

# **Arla Foods International A/S**

Sønderhøj 14

8260 Viby J

CVR No. 55772215

## **Annual Report 2021**

The Annual Report was presented and  
approved at the Annual General Meeting of  
the Company on 23 May 2022

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Peter Stenholt Randrup  
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 2021 - 31 December 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021.

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, 23 May 2022

### **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 2021 - 31 December 2021, 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 2021 and of the results of the Company's operations for the financial year 1 January 2021 - 31 December 2021 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.

## Independent Auditor's Report

- \* 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 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 can 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 Statements Act. We did not identify any material misstatements of the Management's review.

Aarhus, 23 May 2022

### EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

Jan Krarup Mortensen  
State Authorised Public Accountant  
mne40030

## **Arla Foods International A/S**

### **Company information**

<b>Company</b>	Arla Foods International A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
CVR No.	55772215
<b>Board of Directors</b>	Peder Tuborgh, Chairman Torben Dahl Nyholm John Duus Andresen
<b>Executive Board</b>	Bjorn Kamps
<b>Auditors</b>	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 2021 - 31 December 2021 shows a result of kDKK -66.441 and the Balance Sheet at 31 December 2021 a balance sheet total of kDKK 2.896.082 and an equity of kDKK 2.085.653. 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. In connection with implementation of this change a material misstatement related to measurement of a historical goodwill position was identified and corrected. For further details please refer to accounting policies.

The impact from COVID-19 has not been material in nature as the main activity consists of ownership of shares in subsidiaries and joint ventures and there have been no material impacts from COVID-19 in these investments.

### 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:

	2021	2020	2019	2018	2017
Gross profit/loss	-2.074	-288	-95	-566	-188
Net financial income and costs	-72.614	244.001	94.168	-394.601	-147.304
Profit/loss for the year	-66.441	245.027	95.821	-388.949	-144.875
Total assets	2.896.082	2.734.650	3.497.804	3.262.333	3.686.240
Total equity	2.085.653	1.951.951	2.737.050	2.508.403	2.942.487
Total equity and liabilities	2.896.082	2.734.650	3.497.804	3.262.333	3.686.240
Return on equity (ROE) (%)	-3	10	4	-14	-5
Solvency ratio (%)	72	71	78	77	80

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 2017-2021 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 2021 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 an cash flow statement due to Danish Financial Statements Act §86, 4.

### **Changed accounting policies and correction of material misstatement regarding previous year**

Up until 2021 the corridor approach was used 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, which means that a historical non-recognised net of tax actuarial losses of 902 mDKK was recognised in equity as of 31 December 2020. A corresponding adjustment to the value of investment in subsidiaries has also been recognised.

In connection with implementation of this change, a material misstatement related to measurement of a historical goodwill position was identified and corrected. The misstatement related to missing amortisations in the period 2012 to 2020 with an accumulated effect of 239 mDKK at 31 December 2020. The misstatement was corrected by reduction of the opening equity 1 January 2020 with 223 mDKK with a corresponding reduction of the valuation of investment in subsidiaries. Similarly the income statement for comparison figures for 2020 has been reduced with amortisation of 30 mDKK. Similarly additional goodwill amortisation of 30 mDKK was recognised in 2021.

Apart from the above mentioned changes, 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 thousand 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 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 operation income, cost of raw 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 amortisation of consolidated goodwill.

### **Financial income and costs**

Financial income and costs are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and costs include interest revenue and 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, surcharges and allowances under the tax prepayment scheme.

### **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 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.

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.

### **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.

## **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 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.

### **Subordinate loans**

Subordinate loans are recognised as independent liabilities in the Balance Sheet.

## Income Statement

	Note	2021 kDKK	2020 kDKK
<b>Gross profit/loss</b>		<b>-2.074</b>	<b>-288</b>
Income from investments in subsidiaries and Joint ventures		-51.792	264.320
Financial income	1	2.157	1.748
Financial costs	2	-22.979	-22.067
<b>Profit/loss before tax</b>		<b>-74.688</b>	<b>243.713</b>
Tax	3	8.247	1.314
<b>Profit/loss for the year</b>		<b>-66.441</b>	<b>245.027</b>
 <b>Proposed distribution of results</b>	4		
Retained earnings		-66.441	245.027
<b>Distribution of profit/loss</b>		<b>-66.441</b>	<b>245.027</b>

# Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
<b>Assets</b>			
Investments in subsidiaries and joint ventures	5, 6	2.863.529	2.715.179
<b>Investments</b>		<b>2.863.529</b>	<b>2.715.179</b>
<b>Non-current assets</b>		<b>2.863.529</b>	<b>2.715.179</b>
Receivables from group companies		21.943	14.638
Receivables from joint taxation contribution		10.610	4.534
Other receivables		0	299
<b>Receivables</b>		<b>32.553</b>	<b>19.471</b>
<b>Current assets</b>		<b>32.553</b>	<b>19.471</b>
<b>Assets</b>		<b>2.896.082</b>	<b>2.734.650</b>

# Balance Sheet as of 31 December

	Note	2021 kDKK	2020 kDKK
<b>Liabilities and equity</b>			
Contributed capital		252.001	252.001
Retained earnings		1.833.652	1.699.950
<b>Equity</b>		<b>2.085.653</b>	<b>1.951.951</b>
Subordinated loans		650.000	650.000
<b>Long-term liabilities</b>	7	<b>650.000</b>	<b>650.000</b>
Trade payables		2.919	1.124
Payables to group companies		157.163	131.519
Other payables		347	56
<b>Short-term liabilities</b>		<b>160.429</b>	<b>132.699</b>
<b>Liabilities</b>		<b>810.429</b>	<b>782.699</b>
<b>Liabilities and equity</b>		<b>2.896.082</b>	<b>2.734.650</b>
Contingent liabilities	8		

## Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2021	252.001	2.841.545	3.093.546
Changes of equity through changes in accounting policies	0	-1.141.595	-1.141.595
<b>Adjusted equity 1 January 2021</b>	<b>252.001</b>	<b>1.699.950</b>	<b>1.951.951</b>
Change of investments through net exchange differences	0	121.774	121.774
Other adjustments of equity	0	78.369	78.369
Profit (loss)	0	-66.441	-66.441
<b>Equity 31 December 2021</b>	<b>252.001</b>	<b>1.833.652</b>	<b>2.085.653</b>

The contributed capital consist of 252.001 shares of nominel DKK 1.000

The contributed capital was increased by kDKK 1.000 in 2016, and besides this the contributed capital has been unchanged the last 5 years.

For more details on the "changes of equity through changes in accounting policies" and on "other adjustment of equity", please refer to the accounting policies.

## Notes

## 1. Financial income

	2021 kDKK	2020 kDKK
Other financial income	2.157	1.748
	<b>2.157</b>	<b>1.748</b>

## 2. Financial costs

Financial costs regarding group companies	20.753	20.411
Other financial costs	2.226	1.656
	<b>22.979</b>	<b>22.067</b>

## 3. Tax

Current tax	-10.610	-4.534
Adjustment current tax, previous years	2.363	3.220
	<b>-8.247</b>	<b>-1.314</b>

## 4. Distribution of profit

Retained earnings	-66.441	245.027
	<b>-66.441</b>	<b>245.027</b>

## 5. Investments in subsidiaries and joint ventures

Cost at the beginning of the year	7.002.630	6.997.807
Addition during the year	0	4.823
<b>Cost at the end of the year</b>	<b>7.002.630</b>	<b>7.002.630</b>

Fair value adjustments at the beginning of the year	-4.287.451	-3.298.159
Equity transactions	78.368	43.362
Change due to foreign currency translation adjustment	121.774	-97.657
Profit for the year	-51.792	264.320
Adjustment due to change in accounting policies	0	-1.199.317
<b>Fair value adjustments at the end of the year</b>	<b>-4.139.101</b>	<b>-4.287.451</b>

<b>Carrying amount at the end of the year</b>	<b>2.863.529</b>	<b>2.715.179</b>
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The carrying amount of Investments in subsidiaries and Joint ventures includes a goodwill value of mDKK 1.692. Goodwill amortisation for the year amount to mDKK 245, and are included in profit of the year.

For more details on the adjustment due to change in accounting policies, please refer to the accounting policies.



## Notes

## 6. Disclosure of investments in subsidiaries

*Subsidiaries*

Name	Registered office	Share held in %	Equity	Profit
Arla Foods UK Holding Ltd.	United Kingdom	100,00	1.619.893	155.126
- 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 Dairies Ltd.	United Kingdom	100,00		
- Arla Foods UK Property Co. Ltd.	United Kingdom	100,00		
Arla Foods Ltda	Brazil	100,00	816	0
Danya Foods Ltd.	Saudi Arabia	75,00	18.499	31.027
Arla Foods B.V	Netherlands	100,00	298.407	11.897
			<b>1.937.615</b>	<b>198.050</b>

## 7. Long-term liabilities

Subordinated loans of kDKK 650.000 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.

	Due after 1 year kDKK	Due within 1 year kDKK	Due after 5 years kDKK
Subordinated loans	0	650.000	0
	<b>0</b>	<b>650.000</b>	<b>0</b>

## Notes

### 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.

Transactions with related parties (kDKK):

<b>Other group companies</b>	<b>2021</b>	<b>2020</b>
	<b>kDKK</b>	<b>kDKK</b>
Other internal recharges	10.297	1.329
Interest on intercompany loans	-1.741	-1.418
Receivables from group companies	23.200	14.638
Payables to group companies	157.163	131.519
<b>Parent company</b>		
Other internal recharges	232	1
Interest on intercompany loans	-19.012	-18.993
Payables to parent company	650.000	650.000