

# Fayrefield Foods A/S

Lysholt Allé 3, 2., DK-7100 Vejle

CVR no. 20 28 72 92

## Annual report 2022

Approved at the Company's annual general meeting on 30 March 2023

Chair of the meeting:

.....  
Frank Therkildsen

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Fayrefield Foods A/S for the financial year 1 January - 31 December 2022.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Vejle, 30 March 2023  
Executive Board:

.....  
Jens Bruun Haugstrup

Board of Directors:

.....  
Peter Nielsen  
Chair

.....  
Jens Bruun Haugstrup

.....  
Susanne Hougaard  
Steffensen

.....  
Jens Søgaaard Jacobsen

.....  
Frank Therkildsen

.....  
Kunmei Lian

## Independent auditor's report

To the shareholder of Fayrefield Foods A/S

### Opinion

We have audited the financial statements of Fayrefield Foods A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 financial position of the Company at 31 December 2022 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 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 the 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company 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.

### 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 the 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 Company's internal control.

## Independent auditor's report

- ▶ 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 Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Horsens, 30 March 2023  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Morten Klarskov Larsen  
State Authorised Public Accountant  
mne32736

## Management's review

### Company details

Name	Fayrefield Foods A/S
Address, Postal code, City	Lysholt Allé 3, 2., DK-7100 Vejle
CVR no.	20 28 72 92
Established	1 August 1997
Registered office	Vejle
Financial year	1 January - 31 December
Website	<a href="http://www.fayrefield.dk">www.fayrefield.dk</a>
Board of Directors	Peter Nielsen, Chair Jens Bruun Haugstrup Susanne Hougaard Steffensen Jens Søgaard Jacobsen Frank Therkildsen Kunmei Lian
Executive Board	Jens Bruun Haugstrup
Auditors	EY Godkendt Revisionspartnerselskab Holmboes Allé 12, 8700 Horsens, Denmark
Bankers	Sydbank Kirketorvet 4, 7100 Vejle

## Management's review

### Financial highlights

DKK'000	2022	2021	2020	2019	2018
<b>Key figures</b>					
Revenue	1,255,348	1,028,483	1,053,195	1,171,225	940,362
Gross profit	91,142	51,633	43,936	68,329	42,959
Profit before interest and tax (EBIT)	51,233	21,888	14,362	35,530	19,004
Operating profit/loss	50,448	21,116	13,250	34,895	19,003
Net financials	-12,067	-9,991	-477	-10,548	-8,892
<b>Profit for the year</b>	<b>30,583</b>	<b>12,715</b>	<b>10,653</b>	<b>15,242</b>	<b>11,827</b>
<b>Total assets</b>					
Total assets	411,647	424,869	393,440	397,602	365,001
Investments in property, plant and equipment	2,780	2,196	2,417	0	0
<b>Equity</b>	<b>95,014</b>	<b>68,645</b>	<b>60,999</b>	<b>51,049</b>	<b>60,914</b>
<b>Cash flows</b>					
Cash flows from operating activities	90,315	-9,986	-9,947	-19,270	-27,824
Net cash flows from investing activities	17,550	1,118	9,110	5,841	-31,536
Cash flows from financing activities	-108,532	8,835	884	13,427	59,347
<b>Financial ratios</b>					
Operating margin	4.1%	2.1%	1.5%	3.1 %	2.0 %
Gross margin	7.3%	5.0%	4.2%	5.8%	4.6%
Equity ratio	23.1%	16.2%	15.5%	12.8%	16.7%
Return on equity	37.4%	19.6%	19.0%	27.2%	19.8%
Equity ratio including subordinated loans	27.1%	20.9%	21.7%	18.7%	16.7%
<b>Average number of full-time employees</b>					
Average number of full-time employees	38	38	38	37	36

For terms and definitions, please see the accounting policies.

## Management's review

### Business review

As in previous years the main object of the Company has been to conduct trading activities with goods and services primarily within the food industry.

### Financial review

The income statement for 2022 shows a profit of DKK 30,583 thousand against a profit of DKK 12,715 last year, and the balance sheet at 31 December 2022 shows equity of DKK 95,014 thousand.

In the Annual report for 2021 management stated the expectations for 2022 as revenues of DKK 1,100 million and profits before tax of DKK 15 million. The company realized revenues of DKK 1.255 million which is DKK 155 million more than expected. Profits before tax was realized at DKK 39 million which is DKK 24 more than expected. The main reason for the higher turnover is a combination of a strong USD and price increases within the dairy market. On this basis management considers the Group's financial performance in the year satisfactory,

### Non-financial matters

#### Knowledge resources

The company relies on well-educated employees. The company provides ongoing training where necessary. Further reference is made to the section "Social and employee conditions" in the statutory CSR report referenced below.

#### Financial risks and use of financial instruments

##### General risks

The most significant operating risks facing the Company relate to its ability to be strongly positioned in the markets in which it buys and sells products.

##### Financial risks

Due to its operations, investments and financing, the Company is exposed to changes in exchange rates and interest rates. It is the Company's policy not to engage in active speculation in financial risks. Thus, the Company's financial management activities are aimed only at managing risks already assumed.

##### Currency risks

The Company's activities are affected by exchange rate fluctuations, as its revenue and cost of sales are primarily generated in foreign currency, whereas expenses, including wages and salaries are paid in DKK. The Company's currency risks are primarily hedged through a distribution of income and expenses in the same currency and through financial instruments. In accordance with the policy approved by the Board of Directors, risks on recognised financial assets and liabilities are hedged by way of financial agreements. Hedging takes place using forward exchange contracts, which are to hedge minimum 80% of the risks. Loan transactions in foreign currency are hedged through interest swaps, based on an individual assessment.

##### Interest rate risks

The Company's interest-bearing debt, made up as mortgage debt and bank debt net of the Company's portfolio of negotiable securities and cash balances, is at the primary bank deducted with DKK 40 million to DKK 225 million at end of the year. At a secondary bank a new limit of EUR 16 million has been provided. In total the bank limits at year end sums up to DKK 344 million. The Company's interest rate is variable.



## Management's review

### Credit risks

The Company's credit risks partly relate to financial assets and partly to derivative financial instruments with a positive fair value. Credit risks related to financial assets correspond to the value recognised in the statement of financial position. The Company is not exposed to any significant risks relating to any particular customer or business partner. The Company's policy in respect of credit risks implies that all major customers and other business partners are credit-rated on an ongoing basis. Transactions with customers outside Denmark, except for immaterial agreements, are insured at Allianz.

### Impact on the external environment

The Company is environmentally conscious and constantly strives at reducing its environmental impact from its operations. The Company has no formal policy for this. Although there is no formal policy we have agreed the following guidelines. Since, it is guidelines no actions to follow-up are tracked or compared.

### Research and development activities

The Company does not carry out any particular R&D activities.

### Statutory CSR report

The Company has not drawn up any CSR report, as the Parent Company has done so for the entire Group. The report is rendered in the annual report of the parent company Fayrefield Ingredients Holding A/S, CVR no. 42 34 50 08.

### Account of the gender composition of Management

The Company is owner-managed and therefore the Board of Directors is composed of owner representatives. The Board of Directors in the Company has set a target figure of 15% for the underrepresented gender on the Board of Directors. For the time being the underrepresented gender makes 33% of the members of the Board of Directors elected at the general meeting.

The Board of Directors currently consist of 6 members of mixed gender.

In 2022, our other management consisted of 5 people, of whom 5 were male and 0 were female. The company's policies for increasing the level of the underrepresented gender in managerial position is to encourage people with the right skills to apply for unfilled managerial position. There have been no vacant managerial positions during 2022. We are seeking to promote positive leadership stories for our underrepresented gender, in order to generate greater awareness and interest in this area.

Other management is defined as the CEO and management that refers directly to the CEO. The number of board members and other management is based on headcount at year-end.

### Data ethics

Our work with data ethics has been based on the Data Ethics Compass from the Data Ethics Council with the following areas: Self-determination, Dignity, Accountability, Equality and Justice, Progressiveness and Diversity.

Our goal for data ethics behavior is to have a responsible use of data at all times, as well as to create transparency in the company's data collection, data management and data development.

We have prepared a policy for the area that the employees comply with.

The Board of Directors is responsible for continuously, and at least once a year, assessing whether the policy on data ethics needs to be updated. The Executive Board is responsible for ensuring that the policy is implemented in the company's day-to-day operations and informs the Board of Directors at least once a year about the work with data ethics.

### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

## Management's review

### Outlook

The COVID-19 pandemic and the war in Ukraine will continue to impact the markets we are operating in. It will have an influence on our sourcing from Ukraine and Belarus. However, we expect a positive cash flow from our operations partly from profits generated partly from a lower working capital requirement.

For 2023 we expect revenues of DKK 1,300 million and profits before tax of DKK 26 million.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2022	2021
2	<b>Revenue</b>	1,255,348	1,028,483
	Other operating income	785	780
	Raw materials and consumables	-1,149,412	-969,119
3	Other external expenses	-15,579	-8,511
	<b>Gross profit</b>	91,142	51,633
4	Staff costs	-37,865	-27,865
	Depreciation and impairment of property, plant and equipment	-2,045	-1,873
	Other operating expenses	0	-8
	<b>Profit before net financials</b>	51,232	21,887
	Income from investments in group entities	-1,849	2,042
	Income from Participating interests	1,908	1,255
	Financial income	7,515	585
5	Financial expenses	-19,582	-10,576
	<b>Profit before tax</b>	39,224	15,193
6	Tax for the year	-8,641	-2,478
	<b>Profit for the year</b>	30,583	12,715

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
7	<b>Property, plant and equipment</b>		
	Land and buildings	15,517	16,088
	Other fixtures and fittings, tools and equipment	7,633	6,326
		<u>23,150</u>	<u>22,414</u>
8	<b>Investments</b>		
	Investments in group entities	9,037	31,174
	Participating interests	8,308	5,971
	Other receivables	333	333
		<u>17,678</u>	<u>37,478</u>
	<b>Total fixed assets</b>	<u>40,828</u>	<u>59,892</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	220,007	205,873
	Prepayments for goods	0	964
		<u>220,007</u>	<u>206,837</u>
	<b>Receivables</b>		
	Trade receivables	141,896	155,091
	Receivables from group entities	2,499	1,018
	Receivables from participating interests	158	1,593
	Other receivables	6,184	382
	Prepayments	8	7
		<u>150,745</u>	<u>158,091</u>
	<b>Securities and investments</b>		
	Other securities and investments	59	41
		<u>59</u>	<u>41</u>
	<b>Cash</b>	<u>8</u>	<u>8</u>
	<b>Total non-fixed assets</b>	<u>370,819</u>	<u>364,977</u>
	<b>TOTAL ASSETS</b>	<u><u>411,647</u></u>	<u><u>424,869</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2022	2021
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
9	Share capital	5,000	5,000
	Hedging reserve	1,149	-656
	Retained earnings	88,865	64,301
	<b>Total equity</b>	<b>95,014</b>	<b>68,645</b>
	<b>Provisions</b>		
10	Deferred tax	1,599	1,580
	<b>Total provisions</b>	<b>1,599</b>	<b>1,580</b>
	<b>Liabilities other than provisions</b>		
11	<b>Non-current liabilities other than provisions</b>		
12	Subordinate loan capital	12,762	8,714
		<b>12,762</b>	<b>8,714</b>
	<b>Current liabilities other than provisions</b>		
11	Current portion of long-term liabilities	2,070	11,401
	Bank debt	130,388	227,137
	Trade payables	147,007	87,888
	Payables to group entities	10,763	6,381
	Other payables	12,044	13,123
		<b>302,272</b>	<b>345,930</b>
	<b>Total liabilities other than provisions</b>	<b>315,034</b>	<b>354,644</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>411,647</b>	<b>424,869</b>

- 1 Accounting policies
- 14 Contractual obligations and contingencies, etc.
- 15 Collateral
- 16 Related parties
- 17 Appropriation of profit

## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Hedging reserve	Retained earnings	Total
	Equity at 1 January 2021	5,000	563	55,437	61,000
17	Transfer, see "Appropriation of profit"	0	0	12,715	12,715
	Value adjustments of equity from group companies	0	0	149	149
	Adjustment of hedging instruments at fair value	0	-1,562	0	-1,562
	Tax on items recognised directly in equity	0	344	0	344
	Extraordinary dividend distributed	0	0	-4,000	-4,000
	<b>Equity at 1 January 2022</b>	<b>5,000</b>	<b>-656</b>	<b>64,301</b>	<b>68,645</b>
17	Transfer, see "Appropriation of profit"	0	0	30,583	30,583
	Value adjustments of equity from group companies	0	0	481	481
	Adjustment of hedging instruments at fair value	0	2,460	0	2,460
	Tax on items recognised directly in equity	0	-655	0	-655
	Extraordinary dividend distributed	0	0	-6,500	-6,500
	<b>Equity at 31 December 2022</b>	<b>5,000</b>	<b>1,149</b>	<b>88,865</b>	<b>95,014</b>

## Financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	2022	2021
	Profit for the year	30,583	12,715
18	Adjustments	13,052	11,053
	Cash generated from operations (operating activities)	43,635	23,768
19	Changes in working capital	49,790	-20,525
	Cash generated from operations (operating activities)	93,425	3,243
	Interest paid, etc.	-3,110	-9,991
	Income taxes paid	0	-3,238
	<b>Cash flows from operating activities</b>	<b>90,315</b>	<b>-9,986</b>
	Additions of property, plant and equipment	-2,780	-2,196
	Purchase of financial assets	0	-1,636
	Disposals of companies	20,330	0
	Dividends received	0	4,950
	<b>Cash flows to investing activities</b>	<b>17,550</b>	<b>1,118</b>
	Dividends paid	-6,500	-4,000
	Proceeds of long-term liabilities	-5,283	-4,371
	Proceeds of debt to credit institutions	-96,749	17,206
	<b>Cash flows from financing activities</b>	<b>-108,532</b>	<b>8,835</b>
	<b>Net cash flow</b>	<b>-667</b>	<b>-33</b>
	Cash and cash equivalents at 1 January	49	82
20	<b>Cash and cash equivalents at 31 December</b>	<b>-618</b>	<b>49</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Fayrefield Foods A/S for 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

### Income statement

#### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, including cheese and other products, is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

#### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

##### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	30-40 years
Other fixtures and fittings, tools and equipment	3-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

##### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

##### Profit/loss from investments in subsidiaries and participating interests

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in participating interests.

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

##### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

##### Investments in subsidiaries and participating interests

Equity investments in subsidiaries and participating interests are measured according to the equity method.

On initial recognition, equity investments in subsidiaries and participating interests are measured at cost, i.e. plus transaction costs.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed.

Goodwill is amortised on a straight line basis of 10 years.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries and participating interests measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

#### Impairment of fixed assets

The carrying amount of property, plant and equipment and investments in subsidiaries and participating interests is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

#### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and indirect production overheads.

Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management. Borrowing costs are not recognised in the sales price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

#### Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

#### Securities and investments

Securities and investments consisting in listed shares are measured at fair value (market price) at the balance sheet date.

#### Equity

##### *Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

##### *Hedging reserve*

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

##### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### Subordinate loan capital

Liabilities where the creditors have stated they are willing to subordinate their claim to rank after all the entity's other creditors are presented as subordinate loan capital. Subordinate loan capital is recognised using the same method as applies to liabilities.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

##### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

##### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	Profit/loss before financial items adjusted for other operating income and other operating expenses
Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Equity ratio including subordinated loans	$\frac{\text{Equity plus subordinated loans, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$

DKK'000

	<u>2022</u>	<u>2021</u>
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#### 2 Segment information

##### Breakdown of revenue by business segment:

Cheese	149,087	109,203
Powder	423,539	309,017
Export	682,722	610,344
	<u>1,255,348</u>	<u>1,028,564</u>

##### Breakdown of revenue by geographical segment:

Scandinavia	364,153	280,662
Europe - outside Scandinavia	145,022	138,285
Markets outside Europe	746,173	609,617
	<u>1,255,348</u>	<u>1,028,564</u>

#### 3 Fee to the auditors appointed in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Fayrefield Ingredients Holding A/S.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2022	2021	
<b>4 Staff costs</b>			
Wages/salaries	33,892	24,465	
Pensions	2,916	2,518	
Other social security costs	354	341	
Other staff costs	703	541	
	<u>37,865</u>	<u>27,865</u>	
Average number of full-time employees	<u>38</u>	<u>38</u>	
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.			
<b>5 Financial expenses</b>			
Interest expenses, group entities	316	187	
Other financial expenses	19,266	10,389	
	<u>19,582</u>	<u>10,576</u>	
<b>6 Tax for the year</b>			
Estimated tax charge for the year	8,621	2,520	
Deferred tax adjustments in the year	20	117	
Tax adjustments, prior years	0	-159	
	<u>8,641</u>	<u>2,478</u>	
<b>7 Property, plant and equipment</b>			
DKK'000	<b>Land and buildings</b>	<b>Other fixtures and fittings, tools and equipment</b>	<b>Total</b>
Cost at 1 January 2022	22,355	16,961	39,316
Additions in the year	89	2,691	2,780
Disposals in the year	0	-80	-80
Cost at 31 December 2022	<u>22,444</u>	<u>19,572</u>	<u>42,016</u>
Impairment losses and depreciation at 1 January 2022	6,267	10,635	16,902
Amortisation/depreciation in the year	660	1,384	2,044
Reversal of amortisation/depreciation and impairment of disposals	0	-80	-80
Impairment losses and depreciation at 31 December 2022	<u>6,927</u>	<u>11,939</u>	<u>18,866</u>
<b>Carrying amount at 31 December 2022</b>	<u>15,517</u>	<u>7,633</u>	<u>23,150</u>

Note 15 provides more details on security for loans, etc. as regards property, plant and equipment.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Investments

DKK'000	Investments in group entities	Participating interests	Other receivables	Total
Cost at 1 January 2022	54,502	3,013	333	57,848
Disposals in the year	-34,002	0	0	-34,002
Cost at 31 December 2022	20,500	3,013	333	23,846
Value adjustments at 1 January 2022	-23,328	2,958	0	-20,370
Exchange adjustment	0	429	0	429
Share of the profit/loss for the year	-1,849	1,908	0	59
Equity adjustments, investments	53	0	0	53
Reversal of revaluation of sold investments	13,661	0	0	13,661
Value adjustments at 31 December 2022	-11,463	5,295	0	-6,168
<b>Carrying amount at 31 December 2022</b>	<b>9,037</b>	<b>8,308</b>	<b>333</b>	<b>17,678</b>

Group goodwill totals DKK 600 thousand.

#### Subsidiaries

Name	Domicile	Interest
Lacto Foods A/S	Vejle	100.00%

#### Participating interests

Name	Domicile	Interest
Fayrefield Foods LLC	Chapel Hill, USA	50.00%

#### 9 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2022	2021	2020	2019	2018
Opening balance	5,000	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000	5,000

DKK'000	2022	2021
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#### 10 Deferred tax

Deferred tax at 1 January	1,580	1,463
Change in deferred tax	19	117
<b>Deferred tax at 31 December</b>	<b>1,599</b>	<b>1,580</b>

The provision for deferred tax primarily relates to timing differences in respect of intangible assets and property, plant and equipment.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 11 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2022	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Subordinate loan capital	14,832	2,070	12,762	1,452
	<u>14,832</u>	<u>2,070</u>	<u>12,762</u>	<u>1,452</u>

#### 12 Subordinate loan capital

Loans of 14,214 t.DKK has been granted by the parent companies and are subordinated in relation to all other creditors.

The loan of 8,714 t.DKK term to maturity over 6 years when the entity has solvency ratio of 20 %.

The loan of 5,500 t.DKK term to maturity is December 31, 2028. at the latest.

The interest is added to the principal and does fall annually and will be added to the principal until payment.

#### 13 Derivative financial instruments

##### *Fair value disclosures*

The Company has the following assets and liabilities measured at fair value:

DKK'000	Forward Exchange contracts	Listed shares
Fair value at year end	5,649	58
Unrealised fair value adjustments for the year, recognised in the income statement	0	17
Unrealised fair value adjustments for the year, recognised in hedging reserve	2,460	0
Fair value level	2	1

#### 14 Contractual obligations and contingencies, etc.

The Company is jointly taxed with its parent, Fayrefield Ingredients Holding A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2021 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 January 2021.

##### **Other financial obligations**

Other rent liabilities:

Rent liabilities	<u>484</u>	<u>436</u>
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#### 15 Collateral

As security for debt to banks of 130,388 t.DKK, the company has provided security or other collateral in its assets for a total amount of t.DKK 125,000. The total carrying amount of these assets is t.DKK 365,073. Breakdown of the security/collateral and the carrying amount:

Trade receivables at a carrying amount of t.DKK 141,825, inventory at a carrying amount of t.DKK 215,615 and operating equipment at a carrying amount of t.DKK 7,633 at 31 December 2022 have been put up as security for debt to banks, totalling t.DKK 130,388.

Furthermore, as security for bank debts the Company has pledged a mortgage deed registered to the mortgage of t.DKK 2,200 with security in land register no. 7 f Rostrup By, Rostrup, Rostrup Byvej 3, DK-9510 Arden. The book value of assets put up for collateral is t.DKK 15.517 at 31 December 2022.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 15 Collateral (continued)

The collateral is also provided as security for bank debt in group companies totalling 7,745 t.DKK.  
The company has signed non-pledge statements regarding shares in fully owned subsidiaries.

#### 16 Related parties

Fayrefield Foods A/S' related parties comprise the following:

##### Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Fayrefield Ingredients Holding A/S Jens Bruun Haugstrup	Vejle	Shareholder Board member and managing director
Peter Nielsen		Member of the supervisory board
Frank Therkildsen		Member of the supervisory board
Susanne Hougaard Steffensen		Member of the supervisory board
Jens Søgaard Jacobsen		Member of the supervisory board
Kunmei Lian		Member of the supervisory board

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Fayrefield Ingredients Holding A/S	Vejle	Lysholt Allé 3, 2. sal, 7100 Vejle

##### Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2022	2021
<b>17 Appropriation of profit</b>		
<b>Recommended appropriation of profit</b>		
Extraordinary dividend distributed in the year	6,500	4,000
Retained earnings	24,083	8,715
	<u>30,583</u>	<u>12,715</u>
<b>18 Adjustments</b>		
Amortisation/depreciation and impairment losses	2,045	1,873
Gain/loss on the sale of non-current assets	0	8
Income from investments in associates	-89	-3,297
Financial income	-6,136	-585
Financial expenses	9,246	10,576
Tax for the year	7,986	2,478
	<u>13,052</u>	<u>11,053</u>
<b>19 Changes in working capital</b>		
Change in inventories	-8,778	-24,943
Change in receivables	9,943	-6,324
Change in trade and other payables	48,625	10,742
	<u>49,790</u>	<u>-20,525</u>
<b>20 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	8	8
Securities included as cash and cash equivalents	59	41
	<u>67</u>	<u>49</u>

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"By my signature I confirm all dates and content in this document."

## Jens Bruun Haugstrup

Fayrefield Ingredients Holding A/S CVR: 42345008

### Executive Board

On behalf of: Fayrefield Foods AS

Serial number: f2922f71-8d58-4b1a-a893-5af464a86dbf

IP: 46.132.xxx.xxx

2023-03-30 07:05:01 UTC



## Frank Therkildsen

### Chairman

On behalf of: Fayrefield Foods AS

Serial number: 487ecadb-7bb4-4903-8a19-0feee68394a9

IP: 80.209.xxx.xxx

2023-03-30 07:08:03 UTC



## Frank Therkildsen

### Board of Directors

On behalf of: Fayrefield Foods AS

Serial number: 487ecadb-7bb4-4903-8a19-0feee68394a9

IP: 80.209.xxx.xxx

2023-03-30 07:08:03 UTC



## Peter Nielsen

### Board of Directors

On behalf of: Fayrefield Foods AS

Serial number: aee80970-3c84-4d6c-ad1a-f028910a1ca2

IP: 80.209.xxx.xxx

2023-03-30 07:24:14 UTC



## Jens Bruun Haugstrup

AB FOODS ApS CVR: 25460197

### Board of Directors

On behalf of: Fayrefield Foods AS

Serial number: 09805418-2879-48ee-9ab1-bb8a107d3519

IP: 46.132.xxx.xxx

2023-03-30 07:41:26 UTC



## Susanne Hougard Steffensen

### Board of Directors

On behalf of: Fayrefield Foods AS

Serial number: 72264d98-83e5-4104-8649-ab84e04827d8

IP: 217.116.xxx.xxx

2023-03-30 07:51:25 UTC



## Jens Søgaard Jacobsen

### Board of Directors

On behalf of: Fayrefield Foods AS

Serial number: 78e226e5-c6c9-40dc-a02f-a73409ab0a1f

IP: 46.140.xxx.xxx

2023-03-30 15:50:47 UTC



## Morten Klarskov Larsen

### State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: CVR:30700228-RID:1274257778488

IP: 62.66.xxx.xxx

2023-03-30 21:39:51 UTC



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