

Arla Foods Holding A/S

Sønderhøj 14

8260 Viby J

CVR No. 27466052

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

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Arla Foods Holding A/S

Management's Statement

Today, Management has considered and approved the Annual Report of Arla Foods Holding 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

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 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 scepticism 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 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 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 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, 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 Holding A/S

Company details

Company	Arla Foods Holding A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
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 financial matters

The Company's Income Statement of the financial year 1 January 2021 - 31 December 2021 shows a result of kDKK 97.056 and the Balance Sheet at 31 December 2021 a balance sheet total of kDKK 4.587.334 and an equity of kDKK 3.846.002.

The result before tax and excluding the results from subsidiaries meet the expectations for the year.

Valuation and recognition principles for pension liabilities recognised in subsidiaries was changed as from 2021 due to changes in the Danish financial Statement Act. In connection with implementation of this change a material misstatement related to measurement of a historical goodwill position was identified and corrected. For further details please refer to accounting policies.

The impact from COVID-19 has not been material in nature as the main activity consists of ownership of shares in subsidiaries and joint ventures and there have been no material impacts from COVID-19 in these investments.

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 its result to be on a slightly higher level compared to 2021. Thereby the expected loss before tax and excluding the results from subsidiaries, will fall within a range of mDKK 30-40.

Risks

The Company, is exposed to foreign currency exchange rate fluctuations due to many of it's shares in subsidiaries being foreign.

Key Figures and Financial Ratios

kDKK

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

	2021	2020	2019	2018	2017
Operating profit/loss	842	610	525	-173	0
Financial income	120.421	714	3.296	565	2.755
Financial expenses	-34.018	-43.360	-34.138	-36.847	-79.692
Profit/loss for the year	97.056	394.413	111.620	-345.186	-68.371
Total assets	4.587.334	4.457.520	5.684.288	4.641.176	6.192.650
Total equity	3.846.002	3.313.423	4.021.029	3.777.612	4.164.904
Average equity	3.579.713	3.667.226	3.899.321	3.971.258	4.365.839
Return on equity (ROE) (%)	3	11	3	-9	-2
Solvency ratio (%)	84	74	71	81	67

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 2017-2021 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 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.

Changed accounting policies and correction of material misstatement regarding previous year

Arla Foods Holding A/S was affected by the following changes in the subsidiary Arla Foods International A/S. Up until 2021 the corridor approach was used which allowed actuarial gains and losses arising on the defined benefit obligation not to be recognised. Due to a change in the Financial Statements Act this approach is no longer valid, which means that a historical non-recognised net of tax actuarial losses of 902 mDKK was recognised in equity as of 31 December 2020. A corresponding adjustment to the value of investment in subsidiaries has also been recognised.

In connection with implementation of this change, a material misstatement related to measurement of a historical goodwill position was identified and corrected. The misstatement related to missing amortisations in the period 2012 to 2020 with an accumulated effect of 239 mDKK at 31 December 2020. The misstatement was corrected by reduction of the opening equity 1 January 2020 with 223 mDKK with a corresponding reduction of the valuation of investment in subsidiaries. Similarly the income statement for comparison figures for 2020 has been reduced with amortisation of 30 mDKK. Similarly additional goodwill amortisation of 30 mDKK was recognised in 2021.

Apart from the above mentioned changes, the accounting policies are consistent with those of the previous year.

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 thousand Danish kroner.

Income Statement

Gross profit/loss

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 operation income, cost of raw and consumables and other external expenses.

Accounting Policies

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 amortisation of consolidated goodwill.

Financial income and costs

Financial income and costs are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and costs include interest revenue and costs, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, surcharges and allowances under the tax prepayment scheme.

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).

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.

Properties

10 -20 years

Investments in subsidiaries

Investments in group companies are recognised in the balance sheet at the proportionate share of the equity value of the enterprises, calculated according to the parents 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 parents 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 has a legal or constructive obligation to cover the negative balance of the relevant subsidiary.

Accounting Policies

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.

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.

Current tax

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.

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised 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 amortised cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortised 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, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Other payables

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

Subordinate loans and other lower-ranking creditors' claims

Subordinate loans and other lower-ranking creditor's claims are recognised as independent liabilities in the Balance Sheet.

Arla Foods Holding A/S

Income Statement

	Note	2021 kDKK	2020 kDKK
Gross profit		976	666
Depreciation and impairment losses		-134	-56
Operating profit		842	610
Income from investments in subsidiaries		118.438	432.134
Financial income	1	1.983	714
Financial costs	2	-34.018	-43.360
Profit before tax		87.245	390.098
Tax	3	9.811	4.315
Profit for the year		97.056	394.413
Proposed distribution of results	4		
Retained earnings		97.056	394.413
Distribution of profit		97.056	394.413

Arla Foods Holding A/S

Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
Assets			
Land and buildings	5	10.236	10.370
Property, plant and equipment		10.236	10.370
Investments in subsidiaries	6, 7	4.477.083	4.398.430
Investments		4.477.083	4.398.430
Non-current assets		4.487.319	4.408.800
Receivables from group companies		83.776	39.600
Current tax		16.225	9.068
Other receivables		14	52
Receivables		100.015	48.720
Current assets		100.015	48.720
Assets		4.587.334	4.457.520

Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
Liabilities and equity			
Contributed capital		22.000	22.000
Retained earnings		3.824.002	3.291.423
Equity		3.846.002	3.313.423
Provisions for investments in subsidiaries	6	0	14.730
Provisions		0	14.730
Subordinated loans		700.000	850.000
Long-term liabilities	8	700.000	850.000
Payables to group companies		40.997	278.925
Other payables		335	442
Short-term liabilities		41.332	279.367
Liabilities		741.332	1.129.367
Liabilities, provisions and equity		4.587.334	4.457.520
Contingent assets and liabilities	9		
Related parties	10		

Statement of changes in Equity

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	22.000	4.433.019	4.455.019
Changes of equity through changes in accounting policies	0	-1.141.596	-1.141.596
Adjusted equity 1 January 2021	22.000	3.291.423	3.313.423
Change of investments through net exchange differences	0	148.101	148.101
Other adjustments of equity	0	287.422	287.422
Profit (loss)	0	97.056	97.056
Equity 31 December 2021	22.000	3.824.002	3.846.002

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

For more details on "changes of equity through changes in accounting policies" and "other adjustments of equity", please refer to the accounting policies.

Notes

	2021	2020
	kDKK	kDKK
1. Financial income		
Other financial income	476	714
Financial income from group companies	1.507	0
	1.983	714
2. Financial costs		
Financial costs regarding group companies	33.690	42.743
Other financial costs	328	617
	34.018	43.360
3. Tax		
Current tax, this year	-15.643	-9.236
Current tax, previous years	5.832	4.921
	-9.811	-4.315
4. Distribution of profit		
Retained earnings	97.056	394.413
	97.056	394.413
5. Land and buildings		
Cost at the beginning of the year	10.426	7.600
Addition during the year	0	2.826
Cost at the end of the year	10.426	10.426
Depreciations at the beginning of the year	-56	0
Depreciations for the year	-134	-56
Depreciations at the end of the year	-190	-56
Carrying amount at the end of the year	10.236	10.370

Notes

	2021 kDKK	2020 kDKK
6. Investments in subsidiaries		
Cost at the beginning of the year	8.413.605	8.198.408
Addition during the year	43.376	255.434
Disposal during the year	-254.048	-40.237
Cost at the end of the year	8.202.933	8.413.605
Revaluations at the beginning of the year	-4.015.175	-2.305.677
Dividends	-249.906	-830.857
Change due to foreign currency translation adjustment	148.101	-128.128
Profit for the year incl. amortisation of goodwill	118.438	432.134
Other equity transactions	287.422	1.941
Adjustment due to change in accounting policies	0	-1.199.318
Provision for negative equity	-14.730	14.730
Impairment losses and amortisation at the end of the year	-3.725.850	-4.015.175
Carrying amount at the end of the year	4.477.083	4.398.430

The carrying amount of Investments in subsidiaries and associates includes a goodwill value of mDKK 1.934. Goodwill amortisations for the year amount to mDKK 277, which are included in "Profit for the year incl. amortisation of goodwill" above.

For more details on the adjustment due to change in accounting policies, please refer to the accounting policies under changed accounting policies.

7. Disclosure of investments in subsidiaries*Subsidiaries*

Name	Registered office	Shares %	Equity	Profit
AF A/S	Denmark	100,00	770.799	-10.911
Arla Foods International A/S	Denmark	100,00	2.374.538	-35.957
Arla Foods Distribution A/S	Denmark	100,00	127.404	40.293
Arla DP Holding A/S	Denmark	100,00	784	6
Arla Foods Belgien AG	Belgium	99,00	107.590	2.098
Arla Foods Ingredients GmbH	Germany	100,00	285.120	18.957
Tholstrup Cheese A/S	Denmark	100,00	17.724	269
Arla Foods Kuwait Company LLC	Kuwait	49,00	25.340	5.013
Arla Kallassi Lebanon S.A.L.	Libanon	50,01	716	-1.438
Arla Foods Qatar WLL	Qatar	40,00	10.842	6.498
Arla Foods Sdn. Bhd.	Malaysia	100,00	19.509	1.327
Arla Foods Procurement Ltd.	Hong Kong	100,00	9.222	3.142
TG Arla Dairy Products LFTZ	Nigeria	50,00	45.242	21.707
Arla Foods Investment A/S	Denmark	100,00	6.433	624
Arla Global Dairy Products Ltd.	Nigeria	100,00	2.279	-1.296
Arla Foods S.P.C.	Bahrain	100,00	329.047	113.035
Arla Foods OY	Finland	100,00	554.043	15.365
Arla Foods General Trading Ltd.	Iraq	100,00	23.365	1.694

Notes

Arla Foods Inc	Philippines	100,00	10.468	1.723
Arla Foods Limited	Ghana	100,00	36.962	-925
			4.757.427	181.224

8. Long-term liabilities

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	700.000	0	0
	700.000	0	0

9. Contingent assets and liabilities

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.

Per 31 December 2021 the Company has a deferred tax asset amounting to tDKK 36 which is not recognised in the balance sheet due to uncertainties of the time of use.

No contingent liabilities exist at the balance sheet date.

10. 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	2021	2020
	kDKK	kDKK
- Interest income on intercompany receivables	1.507	0
- Interest costs on intercompany loans	1.831	9.335
- Receivables from group companies	83.785	39.600
- Payables to group companies	40.898	277.509
- Received dividends	249.906	830.857
Parent company		
- Other internal cost recharges	20	20
- Interest costs on intercompany loans	31.859	33.408
- Payable to parent company	700.100	851.416