Cocio Chokolademælk A/S

Øresundsvej 15

6715 Esbjerg N

CVR No. 35712011

Annual Report 2019

The Annual Report was presented and
approved at the Annual General Meeting of
the Company on 22 May 2020

Peter Stenholt Randrup
Chairman

Contents

Management's Statement

Today, Management has considered and approved the Annual Report of Cocio Chokolademælk A/S for the financial year 1 January 2019 - 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January 2019 - 31 December 2019.

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

Aarhus, 22 May 2020

Executive Board

Rasmus Malmbak Kjeldsen
Director

Board of Directors

Hanne Søndergaard Chairman	Peter Gjørtz-Carlsen Member	Afshin Amirahmadi Member
Tim Ørting Jørgensen Member	Søren Helsinghof-Olsen Member	Jørgen Staarup Christensen Member

Independent Auditors' Report

To the shareholders of Cocio Chokolademælk A/S

Opinion
We have audited the financial statements of Cocio Chokolademælk A/S for the financial year 1 January 2019 - 31 December 2019, 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 Company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January 2019 - 31 December 2019 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' 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 considers 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 suspend 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 an attitude of professional skepticism 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditors' 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 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, 22 May 2020

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30700228

Henrik Kronborg Iversen	Jan K Mortensen
State Authorised Public Accountant	State Authorised Public Accountant
mne24687	mne40030

Company details

Company	Cocio Chokolademælk A/S Øresundsvej 15 6715 Esbjerg N
CVR No.	35712011
Board of Directors	Hanne Søndergaard Peter Gjørtz-Carlsen Afshin Amirahmadi Tim Ørting Jørgensen Søren Helsinghof-Olsen Jørgen Staarup Christensen
Executive Board	Rasmus Malmbak Kjeldsen, Director
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 8100 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

Cocio Chokolademælk A/S is one of Scandinavia's largest producers of sterilized long-lasting dairy products. At the heart of the company are Cocio products for Denmark and third party chocolate milk and milk-based coffee production globally.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2019 - 31 December 2019 shows a result of kDKK 19.539 and the Balance Sheet at 31 December 2019 a balance sheet total of kDKK 155.634 and an equity of kDKK 103.357.

Post financial year events

In March 2020 the COVID-19 pandemic began impacting Denmark. The short term impact for the Company has resulted in changes to our sales mix with a shift between sectors and certain product areas. Overall levels of revenue remain consistent. The long-term impact is highly uncertain at this point in time, however the general consumption levels of our products are not expected to change significantly.

Expectations for the future

Cocio is an essential and integral part of Arla's product category Milk Based Beverages. Chocolate Milk and the Cocio brand will be at the heart of the company while expanding the product range within the convenience segment. The Cocio brand is already a well-known and beloved brand in Denmark, and we want to continue to engage consumers and increase the relevance for the younger segment. Therefore, the use of digital and social media will continue to be strong. The result before tax for the company for the upcoming year, is expected to fall within a range of 20-30 mDKK profit.

Management's review

Financial Highlights

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

	2019	2018	2017	2016	2015
Gross profit	70.267	77.595	117.479	99.771	73.330
Operating profit/loss	26.440	30.685	50.769	27.865	16.984
Net financial income and expenses	-280	1.295	1.192	723	-554
Profit/loss for the year	19.539	23.530	41.820	22.323	12.401
Total Assets	155.634	143.220	335.940	303.502	269.903
Total equity	103.357	83.818	260.288	218.468	196.145
Average number of full-time employees	52	52	58	66	72
Return on Investment (%)	17,51	12,80	15,90	9,70	6,50
Solvency ratio (%)	66,41	58,50	77,50	72,00	72,70
Return on equity (ROE) (%)	20,88	13,67	17,47	10,77	6,53

Key figures and financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

Return on investment (%):
((Operating profit + Financial income) X 100) / (Avg. assets)

Solvency ratio (%):
(Total equity X 100) / (Total Liabilities)

Return on equity (%):
(Profit/loss for the year x 100) / (Avg. equity)

Accounting Policies

Reporting Class
The Annual Report of Cocio Chokolademælk A/S for 2019 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 an cash flow statement due to Danish Financial Statements Act §86, 4.

Accounting policies has been changed as follows:

The company has opted to change the disclosure of the 2019 statutory accounts from a statement of profit and loss by function to a statement of profit and loss by nature. This aligns with current internal management reporting requirements. Hence, comparatives for 2018 are changed.

Apart from the above mentioned fields, the accounting policies are consistent with those of the previous 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 Expenses.

Income Statement

Basis of recognition and measurement
The financial statement have been prepared under the historical cost principle

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the Income Statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the Income Statement.

Assets are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the Annual Report, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income Statement

Revenue
Revenue is recognised in the income statement if the goods have been delivered and the risk has passed to the buyer before year-end and if the revenue can be reliably calculated and expected to be received. Revenue is recognised exclusive of VAT duties and net of sales discounts.

Other external expenses
Other external costs include costs for distribution, sales, advertising, administration, premises, loss of debitors, operating lease costs etc.

Staff expenses
Staff costs comprise wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimburdement, pensions and social security costs.

Amortisation and impairment of tangible and intangible assets
Depreciation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the assest in the company. Non-current assets are amortised on a straight line bases, based on cost, on the basis of the following assessment of useful life.

Financial income and expenses
Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect 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 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.

Accounting Policies

The cost of composite asset is disaggregated into components, which are seperately depreciated if the usefull 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:	15-30 years
Building installations:	2-10 years
Production Plant and machinery:	3-7 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.

Inventories
Inventories are measured at cost on the basis of the FIFO principle. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

The cost of commercial goods, raw materials and consumables includes the acquisition price with the addition of repatriation costs. The cost price of manufactured goods and goods in production includes costs for raw materials, consumables and direct wages, as well as indirect production costs.

Indirect production costs include indirect materials and wages, costs of equalisation and depreciation and write-down of the machinery used in the the production process, plant buildings and equipment, and factory administration costs management. Financing costs are not recognised in the cost price.

The net realisable value of inventories is calculated as expected sales price less completion costs and costs to be incurred to effect the sale.

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

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

Proposed dividend for the year is recognised as a separate item in equity.

Dividends
Proposed dividends 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.

Accounting Policies

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.

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 be recognized as current tax.

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

Contingent assets and liabilities
Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2019 kDKK	2018 kDKK
Gross profit		**70.267**	**77.595**
Staff costs	1	-32.422	-35.193
Depreciation		-11.405	-11.717
Operating profit		**26.440**	**30.685**
Financial income from group companies		123	1.651
Financial costs	2	-403	-356
Profit from ordinary activities before tax		**26.160**	**31.980**
Tax	3	-6.621	-8.450
Profit for the year		**19.539**	**23.530**
Proposed distribution of results	4		
Proposed dividend recognised in equity		45.000	0
Retained earnings		-25.461	23.530
Distribution of profit		**19.539**	**23.530**

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
Assets			
Land and buildings	5	25.696	27.616
Plant and machinery	6	27.565	26.021
Property, plant and equipment		**53.261**	**53.637**
Fixed assets		**53.261**	**53.637**
Raw materials and consumables		24.050	20.790
Finished goods		16.574	19.559
Inventories		**40.624**	**40.349**
Trade receivables		4.140	28.625
Receivables from group companies		49.010	5.991
Other short-term receivables		0	701
Prepayments		185	391
Receivables		**53.335**	**35.708**
Cash and cash equivalents		**8.414**	**13.526**
Current assets		**102.373**	**89.583**
Assets		**155.634**	**143.220**

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
Liabilities and equity			
Contributed capital		1.000	1.000
Retained earnings		57.357	82.818
Proposed dividend recognised in equity		45.000	0
Equity		**103.357**	**83.818**
Deferred tax	7	3.615	3.166
Provisions		**3.615**	**3.166**
Mortgage debt		11.766	13.422
Long-term liabilities	8	**11.766**	**13.422**
Short-term part of long-term liabilities		1.440	1.439
Trade payables		25.353	24.875
Tax payables		6.173	8.789
Other payables		3.930	7.711
Short-term liabilities		**36.896**	**42.814**
Total Liabilities		**48.662**	**56.236**
Liabilities and equity		**155.634**	**143.220**

	Note
Contingent liabilities	9
Collaterals and assets pledges as security	10
Related parties	11

Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 January 2019	1.000	82.818	0	83.818
Dividend	0	0	45.000	45.000
Profit (loss)	0	-25.461	0	-25.461
Equity 31 December 2019	**1.000**	**57.357**	**45.000**	**103.357**

The company share capital consists of the following:
1 share at DKK 333.333
1 share at DKK 166.667
1 share at DKK 500.000

The share capital has remained unchanged for the last 5 years.

Notes

1. Staff Costs

	2019	2018
	kDKK	kDKK
Wages and salaries	28.646	30.858
Pensions	2.576	3.043
Other social security	1.200	1.292
	32.422	**35.193**
Average number of employees	52	52

2. Financial costs

Mortgaged debt interest cost	93	141
Other financial costs	310	215
	403	**356**

3. Tax

Joint taxation expense current year	6.172	8.790
Deferred tax expense current year movement	449	-340
	6.621	**8.450**

4. Proposed distribution of profit

Proposed dividend	45.000	0
Retained earnings	-25.461	23.530
	19.539	**23.530**

5. Land and buildings

Cost at the beginning of the year	52.926	49.220
Addition during the year, incl. improvements	161	3.706
Cost at the end of the year	**53.087**	**52.926**
Depreciation and amortisation at the beginning of the year	-25.310	-23.269
Amortisation for the year	-2.081	-2.041
Impairment losses and amortisation at the end of the year	**-27.391**	**-25.310**
Carrying amount at the end of the year	**25.696**	**27.616**

6. Plant and machinery

Cost at the beginning of the year	184.870	175.951
Addition during the year, incl. improvements	10.830	8.919
Cost at the end of the year	**195.700**	**184.870**
Depreciation and amortisation at the beginning of the year	-158.849	-149.173
Amortisation for the year	-9.286	-9.676
Impairment losses and amortisation at the end of the year	**-168.135**	**-158.849**
Carrying amount at the end of the year	**27.565**	**26.021**

Notes

7. Deferred tax

	2019	2018
	kDKK	kDKK
Deferred tax 1. January	3.166	3.506
Deferred tax adjustment for the year	449	-340
Balance at the end of the year	**3.615**	**3.166**

8. Long-term liabilities

	Due after 1 year	Due within 1 year	Due after 5 years
	kDKK	kDKK	kDKK
Mortgage debt	11.766	1.440	6.284
	11.766	**1.440**	**6.284**

9. Contingent 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. 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.

The company has provided a guarantee to SKAT to pay taxes, etc. of 30kDKK

Rental and leasing contracts:
Operational rental and leasing contracts make up 334kDKK, of all which will fall due within 5 years

10. Collaterals and securities

Mortgage debt is secured via guarantee over the property. The debt includes the production facilities and machinery belonging to the property. The reported value of the property is 25.696kDKK

Notes

11. Related parties

The company is a wholly owned subsidiary of the Arla Foods Group, where ownership is shared between Arla Foods Amba and Arla Foods Distribution A/S with 50% each. According to Section 112(1) of the annual accounts, no consolidated financial statements have been prepared.

The annual accounts for Cocio Chokolademælk A/S are included in the consolidated financial statements for Arla Foods Amba, Sønderhøj 14, 8260 Viby, Denmark which has the controlling influence of the company. Transactions have taken place between the company's nearby parties at arms length and in the normal operations of a business.

The Statutory accounts of Arla Foods Amba can be requested by consulting the company

Transactions with related parties:

	2019	2018
* Consolidated	kDKK	kDKK
Sale og goods from group companies	9.595	6.373
Purchase of goods from group companies	6.203	3.522
Interest income from group companies	123	1.651
Tax from group companies	1.754	7.036
Net Receviable from group companies	35.285	3.015
* Parent Company	kDKK	kDKK
Sale og goods from parent company	240.677	163.093
Purchase of goods from parent company	198.683	138.970
Net receivables from parent company	13.725	2.975