

# **Arla Foods Investment A/S**

Sønderhøj 14,

8260 Viby J

CVR No. 36415436

## **Annual Report 2019**

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

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Peter Stenholt Randrup  
Chairman

## **Arla Foods Investment A/S**

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## **Management's Statement**

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

We recommend that the Annual Report be approved at the Annual General Meeting.

Aarhus, 22 May 2020

### **Executive Board**

John Duus Andresen

### **Board of Directors**

Steen Futtrup  
Chairman

Lars Jepsen

Jesper Mellemkjær

## Independent Auditor's Report

### To the shareholders of Arla Foods Investment A/S

#### **Opinion**

We have audited the financial statements of Arla Foods Investment 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 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 accordance with the Danish Financial Statements Act.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditors' responsibility for the audit of the financial statements" section of our report. 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 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 objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate - they could reasonably be expected to influence the economic decisions taken on the basis of these financial statements.

#### **Independent auditor's report**

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are 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 are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- \* 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may 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 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 can conclude that the Mangement'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 misstatements of the Management's review

Aarhus, 22 May 2020

### Ernst & Young

**Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

Jan K. Mortensen  
State Authorised Public Accountant  
mne40030

## Arla Foods Investment A/S

### Company information

<b>Company</b>	Arla Foods Investment A/S Sønderhøj 14, 8260 Viby J
Telephone	89381000
CVR No.	36415436
<b>Board of Directors</b>	Steen Futtrup Lars Jepsen Jesper Mellemkjær
<b>Executive Board</b>	John Duus Andresen
<b>Auditors</b>	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 consist of investments in subsidiaries.

### **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 61 and the Balance Sheet at 31 December 2019 a balance sheet total of kDKK 9.747 and an equity of kDKK 4.395.

### **Post financial year events**

In March 2020 the Covid-19 pandemic began impacting Denmark and other markets. Until now the short-term impact has been limited. The long-term impact is highly uncertain at this point in time, however we don't expect the impact to become material.

## **Accounting Policies**

### **Reporting Class**

The Annual Report of Arla Foods Investment A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

The accounting policies applied remain unchanged from last year.

### **Reporting currency**

The Annual Report is presented in 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.

### **Other external expenses**

Other external costs include costs for administration etc.

### **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 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**

### **Investments in subsidiaries**

Investments in group enterprises and associates 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.

## **Accounting Policies**

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.

### **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 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.

### **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.

Other liabilities, comprising deposits, trade payables and other accounts payable, 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.

## Arla Foods Investment A/S

### Income Statement

	Note	2019 kDKK	2018 kDKK
<b>Gross profit</b>		<b>-13</b>	<b>-13</b>
Income from investments in subsidiaries		24	23
Financial income	1	63	37
Financial costs	2	-2	-10
<b>Profit before tax</b>		<b>72</b>	<b>37</b>
Tax	3	-11	-3
<b>Profit for the year</b>		<b>61</b>	<b>34</b>
<b>Proposed distribution of results</b>			
Retained earnings		61	34
<b>Distribution of profit</b>		<b>61</b>	<b>34</b>

Arla Foods Investment A/S

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
<b>Assets</b>			
Investments in subsidiaries	4, 5	917	890
<b>Investments</b>		<b>917</b>	<b>890</b>
<b>Non-current assets</b>			
Receivables from group companies		8.827	8.769
Other receivables		3	3
<b>Receivables</b>		<b>8.830</b>	<b>8.772</b>
<b>Current assets</b>			
		<b>8.830</b>	<b>8.772</b>
<b>Assets</b>		<b>9.747</b>	<b>9.662</b>

Arla Foods Investment A/S

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
<b>Liabilities and equity</b>			
Contributed capital		500	500
Retained earnings		3.895	3.831
<b>Equity</b>		<b>4.395</b>	<b>4.331</b>
Payables to group companies		5.328	5.328
Current tax		11	3
Other payables		13	0
<b>Short-term liabilities</b>		<b>5.352</b>	<b>5.331</b>
<b>Liabilities</b>		<b>5.352</b>	<b>5.331</b>
<b>Liabilities and equity</b>		<b>9.747</b>	<b>9.662</b>
Contingent liabilities	6		
Related parties	7		

## Arla Foods Investment A/S

### Statement of changes in Equity

kDKK

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Share premium</b>	<b>Total</b>
Equity 1 January 2019	500	-1.169	5.000	4.331
Change of investments through net exchange differences	0	3	0	3
Profit (loss)	0	61	0	61
<b>Equity 31 December 2019</b>	<b>500</b>	<b>-1.105</b>	<b>5.000</b>	<b>4.395</b>

## Notes

### 1. Finance income

	2019 kDKK	2018 kDKK
Financial income from group companies	63	37
	<b>63</b>	<b>37</b>

### 2. Financial costs

Other financial costs	2	10
	<b>2</b>	<b>10</b>

### 3. Tax

Current tax this year	11	3
	<b>11</b>	<b>3</b>

### 4. Investments in subsidiaries

Cost at the beginning of the year	12.037	12.037
<b>Cost at the end of the year</b>	<b>12.037</b>	<b>12.037</b>
Value adjustments at the beginning of the year	-11.147	-11.101
Change due to foreign currency translation adjustment	3	-69
Profit for the year	283	282
Amortisation of goodwill for the year	-259	-259
<b>Value adjustments at the end of the year</b>	<b>-11.120</b>	<b>-11.147</b>
<b>Carrying amount at the end of the year</b>	<b>917</b>	<b>890</b>
Carrying amount of goodwill	1.793	2.053

### 5. Disclosure of investments in subsidiaries

#### Group subsidiaries

Name	Registered office	Share held in %	Equity	Profit
Arla Senegal SA	Senegal	100,00	-877	283
			<b>-877</b>	<b>283</b>

## Notes

### 6. Contingent liabilities

No contingent liabilities exist at the balance sheet date.

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.

### 7. Related parties

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