

Arla Foods Energy A/S

Sønderhøj 14

8260 Viby J

CVR No. 87469816

Annual Report 2023

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

Jesper Blauenfeldt
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 2023 - 31 December 2023.

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

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

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

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

Aarhus, 6 June 2024

Executive Board

Carsten Just Andersen

Board of Directors

John Duus Andresen
Chairman

Mogens Kaspersen

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 2023 - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain 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.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 6 June 2024

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

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 Mogens Kaspersen 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 2023 - 31 December 2023 shows a result of kDKK 266 and the Balance Sheet at 31 December 2023 a balance sheet total of kDKK 133.404 and an equity of kDKK 2.690. Revenue and profit of the year are in line with the expectations for the year and the activity has been on a stable level as customer demand for provided services have been in line with expectations.

Uncertainty related to recognition and measurement

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

Environmental conditions

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

Post financial year events

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

Expectations for the future

The Company expects a positive result before tax between 200 and 800 kDKK for the coming year and revenue at the same level as in 2023 between 200 and 400 mDKK.

Financial highlights

kDKK

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

	2023	2022	2021	2020	2019
Revenue	267.002	389.615	282.781	295.825	417.506
Operating profit/loss	2.236	609	868	1.133	901
Net financial income and costs	-1.789	-56	-308	-592	-526
Profit/loss for the year	266	573	437	396	317
Investment in tangible assets	85	6.382	3.364	0	0
Total assets	133.404	122.456	136.965	153.922	272.878
Total equity	2.690	2.424	1.851	1.414	-1.982
Profit margin (%)	0,84	0,15	0,31	0,38	0,22
Return on capital employed (%)	1,75	0,46	0,60	0,53	0,34
Solvency ratio (%)	2,02	1,97	1,35	0,92	-0,73
Return on equity (ROE) (%)	10,40	26,81	26,77	-139,44	-8,71

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

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

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

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

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

Accounting Policies

Reporting Class

The annual report of Arla Foods Energy A/S for 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Company has decided not to include a cash flow statement due to Danish Financial Statements Act §86 (4). The Company's cash flows are included in the consolidated cash flows for the parent company Arla Foods a.m.b.a.

The accounting policies applied remain unchanged from last year.

Reporting currency

The annual report is presented in thousand Danish kroner.

Translation policies

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial costs.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial costs.

Income statement

Revenue

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

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

Raw materials and consumables used

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

Other external costs

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

Amortisation and impairment of tangible and intangible assets

Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values.

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

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.

Accounting Policies

Tax on net profit/loss for the year

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

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

Balance sheet

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.

Property, plant and equipment

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

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

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

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

Land is not depreciated.

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

The carrying amounts of 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.

Accounting Policies

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.

Inventories

The cost of goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Receivables

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

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

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

Receivables from group companies

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

Equity

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

Deferred tax

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

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

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

Liabilities

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

Financial liabilities are recognised at the date of borrowing at the proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate.

Other liabilities are measured at amortised cost.

Current tax liabilities and receivables

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

Arla Foods Energy A/S

Income Statement

	Note	2023 kDKK	2022 kDKK
Revenue		267.002	389.615
Raw materials and consumables used		-223.933	-355.334
Other external costs		-27.331	-17.673
Gross profit		15.738	16.608
Depreciation, amortisation and impairment losses		-13.502	-13.466
Other operating expenses		0	-2.533
Operating profit		2.236	609
Financial income	1	14	29
Financial costs	2	-1.789	-56
Profit before tax		461	582
Tax	3	-195	-9
Profit for the year		266	573
Proposed distribution of results	4		
Retained earnings		266	573
Distribution of profit		266	573

Arla Foods Energy A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Assets			
IT development costs	5	0	0
Intangible assets		0	0
Land and buildings	6	7.586	7.909
Fixtures, fittings, tools and equipment	7	44.999	57.832
Property, plant and equipment in progress	8	155	416
Property, plant and equipment		52.740	66.157
Non-current assets		52.740	66.157
Raw materials and consumables		269	287
Inventories		269	287
Trade receivables		3.960	2.287
Receivables from group companies		61.289	34.158
Deferred tax		2.162	1.539
Current tax		0	477
Other receivables		12.984	17.551
Receivables		80.395	56.012
Current assets		80.664	56.299
Assets		133.404	122.456

Arla Foods Energy A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Liabilities and equity			
Contributed capital		501	501
Retained earnings		2.189	1.923
Equity		2.690	2.424
Trade payables		86.076	105.677
Payables to group companies	9	43.972	14.355
Current tax		666	0
Short-term liabilities		130.714	120.032
Liabilities		130.714	120.032
Liabilities and equity		133.404	122.456
Contingent liabilities	10		
Related parties	11		
Events after the balance sheet date	12		

Arla Foods Energy A/S

Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	501	1.923	2.424
Profit (loss)	<u>0</u>	<u>266</u>	<u>266</u>
Equity 31 December 2023	<u>501</u>	<u>2.189</u>	<u>2.690</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

	2023 kDKK	2022 kDKK
1. Financial income		
Financial income from group companies	0	23
Other financial income	14	6
	14	29
2. Financial costs		
Financial costs from group companies	1.773	12
Other financial costs	16	44
	1.789	56
3. Tax		
Current income tax	666	-477
Adjustment for current income tax of previous years	152	-30
Change in deferred tax for the year	-582	605
Adjustment for deferred tax of previous years	-41	-89
	195	9
4. Distribution of profit		
Retained earnings	266	573
	266	573
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	-101
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	-1.792	-1.469
Depreciation for the year	-323	-323
Depreciation and impairment at the end of the year	-2.115	-1.792
Carrying amount at the end of the year	7.586	7.909

Notes

	2023 kDKK	2022 kDKK
7. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	128.414	128.528
Disposal	0	-6.080
Transfers	346	5.966
Cost at the end of the year	128.760	128.414
Depreciation and impairment at the beginning of the year	-70.582	-60.986
Depreciation for the year	-13.179	-13.143
Depreciation on disposals	0	3.547
Depreciation and impairment at the end of the year	-83.761	-70.582
Carrying amount at the end of the year	44.999	57.832
8. Property, plant and equipment in progress		
Cost at the beginning of the year	416	0
Addition	85	6.382
Transfers	-346	-5.966
Cost at the end of the year	155	416
Carrying amount at the end of the year	155	416

9. Payables to group companies

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

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

The amount recognized as payables to group companies relating to the cash pool agreement for Arla Foods Energy A/S amounts to 43.972 kDKK as of 31 December 2023 (2022: 14.355 kDKK).

10. 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

11. 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 a.m.b.a. The consolidated financial statements can be obtained at the following address: Arla Foods a.m.b.a, Sønderhøj 14, 8260 Viby J.

Related party transactions:

Other group companies:	2023	2022
	kDKK	kDKK
Interests on intercompany loans	-1.759	23
Payables to group companies	43.972	14.266
Parent company:		
Sale of goods and services	180.748	223.458
Interests on intercompany loans	-14	-12
Receivables from group companies	61.289	34.158
Payables to group companies	180	89

12. Events after the balance sheet date

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