

Arla Foods Holding A/S

Sønderhøj 14

8260 Viby J

CVR No. 27466052

Annual Report 2022

The Annual Report was presented and approved at the Annual General Meeting of the Company on 22 June 2023

Jesper Blauenfeldt
Chairman

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Management's Statement

Today, Management has considered and approved the Annual Report of Arla Foods Holding A/S for the financial year 1 January 2022 - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

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, 22 June 2023

Executive Board

Bjorn Kamps

Board of Directors

Peder Tuborgh
Chairman

Torben Dahl Nyholm

John Duus Andresen

Independent Auditor's Report

To the shareholders of Arla Foods Holding A/S

Opinion

We have audited the financial statements of Arla Foods Holding A/S for the financial year 1 January 2022 - 31 December 2022, 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 2022 and of the results of its operations for the financial year 1 January 2022 - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis of 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 "Auditors' responsibility for the Audit of the Financial Statements" section of our report.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statement in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Management's responsibility 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 either liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 whether the accounting policies used and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which 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 opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements 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 with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Aarhus, 22 June 2023

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Arla Foods Holding A/S

Company details

Company	Arla Foods Holding A/S Sønderhøj 14 8260 Viby J
CVR No.	27466052
Board of Directors	Peder Tuborgh, Chairman Torben Dahl Nyholm John Duus Andresen
Executive Board	Bjorn Kamps
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

The Company's principal activities consist of the ownership of shares in subsidiaries and joint ventures.

Development in activities and the financial situation

The Company's Income Statement of the financial year 1 January 2022 - 31 December 2022 shows a result of DKK 788.034 and the Balance Sheet at 31 December 2022 a balance sheet total of DKK 4.885.582 and an equity of DKK 4.171.560.

The result before tax and excluding results from subsidiaries is slightly better than expectations for the year, due to lower financial costs compared to last year.

Uncertainty related to recognition or measurement

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

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 to the future

The Company expects its result to be on the same level as to 2022. Thereby the expected loss before tax and excluding the results from subsidiaries, will fall within a range of mDKK 20-30.

Risks

The Company, is exposed to foreign currency exchange rate fluctuations when recognising foreign subsidiaries by equity valuation. The exposure concerns amongst other currencies USD and BHD.

Key Figures and Financial Ratios

kDKK

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

	2022	2021	2020	2019	2018
Operating profit/loss	606	842	610	525	-173
Net financial income and costs	-764.395	-83.403	-42.646	-30.842	-36.282
Profit/loss for the year	788.034	97.056	394.413	111.620	-345.186
Investment in non-current assets	0	0	2.826	7.600	0
Total assets	4.885.582	4.587.334	4.457.520	5.684.288	4.641.176
Total equity	4.171.560	3.846.002	3.313.423	4.021.029	3.777.612
Average equity	4.008.805	3.579.713	3.667.226	3.899.321	3.971.258
Return on equity (ROE) (%)	20	3	11	3	-9
Solvency ratio (%)	85	84	74	71	81

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

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

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

The figures for the period 2018-2020 have been updated due to change in accounting policies and correction of material misstatements relating to amortisation of goodwill.

Accounting Policies

Reporting Class

The annual report of Arla Foods Holding A/S for 2022 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.

Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are subsidiaries of a higher-ranking group.

Reporting currency

The annual report is presented in 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 expenses.

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 expenses.

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 expenses.

Income statement

Gross profit

The Company has decided to aggregate certain items of the income statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of revenue, change in inventories of finished goods, work in progress and goods for resale, other operating income, costs for raw materials and consumables and other external expenses.

Income from investments in subsidiaries

Income from equity investments comprises the proportionate share of profit/loss after tax and any adjustment of internal profit/loss and less amortization of consolidated goodwill.

Financial income and costs

Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the advance-payment of tax scheme.

Dividends from other investments are recognised as income in the financial year in which the dividends are declared.

Accounting Policies

Tax on net profit for the year

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

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

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

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

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

Cost includes the purchase price and 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 component differ.

Buildings

20-50 years

Investments in subsidiaries

Investments in group enterprises and associates are recognized in the balance sheet at the proportionate share of the equity value of the enterprises, calculated according to the parent Company's accounting policies with the deduction or addition of unrealised intercompany profits or losses and with the addition or deduction of the remaining value of positive or negative goodwill, calculated according to the purchase method.

Subsidiaries having a negative equity value are recognised at kDKK 0, and any amounts receivable from those enterprises are written down by the parent Company's share of the negative equity value to the extent that the amounts are deemed to be uncollectible.

If the negative equity value exceeds receivables, the remaining amount is recognised as a provision to the extent that the parent Company has a legal or constructive obligation to cover the negative balance of the relevant subsidiary.

Receivables

Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts. The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Impairment of accounts receivables past due is established on individual assessment of receivables.

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

Dividends

Proposed dividend for the year are recognised as a separate item under equity. Proposed dividends are recognised as a liability when approved by the Annual General Meeting.

Warranty commitments include obligations to remedy works within the warranty period of one to five years. Provisions are measured at value in use and are recognised to reflect the amount of work usually performed under warranties.

Current tax receivables/ liabilities

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Liabilities

The company has chosen IAS 39 as interpretation for recognition and measurement of liabilities. Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the life of the financial instrument.

Mortgage debt is accordingly measured at amortized cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortized cost corresponds to the outstanding balance determined as the underlying cash value of the loans at the time of borrowing adjusted for amortisation of capital losses on the loans over the repayment period.

Other liabilities are measured at net realisable value.

Other payables

Other payables are measured at amortized cost, which usually corresponds to the nominal value.

Subordinate loans

Subordinate loans and other lower-ranking creditors claims are recognised as independent liabilities in the balance sheet.

Arla Foods Holding A/S

Income Statement

	Note	2022 kDKK	2021 kDKK
Gross profit		740	976
Depreciation and impairment losses		-134	-134
Operating profit		606	842
Income from investments in subsidiaries		792.686	118.438
Financial income	1	1.896	1.983
Financial costs	2	-30.187	-34.018
Profit before tax		765.001	87.245
Tax	3	23.033	9.811
Profit for the year	4	788.034	97.056
Proposed distribution of results	4		
Retained earnings		788.034	97.056
Distribution of profit		788.034	97.056

Arla Foods Holding A/S

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Assets			
Land and buildings	5	10.102	10.236
Property, plant and equipment		10.102	10.236
Investments in subsidiaries	6, 7	4.693.538	4.477.083
Investments		4.693.538	4.477.083
Non-current assets		4.703.640	4.487.319
Trade receivables		214	0
Receivables from group companies		168.933	83.776
Current tax		12.795	16.225
Other receivables		0	14
Receivables		181.942	100.015
Current assets		181.942	100.015
Assets		4.885.582	4.587.334

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Liabilities and equity			
Contributed capital		22.000	22.000
Retained earnings		4.149.560	3.824.002
Equity		4.171.560	3.846.002
Provisions for investments in subsidiaries	6, 8	13.232	0
Provisions		13.232	0
Subordinated loans	9	700.000	700.000
Long-term liabilities		700.000	700.000
Trade payables		223	0
Payables to group companies		134	40.997
Other payables		433	335
Short-term liabilities		790	41.332
Liabilities		700.790	741.332
Liabilities, provisions and equity		4.885.582	4.587.334
Contingent assets and liabilities	10		
Related parties	11		
Events after the balance sheet date	12		

Arla Foods Holding A/S

Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	22.000	3.824.002	3.846.002
Change of investments through net exchange differences		-47.966	-47.966
Other adjustments of equity		-414.510	-414.510
Profit (loss)		788.034	788.034
Equity 31 December 2022	22.000	4.149.560	4.171.560

The contributed capital has been unchanged in the last 5 years.

Notes

	2022	2021
	kDKK	kDKK
1. Financial income		
Financial income from group companies	1.837	1.507
Other financial income	59	476
	1.896	1.983
2. Financial costs		
Financial costs regarding group companies	29.903	33.690
Other financial costs	284	328
	30.187	34.018
3. Tax		
Current tax	-6.062	-15.643
Adjustment current tax, previous years	-17.020	5.832
	-23.082	-9.811
4. Distributions of profit		
Retained earnings	788.034	97.056
	788.034	97.056
5. Land and buildings		
Cost at the beginning of the year	10.426	10.426
Cost at the end of the year	10.426	10.426
Depreciations at the beginning of the year	-190	-56
Depreciations for the year	-134	-134
Depreciations at the end of the year	-324	-190
Carrying amount at the end of the year	10.102	10.236

Notes

	2022 kDKK	2021 kDKK
6. Investments in subsidiaries		
Cost at the beginning of the year	8.202.933	8.413.605
Addition during the year	19.879	43.376
Disposal during the year	0	-254.048
Cost at the end of the year	8.222.812	8.202.933
Fair value adjustments at the beginning of the year	-3.725.850	-4.015.175
Dividends	-152.588	-249.906
Change due to foreign currency translation adjustment	-47.966	148.101
Profit for the year incl. amortisation of goodwill	798.409	118.438
Other equity transactions	-414.511	287.422
Provision for negative equity	13.232	-14.730
Fair value adjustments at the end of the year	-3.529.274	-3.725.850
Carrying amount at the end of the year	4.693.538	4.477.083

Additions during the year relates to a capital injection in the entity's subsidiary Arla Global Dairy Products Ltd.

The carrying amount of Investments in subsidiaries and associates includes a goodwill value of mDKK 1.617. Goodwill amortisations for the year amount to mDKK 279, which are included in "Profit for the year incl. amortisation of goodwill" above.

Notes

7. Disclosure of investments in subsidiaries

Subsidiaries

Name	Registered office	Shares %
AF A/S	Denmark	100,00
Arla Foods International A/S	Denmark	100,00
Arla Foods Distribution A/S	Denmark	100,00
Arla DP Holding A/S	Denmark	100,00
Arla Foods Belgien AG	Belgium	99,00
Arla Foods Ingredients GmbH	Germany	100,00
Tholstrup Cheese A/S	Denmark	100,00
Arla Foods Kuwait Company LLC	Kuwait	49,00
Arla Kallassi Lebanon S.A.L.	Libanon	50,01
Arla Foods Qatar WLL	Qatar	40,00
Arla Foods Sdn. Bhd.	Malaysia	100,00
Arla Foods Procurement Ltd.	Hong Kong	100,00
TG Arla Dairy Products LFTZ	Nigeria	50,00
Arla Foods Investment A/S	Denmark	100,00
Arla Global Dairy Products Ltd.	Nigeria	100,00
Arla Foods S.P.C.	Bahrain	100,00
Arla Foods OY	Finland	100,00
Arla Foods General Trading Ltd.	Iraq	100,00
Arla Foods Inc	Philippines	100,00
Arla Foods Limited	Ghana	100,00

8. Provisions for investments in subsidiaries

Provision for investments in subsidiaries amounted to 13.232 kDKK at 31 December 2022.

Since the provision related to negative capital share in subsidiary, the total amount of 13.232 kDKK was expected to be long term at 31 December 2022.

9. Gæld til tilknyttede virksomheder

Subordinated loans of kDKK 700.000 will be exempt from repayment and irredeemable from the lender, Arla Foods amba, until 31. December 2023. The loan is liable and covered by liquidation, composition or bankruptcy after the company's other creditors have achieved full coverage.

	Due after 1 year kDKK	Due within 1 year kDKK	Due after 5 years kDKK
Payables to group companies	0	700.000	0
	0	700.000	0

Notes

10. Contingent assets and liabilities

No contingent liabilities exist at the balance sheet date.

The company has joint and several tax liabilities with other Danish group companies for company taxes. This also includes withholding taxes on dividends, interest and royalties within the group.

Per 31 December 2022 the Company has a deferred tax asset amounting to tDKK 18 which is not recognised in the balance sheet due to uncertainties of the time of use.

11. Related parties

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

Transactions with related parties:

Other group companies	2022	2021
	kDKK	kDKK
Interest income on intercompany receivables	1.896	1.507
Interest costs on intercompany loans	59	1.831
Receivables from group companies	155.979	83.785
Payables to group companies	134	40.898
Received dividends	152.588	249.906
Parent company		
Other internal cost recharges	21	20
Interest costs on intercompany loans	29.903	31.859
Payable to parent company (subordinated loan)	700.000	700.100

12. Events after the balance sheet date

No significant events has occurred after end of the reporting period.