

Arla Foods Ingredients Energy A/S

Sønderhøj 10-12

8260 Viby J

CVR No. 33571836

Annual Report 2023

The Annual Report was presented and approved at the Annual General Meeting of the Company on 6 June 2024

DocuSigned by:

Jesper Blauenfeldt

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Jesper Bräuenfeldt

Chairman

Arla Foods Ingredients Energy A/S

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Arla Foods Ingredients Energy A/S

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 2023 - 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

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, 6 June 2024

Executive Board

DocuSigned by:

Mogens Bøgh Pedersen
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Board of Directors

DocuSigned by:

Luis Cubel
8FCC0AA8ED514C2...
Chairman

DocuSigned by:

Yvette Kæster
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DocuSigned by:

Klaus Kristiansen
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Arla Foods Ingredients Energy A/S

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 2023 - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023 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 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 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 an attitude of professional scepticism 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.

Arla Foods Ingredients Energy A/S

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 misstatement of the Management's review.

Aarhus, 6 June 2024

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

DocuSigned by:


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
Telephone	89381000
CVR No.	33571836
Board of Directors	Luis Cubel Yvette Kaster Klaus Kristiansen
Executive Board	Mogens Bøgh Pedersen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Arla Foods Ingredients Energy A/S

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 2023 - 31 December 2023 shows a result of kDKK 136 and the Balance Sheet at 31 December 2023 a balance sheet total of kDKK 82.750 and an equity of kDKK 861. Revenue and profit of the year are in line with the expectations for the year and 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 and revenue at the same level as in 2023 between 100 and 200 mDKK.

Arla Foods Ingredients Energy A/S**Key Figures and Financial Ratios**

kDKK

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

	2023	2022	2021	2020	2019
Revenue	136.193	297.018	162.897	115.720	134.124
Operating profit/loss	1.078	210	434	840	378
Net financial income and costs	-778	80	-155	-581	-119
Profit/loss for the year	136	226	237	393	-7
Investment in tangible assets	0	6.702	0	4.152	32.325
Total Assets	82.750	98.626	94.403	106.975	134.398
Total Equity	861	725	1.547	1.310	917
Profit margin (%)	0,79	0,07	0,27	0,73	0,28
Return on capital employed (%)	1,19	0,22	0,43	0,70	0,35
Solvency ratio (%)	1,04	0,74	1,64	1,22	0,68
Return on equity (ROE) (%)	17,15	19,89	16,59	35,29	0,53

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

Arla Foods Ingredients Energy A/S

Accounting Policies

Reporting Class

The annual report of Arla Foods Ingredients Energy A/S for 2023 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 decided not to include a cash flow statement due to Danish Financial Statements Act §86 (4). The company's cash flows are included in the consolidated cash flows for the parent company Arla Foods a.m.b.a.

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

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 costs.

Income statement

Revenue

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

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 and costs subcontractors.

Other external costs

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

Depreciation and impairment of tangible assets

Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized 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 assets or property, plant and equipment 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 costs.

Financial income and costs

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

Arla Foods Ingredients Energy A/S

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

Property, plant and equipment

Property, plant and equipment 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 costs 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 costs.

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.

Arla Foods Ingredients Energy A/S

Accounting Policies

Receivables

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

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

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 of the individual receivable or portfolio is used as discount rate.

Receivables from group companies

Considering the nature of the scheme, account balances relating to the Group's cash pool scheme are not considered cash and cash equivalents, but are included in the financial statement item receivables from group companies.

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

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

Financial liabilities are recognised at the date of borrowing at the 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.

Other 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.

Arla Foods Ingredients Energy A/S

Income Statement

	Note	2023 kDKK	2022 kDKK
Revenue		136.193	297.018
Raw materials and consumables used		-125.742	-287.736
Other external costs		-4.256	-4.572
Gross profit		6.195	4.710
Depreciation and impairment losses		-5.117	-4.500
Operating profit		1.078	210
Financial income	1	0	83
Other financial costs	2	-778	-3
Profit before tax		300	290
Tax	3	-164	-1.112
Profit/loss for the year	4	136	-822
Proposed distribution of results	4		
Retained earnings		136	-822
Distribution of profit/loss		136	-822

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Assets			
Land and buildings	5	7.079	7.356
Plant and machinery	6	29.313	33.881
Property, plant and equipment in progress	7	0	272
Property, plant and equipment		36.392	41.509
Non-current assets		36.392	41.509
Trade receivables		1.600	6.401
Receivables from group companies	8	42.574	46.851
Current tax		254	830
Other receivables		1.930	3.035
Receivables		46.358	57.117
Current assets		46.358	57.117
Assets		82.750	98.626

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Liabilities and equity			
Contributed capital		501	501
Retained earnings		360	224
Equity		861	725
Deferred tax		2.276	1.956
Provisions		2.276	1.956
Trade payables		52.132	56.005
Payables to group companies	8	24.626	39.940
Other payables		2.855	0
Short-term liabilities		79.613	95.945
Liabilities		79.613	95.945
Liabilities, provisions and equity		82.750	98.626
Contingent liabilities	9		
Related parties	10		
Events after the balance sheet date	11		

Arla Foods Ingredients Energy A/S**Statement of changes in Equity**

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	501	224	725
Profit (loss)	0	136	136
Equity 31 December 2023	501	360	861

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.

Arla Foods Ingredients Energy A/S

Notes

	2023 kDKK	2022 kDKK
1. Financial income		
Financial income from group companies	0	77
Other financial income	0	6
	0	83
2. Financial costs		
Financial costs from group companies	764	0
Other Financial costs	14	3
	778	3
3. Tax		
Current income tax	-254	-830
Adjustment for current income tax of previous years	98	0
Change in deferred tax for the year	320	1.942
	164	1.112
4. Distribution of profit		
Retained earnings	136	-822
	136	-822
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	-960	-683
Depreciation for the year	-277	-277
Depreciation and impairments at 31 December	-1.237	-960
Carrying amount at 31 December	7.079	7.356
6. Plant and machinery		
Cost at 1 January	48.126	41.696
Addition during the year	0	6.430
Transfers	272	0
Cost at 31 December	48.398	48.126
Depreciation and impairments at 1 January	-14.245	-10.022
Depreciation for the year	-4.840	-4.223
Depreciation and impairments at 31 December	-19.085	-14.245
Carrying amount at 31 December	29.313	33.881

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

	2023	2022
	kDKK	kDKK
7. Asset in course of construction		
Cost at 1 January	272	0
Addition	0	6.702
Transfers	-272	-6.430
Cost at 31 December	0	272
Carrying amount at 31 December	0	272

8. Payables to group companies

The Company participates in the cash pool arrangement for Arla Foods Group, managed by Arla Foods Finance A/S. As part of the cash pool, the Company participates in the In-House Bank and holds SAP bank accounts that is deemed as an external bank account from the Company's point of view with balances being booked as intercompany asset/liability.

The conditions outlined within the cash pooling agreement grant the right to mutually offset withdrawals and deposits, resulting in only the net balance of all pooled accounts being reflected as Arla Foods Finance A/S' balance within the In-House bank.

The amount recognized as payables to group companies relating to the cash pool agreement for Arla Foods Ingredients Energy A/S amounts to 24.586 kDKK as of 31 December 2023 (2022: 28.905 kDKK).

9. 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.

Arla Foods Ingredients Energy A/S**Notes****10. 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:	2023	2022
	kDKK	kDKK
Sale of goods and services	446	510
Interests on intercompany loans	-764	77
Receivables from group companies	697	32.900
Payables to group companies	-24.626	0
Parent company:		
Sale of goods and services	95.438	210.212
Receivables from group companies	41.877	13.951
Payables from group companies	0	-39.940

11. 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.