

Arla Foods International A/S

Sønderhøj 14

8260 Viby J

CVR No. 55772215

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

Arla Foods International A/S

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Arla Foods International A/S

Management's Statement

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

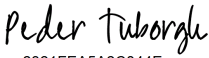
We recommend that the Annual Report be approved at the Annual General Meeting.


Aarhus, 6 June 2024


Executive Board

DocuSigned by:

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Carsten Just Andersen

Board of Directors

DocuSigned by:

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Peder Tuborgh
Chairman

DocuSigned by:

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Torben Dahl Nyholm

DocuSigned by:

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John Duus Andresen

Arla Foods International A/S

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 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

Arla Foods International A/S

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 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

Arla Foods International A/S

Company details

Company	Arla Foods International A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
CVR No.	55772215
Board of Directors	Peder Tuborgh Torben Dahl Nyholm John Duus Andresen
Executive Board	Carsten Just Andersen
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Arla Foods International A/S

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 2023 - 31 December 2023 shows a result of kDKK 196.395 and the Balance Sheet at 31 December 2023 a balance sheet total of kDKK 3.694.078 and an equity of kDKK 2.943.808. The result before tax and excluding the results from subsidiaries is lower than the expectations for the year mainly due to increase in interest rates on loans.

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.

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 Company expects its operations to be on the same level as 2023. Thereby the expected loss before tax and excluding the results from subsidiaries, will fall within a range of 20 - 40 mDKK.

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.

Arla Foods International A/S**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
Operating profit/loss	-93	940	-2.074	-288	-95
Net financial income and costs	191.745	328.477	-72.614	244.001	94.168
Profit/loss for the year	196.395	331.808	-66.441	245.027	95.821
Total assets	3.694.078	2.825.107	2.896.082	2.734.650	3.497.804
Total equity	2.943.808	2.008.236	2.085.653	1.951.951	2.737.050
Average equity	2.476.022	2.046.945	2.490.868	2.344.501	2.622.727
Return on equity (ROE) (%)	8	16	-3	10	4
Solvency ratio (%)	80	71	72	71	78

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 2019-2020 have been updated due to change in accounting policies and correction of material misstatements relating to amortisation of goodwill.

Arla Foods International A/S

Accounting Policies

Reporting Class

The annual report of Arla Foods International 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.

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 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.

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 costs.

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 and other external costs.

Other external costs

Other external costs consist of costs for management and administration.

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 costs are recognised in the income statement based at the amounts that concern the financial year. Financial income and costs include interest revenue and costs, financial costs 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.

Arla Foods International A/S

Accounting Policies

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

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment of accounts receivables past due is established on individual assessment of receivables.

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

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 estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Arla Foods International A/S

Accounting Policies

Liabilities

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

Financial liabilities are recognised initially at the proceeds received net of transaction costs 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.

Arla Foods International A/S

Income Statement

	Note	2023 kDKK	2022 kDKK
Gross profit/loss		-93	940
Operating profit/loss		<u>-93</u>	<u>940</u>
Income/costs from investments in subsidiaries and Joint ventures		231.163	353.036
Financial income	1	17.470	1.685
Financial costs	2	<u>-56.888</u>	<u>-26.244</u>
Profit/loss before tax		191.652	329.417
Tax	3	<u>4.743</u>	<u>2.391</u>
Profit/loss for the year	4	<u>196.395</u>	<u>331.808</u>
Proposed distribution of results	4		
Retained earnings		<u>196.395</u>	<u>331.808</u>
Distribution of profit/loss		<u>196.395</u>	<u>331.808</u>

Arla Foods International A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Assets			
Investments in subsidiaries and joint ventures	5, 6	2.977.682	2.807.342
Investments		2.977.682	2.807.342
Non-current assets			
Receivables from group companies	7	707.362	12.569
Receivables from joint taxation contribution		8.692	5.196
Other receivables		342	0
Receivables		716.396	17.765
Current assets			
		716.396	17.765
Assets		3.694.078	2.825.107

Arla Foods International A/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Liabilities and equity			
Contributed capital		252.002	252.001
Retained earnings		2.691.806	1.756.235
Equity		2.943.808	2.008.236
Subordinated loans	8	750.000	750.000
Long-term liabilities		750.000	750.000
Trade payables		18	1.231
Payables to group companies	7	247	65.612
Other payables		5	28
Short-term liabilities		270	66.871
Liabilities		750.270	816.871
Liabilities and equity		3.694.078	2.825.107
Contingent liabilities	9		
Related parties	10		
Events after the balance sheet date	11		

Arla Foods International A/S**Statement of changes in Equity**

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2023	252.001	1.756.235	2.008.236
Increase of capital	1	799.999	800.000
Change of investments through net exchange differences	0	10.821	10.821
Other adjustments of equity	0	-71.644	-71.644
Profit (loss)	0	196.395	196.395
Equity 31 December 2023	252.002	2.691.806	2.943.808

The contributed capital consist of 252.002 shares of nominal DKK 1.000

The contributed capital has increased by kDKK 1 in 2023. Except for this change the contributed capital has remained unchanged for the last 5 years.

Arla Foods International A/S**Notes****1. Financial income**

	2023	2022
	kDKK	kDKK
Financial costs regarding group companies	17.470	0
Other financial income	0	1.685
	17.470	1.685

2. Financial costs

Financial costs regarding group companies	56.718	23.996
Other financial costs	170	2.248
	56.888	26.244

3. Tax

Current tax	-8.692	-5.196
Adjustment current tax, previous years	3.949	2.805
	-4.743	-2.391

4. Distribution of profit

Retained earnings	196.395	331.808
	196.395	331.808

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	-4.195.288	-4.139.101
Equity transactions	-71.644	-364.795
Change due to foreign currency translation adjustment	10.821	-44.428
Profit for the year	231.163	353.036
Fair value adjustments at the end of the year	-4.024.948	-4.195.288
Carrying amount at the end of the year	2.977.682	2.807.342

The carrying amount of Investments in subsidiaries and Joint ventures includes a goodwill value of mDKK 1.177. Goodwill amortisation for the year amount to mDKK 243, and are included in profit of the year.

Arla Foods International A/S**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	100,00
- Yeo Valley Daries Ltd.	United Kingdom	100,00
- Arla Foods UK Property Co. Ltd.	United Kingdom	100,00
Arla Foods Ltda	Brazil	100,00
Arla Foods Ltd.	Saudi Arabia	75,00
Arla Foods B.V.	Netherlands	100,00

7. Receivables from 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 receivables from group companies relating to the cash pool agreement for Arla Foods International A/S amounts to 702.346 kDKK as of 31 December 2023 (2022: 65.612 kDKK as a payable).

Arla Foods International A/S**Notes****8. Long-term liabilities**

The subordinated loan of kDKK 750.000 is committed by the lender, Arla Foods amba, and matures 31 December 2025. The loan is liable and covered by liquidation, composition or bankruptcy after the company's other creditors have achieved full coverage.

	Due after 1 year kDKK	Due within 1 year kDKK	Due after 5 years kDKK
Subordinated loan	750.000	0	0
	750.000	0	0

9. 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.

10. 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.

Transactions with related parties (kDKK):

Other group companies	2023	2022
	kDKK	kDKK
Other internal recharges	3.968	2.086
Interest on intercompany loans	17.470	-2.804
Receivables from group companies	707.364	12.167
Payables to group companies	0	65.612
Parent company		
Other internal recharges	108	-368
Interest on intercompany loans	-56.718	-21.192
Receivables from parent company	0	402
Payables to parent company	750.247	750.000

11. 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.