

Arla Foods Energy A/S

Sønderhøj 14

8260 Viby J

CVR No. 87469816

Annual Report 2021

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

Peter Stenholt Randrup
Chairman

Arla Foods Energy A/S

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Arla Foods Energy A/S

Management's Statement

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

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021.

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

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

Aarhus, 23 May 2022

Executive Board

Carsten Just Andersen

Board of Directors

John Duus Andresen
Chairman

Bjorn Kamps

Joris Andersen

Independent Auditor's Report

To the shareholders of Arla Foods Energy A/S

Opinion

We have audited the financial statements of Arla Foods Energy A/S for the financial year 1 January 2021 - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- * Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditor's Report

- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- * Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Aarhus, 23 May 2022

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Arla Foods Energy A/S

Company details

Company	Arla Foods Energy A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
CVR No.	87469816
Board of Directors	John Duus Andresen, Chairman Bjorn Kamps Joris Andersen
Executive Board	Carsten Just Andersen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

The Company owns and produces energy at six combined heat and power stations in connection with six of Arla Foods a/s's factories.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2021 - 31 December 2021 shows a result of kDKK 437 and the Balance Sheet at 31 December 2021 a balance sheet total of kDKK 136.965 and an equity of kDKK 1.851.

Post financial year events

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

Expectations for the future

The Company expects a positive result before tax between 300 and 750 kDKK for the coming year.

Financial highlights

kDKK

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

	2021	2020	2019	2018	2017
Revenue	282.781	295.825	417.506	346.908	249.149
Operating profit/loss	868	1.133	901	-19.155	6.038
Net financial income and costs	-308	-592	-526	-1.151	-1.429
Profit/loss for the year	437	396	317	-18.265	6.809
Investment in tangible assets	3.364	0	0	3.836	29.891
Total assets	136.965	153.922	272.878	260.036	230.130
Total equity	1.851	1.414	-1.982	-5.299	12.926
Profit margin (%)	0,31	0,38	0,22	-5,51	2,42
Return on capital employed (%)	0,60	0,53	0,34	-7,80	2,55
Solvency ratio (%)	1,35	0,92	-0,73	-2,04	5,62
Return on equity (ROE) (%)	26,77	-139,44	-8,71	-477,91	34,88

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

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

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

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

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

Arla Foods Energy A/S

Accounting Policies

Reporting Class

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

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

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in thousand Danish kroner.

Translation policies

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

Income Statement

Revenue

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

Raw materials and consumables used

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

Amortisation and impairment of tangible and intangible assets

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

Other operating costs

Other operating costs include items relating to activities secondary to the main activity of the enterprises.

Financial income and costs

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

Tax on net profit for the year

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

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

Accounting Policies

Balance Sheet

Intangible assets

Intangible assets are measured at cost on initial recognition and subsequently at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised on a straight-line basis over the expected useful life of 3 years.

Tangible assets

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

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

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

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

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

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

Properties:	30 years
Fixture, fittings, tools and equipment:	5-12 years

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

The carrying amounts of intangible assets and property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts. An impairment test is carried out annually of ongoing development projects, whether or not there is any indication of impairment.

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

Receivables

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

Accounting Policies

Equity

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

Deferred tax

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

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

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

Liabilities

Liabilities are measured at amortised cost.

Current tax liabilities and receivables

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

Income Statement

	Note	2021 kDKK	2020 kDKK
Revenue		282.781	295.825
Raw materials and consumables used		-252.378	-262.216
Other external costs		-16.685	-19.651
Gross profit		13.718	13.958
Depreciation, amortisation and impairment losses		-12.850	-12.825
Operating profit		868	1.133
Financial income	1	0	38
Financial costs	2	-308	-630
Profit before tax		560	541
Tax	3	-123	-145
Profit for the year		437	396
Proposed distribution of results	4		
Retained earnings		437	396
Distribution of profit		437	396

Arla Foods Energy A/S

Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
Assets			
IT	5	0	0
Intangible assets		0	0
Land and buildings	6	8.232	8.556
Fixtures, fittings, tools and equipment	7	67.542	76.704
Property, plant and equipment in progress	8	0	0
Property, plant and equipment		75.774	85.260
Non-current assets		75.774	85.260
Trade receivables		1.103	17.561
Receivables from group companies		38.741	29.577
Deferred tax		2.055	2.480
Current tax		302	0
Other receivables		18.990	19.044
Receivables		61.191	68.662
Current assets		61.191	68.662
Assets		136.965	153.922

Arla Foods Energy A/S

Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
Liabilities and equity			
Contributed capital		501	501
Retained earnings		1.350	913
Equity		1.851	1.414
Trade payables		109.098	129.093
Payables to group companies		25.261	19.575
Current tax		0	2.941
Other payables		755	899
Short-term liabilities		135.114	152.508
Liabilities		135.114	152.508
Liabilities and equity		136.965	153.922
Contingent liabilities	9		
Related parties	10		

Arla Foods Energy A/S

Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	501	913	1.414
Profit (loss)	<u>0</u>	<u>437</u>	<u>437</u>
Equity 31 December 2021	<u>501</u>	<u>1.350</u>	<u>1.851</u>

The share capital is divided into shares of DKK 1.000 or multiples thereof.

The share capital has remained unchanged for the last 5 years.

Notes

	2021 kDKK	2020 kDKK
1. Financial income		
Other financial income	0	38
	0	38
2. Financial costs		
Financial costs from group companies	263	627
Other financial costs	45	3
	308	630
3. Tax		
Current income tax	302	-2.941
Adjustment for current income tax of previous years	0	-3.069
Change in deferred tax for the year	-425	2.822
Adjustment for deferred tax of previous years	0	3.043
	-123	-145
4. Distribution of profit		
Retained earnings	437	396
	437	396
5. Intangible assets		
Cost at the beginning of the year	101	101
Cost at the end of the year	101	101
Amortisation and impairment at the beginning of the year	-101	-71
Amortisation for the year	0	-30
Amortisation and impairment at the end of the year	-101	-101
Carrying amount at the end of the year	0	0
6. Land and buildings		
Cost at the beginning of the year	9.701	9.701
Cost at the end of the year	9.701	9.701
Depreciation and impairment at the beginning of the year	-1.145	-822
Depreciation for the year	-324	-323
Depreciation and impairment at the end of the year	-1.469	-1.145
Carrying amount at the end of the year	8.232	8.556

Notes

	2021 kDKK	2020 kDKK
7. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	125.164	125.164
Transfers from asset in course of construction	3.364	0
Cost at the end of the year	128.528	125.164
Depreciation and impairment at the beginning of the year	-48.460	-35.988
Depreciation for the year	-12.526	-12.472
Depreciation and impairment at the end of the year	-60.986	-48.460
Carrying amount at the end of the year	67.542	76.704
8. Property, plant and equipment in progress		
Cost at the beginning of the year	0	0
Addition during the year, incl. improvements	3.364	0
Transfers during the year	-3.364	0
Cost at the end of the year	0	0
Carrying amount at the end of the year	0	0

9. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

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

Notes

10. Related parties

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

Related party transactions:

Other group companies:	2021	2020
	kDKK	kDKK
Sale of goods and services	46.764	77.915
Purchase of goods and services	0	-2.719
Interests on intercompany loans	-235	-577
Receivables from group companies	9.765	10.014
Payables to group companies	25.177	19.495
Parent company:		
Sale of goods and services	117.452	103.050
Interests on intercompany loans	-28	-50
Receivables from group companies	28.976	19.563
Payables to group companies	84	80