

Arla ICC P/S

Sønderhøj 14

8260 Viby J

CVR No. 34732051

Annual Report 2018

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 24 May 2019

Yue Liu
Chairman

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Arla ICC P/S

Management's Statement

Today, Management has considered and adopted the Annual Report of Arla ICC P/S for the financial year 1 January 2018 - 31 December 2018.

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 2018 and of the results of the Company's operations and cash flow for the financial year 1 January 2018 - 31 December 2018.

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 adopted at the Annual General Meeting.

Aarhus, 24 May 2019

Executive Board

Steen Futtrup
CEO

Board of Directors

Yue Liu
Chairman

Frede Juulsen

Ping Zhang

Independent Auditor's Report

To the shareholders of Arla ICC P/S

Opinion

We have audited the financial statements of Arla ICC P/S for the financial year 1 January 2018 - 31 December 2018, which comprise accounting policies, income statement, balance sheet, cash flows, statement of changes in equity and notes. 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 Company's financial position at 31 December 2018 and of the results of its operations and cash flows for the financial year 1 January 2018 - 31 December 2018 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 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' 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 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 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 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 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

- * Evaluate whether the 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 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 misstatement of the Management's review.

Aarhus, 24 May 2019

Ernst & Young

Godkendt Revisionspartnerselskab

CVR No. 30700228

Jens Weiersøe Jakobsen

State Authorised Public Accountant

mne30152

Arla ICC P/S

Company Information

Company	Arla ICC P/S Sønderhøj 14 8260 Viby J
CVR No.	34732051
Date of formation	12 October 2012
Registered office	Aarhus
Financial year	1 January 2018 - 31 December 2018
Board of Directors	Yue Liu, Chairman Frede Juulsen Ping Zhang
Executive Board	Steen Futtrup, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR No.: 30700228

Management's Review

The Company's principal activities

The Company's principal activities comprise the sale of dairy products to the Chinese market.

Development in activities and financial matters

The Company's Income Statement of the financial year 01-01-2018 - 31-12-2018 shows a result of K DKK 6.466 and the Balance Sheet at 31-12-2018 a balance sheet total of K DKK 98.446 and an equity of K DKK 6.966, which is lower than expected due to a period with limited sales until the company could obtain approval from the Chinese authorities to export to the Chinese market.

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 to report an increased profit for 2019.

Key Figures and Financial Ratios

K DKK

The Company's key figures and financial ratios developed as follows:

	2018	2017	2016	2015	2014
Gross profit	6.466	13.019	7.585	6.143	4.666
Financial income and costs, net	0	0	0	0	-193
Profit	6.466	13.019	7.585	6.143	4.473
Assets	98.446	123.118	78.957	102.533	63.705
Equity	6.966	13.519	8.085	6.643	4.973
Return on assets (%)	6	13	8	7	10
Solvency ratio (%)	7	11	10	6	8

Return on assets = Profit for the year / Avg. assets X 100

Solvency ratio = Total equity X 100 / Total equity and liabilities

Accounting Policies

Accounting policies

Reporting Class

The Annual Report of Arla ICC P/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in thousands of Danish kroner (K DKK).

Foreign currency translation

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 rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. 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.

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.

Revenue

Income from the sale of goods is recognised in the Income Statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Cost of sales

Cost of sales comprises direct and indirect costs for the acquisition of goods regarding the supply for the year.

Corporation tax

As the Company is not an independent taxpayer, corporation tax is not recognised in the financial statements.

Balance Sheet

Receivables

Receivables are measured at amortised cost. The value is reduced by write-downs for expected bad debts.

Equity

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Financial liabilities

Other liabilities are measured at amortised cost.

Prepayments

Prepayments comprise income incurred concerning subsequent financial years.

Accounting Policies

Cash Flow Statement

The Cash Flow Statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items.

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash and cash equivalents comprise cash.

Arla ICC P/S

Income Statement

K DKK

	Note	2018	2017
Gross profit	1	<u>6.466</u>	<u>13.019</u>
Profit		<u>6.466</u>	<u>13.019</u>
Proposed profit appropriation	2		
Proposed dividends		<u>6.466</u>	<u>13.019</u>
Distribution of profit		<u>6.466</u>	<u>13.019</u>

Arla ICC P/S

Balance Sheet as of 31 December

K DKK

	Note	2018	2017
Trade receivables		86.186	63.334
Other short-term receivables		1.884	2.188
Receivables		88.070	65.522
Cash at bank and in hand		10.376	57.596
Current assets		98.446	123.118
Assets		98.446	123.118

Arla ICC P/S

Balance Sheet as of 31 December

K DKK

	Note	2018	2017
Contributed capital		500	500
Proposed dividend recognised in equity		6.466	13.019
Equity		6.966	13.519
Prepayments from customers		449	1.490
Trade payables		85.899	70.657
Payables to parent company		5.132	37.452
Short-term liabilities other than provisions		91.480	109.599
Liabilities other than provisions within the business		91.480	109.599
Liabilities and equity		98.446	123.118
Contingent liabilities	3		
Related parties	4		

Statement of changes in Equity

K DKK

	Share capital	Proposed dividends	Total
Equity 1 January 2018	500	13.019	13.519
Settled dividends		-13.019	-13.019
Profit for the year		6.466	6.466
Equity 31 December 2018	500	6.466	6.966

The share capital has remained unchanged the last 5 years.

The share capital is divided into nominal DKK:

300.000 in A-share divided into shares of DKK 10.000 or multiples thereof.

200.000 in B-share divided into shares of DKK 10.000 or multiples thereof.

Every A-share has 5 votes and every B-share has 8 votes.

Cash Flow Statement

K DKK

	2018	2017
Profit for the year	6.466	13.019
Changes in working capital	-8.347	24.082
Cash flows from operating activities	-1.881	37.101
Changes in debt to parent company	-32.320	4.297
Dividends paid	-13.019	0
Cash flows from financing activities	-45.339	4.297
Net cash flows	-47.220	41.398
Cash and cash equivalents, beginning balance	57.596	16.198
Cash and cash equivalents, ending balance	10.376	57.596

Notes

K DKK

1. Gross Profit

As in previous years the Company had no employees in 2018. No remuneration was paid to the Board of Directors and the Executive Board during the financial year. Arla Foods amba handles the administration of Arla ICC P/S.

2. Distribution of profit

	2018	2017
Proposed dividends	6.466	13.019
	<u>6.466</u>	<u>13.019</u>

3. Contingent liabilities

The Company had no contingent liabilities at the balance sheet date.

4. Related parties

Arla ICC P/S' related parties comprise the Company's Management, companies within the Arla Foods Group and the parent company Inner Mongolia Mengniu Dairy (Group) Co., LTD.

Parties exercising control

Inner Mongolia Mengniu Dairy (Group) Co., LTD and Shengle Economy District, Helingeer, Hohhot, Zorer Mongolia, China holds the majority of the voting rights in the Company.

Related party transactions

In the year under review, Arla ICC P/S has been engaged in transactions with Arla Foods amba as part of normal business.