

# **Arla Foods Ingredients Energy A/S**

Sønderhøj 10-12

8260 Viby J

CVR No. 33571836

## **Annual Report 2021**

The Annual Report was presented and approved at the Annual General Meeting of the Company on 23 May 2022

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Peter Stenholt Randrup  
Chairman

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## **Management's Statement**

Today, Management has considered and approved the Annual Report of Arla Foods Ingredients Energy A/S for the financial year 1 January 2021 - 31 December 2021.

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 assets, liabilities and financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

We recommend that the Annual Report be approved at the Annual General Meeting.

Aarhus, 23 May 2022

### **Executive Board**

Mogens Bøgh Pedersen

### **Board of Directors**

Henrik Højen Andersen  
Chairman

Luis Cubel

Klaus Kristiansen

## **Independent Auditor's Report**

**To the shareholders of Arla Foods Ingredients Energy A/S**

### **Opinion**

We have audited the financial statements of Arla Foods Ingredients Energy A/S for the financial year 1 January 2021 - 31 December 2021, which comprise an income statement, balance sheet, statement of changes in equity 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 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021 in accordance with the Danish Financial Statements Act.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditor's responsibility 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' 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risk of material misstatements in 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## **Independent Auditor's Report**

- \* 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 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 Statements Act. We did not identify any material misstatements of the Management's review.

Aarhus, 23 May 2022

### **EY Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

Jan Krarup Mortensen  
State Authorised Public Accountant  
mne40030

## Arla Foods Ingredients Energy A/S

### Company details

<b>Company</b>	Arla Foods Ingredients Energy A/S Sønderhøj 10-12 8260 Viby J
Telephone	89381000
CVR No.	33571836
<b>Board of Directors</b>	Henrik Højen Andersen, Chairman Luis Cubel Klaus Kristiansen
<b>Executive Board</b>	Mogens Bøgh Pedersen
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

## **Management's Review**

### **The Company's principal activities**

The Company owns and produces energy at a combined heat and power station in connection with the ingredient factory Danmark Protein.

### **Development in activities and financial matters**

The Company's Income Statement of the financial year 1 January 2021 - 31 December 2021 shows a result of kDKK 237 and the Balance Sheet at 31 December 2021 a balance sheet total of kDKK 94.403 and an equity of kDKK 1.547. The activity has been on a stable level as customer demand for provided services have been in line with expectations. As a result the impact from COVID-19 has not been material.

### **Post financial year events**

After the end of the financial year, no events have occurred which may change the financial position of the entity substantially.

### **Expectations for the future**

The Company expects a positive result before tax between 0 and 500 kDKK for the coming year.

## Key Figures and Financial Ratios

kDKK

The development in the Company's key figures and financial ratios can be described as follows:

	2021	2020	2019	2018	2017
Revenue	162.897	115.720	134.124	83.653	0
Operating profit/loss	434	840	378	-5.482	1.550
Net financial income and costs	-312	-581	-119	-34	105
Profit/loss for the year	237	393	-7	-4.302	-29
Investment in tangible assets	0	4.152	32.325	20.745	0
Total Assets	94.403	106.975	134.398	79.772	23.206
Total Equity	1.547	1.310	917	-3.576	726
Profit margin (%)	0,27	0,73	0,28	-6,55	0,00
Return on capital employed (%)	0,43	0,70	0,35	-10,65	5,28
Solvency ratio (%)	1,64	1,22	0,68	-4,48	3,13
Return on equity (ROE) (%)	16,59	35,29	0,53	301,89	-0,55

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

Profit margin (%) = Operating profit/loss X 100 / Revenue

Return on capital employed (%)= Operating profit/loss X 100 / avg. assets

Solvency ratio (%) = Total equity X 100 / Total liabilities

Return on equity (ROE) (%) = Profit/loss for the year / avg. equity X 100



## **Accounting Policies**

### **Reporting Class**

The Annual Report of Arla Foods Ingredients Energy A/S for 2021 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Company has also decided not to include a cash flow statement due to Danish Financial Statements Act §86, 4.

The accounting policies applied remain unchanged from last year.

### **Reporting currency**

The Annual Report is presented in thousand Danish kroner.

### **Translation policies**

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial income and costs.

## **Income Statement**

### **Revenue**

Revenue consist of this year's invoiced sales of electricity, gas steam and heated water. Revenue is measured inclusive price adjustments, but exclusive VAT, duties and discounts.

### **Raw materials and consumables used**

Costs for raw materials and consumables comprise the cost of goods purchased less discounts, costs subcontractors and change in inventories for the year.

### **Other external costs**

Other external costs include costs for distribution, sales, advertising, administration, premises. loss of debtors etc.

### **Depreciation and impairment of tangible assets**

Depreciation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values.

Profit or loss resulting from the sale of intangible or tangible assets is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the Income Statement under other operating income or expenses.

### **Other operating income**

Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

### **Financial income and costs**

Financial income and costs are recognised in the Income Statement based on the amounts that concern the financial year.

## **Accounting Policies**

### **Tax on net profit for the year**

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish associates are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

## **Balance Sheet**

### **Tangible assets**

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

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

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

Production buildings:	20-30 years
Combined Heat and Power Station:	4-10 years

Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amounts at the time of sale. Gains or losses are recognised in the income statement as other operating income or other operating expense.

The carrying amounts of property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts.

The recoverable amount of an asset is determined as the higher of the net sales price and the value in use. Where the recoverable amount of the individual assets cannot be determined, the assets are grouped together into the smallest group of assets that can be estimated to determine an aggregate reliable recoverable amount for those units.

### **Receivables**

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

### **Equity**

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

## **Accounting Policies**

### **Deferred tax**

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

### **Liabilities**

Liabilities are measured at amortised cost.

### **Current tax liabilities and receivables**

Current tax liabilities and current tax receivables are recognised in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

## Income Statement

	Note	2021 kDKK	2020 kDKK
Revenue		162.897	115.720
Raw materials and consumables used		-155.051	-106.985
Other external costs		-2.965	-4.067
<b>Gross profit</b>		<b>4.881</b>	<b>4.668</b>
Depreciation and impairment losses		-4.447	-4.188
Other operating income		0	360
<b>Operating profit</b>		<b>434</b>	<b>840</b>
Financial income	1	157	0
Financial costs	2	-312	-581
<b>Profit before tax</b>		<b>279</b>	<b>259</b>
Tax	3	-42	134
<b>Profit for the year</b>		<b>237</b>	<b>393</b>
<b>Proposed distribution of results</b>	4		
Retained earnings		237	393
<b>Distribution of profit</b>		<b>237</b>	<b>393</b>

## Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
<b>Assets</b>			
Land and buildings	5	7.633	7.911
Plant and machinery	6	31.674	35.843
Asset in course of construction	7	0	0
<b>Property, plant and equipment</b>		<b>39.307</b>	<b>43.754</b>
<b>Non-current assets</b>		<b>39.307</b>	<b>43.754</b>
Trade receivables		837	2.482
Receivables from group companies		52.933	28.358
Deferred tax		0	1.373
Current tax		1.326	0
Other receivables		0	31.008
<b>Receivables</b>		<b>55.096</b>	<b>63.221</b>
<b>Current assets</b>		<b>55.096</b>	<b>63.221</b>
<b>Assets</b>		<b>94.403</b>	<b>106.975</b>

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
<b>Liabilities and equity</b>			
Contributed capital		501	501
Retained earnings		1.046	809
<b>Equity</b>		<b>1.547</b>	<b>1.310</b>
Deferred tax		14	0
<b>Provisions</b>		<b>14</b>	<b>0</b>
Trade payables		46.990	53.338
Payables to group companies		43.977	51.409
Current tax		0	918
Other payables		1.875	0
<b>Short-term liabilities</b>		<b>92.842</b>	<b>105.665</b>
<b>Liabilities</b>		<b>92.842</b>	<b>105.665</b>
<b>Liabilities and equity</b>		<b>94.403</b>	<b>106.975</b>
Contingent liabilities	8		
Related parties	9		

## Arla Foods Ingredients Energy A/S

### Statement of changes in Equity

kDKK

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 January 2021	501	809	1.310
Profit (loss)	0	237	237
<b>Equity 31 December 2021</b>	<b>501</b>	<b>1.046</b>	<b>1.547</b>

The share capital is divided into shares of DKK 1.000 or multiples thereof. The share capital is increased with 1 kDKK in 2019. Except for this change the share capital has remained unchanged for the last 5 years.

Notes

	2021 kDKK	2020 kDKK
<b>1. Financial income</b>		
Other financial income	157	0
	<b>157</b>	<b>0</b>
<b>2. Financial costs</b>		
Financial costs from group companies	304	580
Financial costs	8	1
	<b>312</b>	<b>581</b>
<b>3. Tax</b>		
Current income tax	-1.326	918
Adjustment for current income tax of previous years	-19	-139
Change in deferred tax for the year	1.387	-843
Adjustment for deferred tax of previous years	0	-70
	<b>42</b>	<b>-134</b>
<b>4. Distribution of profit</b>		
Retained earnings	237	393
	<b>237</b>	<b>393</b>
<b>5. Land and buildings</b>		
Cost at 1 January	8.316	8.011
Transfers from asset in course of construction	0	305
<b>Cost at 31 December</b>	<b>8.316</b>	<b>8.316</b>
Depreciation and impairments at 1 January	-405	-132
Depreciation for the year	-278	-273
<b>Depreciation and impairments at 31 December</b>	<b>-683</b>	<b>-405</b>
<b>Carrying amount at 31 December</b>	<b>7.633</b>	<b>7.911</b>



## Notes

	2021 kDKK	2020 kDKK
<b>6. Plant and machinery</b>		
Cost at 1 January	41.696	43.545
Disposal during the year	0	-7.210
Transfers from asset in course of construction	0	5.361
<b>Cost at 31 December</b>	<b>41.696</b>	<b>41.696</b>
Depreciation and impairments at 1 January	-5.853	-2.178
Depreciation for the year	-4.169	-3.915
Reversal of depreciation of disposed assets	0	240
<b>Depreciation and impairments at 31 December</b>	<b>-10.022</b>	<b>-5.853</b>
<b>Carrying amount at 31 December</b>	<b>31.674</b>	<b>35.843</b>
<b>7. Asset in course of construction</b>		
Cost at 1 January	0	1.514
Addition during the year, incl. improvements	0	4.152
Transfers during the year	0	-5.666
<b>Cost at 31 December</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>0</b>

**8. Contingent liabilities**

The company has joint and several tax liability, with other Danish group companies for company taxes. This also includes withholding taxes on dividends, interest and royalties within the group. The total known net tax liability of the jointly taxed companies is shown in the management company's annual accounts of, Arla Foods Holding A/S CVR no 27466052. Any subsequent corrections to co-taxation income and withholding tax etc. could result in the company's liability being higher or lower.

No contingent liabilities exist at the balance sheet date.

## Notes

### 9. Related parties

Consolidated financial statements:

The Company is a wholly owned subsidiary of Arla Foods Ingredients Group P/S, Viby J and is included in the consolidated financial statements of Arla Foods Amba. The consolidated financial statements can be obtained at the following address: Arla Foods Amba, Sønderhøj 14, 8260 Viby J.

Related party transactions:

<b>Other group companies:</b>	<b>2021</b>	<b>2020</b>
	<b>kDKK</b>	<b>kDKK</b>
Sale of goods and services	444	0
Purchase of goods and services	50.821	76.163
Interests on intercompany loans	-304	-580
Receivables from group companies	106	183
Payables to group companies	43.429	51.409
<b>Parent company:</b>		
Sale of goods and services	109.983	61.711
Receivables from group companies	52.827	28.175
Payables from group companies	-548	0