BEIERHOLM
VI SKABER BALANCE

Lacto Foods A/S

Lysholt Allé 3, 7100 Vejle

CVR no. 21 65 88 71

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 26.03.24

Frank Therkildsen
Dirigent

Table of contents

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8
Income statement	9
Balance sheet	10 - 11
Statement of changes in equity	12
Notes	13 - 23

Company information etc.

The company

Lacto Foods A/S
Lysholt Allé 3
7100 Vejle
Registered office: Vejle
CVR no.: 21 65 88 71
Financial year: 01.01 - 31.12

Executive Board

Peter Nielsen

Board of Directors

Frank Therkildsen, chairman
Peter Nielsen
Susanne Hougaard Steffensen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Lacto Foods A/S.

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 company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Vejle, March 26, 2024

Executive Board

Peter Nielsen

Board of Directors

Frank Therkildsen Chairman	Peter Nielsen	Susanne Hougaard Steffensen

To the Shareholder of Lacto Foods A/S

Opinion

We have audited the financial statements of Lacto Foods A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including 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 company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, it is our responsibility is to read management's review and, in doing so, consider whether 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 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 Statements Act. We did not identify any material misstatement of the management’s review.

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 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 judgment 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.

- 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 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.

Horsens, March 26, 2024

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Morten Klarskov Larsen
State Authorized Public Accountant
MNE-no. mne32736

Primary activities

The company is engaged in international trade with dairy products.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a loss of DKK 3.339k against DKK -1,699k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 5,097k.

The Company has due a receivable from an Ukrainian supplier of approximately DKK 6.3 million, as a result of prepayments made.
The supplier has confirmed the debt relationship but is hindered in payment due to the war in the region. It is therefore uncertain whether the supplier has the opportunity to pay, and the measurement of the receivable is therefore confirmed with uncertainty.
In 2023 the receivable has been written down with DKK 4.2 million, reducing the net receiveable to DKK 0 million.

The loss is due to the companys activities beeing impacted by the war in Ukraine, and strategic decisions to reduce the activity.

Income statement

Note		2023 DKK '000	2022 DKK '000
	Gross loss	**-4,247**	**-1,965**
2	Staff costs	-134	-356
	Loss before depreciation, amortisation, write-downs and impairment losses	**-4,381**	**-2,321**
3	Income from equity investments in group enterprises	-7	111
4	Financial income	586	521
5	Financial expenses	-477	-521
	Loss before tax	**-4,279**	**-2,210**
6	Tax on loss for the year	940	511
	Loss for the year	**-3,339**	**-1,699**

Proposed appropriation account		
Retained earnings	-3,339	-1,699
Total	**-3,339**	**-1,699**

Balance sheet

ASSETS

Note		31.12.23 DKK '000	31.12.22 DKK '000
7	Equity investments in group enterprises	1,113	1,178
	Total investments	**1,113**	**1,178**
	Total non-current assets	**1,113**	**1,178**
	Trade receivables	12	318
	Receivables from group enterprises	6,197	5,414
	Income tax receivable	941	564
	Other receivables	0	3,981
	Prepayments	27	23
	Total receivables	**7,177**	**10,300**
	Total current assets	**7,177**	**10,300**
	Total assets	**8,290**	**11,478**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK '000	31.12.22 DKK '000
	Share capital	2,500	2,500
	Retained earnings	2,597	5,936
	Total equity	**5,097**	**8,436**
	Provisions for deferred tax	6	5
	Total provisions	**6**	**5**
	Payables to other credit institutions	892	149
	Trade payables	166	26
	Payables to group enterprises	2,013	2,762
	Other payables	116	100
	Total short-term payables	**3,187**	**3,037**
	Total payables	**3,187**	**3,037**
	Total equity and liabilities	**8,290**	**11,478**

8 Contingent liabilities
9 Charges and security
10 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Cash flow hedging reserve	Retained earnings	Total equity
Statement of changes in equity for 01.01.22 - 31.12.22				
Balance as at 01.01.22	2,500	-52	7,635	10,083
Fair value adjustment of hedging instruments	0	67	0	67
Tax on changes in equity	0	-15	0	-15
Net profit/loss for the year	0	0	-1,699	-1,699
Balance as at 31.12.22	2,500	0	5,936	8,436
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	2,500	0	5,936	8,436
Net profit/loss for the year	0	0	-3,339	-3,339
Balance as at 31.12.23	2,500	0	2,597	5,097

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2023 DKK '000	2022 DKK '000
Write-downs of trade receivables	Other external expenses	-4,196	-2,595

2. Staff costs

Wages and salaries	114	45
Pensions	18	285
Other social security costs	0	2
Other staff costs	2	24
Total	134	356
Average number of employees during the year	1	1

3. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	-7	111

4. Financial income

Interest, group enterprises	586	372
Other interest income	0	149
Total	586	521

	2023 DKK '000	2022 DKK '000

5. Financial expenses

Interest, group enterprises	82	141
Other interest expenses	394	378
Other financial expenses	1	2
Other financial expenses	395	380
Total	477	521

6. Tax on loss for the year

Current tax for the year	-941	-583
Adjustment of deferred tax for the year	1	72
Total	-940	-511

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Cost as at 01.01.23	1,360
Cost as at 31.12.23	1,360
Revaluations as at 01.01.23	-182
Net profit/loss from equity investments	-7
Dividend relating to equity investments	-58
Revaluations as at 31.12.23	-247
Carrying amount as at 31.12.23	1,113

Name and registered office:	Ownership interest
Subsidiaries:	
AB Foods Aps, Vejle	100%
AKH Foods Aps, Vejle	100%
Avanti ApS, Vejle	100%
Avlscenter Vest ApS, Vejle	100%
Bamsemælk ApS, Vejle	100%
Biolat ApS, Vejle	100%
BVQ Foods ApS, Vejle	100%
Caesin ApS, Vejle	100%
Dairy Management ApS, Vejle	100%
Dan Dairy ApS, Vejle	100%
Danzai ApS, Vejle	100%
DNR Imports AåS, Vejle	100%

Grating Ingredients ApS, Vejle	100%
JGP Imports ApS, Vejle	100%
Serost ApS, Vejle	100%
Skimmelost ApS, Vejle	100%
Smørimporten ApS, Vejle	100%

8. Contingent liabilities

	31.12.23 DKK '000	31.12.22 DKK '000
Total contingent liabilities	372	212
Contingent liabilities comprise the following:		
Contingent liabilities, group enterprises	0	0

Contingent liabilities relates to import guarantees.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total tax liability for the jointly taxed companies at the balance sheet date has not yet been determined. For further information, please see the financial statements of the management company Fayrefield Ingredients Holding A/S.

9. Charges and security

The company has issued a non-pledge statement to Sydbank regarding the shares in its subsidiaries.

The company has issued transfer of receivables to Sydbank.

10. Related parties

The company is included in the consolidated financial statements of the parent Fayrefield Ingredients Holding A/S, Vejle.

11. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. The company is a subsidiary of Fayrefield Ingredients Holding A/S, Vejle, CVR no. 42345008, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

11. Accounting policies - continued -

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

11. Accounting policies - continued -

INCOME STATEMENT

Gross loss

Gross loss comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including management fee.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

11. Accounting policies - continued -

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Income from equity investments in group entreprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Equity investments in group entreprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

11. Accounting policies - continued -

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

11. Accounting policies - continued -

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Receivables for which there is no objective evidence of individual impairment are assessed for objective evidence of impairment at portfolio level. The objective indicators used at portfolio level are based on historical experience.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of

11. Accounting policies - continued -

management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.