and US. In the EU, the demand is fueled by the EU’s Green Deal

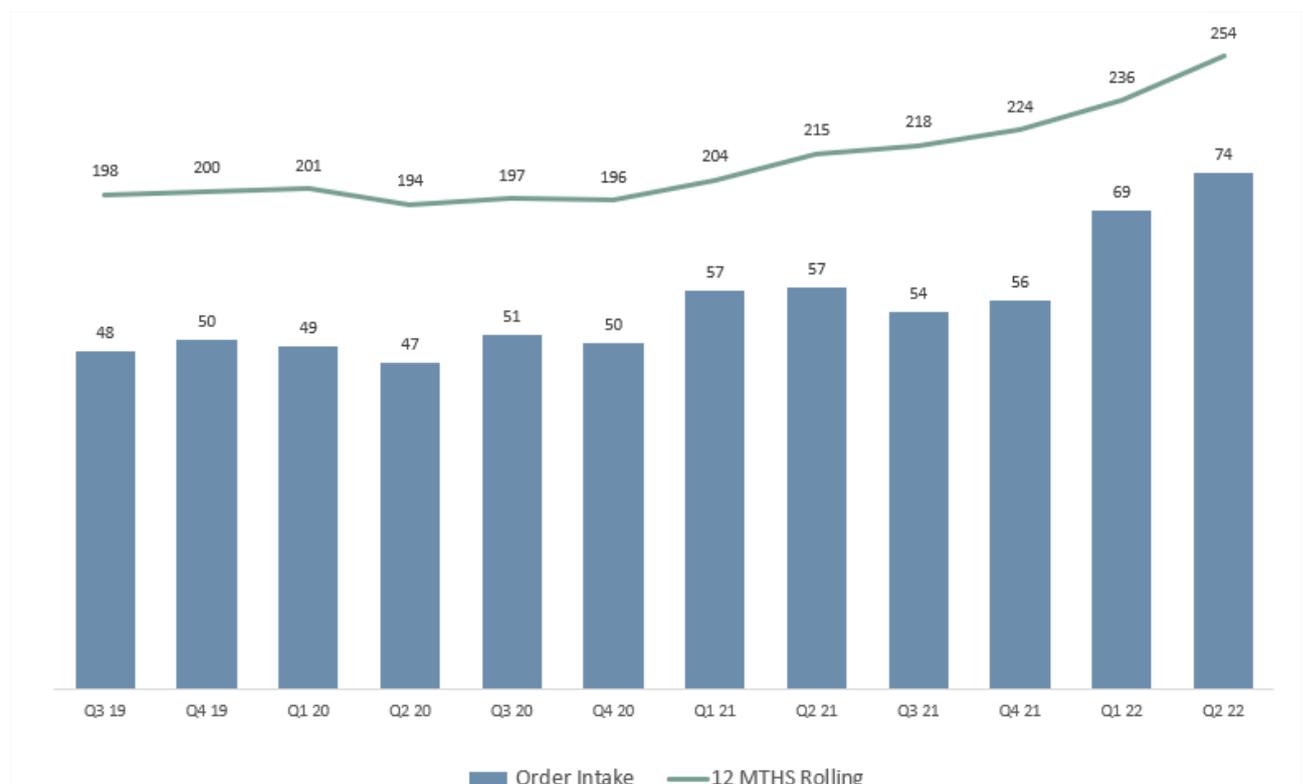
and the REPowerEU-plan. Building renovation is one of the most important and efficient solutions to address both climate change and reliance on fossil fuels.

In the US, the market for green technology is very attractive, and activity is high. Demand is likely to be further supported by President Biden's Climate agenda proposing plans to build a more resilient and sustainable economy. WindowMaster is the only manufacturer of window automation in the intelligent natural ventilation niche with local presence in the US. In 2016, a subsidiary was established in the Bay Area in California, and in 2019, the national distributor Clearline in Pennsylvania was acquired. An office is currently being established in Los Angeles, California. Order intake from the US increased 96% in H1 2022 vs. H1 2021.

In general, global supply chain constraints have led to more ordering in advance to secure deliveries on time, which is enhancing visibility and allowing for more efficient planning of resources.

Order intake at the end of June 2022 was historically high. Order intake year-to-date amounted to DKK 143.7m (2021: DKK 114.6m) and 12-months-trailing order intake amounted to DKK 252m (FY 2021: DKK 224m), representing growth rates of 25% and 12.5%, respectively.

Quarterly developments in order intake



BUSINESS MODEL

WindowMaster's business is split in three types of offerings.

The first area is Projects. This relates to integrated offerings of full indoor climate solutions, which typically include sale of products such as sensors, motors and controllers, sales of hours (project management, installation, and commissioning), programming, and various documentation. This offering is especially targeting building owners, contractors, façade builders and fenestration manufacturers. Increased scope and sale of integrated offerings are driving top line growth but have a slightly diluting impact on the gross margin. WindowMaster possesses comprehensive knowledge of integrating and controlling different building automation solutions (Solar Shading, Hybrid ventilation, Natural ventilation, Smoke and Heat ventilation, etc.) with the companies' control systems.

Based on the 32-year history of WindowMaster, many of the previously installed solutions are now ready to be refurbished and technological updated, and the target is to leverage the installed base for refurbishment jobs and service work. Refurbishments are driving both top-line growth and margin expansion.

The second area is Products. This includes recurring revenue from product sales to OEMs, distribution- and installation partners. The product portfolio within natural indoor climate solutions consists of a variety of specialty products such as controllers, motors, sensors, detectors, actuators, and accessories. The legacy Heat & Smoke business is increasingly converging with and becoming an integrated part of the natural ventilation solutions.

WindowMaster has built a scalable efficient production platform in Herford (Germany), which has proved to be an effective way of servicing global customers.

The third area is Service. Service contracts provide a stable and recurring revenue as well as increased customer satisfaction. Service contracts will typically include annual inspection as well as service and maintenance of moveable components and repair of minor errors and damages. Service contracts are driving both top-line growth and margin expansion.

With effect from 1 January 2021, WindowMaster acquired the Danish company, Climatic A/S with a view to growing the service business. Climatic is active within two business areas: Safety and Fall protection systems, and Comfort and Fire ventilation systems based on energy-friendly natural air exchange. Originally, it was the intention to spin-off the Safety and Fall protection business. However, it has been decided to

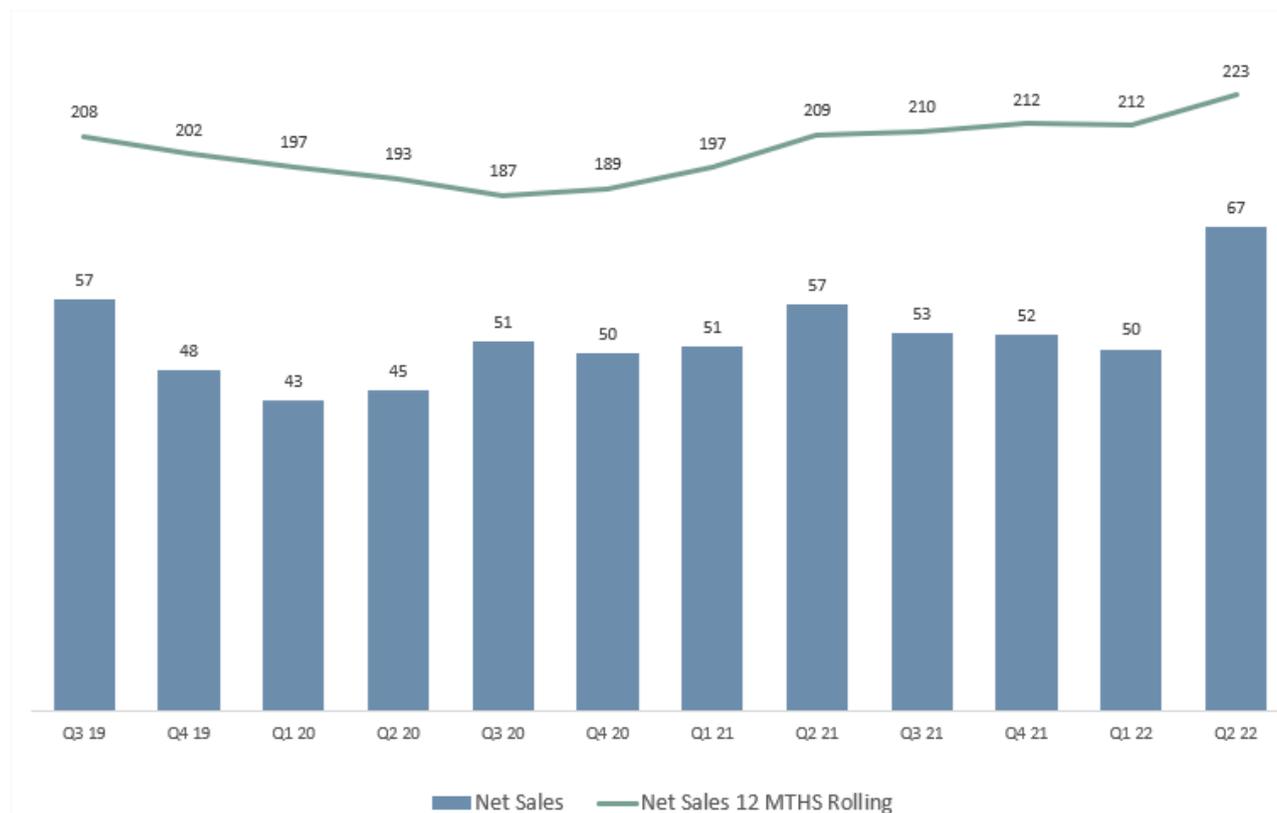
keep and develop the business to leverage synergies on the customer side. The Safety and Fall protection business currently delivers a slightly lower gross margin than the average of WindowsMaster’s business.

FINANCIAL DEVELOPMENTS H1 2022

Revenue

Revenue in H1 amounted to DKK 117.8m (H1 2021: 107.3m) equivalent to an increase of 10%. primarily explained by growth in product sales and partly from more project sales.

Quarterly developments in Revenue

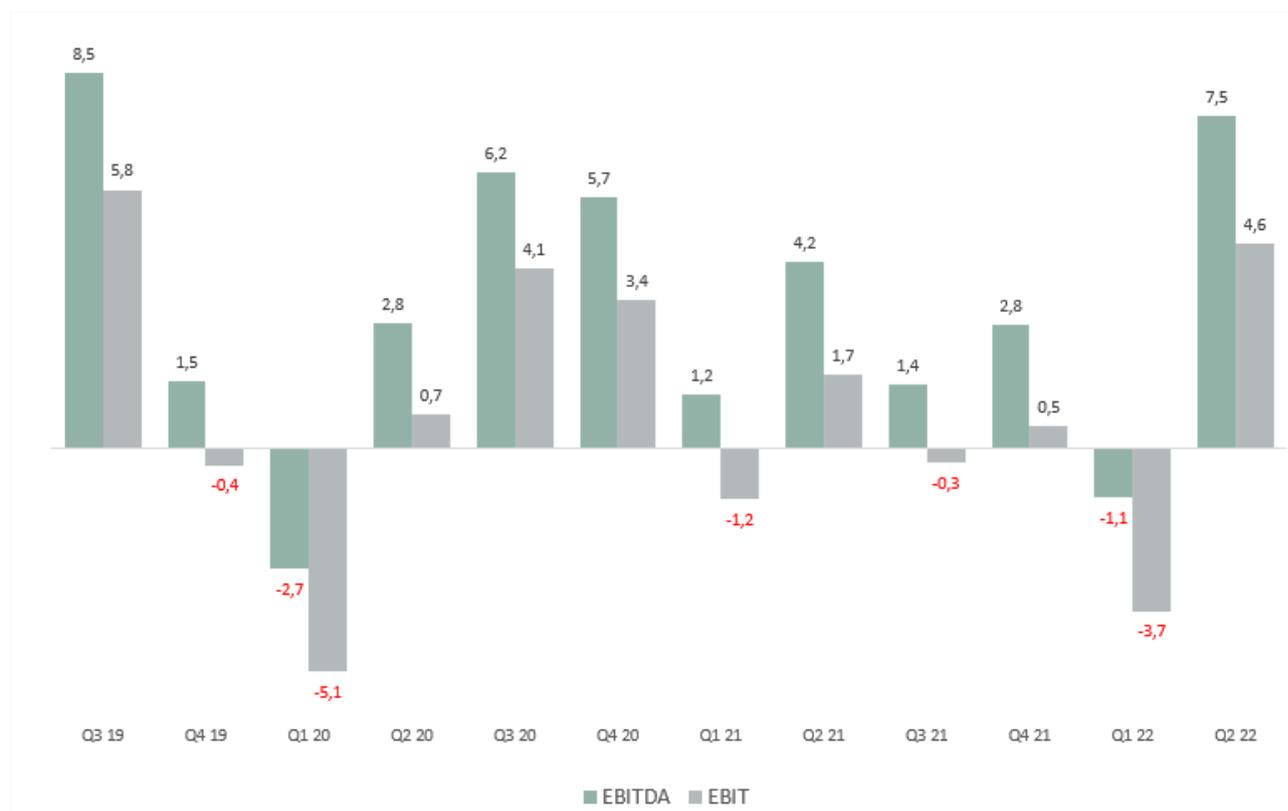


Gross profit

Gross profit amounted to DKK 48.6m in H1 (H1 2021: DKK 45.6m) equivalent to a gross margin of 41.3% (H1 2021: 42.6 %). The decrease in the gross margin is related to higher cost prices in Q1 that were not fully offset by higher prices. This has been rectified in Q2.

EBITDA

Operating profit (EBITDA) amounted to DKK 6.4m in H1 (H1 2021: DKK 5.5m) equivalent to an EBITDA margin of 5.5% (H1 2021: 5.1%). The increase in the EBITDA margin is explained by higher turnover and effect from higher prices in Q2.



The first quarter of the year was marked by high uncertainty and significant cost increases related to constraints in the global supply chain. However, the implementation of permanent price increases at the beginning of the year as well as temporary price supplements in the second quarter have mitigated the negative effects of cost increases incurred at the beginning of the year.

Cash flow and working capital

Cash flow from operating activities in H1 amounted to DKK -0.9m (H1 2021: -8.5m). The improvement on last year is primarily attributable to increased profitability, however partly off-set by a slight increase in net working capital. Cash flow from investment activities in H1 amounted to DKK -3.9m (H1 2021: -14.3) and were related to ERP, as well as investments in product development and tests. Investments in H1 2021 included the acquisition of Climatic A/S.

At the end of H1, net working capital amounted to DKK 32m (End of 2021: 29m). Net working capital as a percentage of revenue (12-month running) worsened to 14.4% (End of 2021: 13.6%)

Net working capital increased towards the end of 2021 and further in H1 due to a deliberate management decision to increase inventories and purchasing of strategically important electronic component on the spot market to be able to meet anticipated demand with competitive delivery times. No further increases in net working capital are anticipated in H2, and thus operating income is expected to flow through to free cash flow in H2.

Cash and financial position

Net interest-bearing debt at the end of H1 amounted to DKK 40.0m (End of 2021: 28.9m). The change is primarily related to the increase in net working capital as explained above. Access to capital and good banking relationships have proved to be a source of competitive advantage.

Financial gearing calculated as NIBD/EBITDA amounted to 3.8 at the end of H1. (End of 2021: 5.3). The target is to be below 2.0.

At the end of H1, Equity amounted to DKK 33.3m (End of 2021: 35.4), equivalent to an equity ratio of 26%. The target is to be above 30%.

Risks

WindowMaster is exposed to market risks including currency risks, interest risks and commodity price risks as part of its ongoing operations and investment activities. As a supplier to the global construction industry, the company is also exposed to cyclical market developments and a potential economic slowdown.

The key commercial risks relate to the company's ability to effectively manage the anticipated growth. This involves attracting sufficient and skilled employees and safeguarding the level of competencies and market knowledge within the company. Additionally, the company is dependent on consistent and timely delivery of materials from suppliers to the assembly facility in Herford, Germany.

Outlook for 2022

The outlook for 2022 is maintained. Revenue is still expected to be in the range of DKK 220-235 mill. and EBITDA is still expected to be between DKK 13-18 mill. However,

based on the developments in Q2, both revenue and EBITDA are now expected in the upper end of the guided ranges. Unforeseen events such as Covid-19, geo-political uncertainty and supply disruptions may impact developments in the remainder of the year.

CONFERENCE CALL

WindowMaster invites investors to participate in a live video event on 19 August 2022 at 13:00 CET. The company's CEO, Erik Boyter, and CFO Steen Overgaard Sørensen will present the company's half year report in Danish. (Register at: <https://hcandersencapital643.clickmeeting.com/windowmaster-praesentation-af-h1-2022/register>.)

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

FINANCIAL
***Unaudited**

STATEMENTS

JAN-JUN

2022*

Financial highlights

	<u>2022-H1</u> <u>DKK'000</u>	<u>2021-H1</u> <u>DKK'000</u>	<u>2021-FY</u> <u>DKK'000</u>
Key figures			
Gross profit	48.555	45.641	88.005
EBITDA	6.361	5.454	9.672
Operating profit/loss	934	509	646
Net financials	-1.689	-540	-1.752
Profit/loss for the year	-844	-251	-1.947
Total assets	175.345	124.202	147.197
Investment in property, plant & equipment	598	1.032	2.228
Equity	33.275	35.355	34.091
Ratios			
Return of equity	-2,5%	-0,7%	-0,7%
Equity ratio	19,0%	28,5%	23,2%
Equity ratio (net cash)	26,1%	32,3%	28,4%

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

Ratios	Calculation formula	Calculation formula reflects
Return on equity %	Profit/loss of the year X 100 / Avg. equity	The entity's return on capital invested in the entity by the owners.
Equity ratio %	Equity X 100 / Total assets	The financial strength of the entity.
Equity ratio (net cash) %	In equity ratio (net cash), bank loans and cash have been netted out within the total assets amount.	

Consolidated income statement for 01.01.2022 - 30.06.2022

	2022- H1	2021- H1	2021-FY
	DKK'000	DKK'000	DKK'000
Net sales	117,659	107,242	211,403
Gross profit	48,555	45,641	88,005
Staff costs	-42,194	-40,187	-78,333
Depreciation, amortisation and impairment losses	-5,427	-4,945	-9,026
Operating profit/loss	934	509	646
Other financial income	1,202	679	1,205
Other financial expenses	-2,891	-1,219	-2,957
Profit/loss before tax	-755	-31	-1,106
Tax on profit/loss for the year	-89	-220	-841
Profit/loss for the year	-844	-251	-1,947

Consolidated balance sheet as at 30.06.2022

Assets	2022- H1 DKK'000	2021- H1 DKK'000	2021-FY DKK'000
Acquired intangible assets	11,019	8,326	11,367
Research and development projects	10,457	8,297	10,141
Goodwill	7,963	10,312	9,079
Intangible assets	29,439	26,935	30,587
Other fixtures and fittings, tools and equipment	3,274	3,369	3,321
Leasehold improvements	1,809	1,056	2,013
Property, plant and equipment	5,083	4,425	5,334
Deposits	989	800	985
Fixed assets investments	989	800	985
Fixed assets	35,511	32,160	36,906
Goods under production	30,519	22,958	30,885
Manufactured goods and goods for resale	11,007	8,577	13,416
Inventories	41,526	31,535	44,301
Trade receivables	32,042	25,726	22,254
Contract work in progress	5,677	5,159	4,296
Receivables from group enterprises	2,431	2,431	2,431
Deferred tax	4,415	2,134	2,944
Other receivables	706	5,557	4,305
Prepayments	4,971	4,698	2,720
Receivables	50,242	45,705	38,950
Cash	48,066	14,802	27,040
Current assets	139,834	92,042	110,291
Total assets	175,345	124,202	147,197

<i>Liabilities</i>	2022- H1 DKK'000	2021- H1 DKK'000	2021-FY DKK'000
Contributed capital	14,513	14,513	14,513
Retained earnings	18,762	20,842	19,578
Equity	33,275	35,355	34,091
Deferred tax	392	0	0
Other provisions	982	1,058	982
Provisions	1,374	1,058	982
Other payables	3,469	3,522	3,797
Non-current liabilities other than provisions	3,469	3,522	3,797
Current portion of long-term liabilities other than provisions	358	313	720
Bank loans	88,010	43,741	62,229
Contract work in progress	0	3,773	4,247
Trade payables	31,888	17,471	24,372
Income tax payables	764	891	871
Other payables	16,207	18,078	15,888
Current liabilities other than provisions	137,227	84,267	108,327
Liabilities other than provisions	140,696	87,789	112,124
Equity and liabilities	175,345	124,202	147,197

Consolidated statement of cash flows for 01.01.2022 - 30.06.2022

	2022-H1	2021-H1	2021-FY
	DKK'000	DKK'000	DKK'000
Operating profit/loss	934	509	646
Amortisation, depreciation and impairment losses	5,427	4,945	9,026
Working capital changes	-3,660	-11,358	-12,139
Cash flow from ordinary operating activities	2,701	-5,904	-2,467
Financial Income received	1,202	679	1,205
Financial expenses paid	-2,891	-1,219	-2,957
Income taxes refunded/(paid)	-1,889	-2,041	-2,552
Cash flow from operating activities	-877	-8,485	-6,771
Acquisition etc of intangible assets	-3,352	-13,249	-20,141
Acquisition etc of property, plant and equipment	-598	-1,032	-2,228
Earn-out regarding purchase of subsidiaries	0	-9	0
Cash flows from investing activities	-3,950	-14,290	-22,369
Share issue	0	1,386	1,500
Bank loans	25,782	18,861	37,318
Cash flows from financing activities	25,782	20,247	38,818
Increase/decrease in cash and cash equivalents	20,955	-2,528	9,678
Cash and cash equivalents beginning of period	27,040	17,098	17,098
Exchange rate adjustments on cash and cash equivalents	71	232	264
Cash and cash equivalents end of period	48,066	14,802	27,040
Cash and cash equivalents at end of period are composed of:			
Cash	48,066	14,802	27,040
Cash and cash equivalents end of period	48,066	14,802	27,040

MANAGEMENT'S STATEMENT

The Executive Management and Board of Directors of WindowMaster have today adopted the interim financial statement for the first six months of 2022. The Financial report has not been audited or reviewed by the Company's independent auditors.

The consolidated financial statements have been prepared in accordance with the Danish Financial Statements Act. In our opinion, the Interim Financial Statements give a true and fair view of the operations, financial position, and results, and describes the significant risks and uncertainties facing the company.