

# SARIA Denmark ApS

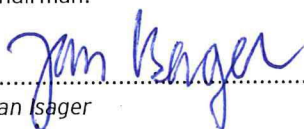
Lundagervej 21, 8722 Hedensted

CVR no. 33 77 42 81

## Annual report 2019

Approved at the Company's annual general meeting on 7 May 2020

Chairman:

  
.....  
Jan Isager





## Contents

|  |    |
|--|----|
| Statement by the Board of Directors and the Executive Board  | 2  |
| Independent auditors' report   | 3  |
| Management's review  | 5  |
| Company details  | 5  |
| Financial highlights for the Group   | 6  |
| Consolidated financial statements and parent company financial statements for the period 1 January - 31 December | 15 |
| Income statement   | 15 |
| Balance sheet  | 16 |
| Statement of changes in equity   | 18 |
| Cash flow statement  | 19 |
| Notes to the financial statements  | 20 |

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

The Executive Board today discussed and approved the annual report of SARIA Denmark ApS for the financial year 1 January - 31 December 2019.

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

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2019 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Hedensted, 16 April 2020  
Executive Board:

.....  
Lars Krause-Kjær  
CEO

.....  
Anders Jeppesen Jensen

.....  
Jan Isager

## Independent auditors' report

### To the shareholders of SARIA Denmark ApS

#### Opinion

We have audited the consolidated financial statements and the parent company financial statements of SARIA Denmark ApS for the financial year 1 January – 31 December 2019, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2019 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

#### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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.
- ▶ 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.

## 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, 16 April 2020  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Jes Lauritzen  
State Authorised  
Public Accountant  
mne10121



Christian Jøker  
State Authorised  
Public Accountant  
mne31471



## Management's review

### Company details

|                         |   |
|-------------------------|---|
| Name                    | SARIA Denmark ApS   |
| Address, zip code, city | Lundagervej 21, 8722 Hedensted  |
| CVR no.                 | 33 77 42 81   |
| Established             | 22 June 2011  |
| Registered office       | Hedensted   |
| Financial year          | 1 January - 31 December   |
| Executive Board         | Lars Krause-Kjær, CEO<br>Anders Jeppesen Jensen<br>Jan Isager                                   |
| Auditors                | Ernst & Young Godkendt Revisionspartnerselskab<br>EY Huset, Værkmestergade 25, DK-8000 Aarhus C |

## Management's review

### Financial highlights for the Group

| DKK'000                                       | 2019           | 2018           | 2017           | 2016           | 2015           |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Key figures</b>                            |                |                |                |                |                |
| Revenue                                       | 945,080        | 993,399        | 1,013,999      | 1,101,565      | 1,019,225      |
| Gross profit                                  | 251,713        | 236,176        | 209,621        | 170,677        | 190,917        |
| EBITDA  | 263,746        | 175,043        | 206,648        | 164,131        | 186,847        |
| Ordinary operating profit                     | 113,715        | 102,831        | 91,776         | 35,275         | 61,274         |
| Profit/loss from net financials               | -6,316         | -4,077         | -3,398         | -3,082         | -10,499        |
| Profit before tax                             | 189,136        | 121,504        | 100,435        | 44,119         | 66,090         |
| <b>Profit for the year</b>                    | <b>148,476</b> | <b>96,227</b>  | <b>79,624</b>  | <b>33,619</b>  | <b>52,748</b>  |
| <b>Balance sheet</b>                          |                |                |                |                |                |
| Non-current assets                            | 364,970        | 349,620        | 324,300        | 369,710        | 435,455        |
| Current assets                                | 303,888        | 366,238        | 346,011        | 293,774        | 457,108        |
| Total assets                                  | 668,858        | 715,858        | 670,311        | 663,484        | 592,563        |
| Share capital                                 | 600            | 600            | 600            | 600            | 600            |
| <b>Equity</b>                                 | <b>242,298</b> | <b>254,450</b> | <b>224,366</b> | <b>174,864</b> | <b>286,550</b> |
| Provisions                                    | 0              | 0              | 0              | 0              | 0              |
| Non-current liabilities other than provisions | 115,261        | 164,973        | 176,404        | 206,381        | 317,946        |
| Current liabilities other than provisions     | 311,299        | 296,435        | 269,541        | 282,239        | 288,067        |
| <b>Financial ratios</b>                       |                |                |                |                |                |
| Operating margin                              | 13.8%          | 12.0%          | 9.9%           | 4.3%           | 7.5%           |
| Gross margin                                  | 26.6%          | 23.8%          | 20.7%          | 15.5%          | 18.7%          |
| Solvency ratio                                | 36.6%          | 35.5%          | 33.5%          | 26.4%          | 32.1%          |
| Return on equity                              | 29.9%          | 19.8%          | 17.7%          | 4.0%           | 9.1%           |
| Return on invested capital, excl. goodwill    | 48.0%          | 45.3%          | 34.1%          | 13.7%          | 20.8%          |
| Return on invested capital, incl. goodwill    | 48.0%          | 45.3%          | 33.2%          | 12.5%          | 17.6%          |
| <b>Other key figures</b>                      |                |                |                |                |                |
| Average number of full-time employees         | 276            | 293            | 297            | 312            | 303            |

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.

## Management's review

### Principal activities of the Group

The principal activities of the Company are to hold 51% of the shares in the subsidiary Daka Denmark A/S and 100% of the shares in Bioceval Denmark A/S, which carries out the principle activities of the Group.

The Group's principal activities are the purchase of animal by-products from slaughterhouses, the meat and farming industry, etc. to process these products into various finished products for markets within pet food, feed, energy, fertilisation and foodstuffs. Collection and processing of food waste and used cooking oil has during the last years become an increasing part of the activities in the Group. Customers to the finished products within this business unit are within the biogas sector.

### Development in activities and financial matters

Profit for the year, including non-controlling shareholders' share of the result in subsidiaries amounts to DKK 148,476 thousand derived from revenue of DKK 945,080 thousand.

Operating profit amounted to DKK 190,168 thousand in 2019 compared to DKK 119,340 thousand last year. Management considers the profit for the year satisfactory, though it is affected of some special items, cf. below.

Included in operating profit is a gain on the disposal of non-current assets deducted costs related to sale. Sale of a plant originally dedicated spray drying of blood-related raw materials was a significant part of this item. Spray drying has during the last years developed to a non-profit business area for the Group. By selling the plant to a buyer within another industry we succeeded in keeping a place of employment in the area where the plant is situated.

Of the profit for the year, dividends of DKK 58,000 thousand are proposed to the shareholders, whereas DKK 20,400 thousand was paid out as extraordinary dividends in May 2019 and DKK -4,200 thousand is taken to equity as retained earnings.

The Company's equity totals DKK 71,842 thousand, including proposed dividends, corresponding to 37.8% of the balance sheet total, 35.2% at group level.

### Events after the balance sheet date

The outcome and potential impact on the Group's activity and financial impact on the business due to coronavirus outbreak is as of the date of the approval of the annual report uncertain given the rapid day-to-day development. On this basis, management is currently unable to accurately assess the magnitude of the coronavirus outbreak on the 2020 financial performance, but doing business within farming and food industry, management does not expect a large impact on raw material situation from this side. However, impact on commodity markets for finished goods can be difficult to forecast due to uncertainty on economics in general. As of the date of the approval of the annual report the Group continues its operations and has not yet seen any major financial short-term impact. The Board of Directors and Executive Board follows the situation closely.

### Outlook

The Company expects all in all a satisfactory development for the next financial year and to report results at a slightly lower level as this year excluding the effect of the special items in financial year 2019. The financial outlook is based on an expectation of a limited magnitude of the coronavirus outbreak and based on full activity in 2020. Due to the day-to-day development, the financial outlook is by nature associated with some uncertainty.

### Risks

The Group has not undertaken any particular commercial risks other than those considered usual for the nature and size of the Group.

Monetary and commodity-related transactions are hedged to the extent deemed expedient.



## Management's review

### Intellectual capital

The Group's operations are characterised by complex structures i.a. within the market structures and production technologies particular to the industry.

Moreover, conditions for the Group's activities are constantly changing. The development of the Group's employees to handle such changes will gain significance in order to obtain success. Measures are constantly being taken to maintain and develop employee qualifications.

### Environmental issues

The Group constantly strives to optimize its energy consumption and reduce the environmental impact of its operating activities.

The impact on the external environment in the form of odour has been a focus point this year like previous years. The Group has attempted to meet challenges during the year by improving the communication with external stakeholders and by further investments in environmental technology. It is the conviction of the Management that these efforts have improved the challenges meet during this year.

### Research and development activities

The Group does not carry on any research activities. The Group's production processes are continuously being optimised and its finished goods are undergoing constant development in order to increase their value in the Group's sales channels.

### Corporate social responsibility

According to applicable Danish accounting legislation, the SARIA Denmark ApS Group must prepare a report on the Group's corporate social responsibility.

Management takes the general view that the Group provides very important services to society as the Group's principal activity includes the recovery of organic by-products and organic residues that cannot directly be sold for animal feed or humane consumption. Therefore, we consider ourselves an important part of the circular economy.

As stated below, the Group's operations are subject to very detailed, comprehensive and complicated veterinary legislation on the recovery of in particular animal by-products - the so-called By-product regulation. The regulation is applicable within the EU. Naturally, compliance with the regulation consumes considerable management resources in a Company of our size.

For financial and productivity reasons, the Group is compelled to prioritise the preparation of written policies for the Group's various operational areas. This viewed in the light of the resources available in a business of the SARIA Denmark Group's size, which after all is limited.

Management generally takes corporate social responsibility and the various aspects thereof seriously. However, within several areas, the Company has chosen not to prepare detailed written policies. Instead, Management's position is incorporated in the day-to-day work through common management processes. Please refer to our comments on specific areas below.

### *Statutory report on the Company's business model*

SARIA Denmark ApS is a holding company for the SARIA Group's Scandinavian activities. The Company currently holds 51% of the share capital in Daka Denmark A/S and 100% of the share capital in Bioceval Denmark A/S.

In Denmark, operations are handled by Daka Denmark A/S, including subsidiaries, as Bioceval Denmark A/S has had limited activities in the financial year 2019.

In Sweden, operations are handled by Konvex AB, including associated companies. The Company is wholly owned by Daka Denmark A/S.

Raw materials are processed at four production facilities in Denmark and one in Sweden.

## Management's review

### *Daka Denmark A/S*

The Company's objective is to purchase, collect, process and sell organic by-products and organic residues, including used cooking oil and other food waste (raw material basis).

The below list shows the most important segments for the raw material basis:

| Suppliers   | Raw materials  |
|---|--|
| Primary farm industry                               | Fallen stock yielding marketable produce (e.g. pigs and cattle)  |
| Mink breeders and mink fur producers                | Skinned carcasses and fats   |
| Large slaughterhouses                               | Slaughterhouse residues and by-products from pigs and cattle, respectively - collected in large containers or trailers |
| Small slaughterhouses, shops                        | Residues and by-products collected in bins, etc.   |
| Restaurants, industry and public institutions, etc. | Food residues and used cooking oil   |

According to applicable legislation (the "By-product regulation"), the Company's raw materials are classified in the categories listed below, which primarily include:

Category 1: Special risk material, including dead ruminants

Category 2: Dead animals with no risk material (e.g. dead pigs)

Category 3: Approved parts (incl. blood, plasma and haemoglobin) for healthy and veterinary-inspected animals.

Sale of the processed finished goods follows the category of the raw materials from which they have been processed as the By-product regulation stipulates rules for the use thereof.

Below please find a general list of the Company's production facilities in Denmark, the finished goods processed and their use:

| Production facilities                               | Raw materials  | Significant finished goods   |
|---|--|--|
| Løsning<br>Dakavej 10<br>DK-8723 Løsning            | Category 3   | Meal and pulp for feed ingredients<br>Fat for feed ingredients   |
| Randers<br>Kronjydevej 8<br>DK-8960 Randers SØ      | Category 2<br><br>Category 1                         | Meal for energy and fertiliser<br>Fat for energy purposes<br>Meal for energy purposes<br>Fat for energy purposes |
| Løsning - biodiesel<br>Dakavej 6<br>DK-8723 Løsning | Category 1 and 2 fat<br>(own produced and purchased) | Biodiesel<br>Various by-products, e.g. distillation waste ("bio heating oil") and glycerine                      |
| Horsens - ReFood<br>Ålkjærvej 13<br>DK-8700 Horsens | Category 3 food waste and used cooking oil (UCO)     | Pulp for biogas plant<br>Resale of decontaminated UCO  |

## Management's review

### Konvex AB

The Company handles the Group's activities in Sweden.

Unlike in Denmark, all raw materials (irrespective of original category) are processed as category 1.

There is only one production facility in Karlskoga, Sweden. The raw material is shredded into the so-called "Biomal". Biomal is sold for combustion at district heating plants.

Part of the Swedish raw materials are processed at the Group's Danish facility in Randers. Processing takes place taking into consideration the capacity in Sweden and higher values of finished goods obtained through the processes used at the Danish facilities. At the Danish facilities, fat is separated from the raw material before further application.

The Group is thus, as mentioned above and in respect of its sourcing activities (raw materials) and its sales activities (finished goods), subject to comprehensive and complicated legislation that governs purchases, application and sale of its products.

Below please find an explanation of the Company's corporate social responsibility approach within the following areas:

- ▶ Human rights
- ▶ Environment
- ▶ Climate
- ▶ Social conditions and employee relations
- ▶ Anti-corruption and bribery
- ▶ Gender composition.

Below we have identified the most significant CSR-related risks in our business model, which are a focal point in our CSR work:

| Area                                     | Identified risks   |
|--|--|
| Human rights                             | No particular risks identified. Management has therefore decided not to prepare any separate policy.   |
| Environment                              | As the Company's products are manufactured from collected and processed organic residue discharges (primarily of animal origin), odour emission is from an environmental point of view the most important focal area.  |
| Climate                                  | Energy consumption in production.  |
| Social conditions and employee relations | Work-related injuries  |
| Anti-corruption and bribery              | <p>The area is in general deemed subject to limited risk.</p> <p>The Company's most important suppliers are Danish and secondary Western European - areas for which the risk of facing corruption and a request for bribe is considered insignificant.</p> <p>A small part of the Company's sale of finished goods takes place to countries where there is a risk of corruption and bribe.</p> <p>The Rethmann Group's (ultimate group) compliance rules stipulate zero tolerance in respect of corruption and bribery. Furthermore, it is explicitly stated that it is accepted that this policy may imply that the Company fails to win orders.</p> <p>Relevant employees in the Company have accepted the Group's compliance programme.</p> |

## Management's review

### *Human rights*

The Company naturally supports internationally accepted human rights. Management has, however, decided not to prepare any separate policy in that respect. An explanation for that decision is given below.

It is in the nature of the Company to source its raw materials from the Scandinavian and to a minor extent, the Northern European markets, where compliance with human rights is deemed a matter of course. Other purchases (energy, machine investments, craftsmanlike services, etc.) are predominantly made in geographical areas where this is also deemed to be the case.

In terms of sales, the Company takes the view that market-related and commercial delimitation is made through compliance with relevant legislation such as veterinary legislation (By-product regulation) and the legislation and guidelines in force at the time in question e.g. in respect of sanctions, etc. from the respective authorities.

### *Environment*

Management of the SARIA Denmark Group has expressed the following general environmental policy:

The Group must ensure optimum recycling of the organic by-products received taking into consideration applicable legislation whereby raw materials are recycled and used in a way that provides the highest value to the Company.

Collection of raw materials, production and the environmental facilities are continuously reassessed to

- ensure that environmental legislation and requirements as to the external environmental impact are observed with a sound margin
- ensure that resources are used as efficiently as possible.

The Company continuously focuses on improving the environment and its resource consumption.

Our focus on legislation and regulatory requirements rely on an assessment that compliance with the authorities' permits, guidelines and legislation is generally deemed to be sufficiently ambitious in very regulated areas such as Denmark and Sweden where the Company performs its activities.

Naturally, several environmental issues are relevant to the Company. In the past year, Management has in particular focused on odour emissions from the facilities in Randers among others due to the warm summer. By means of ongoing process-related optimisation and in close dialogue with local stakeholders and relevant authorities, implementation of satisfactory solutions for the area is pursued.

In the financial year, a few violations of the Group's permits were noted - in relation to an open gate (one injunction) and in relation to spillage of organic liquid in the ground (two injunctions).

Optimisation of our air handling system and improvements to the treatment efficiency of our water treatment plant will be focal points in 2019.

Significant investments have been made throughout the years in technologies for air handling and water treatment at the Group's production facilities. In 2019 the existing odour incineration plant at the factory in Randers was expanded with an ozone addition treatment. However, a significant effect has not yet been proven. Investigations into the possibilities of modifying or expanding the wastewater treatment plant in Randers will continue in 2020.

### *Climate*

Considering the Company's role in the cyclical economy within its commercial and geographical fields or operation, Management is of the opinion that the Company contributes considerably to the recycling of the world's limited resources.

Management assesses that the continuous process-related and financial optimisation measures ensure responsible use of the resources applied for the Company's operations.

## Management's review

Energy consumption is an important climate issue. The Company has implemented an energy management system to ensure in a well-documented and systematic way that the Company's energy performance and efficiency are improved on an ongoing basis and that energy consumption is thereby reduced.

Major tasks in the Company's energy management system is to analyse and monitor the energy consumption and to identify energy conservation projects. Projects are monitored and the Company ensures that energy-efficient purchases are made in relation to operations as well as maintenance. Our efforts in terms of energy are thus measured, monitored and evaluated on an ongoing basis. Deviations are to the extent possible followed by remedial actions.

The energy management system is ISO 50001 certified. Management assesses that this system contributes to ensuring optimised energy impact on the climate on the part of the Company.

The energy consumption for production purposes is mainly a function of selected technology in connection with investments made.

Although investments were made in new technology to reduce energy consumption at the facility in Løsning in both 2018 and 2019 energy consumption per processed unit of raw materials has been increasing. This is mainly due to the fact that the amount of raw materials has been decreasing and hence a poorer capacity utilisation has been realised.

For the facility in Randers, the corresponding unit consumption in 2019 has been increasing regarding electricity due to implementation of new odour reducing equipment and increase in use of ventilation in production. Unit consumption for production of steam is in line with last year.

### *Social conditions and employee relations*

The Company has concluded collective agreements for relevant areas with the respective partners. Collective agreements and relevant labour market-related legislation are of course observed. Thereby, it is ensured that guidelines applicable for the Danish and the Swedish labour markets are observed.

Moreover, the Company's HR policy is incorporated in internal guidelines that i.e. include:

- ▶ Alcohol policy - including alcohol abuse
- ▶ Working environment Due diligence processes have been implemented to avoid any work-related accidents and to handle them, if any
- ▶ Anti-bullying policy
- ▶ Work committee / dialogue fora
- ▶ Senior employees' policy
- ▶ Stress and healthcare policy.

The degree of compliance is not systematically measured as deviations are deemed to be evident in a business of SARIA Denmark Group's size.

Management assesses that all areas that could reasonably be deemed relevant are described in the internal guidelines.

Surveys of the physical as well as the mental working environment are made as required by legislation.

In 2018, the Company continued with its efforts to ensure sound physical and mental working conditions among others by following up upon nearby-accidents.

A total of ten work-related accidents that included absence were noted in 2019 compared to six in 2018. Follow-up was made, and causes were identified to avoid similar accidents in future. The goal is to entirely avoid work-related accidents.

The Company does not observe any problems in attracting and maintaining relevant manpower other than what is a natural consequence of fluctuations in demand and supply of manpower.

## Management's review

A "social clause" is incorporated in relevant contracts with external suppliers by which the supplier accepts to:

- ▶ Ensure a safe and healthy working environment.
- ▶ Ensure that the supplier's employees are hired on common Danish wage and employment conditions and that the supplier lives up to them.
- ▶ Ensure that the supplier's employees are subject to relevant and common collective agreements.
- ▶ Ensure that the supplier's employees have the permit required to work legally in Denmark.
- ▶ Ensure that the supplier's employees to the extent required are registered in the Register of Foreign Service Providers (RUT).

### *Anti-corruption and bribery*

The Company forms part of the German SARIA Group (subgroup to the German Rethmann Group). The Group has an organised approach to compliance through a developed Corporate Compliance Programme. The programme is to ensure that activities of the entire Group comply with legislation and rules, and therefore it includes guidelines for i.e. compliance with competition law, anti-bribery and integrity in business agreements, cooperation with authorities, etc.

The presently used corporate compliance brochure has been prepared from the side of Rethmann Group. The brochure is handed out to all employees upon employment. Managers are to sign a corporate compliance declaration to confirm that they have received and understood the contents of the folder. All recently hired employees were informed of the scheme in 2018. All employees at relevant levels are thus informed of those guidelines.

Form and scope of the programme are subject to continuous development. A new compliance programme for our part of the Group has been developed from the SARIA Group and implementation in Denmark and Sweden will be finalized in the financial year 2019. Elements in this programme are:

- ▶ A new and updated corporate compliance brochure with principles for different areas of compliance - among these anti-corruption and bribery
- ▶ The brochure will be handed out to relevant employees together with a hand-out booklet where the employee confirms receipt of the new brochure
- ▶ Education in compliance through e-learning and class room activities to ensure continued and serious commitment and to increase awareness of the programme
- ▶ Quarterly review and reporting on the compliance situation in the Company
- ▶ On a yearly basis retrieval of a confirmation letter from relevant employees concerning individual compliance.

### *Gender composition*

The gender composition in the Group is not equal, mainly because Daka Denmark A/S and subsidiaries are manufacturing companies, which for many years have operated in a line of business, which primarily employs and attracts male employees. Consequently, women are the underrepresented gender on the Executive Board and in other executive positions. The management team of the Group comprised 45 persons at 31 December 2019, which included the Group's Executive Board and the department managers of various functions and selected specialists. Female managers on the management team made up 20% in 2019. Female employees made up 28% of all employees in the Group in 2019.

The Group wishes to ensure equal opportunities for all, and its overall goal is to ensure that the Board of Directors at all times is made up of the most suitable candidates, irrespective of gender. The Board of Directors of Daka Denmark A/S comprises eight members of which six members are appointed at the annual general meeting and two members are employee representatives.

## Management's review

The Board of Directors in Daka Denmark A/S has set up a goal for the underrepresented gender on the Board of Directors, which is to account for at least one person. The Board of Directors has strived for fulfilling this goal within the end of 2018 taking into consideration natural replacements on the Board of Directors. At present, members appointed at the annual general meeting are of the same gender. The goal has not been fulfilled partly as there have only been very limited natural replacements on the Board in recent years and partly as there have been no qualified candidates among the underrepresented gender. It is still the Company's target that at least one of the Board members appointed by the general meeting is from the underrepresented gender, and that this goal must be fulfilled by the end of 2020.

The Group's overall goal is to ensure that at all times the Executive Board and management team are made up of the most suitable candidates, irrespective of gender. Furthermore, the Group wishes to ensure equal opportunities for all and wishes to also reflect the female/male ratio in society at management level. In setting goals for the share of women on the Board, the Group has laid down a policy which describes how to maintain and, if possible, increase the share of women in the Group in general and at management level in particular. In general, the policy contains three initiatives regarding women in management positions: attention within the Group so that female managers are a focus area for the Group; attraction and recruitment where the Group works to identify and motivate more women to apply for management jobs; and retention and development, focusing on management development of women, including courses and coaching processes.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Income statement

| Note | DKK'000                                   | Consolidated |          | Parent Company |        |
|------|---|--------------|----------|----------------|--------|
|      |   | 2019         | 2018     | 2019           | 2018   |
| 3    | <b>Revenue</b>                            | 945,080      | 993,399  | 0              | 0      |
|      | Production costs                          | -693,367     | -757,223 | 0              | 0      |
|      | <b>Gross profit</b>                       | 251,713      | 236,176  | 0              | 0      |
|      | Distribution costs                        | -42,180      | -37,606  | 0              | 0      |
|      | Administrative expenses                   | -95,818      | -95,739  | -138           | -133   |
|      | <b>Ordinary operating profit/loss</b>     | 113,715      | 102,831  | -138           | -133   |
|      | Other operating income                    | 79,585       | 17,393   | 0              | 0      |
|      | Other operating costs                     | -3,132       | -884     | 0              | 0      |
|      | <b>Operating profit/loss</b>              | 190,168      | 119,340  | -138           | -133   |
|      | Income from investments in group entities | 0            | 0        | 77,308         | 50,744 |
|      | Income from investments in associates     | 5,284        | 6,241    | 0              | 0      |
|      | Income from other investments             | 841          | 1,011    | 0              | 0      |
| 4    | Other financial income                    | 3,039        | 5,170    | 0              | 0      |
| 5    | Financial expenses                        | -10,196      | -10,258  | -3,626         | -3,631 |
|      | <b>Profit before tax</b>                  | 189,136      | 121,504  | 73,544         | 46,980 |
| 6    | Tax on profit for the year                | -40,660      | -25,277  | 828            | 828    |
|      | <b>Profit for the year</b>                | 148,476      | 96,227   | 74,372         | 47,808 |
|      | Breakdown of the consolidated profit:     |              |          |                |        |
|      | Shareholders in SARIA Denmark ApS         | 74,200       | 47,474   |                |        |
|      | Non-controlling interests                 | 74,276       | 48,753   |                |        |
|      | <b>Profit for the year</b>                | 148,476      | 96,227   |                |        |



## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Balance sheet

| Note | DKK'000  | Consolidated              |                       | Parent Company        |                       |
|------|--|---------------------------|-----------------------|-----------------------|-----------------------|
|      |  | 2019                      | 2018                  | 2019                  | 2018                  |
|      |  | <b>ASSETS</b>             |                       |                       |                       |
|      |  | <b>Non-current assets</b> |                       |                       |                       |
| 7    | <b>Intangible assets</b>                         |                           |                       |                       |                       |
|      | Software   | 431                       | 385                   | 0                     | 0                     |
|      | Intangible assets under construction             | 16,992                    | 5,918                 | 0                     | 0                     |
|      |  | <u>17,423</u>             | <u>6,303</u>          | <u>0</u>              | <u>0</u>              |
| 8    | <b>Property, plant and equipment</b>             |                           |                       |                       |                       |
|      | Land and buildings                               | 115,531                   | 105,984               | 0                     | 0                     |
|      | Plant and machinery                              | 153,666                   | 139,062               | 0                     | 0                     |
|      | Fixtures and fittings, tools and equipment       | 40,737                    | 37,651                | 0                     | 0                     |
|      | Property, plant and equipment under construction | 14,094                    | 36,507                | 0                     | 0                     |
|      |  | <u>324,028</u>            | <u>319,204</u>        | <u>0</u>              | <u>0</u>              |
|      | <b>Investments</b>                               |                           |                       |                       |                       |
| 9    | Investments in subsidiaries                      | 0                         | 0                     | 185,152               | 189,795               |
| 10   | Investments in associates                        | 8,584                     | 9,178                 | 0                     | 0                     |
|      | Other investments                                | 14,935                    | 14,935                | 0                     | 0                     |
|      |  | <u>23,519</u>             | <u>24,113</u>         | <u>185,152</u>        | <u>189,795</u>        |
|      | <b>Total non-current assets</b>                  | <u>364,970</u>            | <u>349,620</u>        | <u>185,152</u>        | <u>189,795</u>        |
|      | <b>Current assets</b>                            |                           |                       |                       |                       |
|      | <b>Inventories</b>                               |                           |                       |                       |                       |
|      | Raw materials and consumables                    | 24,370                    | 25,994                | 0                     | 0                     |
|      | Work in progress                                 | 1,527                     | 1,319                 | 0                     | 0                     |
|      | Finished goods and goods for resale              | 62,459                    | 49,608                | 0                     | 0                     |
|      |  | <u>88,356</u>             | <u>76,921</u>         | <u>0</u>              | <u>0</u>              |
|      | <b>Receivables</b>                               |                           |                       |                       |                       |
|      | Trade receivables                                | 85,849                    | 89,044                | 0                     | 0                     |
|      | Amounts owed by group entities                   | 99,394                    | 152,853               | 828                   | 0                     |
|      | Amounts owed by associates                       | 7,442                     | 6,730                 | 0                     | 0                     |
| 11   | Deferred tax asset                               | 453                       | 7,590                 | 0                     | 0                     |
|      | Corporation tax                                  | 0                         | 0                     | 828                   | 828                   |
|      | Other receivables                                | 13,269                    | 23,524                | 0                     | 0                     |
|      | Prepayments                                      | 5,277                     | 4,821                 | 0                     | 0                     |
|      |  | <u>211,684</u>            | <u>284,562</u>        | <u>1656</u>           | <u>828</u>            |
|      | <b>Cash</b>                                      | <u>3,848</u>              | <u>4,755</u>          | <u>3,061</u>          | <u>3,165</u>          |
|      | <b>Total current assets</b>                      | <u>303,888</u>            | <u>366,238</u>        | <u>4,717</u>          | <u>3,993</u>          |
|      | <b>TOTAL ASSETS</b>                              | <u><u>668,858</u></u>     | <u><u>715,858</u></u> | <u><u>189,869</u></u> | <u><u>193,788</u></u> |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Balance sheet

| Note | DKK'000  | Consolidated                  |                | Parent Company |                |
|------|--|-------------------------------|----------------|----------------|----------------|
|      |  | 2019                          | 2018           | 2019           | 2018           |
|      |  | <b>EQUITY AND LIABILITIES</b> |                |                |                |
|      |  | <b>Equity</b>                 |                |                |                |
| 12   | Share capital  | 600                           | 600            | 600            | 600            |
|      | Retained earnings  | 5,807                         | 13,099         | 13,242         | 20,362         |
|      | Proposed dividends   | 58,000                        | 58,400         | 58,000         | 58,400         |
|      | <b>Equity holders' share of equity</b>                           | <b>64,407</b>                 | <b>72,099</b>  | <b>71,842</b>  | <b>79,362</b>  |
|      | <b>Non-controlling interests</b>                                 | <b>177,891</b>                | <b>182,351</b> | <b>0</b>       | <b>0</b>       |
|      | <b>Total equity</b>  | <b>242,298</b>                | <b>254,450</b> | <b>71,842</b>  | <b>79,362</b>  |
|      | <b>Liabilities other than provisions</b>                         |                               |                |                |                |
| 13   | <b>Non-current liabilities other than provisions</b>             |                               |                |                |                |
|      | Mortgage loans   | 98,997                        | 153,772        | 0              | 0              |
|      | Amounts owed to group entities                                   | 11,205                        | 11,201         | 0              | 0              |
|      | Other payables   | 5,059                         | 0              | 0              | 0              |
|      |  | <b>115,261</b>                | <b>164,973</b> | <b>0</b>       | <b>0</b>       |
|      | <b>Current liabilities other than provisions</b>                 |                               |                |                |                |
|      | Current portion of non-current liabilities other than provisions | 7,130                         | 9,777          | 0              | 0              |
|      | Credit institutions  | 28,710                        | 27,256         | 0              | 0              |
|      | Trade payables   | 107,604                       | 98,033         | 55             | 55             |
|      | Amounts owed to group entities                                   | 121,198                       | 114,892        | 117,972        | 114,371        |
|      | Corporation tax  | 5,022                         | 1,149          | 0              | 0              |
|      | Other payables   | 35,939                        | 41,426         | 0              | 0              |
|      | Deferred income  | 5,696                         | 3,902          | 0              | 0              |
|      |  | <b>311,299</b>                | <b>296,435</b> | <b>118,027</b> | <b>114,426</b> |
|      | <b>Total liabilities other than provisions</b>                   | <b>426,560</b>                | <b>461,408</b> | <b>118,027</b> | <b>114,426</b> |
|      | <b>TOTAL EQUITY AND LIABILITIES</b>                              | <b>668,858</b>                | <b>715,858</b> | <b>189,869</b> | <b>193,788</b> |

- 1 Accounting policies
- 2 Special items
- 14 Contingencies, etc.
- 15 Mortgages and collateral
- 16 Staff costs
- 17 Fee paid to auditors appointed at the annual general meeting
- 18 Related party disclosures

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Statement of changes in equity

| Note | Consolidated  |                   |                    |         |                            |              |          |
|------|---|-------------------|--------------------|---------|----------------------------|--------------|----------|
|      | Share capital   | Retained earnings | Proposed dividends | Total   | Non-control-ling interests | Total equity |          |
|      | DKK'000   |                   |                    |         |                            |              |          |
|      | <b>Equity at 1 January 2018</b>                         | 600               | 22,972             | 35,000  | 58,572                     | 165,794      | 224,366  |
|      | Dividend distributed                                    | 0                 | 0                  | -35,000 | -35,000                    | -33,209      | -68,209  |
|      | Foreign currency translation                            | 0                 | -842               | 0       | -842                       | -809         | -1,651   |
|      | Value adjustments of hedging instruments at 31 December | 0                 | 1,895              | 0       | 1,895                      | 1,822        | 3,717    |
| 19   | Transferred; see profit appropriation                   | 0                 | -10,926            | 58,400  | 47,474                     | 48,753       | 96,227   |
|      | <b>Equity at 1 January 2019</b>                         | 600               | 13,099             | 58,400  | 72,099                     | 182,351      | 254,450  |
|      | Dividend distributed                                    | 0                 | 0                  | -58,400 | -58,400                    | -56,223      | -114,623 |
|      | Foreign currency translation                            | 0                 | -541               | 0       | -541                       | -462         | -1,003   |
|      | Value adjustments of hedging instruments at 31 December | 0                 | -2,551             | 0       | -2,551                     | -2,451       | -5,002   |
| 19   | Transferred; see profit appropriation                   | 0                 | -4,200             | 58,000  | 53,800                     | 54,676       | 108,476  |
|      | <b>Equity at 31 December 2019</b>                       | 600               | 5,807              | 58,000  | 64,407                     | 177,891      | 242,298  |

| Note | Parent Company   |                             |                   |                    |         |         |
|------|--|-----------------------------|-------------------|--------------------|---------|---------|
|      | Share capital  | Reserve for net revaluation | Retained earnings | Proposed dividends | Total   |         |
|      | DKK'000  |                             |                   |                    |         |         |
|      | <b>Equity at 1 January 2018</b>                                | 600                         | 16,601            | 13,300             | 35,000  | 65,501  |
|      | Dividend distributed   | 0                           | 0                 | 0                  | -35,000 | -35,000 |
|      | Dividends paid from subsidiary                                 | 0                           | -34,564           | 34,564             | 0       | 0       |
|      | Foreign currency translation adjustments, foreign subsidiaries | 0                           | -842              | 0                  | 0       | -842    |
|      | Value adjustments of hedging instruments at 31 December        | 0                           | 1,895             | 0                  | 0       | 1,895   |
| 19   | Transferred; see profit appropriation                          | 0                           | 16,910            | -27,502            | 58,400  | 47,808  |
|      | <b>Equity at 1 January 2019</b>                                | 600                         | 0                 | 20,362             | 58,400  | 79,362  |
|      | Dividend distributed   | 0                           | 0                 | 0                  | -58,400 | -58,400 |
|      | Foreign currency translation adjustments, foreign subsidiaries | 0                           | 0                 | -541               | 0       | -541    |
|      | Value adjustments of hedging instruments at 31 December        | 0                           | 0                 | -2,551             | 0       | -2,551  |
| 19   | Transferred; see profit appropriation                          | 0                           | 0                 | -4,028             | 58,000  | 53,972  |
|      | <b>Equity at 31 December 2019</b>                              | 600                         | 0                 | 13,242             | 58,000  | 71,842  |

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Cash flow statement

| Note | DKK'000   | Consolidated    |                |
|------|---|-----------------|----------------|
|      |   | 2019            | 2018           |
|      | Profit for the year   | 148,476         | 96,227         |
| 20   | Adjustment for non-cash operating items, etc.   | 44,666          | 78,607         |
|      | Cash generated from operations (operating activities) before changes in working capital | 193,142         | 174,834        |
| 21   | Changes in working capital  | 66,490          | -14,125        |
|      | Cash generated from operations (operating activities)                                   | 259,632         | 160,709        |
|      | Corporation tax paid  | -28,243         | -23,119        |
|      | <b>Cash flows from operating activities</b>   | <b>231,389</b>  | <b>137,590</b> |
|      | Acquisition of intangible assets  | -11,266         | -5,955         |
|      | Acquisition of property, plant and equipment  | -87,107         | -75,137        |
|      | Disposal of property, plant and equipment   | 70,872          | 351            |
|      | Dividends from associates   | 5,738           | 5,252          |
|      | <b>Cash flows from investing activities</b>   | <b>-21,763</b>  | <b>-75,489</b> |
|      | External financing:   |                 |                |
|      | Repayment of long-term debt   | -57,422         | -9,777         |
|      | Shareholders:   |                 |                |
|      | Dividends paid  | -154,565        | -68,209        |
|      | <b>Cash flows from financing activities</b>   | <b>-211,987</b> | <b>-77,986</b> |
|      | <b>Net cash flows from operating, investing and financing activities</b>                | <b>-2,361</b>   | <b>-15,885</b> |
|      | Cash and cash equivalents at 1 January  | -22,501         | -6,616         |
|      | <b>Cash and cash equivalents at 31 December</b>   | <b>-24,862</b>  | <b>-22,501</b> |

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of SARIA Denmark ApS for 2019 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The financial statements have been prepared in accordance with the same accounting policies as last year.

#### Consolidated financial statements

The consolidated financial statements comprise the Parent Company, SARIA Denmark ApS, and subsidiaries in which SARIA Denmark ApS directly or indirectly holds more than 50% of the voting rights or which it otherwise controls. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence but which it does not control are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

#### Foreign currency translation

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 at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at 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.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries which are considered part of the investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of foreign subsidiaries are also recognised directly in equity.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity must be transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity must be transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

### Income statement

#### Revenue

Income from collected raw material fees and sale of finished goods, comprising sale of meal, fat and blood products and biodiesel, is recognised in revenue when the most significant rewards and risks to the buyer have been transferred and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

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

#### Production costs

Production costs comprise costs, including depreciation and amortisation and salaries, incurred in generating the revenue for the year. Trading enterprises recognise their cost of sales, and production enterprises recognise their production costs incurred in generating the revenue for the year. Such costs include direct and indirect costs for raw materials and consumables, wages and salaries, rent and leases, and maintenance, transportation and energy depreciation of production plant.

Production costs also comprise research and development costs that do not qualify for capitalisation as well as costs for protecting the internal and external environment.

#### Distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as distribution costs. Costs relating to sales staff, advertising, exhibitions, transport and warehouse rent and depreciation are also recognised as distribution costs.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, office premises and office expenses, and depreciation.

#### Other operating income and costs

Other operating income and costs comprise items secondary to the activities of the enterprises, including gains and losses on the disposal of intangible assets and property, plant and equipment.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the Parent Company after full elimination of intra-group profits/losses.

The proportionate share of the results after tax of the associates is recognised in both the consolidated income statement and the Parent Company income statement after elimination of the proportionate share of intra-group profits/losses.

##### Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

##### Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue-generating operating activities, e.g. expenses incurred for extensive structuring of processes and basic structural adjustments as well as any related disposal gains and losses, that have a material impact over time. Special items also comprise significant one-off items that, in Management's opinion, do not form part of the Group's operating activities.

##### Tax on profit/loss for the year

The Parent Company is covered by the Danish rules on compulsory joint taxation of SARIA Denmark ApS Group's Danish subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they exit the consolidation.

The Parent Company is the administration company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of the joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive a joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

##### Balance sheet

##### Intangible assets

##### *Goodwill and software*

Goodwill and software are measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised over 5 years. Software is amortised on a straight-line basis over the estimated useful life of 3-5 years.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### *Incineration rights*

Incineration rights are measured at cost less accumulated amortisation and impairment losses. Incineration rights are amortised on a straight-line basis over the term of the agreement of 10 years.

##### *CO<sub>2</sub> rights*

On initial recognition, CO<sub>2</sub> rights allocated and acquired are measured at cost. If CO<sub>2</sub> rights are allocated free of charge, cost is DKK 0.

The basis of amortisation for CO<sub>2</sub> rights is measured at cost less scrap value. The scrap value depends on whether or not the Company expects to utilise the rights themselves or sell them. CO<sub>2</sub> rights are amortised as discharged.

To the extent that the actual discharge exceeds the CO<sub>2</sub> rights allocated and acquired, a liability is recognised corresponding to the fair value of the CO<sub>2</sub> rights which the Company is under an obligation to settle.

##### **Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools and other plant and equipment are measured at cost less accumulated depreciation and impairment losses. The basis of depreciation is cost less any expected residual value at the end of the useful life. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

|  |             |
|--|-------------|
| Buildings                                  | 15-20 years |
| Plant and machinery                        | 8-15 years  |
| Fixtures and fittings, tools and equipment | 3-6 years   |

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

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

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

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



## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured under the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies plus or minus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of SARIA Denmark ApS' annual report are not recognised in the reserve for net revaluation.

Acquisitions of subsidiaries and associates are accounted for using the purchase method, according to which the assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost over the fair value of the assets and liabilities identified (goodwill) is recognised as investments in subsidiaries and depreciated over the estimated useful life of five years. The net asset value of goodwill is assessed on an ongoing basis and is written down in the income statement if the carrying amount exceeds the expected future net income from the enterprise or activity to which goodwill is allocated.

##### Other investments

Other securities and investments, recognised under "Non-current assets", comprise unlisted securities measured at cost.

##### Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and direct production costs and indirect production overheads.

Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in the cost.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

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

#### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

#### Equity

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

Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

##### *Dividends*

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

#### Corporation tax and deferred tax

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

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or "Corporation tax payable".

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

#### Prepayments, equity and liabilities

Deferred income comprises payments received concerning income in subsequent years.

#### Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

#### Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

#### Cash flows from investing activities

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

#### Cash flows from financing activities

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

| DKK'000   | Consolidated   |                | Parent Company |              |
|---|----------------|----------------|----------------|--------------|
|   | 2019           | 2018           | 2019           | 2018         |
| <b>2 Special items</b>                                |                |                |                |              |
| Gain on the disposal of non-current assets            | 61,263         | 0              | 61,263         | 0            |
| Costs related to sale of non-current assets           | -1,887         | 0              | -1,887         | 0            |
|   | <u>59,376</u>  | <u>0</u>       | <u>59,376</u>  | <u>0</u>     |
| Special items are recognised in the below line items: |                |                |                |              |
| Other operating income                                | 61,263         | 0              | 61,263         | 0            |
| Other operating costs                                 | -1,887         | 0              | -1,887         | 0            |
|   | <u>59,376</u>  | <u>0</u>       | <u>59,376</u>  | <u>0</u>     |
| <b>3 Revenue</b>                                      |                |                |                |              |
| Finished goods, Denmark                               | 100,317        | 129,640        | 0              | 0            |
| Finished goods, abroad                                | 147,025        | 147,422        | 0              | 0            |
| Biodiesel, Denmark                                    | 109,147        | 87,185         | 0              | 0            |
| Biodiesel, abroad                                     | 216,949        | 250,539        | 0              | 0            |
| Raw material fees, Denmark                            | 270,837        | 270,446        | 0              | 0            |
| Raw material fees, abroad                             | 100,805        | 108,167        | 0              | 0            |
|   | <u>945,080</u> | <u>993,399</u> | <u>0</u>       | <u>0</u>     |
| <b>4 Financial income</b>                             |                |                |                |              |
| Interest income from group entities                   | 341            | 0              | 0              | 0            |
| Other interest income                                 | 2              | 426            | 0              | 0            |
| Other financial income                                | 2,696          | 4,744          | 0              | 0            |
|   | <u>3,039</u>   | <u>5,170</u>   | <u>0</u>       | <u>0</u>     |
| <b>5 Financial expenses</b>                           |                |                |                |              |
| Interest expense to group entities                    | 3,909          | 3,909          | 3,601          | 3,601        |
| Other interest expense                                | 2,838          | 3,159          | 25             | 30           |
| Other financial expense                               | 3,449          | 3,190          | 0              | 0            |
|   | <u>10,196</u>  | <u>10,258</u>  | <u>3,626</u>   | <u>3,631</u> |
| <b>6 Tax on the profit for the year</b>               |                |                |                |              |
| Current tax for the year                              | 31,951         | 18,352         | -828           | -828         |
| Adjustment of deferred tax                            | 8,544          | 6,926          | 0              | 0            |
| Adjustment of tax relating to previous years          | 165            | -1             | 0              | 0            |
|   | <u>40,660</u>  | <u>25,277</u>  | <u>-828</u>    | <u>-828</u>  |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 7 Intangible assets

| DKK'000                                    | Consolidated |                                      |               |
|--|--------------|--------------------------------------|---------------|
|  | Software     | Intangible assets under construction | Total         |
| Cost at 1 January 2019                     | 11,863       | 5,918                                | 17,781        |
| Additions during the year                  | 0            | 11,266                               | 11,266        |
| Transferred                                | 192          | -192                                 | 0             |
| Cost at 31 December 2019                   | 12,055       | 16,992                               | 29,047        |
| Amortisation at 1 January 2019             | 11,479       | 0                                    | 11,479        |
| Amortisation for the year                  | 145          | 0                                    | 145           |
| Amortisation at 31 December 2019           | 11,624       | 0                                    | 11,624        |
| <b>Carrying amount at 31 December 2019</b> | <b>431</b>   | <b>16,992</b>                        | <b>17,423</b> |
| Amortised over                             | 3-5 years    |                                      |               |

#### 8 Property, plant and equipment

| DKK'000  | Consolidated       |                     |  |  |                |
|--|--------------------|---------------------|--|--|----------------|
|  | Land and buildings | Plant and machinery | Fixtures and fittings, tools and equipment | Property, plant and equipment under construction | Total          |
| Cost at 1 January 2019                                 | 192,968            | 380,454             | 94,799                                     | 36,507   | 704,728        |
| Foreign currency translation                           | -749               | -1,264              | -191                                       | -15  | -2,219         |
| Additions during the year                              | 4,183              | 35,064              | 15,676                                     | 32,184   | 87,107         |
| Transferred  | 20,287             | 31,458              | 2,837                                      | -54,582  | 0              |
| Disposals during the year                              | -10,190            | -42,357             | -5,871                                     | 0  | -58,418        |
| Cost at 31 December 2019                               | 206,499            | 403,355             | 107,250                                    | 14,094   | 731,198        |
| Depreciation and impairment losses at 1 January 2019   | 86,984             | 241,392             | 57,148                                     | 0  | 385,524        |
| Foreign currency translation                           | -576               | -1,212              | -156                                       | 0  | -1,944         |
| Disposals during the year                              | -5,632             | -38,646             | -4,564                                     | 0  | -48,842        |
| Depreciation during the year                           | 10,192             | 48,155              | 14,085                                     | 0  | 72,432         |
| Depreciation and impairment losses at 31 December 2019 | 90,968             | 249,689             | 66,513                                     | 0  | 407,170        |
| <b>Carrying amount at 31 December 2019</b>             | <b>115,531</b>     | <b>153,666</b>      | <b>40,737</b>                              | <b>14,094</b>                                    | <b>324,028</b> |
| Depreciated over                                       | 15-20 years        | 8-15 years          | 3-6 years                                  |  |                |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

#### 9 Investments in subsidiaries

| DKK'000                                       | Parent Company |                |
|---|----------------|----------------|
|   | 2019           | 2018           |
| Cost at 1 January                             | 155,960        | 155,960        |
| Additions during the year                     | 0              | 0              |
| Cost at 31 December                           | 155,960        | 155,960        |
| Value adjustments at 1 January                | 33,835         | 16,601         |
| Dividend paid                                 | -58,458        | -34,564        |
| Extraordinary dividend paid                   | -20,400        | 0              |
| Foreign currency translation                  | -541           | -842           |
| Fair value adjustments of hedging instruments | -2,552         | 1,896          |
| Profit/loss for the year                      | 77,308         | 50,744         |
| Value adjustments at 31 December              | 29,192         | 33,835         |
| <b>Carrying amount at 31 December</b>         | <b>185,152</b> | <b>189,795</b> |

| Name and registered office:     | Voting rights and ownership |
|---------------------------------|-----------------------------|
| Daka Denmark A/S, Hedensted     | 51.0%                       |
| Bioceval Denmark A/S, Hedensted | 100.0%                      |

#### 10 Investments in associates

| Name and registered office:                  | Voting rights and ownership |
|--|-----------------------------|
| Svensk Lantbrukstjänst AB, Lidköping, Sweden | 50.0%                       |
| Gyllebo Gödning AB, Lidköping, Sweden        | 33.3%                       |

#### 11 Deferred tax asset

| DKK'000  | Consolidated |              | Parent Company |          |
|--|--------------|--------------|----------------|----------|
|  | 2019         | 2018         | 2019           | 2018     |
| Deferred tax asset at 1 January                    | 7,590        | 15,633       | 0              | 0        |
| Adjustment of the deferred tax charge for the year | -6,036       | -6,942       | 0              | 0        |
| Tax on equity transactions                         | -1,101       | -1,101       | 0              | 0        |
| <b>Deferred tax asset at 31 December</b>           | <b>453</b>   | <b>7,590</b> | <b>0</b>       | <b>0</b> |

#### 12 Share capital

The share capital comprises 600,000 shares of DKK 1 each. All shares rank equally.

The recent 5-year changes of the share capital are specified as follows:

| DKK'000                             | Parent Company |            |            |            |            |
|-------------------------------------|----------------|------------|------------|------------|------------|
|                                     | 2019           | 2018       | 2017       | 2016       | 2015       |
| Share capital at 1 January          | 600            | 600        | 600        | 600        | 500        |
| Capital increase                    | 0              | 0          | 0          | 0          | 100        |
| <b>Share capital at 31 December</b> | <b>600</b>     | <b>600</b> | <b>600</b> | <b>600</b> | <b>600</b> |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

### Notes to the financial statements

| DKK'000  | Consolidated |         | Parent Company |      |
|--|--------------|---------|----------------|------|
|  | 2019         | 2018    | 2019           | 2018 |
| <b>13 Non-current liabilities</b>  |              |         |                |      |
| Amounts owed to mortgage credit institutions which fall due more than 5 years after the balance sheet date | 70,478       | 114,665 | 0              | 0    |
| <b>14 Contingencies, etc.</b>  |              |         |                |      |
| <b>Contingent liabilities</b>  |              |         |                |      |
| Lease obligations (operating leases) which fall due within 5 years   | 17,884       | 23,486  | 0              | 0    |

#### CO<sub>2</sub> rights

Under the legislation on CO<sub>2</sub> quotas, the Danish Energy Agency has allocated quotas to the Company free of charge for use in the period 1 January 2013 - 31 December 2020. The estimated need for the period exceeds the allocated quotas, corresponding to an estimated liability of DKK 3,812 thousand. At 31 December 2019, the liability is DKK 0.

#### Joint taxation

The Parent Company is jointly taxed with the Danish subsidiaries. As the administration company, together with the subsidiary, the Company has joint and several unlimited liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties in the joint taxation unit. At 31 December 2019, the net taxes payable by the companies included in the joint taxation amounted to DKK 5,022 thousand. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc. may increase the companies' liability. The Group as a whole is not liable to others.

### 15 Mortgages and collateral

Land and buildings with a carrying amount of DKK 98,823 thousand have been provided as collateral for mortgages. In addition, a considerable part of the Parent Company's plant and machinery is deemed to be included in the collateral. Mortgage loans amounted to DKK 106,127 thousand at 31 December 2019.

### 16 Staff costs

| DKK'000  | Consolidated |         | Parent Company |      |
|--|--------------|---------|----------------|------|
|  | 2019         | 2018    | 2019           | 2018 |
| Wages and salaries   | 149,081      | 158,581 | 0              | 0    |
| Pensions   | 11,966       | 12,001  | 0              | 0    |
| Other social security costs                                    | 6,562        | 6,422   | 0              | 0    |
|  | 167,609      | 177,004 | 0              | 0    |
| Remuneration to the Executive Board and the Board of Directors | 1,910        | 1,875   | 0              | 0    |
| Average number of full-time employees                          | 276          | 293     | 0              | 0    |

## Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

### Notes to the financial statements

#### 17 Fees paid to auditors appointed at the annual general meeting

| DKK'000                       | Consolidated |            | Parent Company |           |
|-------------------------------|--------------|------------|----------------|-----------|
|                               | 2019         | 2018       | 2019           | 2018      |
| Fee regarding statutory audit | 382          | 440        | 15             | 15        |
| Assurance engagements         | 80           | 45         | 0              | 0         |
| Tax assistance                | 23           | 23         | 0              | 0         |
| Other assistance              | 440          | 379        | 34             | 31        |
|                               | <u>925</u>   | <u>887</u> | <u>49</u>      | <u>46</u> |

#### 18 Related party disclosures

##### Parties exercising control

SARIA International GmbH, Werner Strasse 95, D-59379 Selm, Germany holds the majority of the share capital in the Company.

SARIA Denmark ApS is included in the consolidated financial statements of the ultimate parent company, Rethmann SE & Co. KG, Selm, Germany.

#### 19 Appropriation of profit/loss

| DKK'000                      | Consolidated   |               | Parent Company |               |
|------------------------------|----------------|---------------|----------------|---------------|
|                              | 2019           | 2018          | 2019           | 2018          |
| Extraordinary dividends paid | 20,400         | 0             | 20,400         | 0             |
| Proposed dividends           | 58,000         | 58,400        | 58,000         | 58,400        |
| Reserve for net revaluation  | 0              | 0             | 0              | 16,910        |
| Retained earnings            | -4,200         | -10,926       | -4,028         | -27,502       |
| Non-controlling interests    | 74,276         | 48,753        | 0              | 0             |
|                              | <u>148,476</u> | <u>96,227</u> | <u>74,372</u>  | <u>47,808</u> |

| DKK'000   | Consolidated  |               |
|---|---------------|---------------|
|   | 2019          | 2018          |
| <b>20 Adjustment for non-cash operating items, etc.</b>   |               |               |
| Amortisation and depreciation and impairment losses       | 72,577        | 55,703        |
| Gain on disposal of non-current assets                    | -61,263       | -351          |
| Loss on disposal of non-current assets                    | 13            | 0             |
| Change in investments in associates                       | -5,284        | -6,241        |
| Tax on profit for the year                                | 40,660        | 25,277        |
| Change in fair value and derivative financial instruments | -6,413        | 2,649         |
| Change in long term debt other than mortgage loans        | 5,059         | 0             |
| Foreign currency translation, etc.                        | -683          | 1,570         |
|   | <u>44,666</u> | <u>78,607</u> |

#### 21 Changes in working capital

|                                    |               |                |
|------------------------------------|---------------|----------------|
| Change in inventories              | -11,435       | 14,199         |
| Change in receivables              | 65,741        | -41,482        |
| Change in trade and other payables | 12,184        | 13,158         |
|                                    | <u>66,490</u> | <u>-14,125</u> |