

AF A/S

Sønderhøj 14

8260 Viby J

CVR No. 49649428

Annual Report 2023

The Annual Report was presented and approved at the Annual General Meeting of the Company on 6 June 2024

DocuSigned by:

Jesper Blauenfeldt

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Jesper Blauenfeldt

Chairman

AF A/S

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Management's Statement

Today, Management has considered and approved the Annual Report of AF A/S for the financial year 1 January 2023 - 31 December 2023.

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

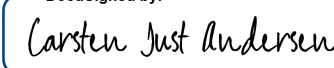
In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

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

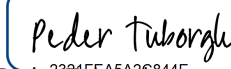
We recommend that the Annual Report be approved at the Annual General Meeting.


Aarhus, 6 June 2024

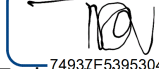
Executive Board

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Carsten Just Andersen

Board of Directors

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Peder Tuborgh
Chairman

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John Duus Andresen

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Torben Dahl Nyholm

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Independent auditor's report

To the shareholders of AF A/S

Opinion

We have audited the financial statements of AF A/S for the financial year 1 January 2023 - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023 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 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

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Independent auditor's report

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 the 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, 6 June 2024

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

DocuSigned by:

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Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

AF A/S

Company details

Company	AF A/S Sønderhøj 14 8260 Viby J
Telephone	86121022
CVR No.	49649428
Board of Directors	Peder Tuborgh John Duus Andresen Torben Dahl Nyholm
Executive Board	Carsten Just Andersen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

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Management's Review

The Company's principal activities

The Company acts as a holding-company for a couple of the Arla Food Group companies. Except from this, the company has no business activities.

Development in activities and the financial situation

The Company's Income Statement of the financial year 1 January 2023 - 31 December 2023 shows a result of kDKK 37.651 and the Balance Sheet at 31 December 2023 a balance sheet total of kDKK 802.994 and an equity of kDKK 754.912. The loss before tax and income from investments in subsidiaries of -2.232 kDKK is not in line with the expectations for the year in the range of -1 to 0 mDKK, due to increased financial costs from increased interest rates.

Uncertainty related to recognition and measurement

In the annual report there is no significant uncertainties in the calculations and measurements used.

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 profit before tax and income from investments in subsidiaries is expected to fall within a range of -3 to 0 mDKK for the coming year.

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Key Figures and Financial Ratios

kDKK

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

	2023	2022	2021	2020	2019
Gross profit/loss	-22	-26	-25	-25	-26
Net financials	37.569	-4.813	-15.188	-1.115	-36.587
Profit/loss for the year	37.942	-6.068	-10.911	-1.035	-36.798
Total assets	803.285	760.027	791.569	611.004	632.058
Total equity	755.203	716.690	749.820	570.782	595.250
Return on equity (%)	5,12	-0,83	-1,65	-0,18	-6,02
Return on capital employed (%)	0	0	0	0	0
Solvency ratio (%)	94,01	94,3	94,73	93,42	94,17

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

Return on equity (%) = Profit/loss for the year X 100 / Avg. equity

Return on capital employed (%) = Operating profit X 100 / Avg. assets

Solvency ratio (%) = Total equity X 100 / Total liabilities

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Accounting Policies

Reporting Class

The annual report of AF A/S for 2023 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 a cash flow statement due to Danish Financial Statements Act §86 (4). The Company's cash flows are included in the consolidated cash flows for the parent company Arla Foods a.m.b.a.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Consolidated Financial Statements

With reference to § 112 (1) 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.

Translation policies

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

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. 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 costs.

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/loss consist of other external costs.

Other external costs

Other external costs consist of costs for management and administration.

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 amortization of consolidated goodwill.

Financial costs

Financial costs are recognised in the Income Statement based on the amounts that concern the financial year. Financial costs include interest costs.

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 entities are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish entities in relation to their taxable income (full distribution).

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Accounting Policies

Balance sheet

Investments in subsidiaries

Investments in group enterprises are recognized in the balance sheet at the proportionate share of the equity value of the enterprises, calculated according to the parent Company's 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 parent Company's 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 Company has a legal or constructive obligation to cover the negative balance of the relevant subsidiary.

Other long-term investments

Investments in unlisted companies are recognised in the balance sheet at cost. The cost includes the purchase consideration calculated at fair value plus direct acquisition costs. Where the net realisable value is lower than cost, the investments are written down to this lower value. Realised and unrealised capital gains and losses are recognised in the income statement.

Receivables from group companies

Considering the nature of the scheme, account balances relating to the Group's cash pool scheme are not considered cash and cash equivalents but are included in the financial statement item receivables from group entities.

Equity

The accumulated fair value adjustment under investment in subsidiaries are showed as a "reserve for net revaluation according to equity method" under equity. The reserve is reduced with dividends from subsidiaries and is adjusted with other equity movements in the subsidiaries.

Current tax liabilities/receivables

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

Liabilities are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

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Income Statement

	Note	2023 kDKK	2022 kDKK
Gross profit/loss		-22	-26
Income/loss from investments in subsidiaries		39.488	-4.067
Financial costs		-2.210	-746
Profit/loss before tax		37.256	-4.839
Tax	1	395	-1.229
Profit/loss for the year	2	37.651	-6.068
Proposed distribution of results	2		
Reserve for net revaluation according to equity method		39.458	-4.067
Retained earnings		-1.807	-2.001
Distribution of profit/loss		37.651	-6.068

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Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Assets			
Investments in subsidiaries	3, 4	799.062	757.004
Other long-term investments	5	3.385	2.853
Investments		802.447	759.857
Non-current assets			
		802.447	759.857
Receivables from group companies		56	0
Current tax		491	170
Receivables		547	170
Current assets			
		547	170
Assets		802.994	760.027

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Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Liabilities and equity			
Contributed capital		20.000	20.000
Reserve for net revaluation according to equity method		548.324	508.257
Retained earnings		186.588	188.433
Equity		754.912	716.690
Payables to group companies	6	48.082	43.337
Long-term liabilities		48.082	43.337
Liabilities		48.082	43.337
Liabilities and equity		802.994	760.027
Contingent liabilities	7		
Related parties	8		
Events after the balance sheet date	9		

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Statement of changes in Equity

	Contributed capital	Reserve for net re- valuation ac- cording to equity method	Retained earnings	Total
Equity 1 January 2023	20.000	508.295	188.395	716.690
Change of investments through net exchange differences	0	571	0	571
Profit (loss)	0	39.458	-1.807	37.651
Equity 31 December 2023	20.000	548.324	186.588	754.912

The Company's share capital is kDKK 20,000 divided into shares of kDKK 1 or any multiple thereof.

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

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Notes

	2023 kDKK	2022 kDKK		
1. Tax				
Current income tax	-491	-170		
Adjustment of current income tax of previous years	96	1.399		
	-395	1.229		
2. Distribution of profit/loss				
Reserve for net revaluation according to equity method	39.458	-4.067		
Retained earnings	-1.807	-2.001		
	37.651	-6.068		
3. Investments in subsidiaries				
Cost at the beginning of the year	132.731	130.731		
Addition during the year	2.001	2.000		
Cost at the end of the year	134.732	132.731		
Value adjustments at the beginning of the year	624.273	655.432		
Change due to foreign currency translation	571	8		
Adjustment of hedge instruments	0	-27.070		
Profit for the year	39.486	-4.097		
Value adjustments at the end of the year	664.330	624.273		
Carrying amount at the end of the year	799.062	757.004		
4. Disclosure of investments in subsidiaries				
<i>Subsidiaries</i>				
Name	Registered office	Share %	Equity	Profit
Arla Foods Finance A/S	Aarhus	100,00	523.533	4.160
- Kingdom Foods Products ApS	Aarhus	100,00		
- Ejendomsanpartsselskabet St. Ravnsbjerg	Aarhus	100,00		
Arla Foods Trading A/S	Aarhus	100,00	3.852	-107
Arla Insurance Company Ltd.	Guernsey	100,00	268.989	31.003
Arla Foods Energy A/S	Aarhus	100,00	2.690	266
			799.064	35.322
5. Other long-term investments				
Cost at the beginning of the year			2.853	1.522
Addition during the year, incl. improvements			532	1.331
Cost at the end of the year			3.385	2.853
Carrying amount at the end of the year			3.385	2.853

AF A/S**Notes****6. Payables to group companies**

The Company participates in the cash pool arrangement for Arla Foods Group, managed by Arla Foods Finance A/S. As part of the cash pool, the Company participates in the In-House Bank and holds SAP bank accounts that is deemed as an external bank account from the Company's point of view with balances being booked as intercompany asset/liability.

The conditions outlined within the cash pooling agreement grant the right to mutually offset withdrawals and deposits, resulting in only the net balance of all pooled accounts being reflected as Arla Foods Finance A/S' balance within the In-House bank.

The amount recognized as payables to group companies relating to the cash pool agreement for AF A/S amounts to 48.082 kDKK as of 31 December 2023 (2022: 43.337 kDKK).

7. 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.

8. 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, CVR No. 25313763. The consolidated financial statements are available at the following address: Arla Foods amba, Sønderhøj 14, 8260 Viby J.

The company's transactions with related parties:

	2023	2022
	kDKK	kDKK
Other group companies		
Interest on intercompany loans	2.210	746
Payables to group companies	48.082	43.337
Parent company		
Receivables from parent company	56	0
Other internal cost recharges	22	26

9. Events after the balance sheet date

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