

Arla Foods International A/S

Sønderhøj 14

8260 Viby J

CVR No. 55772215

Annual Report 2022

The Annual Report was presented and
approved at the Annual General Meeting of
the Company on 22 June 2023

Jesper Blauenfeldt
Chairman

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Management's Statement

Today, Management has considered and approved the Annual Report of Arla Foods International A/S for the financial year 1 January 2022 - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

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 June 2023

Executive Board

Bjorn Kamps

Board of Directors

Peder Tuborgh
Chairman

Torben Dahl Nyholm

John Duus Andresen

Independent Auditor's Report

To the shareholders of Arla Foods International A/S

Opinion

We have audited the financial statements of Arla Foods International A/S for the financial year 1 January 2022 - 31 December 2022, 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 2022 and of the results of its operations for the financial year 1 January 2022 - 31 December 2022 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statement in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 responsibility 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 can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these 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 risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for a material misstatement 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

Independent Auditor's Report

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements 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 with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Aarhus, 22 June 2023

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Company information

Company	Arla Foods International A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
CVR No.	55772215
Financial year	1 January 2022 - 31 December 2022
Board of Directors	Peder Tuborgh, Chairman Torben Dahl Nyholm John Duus Andresen
Executive Board	Bjorn Kamps
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

The Company's principal activities consist in ownership of shares in subsidiaries and joint ventures.

Development in activities and the financial situation

The Company's Income Statement of the financial year 1 January 2022 - 31 December 2022 shows a result of kDKK 331.808 and the Balance Sheet at 31 December 2022 a balance sheet total of kDKK 2.825.107 and an equity of kDKK 2.008.236. The result before tax and excluding the results from subsidiaries is in line with the expectations for the year.

Valuation and recognition principles for pension liabilities recognised in subsidiaries are changed as from 2021 due to changes in the Danish financial Statement Act. For further details please refer to accounting policies.

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 its operations to be on the same level as 2021. Thereby the expected loss before tax and excluding the results from subsidiaries, will fall within a range of 15 - 25mDKK.

Risks

The Company is exposed for changes in exchange rates, since all shares in subsidiaries are foreign. Especially changes in GBP can have a significant impact, as the majority of the subsidiaries are having GBP as their functional currency.

Key Figures and Financial Ratios

kDKK

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

	2022	2021	2020	2019	2018
Operating profit/loss	940	-2.074	-288	-95	-566
Net financial income and costs	328.477	-72.614	244.001	94.168	-394.601
Profit/loss for the year	331.808	-66.441	245.027	95.821	-388.949
Total assets	2.825.107	2.896.082	2.734.650	3.497.804	3.262.333
Total equity	2.008.236	2.085.653	1.951.951	2.737.050	2.508.403
Average equity	2.046.945	2.490.868	2.344.501	2.622.727	2.725.445
Return on equity (ROE) (%)	16	-3	10	4	-14
Solvency ratio (%)	71	72	71	78	77

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

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

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

The figures for the period 2018-2020 have been updated due to change in accounting policies and correction of material misstatements relating to amortisation of goodwill.

Accounting Policies

Reporting Class

The annual report of Arla Foods International A/S for 2022 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 also decided not to include a cash flow statement due to Danish Financial Statements Act §86, 4.

Changed accounting policies and correction of material misstatement regarding previous year

Until 2021 the corridor approach was applied on pensions, which allowed actuarial gains and losses arising on the defined benefit obligation not to be recognised. Due to a change in the Financial Statements Act this approach is no longer valid, and thus a historical non-recognised net of tax actuarial loss of 902 mDKK was recognised in equity as of 31 December 2020. A corresponding adjustment to the value of investment in subsidiaries was also been recognised.

Apart from the above mentioned change, the accounting policies are consistent with those of the previous year.

Consolidated Financial Statements

With reference to § 112 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 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 expenses.

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 expenses.

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.

General information

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 operating income, costs for raw materials and consumables and other external expenses.

Accounting Policies

Income from investments in subsidiaries and joint ventures

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 income and costs

Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses 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 advance-payment of tax scheme.

Dividends from other investments are recognised as income in the financial year in which the dividends are declared.

Tax

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 and associates

Investments in group enterprises and associates 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.

Receivables

Receivables are measured at amortized 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.

Current tax liabilities

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Accounting Policies

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized 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 amortized cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortized 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 are measured at net realisable value.

Subordinate loans

Subordinate loans and other lower-ranking creditors claims are recognised as independent liabilities in the balance sheet.

Income Statement

	Note	2022 kDKK	2021 kDKK
Gross profit/loss		940	-2.074
Operating profit/loss		<u>940</u>	<u>-2.074</u>
Income/costs from investments in subsidiaries and Joint ventures		353.036	-51.792
Financial income	1	1.685	2.157
Financial costs	2	<u>-26.244</u>	<u>-22.979</u>
Profit/loss before tax		329.417	-74.688
Tax	3	<u>2.391</u>	<u>8.247</u>
Profit/loss for the year	4	<u>331.808</u>	<u>-66.441</u>
Proposed distribution of results	4		
Retained earnings		<u>331.808</u>	<u>-66.441</u>
Distribution of profit/loss		<u>331.808</u>	<u>-66.441</u>

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Assets			
Investments in subsidiaries and joint ventures	5, 6	2.807.342	2.863.529
Investments		2.807.342	2.863.529
Non-current assets		2.807.342	2.863.529
Receivables from group companies		12.569	21.943
Receivables from joint taxation contribution		5.196	10.610
Receivables		17.765	32.553
Current assets		17.765	32.553
Assets		2.825.107	2.896.082

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
Liabilities and equity			
Contributed capital		252.001	252.001
Retained earnings		1.756.235	1.833.652
Equity		2.008.236	2.085.653
Subordinated loans	7	750.000	650.000
Long-term liabilities		750.000	650.000
Trade payables		1.231	2.919
Payables to group companies		65.612	157.163
Other payables		28	347
Short-term liabilities		66.871	160.429
Liabilities		816.871	810.429
Liabilities and equity		2.825.107	2.896.082
Contingent liabilities	8		
Related parties	9		
Events after the balance sheet date	10		

Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2022	252.001	1.833.652	2.085.653
Change of investments through net exchange differences		-44.428	-44.428
Other adjustments of equity		-364.797	-364.797
Profit (loss)		331.808	331.808
Equity 31 December 2022	252.001	1.756.235	2.008.236

The contributed capital consist of 252.001 shares of nominel DKK 1.000

The contributed capital has been unchanged the last 5 years.

Notes

1. Financial income

	2022	2021
	kDKK	kDKK
Other financial income	1.685	2.157
	1.685	2.157

2. Financial costs

Financial costs regarding group companies	23.996	20.753
Other financial costs	2.248	2.226
	26.244	22.979

3. Tax

Current tax	-5.196	-10.610
Adjustment current tax, previous years	2.805	2.363
	-2.391	-8.247

4. Distribution of profit

Retained earnings	331.808	-66.441
	331.808	-66.441

5. Investments in subsidiaries and joint ventures

Cost at the beginning of the year	7.002.630	7.002.630
Cost at the end of the year	7.002.630	7.002.630
Fair value adjustments at the beginning of the year	-4.139.101	-4.287.451
Equity transactions	-364.795	78.368
Change due to foreign currency translation adjustment	-44.428	121.774
Profit for the year	353.036	-51.792
Fair value adjustments at the end of the year	-4.195.288	-4.139.101
Carrying amount at the end of the year	2.807.342	2.863.529

The carrying amount of Investments in subsidiaries and Joint ventures includes a goodwill value of mDKK 1.407. Goodwill amortisation for the year amount to mDKK 247, and are included in profit of the year.

Notes

6. Disclosure of investments in subsidiaries

Subsidiaries

Name	Registered office	Share held in %
Arla Foods UK Holding Ltd.	United Kingdom	100,00
- Arla Foods UK Plc	United Kingdom	100,00
- Arla Foods GP Ltd.	United Kingdom	100,00
- Arla Foods Finance Ltd.	United Kingdom	100,00
- Arla Foods Holding Co. Ltd.	United Kingdom	100,00
- Arla Foods UK Services Ltd.	United Kingdom	100,00
- Arla Foods Niarn Ltd.	United Kingdom	100,00
- Arla Foods Ltd.	United Kingdom	100,00
- Arla Foods limited Partnership	United Kingdom	100,00
- Milk Link Holdings Ltd.	United Kingdom	100,00
- Milk Link Processing Ltd.	United Kingdom	100,00
- Milk Link (Crediton No 2) Ltd.	United Kingdom	100,00
- Milk Link Investments Ltd.	United Kingdom	100,00
- The Cheese Company Holding Ltd.	United Kingdom	100,00
- The Cheese Company Ltd.	United Kingdom	100,00
- Cornish Country Larder Ltd.	United Kingdom	100,00
- The Cheese Company Investments Ltd.	United Kingdom	100,00
- Westbury Dairies Ltd.	United Kingdom	100,00
- Arla Foods (Westbury) Ltd.	United Kingdom	100,00
- Arla Foods Cheese Company Ltd.	United Kingdom	100,00
- Arla Foods Ingredients UK Ltd.	United Kingdom	100,00
- MV Ingredients Ltd. (JV)	United Kingdom	50,00
- Yeo Valley Daries Ltd.	United Kingdom	100,00
- Arla Foods UK Property Co. Ltd.	United Kingdom	100,00
Arla Foods Ltda	Brazil	100,00
Danya Foods Ltd.	Saudi Arabia	75,00
Arla Foods B.V	Netherlands	100,00

7. Long-term liabilities

Subordinated loans of kDKK 750.000 will be exempt from repayment and irredeemable from the lender, Arla Foods amba, until 31 December 2022. The loan is liable and covered by liquidation, composition or bankruptcy after the company's other creditors have achieved full coverage.

8. 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.

9. 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.

Notes

Transactions with related parties (kDKK):

Other group companies	2022	2021
	kDKK	kDKK
Other internal recharges	2.086	10.297
Interest on intercompany loans	-2.804	-1.741
Receivables from group companies	12.167	23.200
Payables to group companies	65.612	157.163
Parent company		
Other internal recharges	-368	232
Interest on intercompany loans	-21.192	-19.012
Receivables from parent company	402	0
Payables to parent company	750.000	650.000

10. 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.