

Arla Foods Ingredients Energy A/S

Sønderhøj 10-12

8260 Viby J

CVR No. 33571836

Annual Report 2022

The Annual Report was presented and approved at the Annual General Meeting of the Company on 22 June 2023

Jesper Blauenfeldt
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 2022 - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

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, 22 June 2023

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 2022 - 31 December 2022, which comprise 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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 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 additional requirements applicable in Denmark. Our responsibility 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 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 for 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, 22 June 2023

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Arla Foods Ingredients Energy A/S

Company details

Company	Arla Foods Ingredients Energy A/S Sønderhøj 10-12 8260 Viby J
CVR No.	33571836
Board of Directors	Henrik Højen Andersen, Chairman Luis Cubel Klaus Kristiansen
Executive Board	Mogens Bøgh Pedersen
Auditors	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 2022 - 31 December 2022 shows a result of kDKK -822 and the Balance Sheet at 31 December 2022 a balance sheet total of kDKK 98.626 and an equity of kDKK 725. The activity has been on a stable level as customer demand for provided services have been in line with expectations.

Uncertainty related to recognition and measurement

In the annual report, there are no significant uncertainties in the calculations and measurements used.

Environmental conditions

The group continuously work to reduce the environmental impacts from it's value chain supported by the environmental policy and green ambition. Sustainability is integrated as a key pillar in the overall strategy. A more detailed sustainability strategy including specific targets will guide Arla to reduce negative environmental impacts. Targets related to climate impact was approved by the science based target initiative.

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:

	2022	2021	2020	2019	2018
Revenue	297.018	162.897	115.720	134.124	83.653
Operating profit/loss	210	434	840	378	-5.482
Net financial income and costs	80	-155	-581	-119	-34
Profit/loss for the year	226	237	393	-7	-4.302
Investment in tangible assets	6.702	0	4.152	32.325	20.745
Total Assets	98.626	94.403	106.975	134.398	79.772
Total Equity	725	1.547	1.310	917	-3.576
Profit margin (%)	0,07	0,27	0,73	0,28	-6,55
Return on capital employed (%)	0,22	0,43	0,70	0,35	-10,65
Solvency ratio (%)	0,74	1,64	1,22	0,68	-4,48
Return on equity (ROE) (%)	19,89	16,59	35,29	0,53	301,89

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 2022 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

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

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.

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/loss 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

Land is not depreciated.

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.

Accounting Policies

Receivables

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

Impairment of accounts receivables past due is established on individual assessment of receivables.

Equity

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

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.

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

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	2022 kDKK	2021 kDKK
Revenue		297.018	162.897
Raw materials and consumables used		-287.736	-155.051
Other external costs		-4.572	-2.965
Gross profit		4.710	4.881
Depreciation and impairment losses		-4.500	-4.447
Operating profit		210	434
Financial income	1	83	157
Other financial costs	2	-3	-312
Profit before tax		290	279
Tax	3	-1.112	-42
Profit/loss for the year	4	-822	237
Proposed distribution of results	4		
Retained earnings		-822	237
Distribution of profit/loss		-822	237

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Assets			
Land and buildings	5	7.356	7.633
Plant and machinery	6	33.881	31.674
Asset in course of construction	7	272	0
Property, plant and equipment		41.509	39.307
Non-current assets		41.509	39.307
Trade receivables		6.401	837
Receivables from group companies		46.851	52.933
Current tax		830	1.326
Other receivables		3.035	0
Receivables		57.117	55.096
Current assets		57.117	55.096
Assets		98.626	94.403

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Liabilities and equity			
Contributed capital		501	501
Retained earnings		224	1.046
Equity		725	1.547
Deferred tax		1.956	14
Provisions		1.956	14
Trade payables		56.005	46.990
Payables to group companies		39.940	43.977
Other payables		0	1.875
Short-term liabilities		95.945	92.842
Liabilities		95.945	92.842
Liabilities, provisions and equity		98.626	94.403
Contingent liabilities	8		
Related parties	9		
Events after the balance sheet date	10		

Arla Foods Ingredients Energy A/S

Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	501	1.046	1.547
Profit (loss)	0	-822	-822
Equity 31 December 2022	501	224	725

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

	2022 kDKK	2021 kDKK
1. Financial income		
Financial income from group companies	77	0
Other financial income	6	157
	83	157
2. Financial costs		
Financial costs from group companies	0	304
Other Financial costs	3	8
	3	312
3. Tax		
Current income tax	-830	-1.326
Adjustment for current income tax of previous years	0	-19
Change in deferred tax for the year	1.942	1.387
	1.112	42
4. Distribution of profit		
Retained earnings	-822	237
	-822	237
5. Land and buildings		
Cost at 1 January	8.316	8.316
Cost at 31 December	8.316	8.316
Depreciation and impairments at 1 January	-683	-405
Depreciation for the year	-277	-278
Depreciation and impairments at 31 December	-960	-683
Carrying amount at 31 December	7.356	7.633
6. Plant and machinery		
Cost at 1 January	41.696	41.696
Addition during the year, incl. improvements	6.430	0
Cost at 31 December	48.126	41.696
Depreciation and impairments at 1 January	-10.022	-5.853
Depreciation for the year	-4.223	-4.169
Depreciation and impairments at 31 December	-14.245	-10.022
Carrying amount at 31 December	33.881	31.674

Notes

	2022	2021
	kDKK	kDKK
7. Asset in course of construction		
Cost at 1 January	0	0
Addition during the year, incl. improvements	6.702	0
Transfers during the year	-6.430	0
Cost at 31 December	272	0
Carrying amount at 31 December	272	0

8. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

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.

9. Related parties

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:

Other group companies:	2022	2021
	kDKK	kDKK
Sale of goods and services	510	444
Purchase of goods and services	0	50.821
Interests on intercompany loans	77	-304
Receivables from group companies	32.900	106
Payables to group companies	0	43.429
Parent company:		
Sale of goods and services	210.212	109.983
Receivables from group companies	13.951	52.827
Payables from group companies	-39.940	-548

10. Events after the balance sheet date

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