

Cocio Chokolademælk A/S

Øresundsvej 15

6715 Esbjerg N

CVR No. 35712011

Annual Report 2020

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

Peter Stenholt Randrup
Chairman

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Management's Statement

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

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020.

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

Aarhus, 19 May 2021

Executive Board

Rasmus Malmbak Kjeldsen

Board of Directors

Hanne Søndergaard
Chairman

Peter Gjørtz-Carlsen

Afshin Amirahmadi

Jørgen Staarup Christensen

Søren Helsinghof-Olsen

Independent Auditor's 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 2020 - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January 2020 - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our 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 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 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.

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 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.

* 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

Independent Auditor's Report

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, 19 May 2021

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Cocio Chokolademælk A/S

Company details

Company	Cocio Chokolademælk A/S Øresundsvej 15 6715 Esbjerg N
CVR No.	35712011
Board of Directors	Hanne Søndergaard, Chairman Peter Gjørtz-Carlsen Afshin Amirahmadi Jørgen Staarup Christensen Søren Helsinghof-Olsen
Executive Board	Rasmus Malmbak Kjeldsen
Auditors	EY 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 and third party chocolate milk and milk-based coffee production.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2020 - 31 December 2020 shows a result of kDKK 23.623 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 122.809 and an equity of kDKK 81.980. In May 2020 the COVID-19 pandemic began impacting Denmark and in turn Cocio. While the overall result remains consistent, the impact has resulted in changes to our sales mix.

Post financial year events

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

Expectations for the future

The company expects a profit before tax in the range of 20 and 35 mDKK for the coming year. The result for the first quarter of 2021, has been consistent with the first quarter of last year. The long-term impact of COVID-19 is still uncertain at this point in time, however we don't expect it to become material.

Management's review

Financial Highlights

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

	2020	2019	2018	2017	2016
Gross profit	76.785	70.267	77.595	117.479	99.771
Operating profit/loss	29.476	26.440	30.685	50.769	27.865
Net financial income and expenses	-136	-280	1.295	1.192	723
Profit/loss for the year	23.623	19.539	23.530	41.820	22.323
Investments in tangible assets	7.201	10.991	12.625	6.637	5.665
Total Assets	122.809	155.634	143.220	335.940	303.502
Total equity	81.980	103.357	83.818	260.288	218.468
Average number of full-time employees	52	52	52	58	66
Return on Investment (%)	21,36	17,51	12,80	15,90	9,70
Solvency ratio (%)	66,75	66,41	58,50	77,50	72,00
Return on equity (ROE) (%)	25,49	20,88	13,67	17,47	10,77

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

Return on investment (%):
 $((\text{Operating profit} + \text{Financial income}) \times 100) / (\text{Avg. assets})$

Solvency ratio (%):
 $(\text{Total equity} \times 100) / (\text{Total Liabilities})$

Return on equity (%):
 $(\text{Profit/loss for the year} \times 100) / (\text{Avg. equity})$

Accounting Policies

Reporting Class

The Annual Report of Cocio Chokolademælk A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Company has decided not to include an cash flow statement due to Danish Financial Statements Act §86(4).

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

The accounting policies applied remain unchanged from last year.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Financial Costs.

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

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 costs

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

Staff costs

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

Amortisation and impairment of tangible assets

Depreciation and impairment of tangible assets has been performed based on a continuing assessment of the useful life of the asset 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 Financial costs

Financial income and financial costs are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and financial costs include interest income and interest costs, 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/Loss 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 date 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.

Accounting Policies

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.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

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.

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.

Cocio Chokolademælk A/S

Income Statement

	Note	2020 kDKK	2019 kDKK
Gross profit		76.785	70.267
Staff costs	1	-34.764	-32.422
Depreciation		-12.545	-11.405
Operating profit		29.476	26.440
Financial income from group companies		267	123
Financial costs	2	-403	-403
Profit from ordinary activities before tax		29.340	26.160
Tax	3	-5.717	-6.621
Profit for the year		23.623	19.539
Proposed distribution of results	4		
Proposed dividend recognised in equity		25.000	45.000
Retained earnings		-1.377	-25.461
Distribution of profit		23.623	19.539

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Assets			
Land and buildings	5	23.666	25.696
Plant and machinery	6	24.920	27.565
Property, plant and equipment		48.586	53.261
Non-current assets		48.586	53.261
Raw materials and consumables		21.359	24.050
Finished goods		14.150	16.574
Inventories		35.509	40.624
Trade receivables		4.715	4.140
Receivables from group companies		24.265	49.010
Other short-term receivables		1.046	0
Prepayments		880	185
Receivables		30.906	53.335
Cash and cash equivalents		7.808	8.414
Current assets		74.223	102.373
Assets		122.809	155.634

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Liabilities and equity			
Contributed capital		1.000	1.000
Retained earnings		55.980	57.357
Proposed dividend recognised in equity		25.000	45.000
Equity		81.980	103.357
Deferred tax	7	657	3.615
Provisions		657	3.615
Mortgage debt		10.343	11.766
Long-term liabilities	8	10.343	11.766
Short-term part of long-term liabilities		1.448	1.440
Trade payables		21.425	25.353
Tax payables		5.974	6.173
Other payables		982	3.930
Short-term liabilities		29.829	36.896
Total Liabilities other than provisions		40.172	48.662
Liabilities and equity		122.809	155.634
Contingent liabilities	9		
Collaterals and assets pledges as security	10		
Related parties	11		

Statement of changes in Equity

tDKK

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Total
Equity 1 January 2020	1.000	57.357	45.000	103.357
Dividend paid	0	0	-45.000	-45.000
Profit (loss)	0	-1.377	25.000	23.623
Equity 31 December 2020	1.000	55.980	25.000	81.980

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

	2020	2019
	kDKK	kDKK
Wages and salaries	31.073	28.646
Pensions	2.623	2.576
Other social security	1.068	1.200
	34.764	32.422
Average number of employees	52	52

2. Financial costs

Mortgaged debt interest cost	80	93
Other financial costs	323	310
	403	403

3. Tax

Current income tax	5.974	6.172
Change in deferred tax	584	449
Adjustment for current income tax of previous years	2.701	0
Adjustment for deferred tax of previous years	-3.542	0
	5.717	6.621

4. Proposed distribution of profit

Proposed dividend	25.000	45.000
Retained earnings	-1.377	-25.461
	23.623	19.539

5. Land and buildings

Cost at the beginning of the year	53.087	52.926
Addition during the year	25	161
Cost at the end of the year	53.112	53.087
Depreciation at the beginning of the year	-27.391	-25.310
Depreciation for the year	-2.055	-2.081
Depreciation at the end of the year	-29.446	-27.391
Carrying amount at the end of the year	23.666	25.696

Notes

	2020 kDKK	2019 kDKK
6. Plant and machinery		
Cost at the beginning of the year	195.700	184.870
Addition during the year	7.176	10.830
Cost at the end of the year	202.876	195.700
Depreciation at the beginning of the year	-168.136	-158.849
Depreciation for the year	-9.820	-9.286
Depreciation at the end of the year	-177.956	-168.135
Carrying amount at the end of the year	24.920	27.565
7. Deferred tax		
Deferred tax at the beginning of the year	3.615	3.166
Deferred tax adjustment for the year	584	449
Deferred tax adjustment for previous years	-3.542	0
Balance at the end of the year	657	3.615

8. Long-term liabilities

	Due after 1 year kDKK	Due within 1 year kDKK	Due after 5 years kDKK
Mortgage debt	10.343	1.448	4.550
	10.343	1.448	4.550

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.

10. Collaterals and securities

The company provided security in property for mortgage debt based on the Danish Mortgage Act with a nominal value of 11.790 kDKK, compared to 13.426 kDKK last year.

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:

	2020	2019
* Other group companies	kDKK	kDKK
Sale of goods from group companies	121.819	9.595
Purchase of goods from group companies	103.748	6.203
Interest income from group companies	267	123
Tax from group companies	9.322	1.754
Net receivable from group companies	30.705	35.285
* Parent company	kDKK	kDKK
Sale of goods from parent company	220.063	240.677
Purchase of goods from parent company	171.726	198.683
Net payable from parent company	4.997	13.725