

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

Sønderhøj 10-12

8260 Viby J

CVR No. 33571836

## **Annual Report 2020**

The Annual Report was presented and approved at the Annual General Meeting of the Company on 19 May 2021

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Peter Stenholt Randrup  
Chairman

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## **Management's Statement**

Today, Management has considered and approved the Annual Report of Arla Foods Ingredients Energy A/S for the financial year 1 January 2020 - 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020.

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, 19 May 2021

### **Executive Board**

Mogens Bøgh Pedersen

### **Board of Directors**

Henrik Højen Andersen  
Chairman

Luis Cubel

Klaus Kristiansen

## Independent Auditor's Report

To the shareholders of Arla Foods Ingredients Energy A/S

### Opinion

We have audited the financial statements of Arla Foods Ingredients Energy A/S for the financial year 1 January 2020 - 31 December 2020, which comprise an 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 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditor's responsibility 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 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 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 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.

### The 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 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 can 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, 19 May 2021

### **EY Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

Jan Krarup Mortensen  
State Authorised Public Accountant  
mne40030

## Arla Foods Ingredients Energy A/S

### Company details

<b>Company</b>	Arla Foods Ingredients Energy A/S Sønderhøj 10-12 8260 Viby J
Telephone	89381000
CVR No.	33571836
<b>Board of Directors</b>	Henrik Højen Andersen Luis Cubel Klaus Kristiansen
<b>Executive Board</b>	Mogens Bøgh Pedersen
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8100 Aarhus C CVR-no.: 30700228

## Management's Review

### **The Company's principal activities**

The Company owns and produces energy at a combined heat and power station in connection with the ingredient factory Danmark Protein.

### **Development in activities and financial matters**

The Company's Income Statement of the financial year 1 January 2020 - 31 December 2020 shows a result of kDKK 393 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 106.975 and an equity of kDKK 1.310. The activity has been on a stable level as customer demand for provided services have been in line with expectations. As a result the impact from COVID-19 has not been material.

### **Post financial year events**

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

### **Expectations for the future**

The Company expects a positive result before tax between 0 and 500 kDKK for the coming year.

## Key Figures and Financial Ratios

kDKK

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

	2020	2019	2018	2017	2016
Revenue	115.720	134.124	83.653	0	0
Operating profit/loss	840	378	-5.482	1.550	9.845
Net financial income and costs	-581	-119	-34	105	186
Profit/loss for the year	393	-7	-4.302	-29	9.141
Total assets	106.975	134.398	79.772	23.206	35.533
Total equity	1.310	917	-3.576	726	9.755
Profit margin (%)	0,73	0,28	-6,55	0,00	0,00
Return on capital employed (%)	0,70	0,35	-10,65	5,28	36,62
Solvency ratio (%)	1,22	0,68	-4,48	3,13	27,45
Return on equity (ROE) (%)	35,29	0,53	301,89	-0,55	176,31

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

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

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

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

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



## **Accounting Policies**

### **Reporting Class**

The Annual Report of Arla Foods Ingredients Energy A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C. Due to increased activity the company has changed from reposting class B to medium-sized class C.

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

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### **Reporting currency**

The Annual Report is presented in 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.

### **Other external expenses**

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

### **Depreciation and impairment of tangible assets**

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

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

### **Financial income and costs**

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

### **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.

**Accounting Policies**

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**

#### **Tangible assets**

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

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

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

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

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

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

Production buildings:	20-30 years
Combined Heat and Power Station:	4-10 years

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

The carrying amounts of property plant and equipment are tested annually to determine whether there is any indication of impairment other than what is expressed by amortisation and depreciation. If so, the assets are tested for impairment to determine whether the recoverable amounts are lower than the carrying amounts and the relevant assets are written down to such lower recoverable amounts.

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

#### **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.

#### **Equity**

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

## **Accounting Policies**

### **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**

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**

	<b>Note</b>	<b>2020</b> kDKK	<b>2019</b> kDKK
Revenue		115.720	134.124
Raw materials and consumables used		-106.985	-129.068
Other external expenses		-4.067	-2.368
<b>Gross profit</b>		<b>4.668</b>	<b>2.688</b>
Depreciation, amortisation and impairment losses		-4.188	-2.310
Other operating income		360	0
<b>Operating profit</b>		<b>840</b>	<b>378</b>
Financial income	1	0	7
Financial costs	2	-581	-126
<b>Profit before tax</b>		<b>259</b>	<b>259</b>
Tax	3	134	-266
<b>Profit for the year</b>		<b>393</b>	<b>-7</b>
<b>Proposed distribution of results</b>	4		
Retained earnings		393	-7
<b>Distribution of profit</b>		<b>393</b>	<b>-7</b>

**Balance Sheet as of 31 December**

	Note	2020 kDKK	2019 kDKK
<b>Assets</b>			
Land and buildings	5	7.911	7.879
Plant and machinery	6	35.843	41.367
Asset in course of construction	7	0	1.514
<b>Property, plant and equipment</b>		<b>43.754</b>	<b>50.760</b>
<b>Fixed assets</b>		<b>43.754</b>	<b>50.760</b>
Trade receivables		2.482	1.393
Receivables from group companies		28.358	60.360
Deferred tax		1.373	460
Other receivables		31.008	21.425
<b>Receivables</b>		<b>63.221</b>	<b>83.638</b>
<b>Current assets</b>		<b>63.221</b>	<b>83.638</b>
<b>Assets</b>		<b>106.975</b>	<b>134.398</b>

Arla Foods Ingredients Energy A/S

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
<b>Liabilities and equity</b>			
Contributed capital		501	501
Retained earnings		809	416
<b>Equity</b>		<b>1.310</b>	<b>917</b>
Trade payables		53.338	73.033
Payables to group companies		51.409	59.953
Current tax		918	495
<b>Short-term liabilities</b>		<b>105.665</b>	<b>133.481</b>
<b>Liabilities</b>		<b>105.665</b>	<b>133.481</b>
<b>Liabilities and equity</b>		<b>106.975</b>	<b>134.398</b>
Contingent liabilities	8		
Related parties	9		

## Arla Foods Ingredients Energy A/S

### Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	501	416	917
Profit (loss)	0	393	393
<b>Equity 31 December 2020</b>	<b>501</b>	<b>809</b>	<b>1.310</b>

The share capital is divided into shares of DKK 1.000 or multiples thereof. The share capital is increased with 1 kDKK in 2019. Except for this change the share capital has remained unchanged for the last 5 years.



## Notes

	2020 kDKK	2019 kDKK
<b>1. Other finance income</b>		
Financial income from group companies	0	7
	<u>0</u>	<u>7</u>
<b>2. Financial costs</b>		
Financial costs from group companies	580	126
Financial costs	1	0
	<u>581</u>	<u>126</u>
<b>3. Tax</b>		
Current income tax	918	495
Adjustment for current income tax of previous years	-139	209
Change in deferred tax for the year	-843	0
Adjustment for deferred tax of previous years	-70	-438
	<u>-134</u>	<u>266</u>
<b>4. Distribution of profit</b>		
Retained earnings	393	-7
	<u>393</u>	<u>-7</u>
<b>5. Land and buildings</b>		
Cost at 1 January	8.011	0
Transfers from asset in course of construction	305	8.011
<b>Cost at 31 December</b>	<u>8.316</u>	<u>8.011</u>
Depreciation and impairments at 1 January	-132	0
Depreciation for the year	-273	-132
<b>Depreciation and impairments at 31 December</b>	<u>-405</u>	<u>-132</u>
<b>Carrying amount at 31 December</b>	<u>7.911</u>	<u>7.879</u>

## Notes

	<b>2020</b>	<b>2019</b>
	<b>kDKK</b>	<b>kDKK</b>
<b>6. Plant and machinery</b>		
Cost at 1 January	43.545	1.000
Disposal during the year	-7.210	-1.000
Transfers from asset in course of construction	5.361	43.545
<b>Cost at 31 December</b>	<b>41.696</b>	<b>43.545</b>
Depreciation and impairments at 1 January	-2.178	-1.000
Depreciation for the year	-3.915	-2.178
Reversal of depreciation of disposed assets	240	1.000
<b>Depreciation and impairments at 31 December</b>	<b>-5.853</b>	<b>-2.178</b>
<b>Carrying amount at 31 December</b>	<b>35.843</b>	<b>41.367</b>
<b>7. Asset in course of construction</b>		
Cost at 1 January	1.514	20.745
Addition during the year, incl. improvements	4.152	32.325
Transfers during the year	-5.666	-51.556
<b>Cost at 31 December</b>	<b>0</b>	<b>1.514</b>
<b>Carrying amount at 31 December</b>	<b>0</b>	<b>1.514</b>

**8. Contingent liabilities**

The company is jointly and severally liable for the Danish corporation tax with the other jointly taxed companies and withholding taxes within the joint taxation.

No contingent liabilities exist at the balance sheet date.

## Notes

### 9. Related parties

Consolidated financial statements:

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

Related party transactions:

<b>Other group companies:</b>	<b>2020</b>	<b>2019</b>
	<b>kDKK</b>	<b>kDKK</b>
Purchase of goods and services	76.163	75.880
Interests on intercompany loans	-580	-126
Receivables from group companies	183	683
Payables to group companies	51.409	59.953
<b>Parent company:</b>		
Sale of goods and services	61.711	109.157
Receivables from group companies	28.175	59.677