

Arla ICC P/S

Sønderhøj 14

8260 Viby J

CVR No. 34732051

Annual Report 2020

The Annual Report was presented and approved at the Annual General Meeting of the Company on 19 May 2021

Yue Liu
Chairman

Contents

Management's Statement	3
Independent Auditor's Report	4
Company details	6
Management's Review	7
Financial highlights	8
Accounting Policies	9
Income Statement	12
Balance Sheet	13
Statement of changes in Equity	15
Cash Flow Statement	16
Notes	17

Management's Statement

Today, Management has considered and approved the Annual Report of Arla ICC P/S for the financial year 1 January 2020 - 31 December 2020.

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 2020 and of the results of the Company's operations and cash flow for the financial year 1 January 2020 - 31 December 2020.

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, 19 May 2021

Executive Board

Steen Futtrup
CEO

Board of Directors

Yue Liu
Chairman

Frede Juulsen

Ping Zhang

Independent Auditor's Report

To the shareholders of Arla ICC P/S

Opinion

We have audited the financial statements of Arla ICC P/S for the financial year 1 January 2020 - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity, cash flows and notes. 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 2020 and of the results of its operations and cash flows for the financial year 1 January 2020 - 31 December 2020 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 responsibility under those standards and requirements are further described in the "Auditor's responsibility for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's 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 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 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 skepticism throughout the audit. We also:

- * Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

- * Evaluate 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which we identify during our audit.

Statement on 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 Statements Act. We did not identify any material misstatements of the Management's review.

Aarhus, 19 May 2021

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

Arla ICC P/S

Company details

Company	Arla ICC P/S Sønderhøj 14 8260 Viby J
CVR No.	34732051
Date of formation	12 October 2012
Financial year	1 January 2020 - 31 December 2020
Board of Directors	Yue Liu Frede Juulsen Ping Zhang
Executive Board	Steen Futtrup, CEO
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8100 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

The Company's principal activities comprise the sale of dairy products to the Chinese market.

Development in activities and financial matters

The Company's Income Statement of the financial year 1 January 2020 - 31 December 2020 shows a result of kDKK 1.362 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 149.340 and an equity of kDKK 1.862. The result is below expectations due to reduced margins on selected product categories. The activity has been on a stable level as customer demand for provided services have been in line with expectations. As a result the impact from COVID-19 has not been material.

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 result before tax for the company for the upcoming year, is expected to fall within a range of 0-5 mDKK profit.

Financial highlights

kDKK

The Company's key figures and financial ratios developed as follows:

	2020	2019	2018	2017	2016
Gross profit	1.362	9.863	6.466	13.019	7.585
Financial income and costs, net	0	0	0	0	0
Profit	1.362	9.863	6.466	13.019	7.585
Assets	149.340	125.636	98.446	123.118	78.957
Equity	1.862	10.363	6.966	13.519	8.085
Return on assets (%)	1	9	6	13	8
Solvency ratio (%)	1	8	7	11	10

Return on assets = Profit for the year X 100 / Avg. assets

Solvency ratio = Total equity X 100 / Total equity and liabilities

Accounting Policies

Accounting policies

Reporting Class

The Annual Report of Arla ICC P/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The Annual Report is presented in thousands of Danish kroner (kDKK).

Foreign currency translation

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

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. 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.

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.

Revenue

Income from the sale of goods is recognised in the income statement from the date of delivery and when the risk has passed to the buyer if it is possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Cost of sales

Cost of sales comprises direct and indirect costs for the acquisition of goods regarding the supply for the year.

Corporation tax

As the Company is not an independent taxpayer, corporation tax is not recognised in the financial statements.

Balance Sheet

Receivables

Receivables are measured at amortised cost. The value is reduced by write-downs for expected bad debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Accounting Policies

Equity

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under "Equity".

Dividends

Proposed dividends for the year are recognised as a separate item under equity. Proposed dividends are recognised as a liability when approved by the Annual General Meeting.

Liabilities

Other liabilities are measured at amortised cost.

Prepayments

Prepayments comprise income incurred concerning subsequent financial years.

Accounting Policies

Cash Flow Statement

The Cash Flow Statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flow from the operating activity is determined as the profit/loss for the year adjusted for changes in working capital and non-cash income statement items.

Cash flow from the investing activity comprises cash flows from purchase and sale of intangible, tangible and investments.

Cash flow from the financing activity comprises cash flows from raising and repaying long-term liabilities and payments to and from the owners.

Cash and cash equivalents comprise cash.

Arla ICC P/S

Income Statement

	Note	2020 kDKK	2019 kDKK
Gross profit		<u>1.362</u>	<u>9.863</u>
Profit		<u>1.362</u>	<u>9.863</u>
Proposed profit appropriation	2		
Proposed dividends		<u>1.362</u>	<u>9.863</u>
Distribution of profit		<u>1.362</u>	<u>9.863</u>

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Trade receivables		132.106	109.873
Receivables from associated companies		6.813	3.310
Other short-term receivables		1.605	816
Receivables		<u>140.524</u>	<u>113.999</u>
Cash at bank and in hand		<u>8.816</u>	<u>11.637</u>
Current assets		<u>149.340</u>	<u>125.636</u>
Assets		<u>149.340</u>	<u>125.636</u>

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Contributed capital		500	500
Proposed dividend recognised in equity		1.362	9.863
Equity		1.862	10.363
Prepayments from customers		1.198	2.186
Trade payables		14.221	14.292
Payables to associated companies		128.223	95.230
Payables to parent company		3.836	3.565
Short-term liabilities		147.478	115.273
Liabilities		147.478	115.273
Liabilities and equity		149.340	125.636
Contingent liabilities	3		

Statement of changes in Equity

kDKK

	Share capital	Proposed dividends	Total
Equity 1 January 2019	500	9.863	10.363
Dividend paid	0	-9.863	-9.863
Profit for the year	0	1.362	1.362
Equity 31 December 2020	500	1.362	1.862

The share capital has remained unchanged the last 5 years.

The share capital is divided into nominal DKK:

300.000 in A-share divided into shares of DKK 10.000 or multiples thereof.

200.000 in B-share divided into shares of DKK 10.000 or multiples thereof.

Every A-share has 5 votes and every B-share has 8 votes.

Cash Flow Statement

	2020	2019
	kDKK	kDKK
Profit for the year	1.362	9.863
Changes in working capital	5.409	-569
Cash flows from operating activities	6.771	9.294
Changes in debt to parent company	271	-1.567
Dividend paid	-9.863	-6.466
Cash flows from financing activities	-9.592	-8.033
Net cash flows	-2.821	1.261
Cash and cash equivalents, beginning balance	11.637	10.376
Cash and cash equivalents, ending balance	8.816	11.637

Notes

1. Gross Profit

As in previous years the Company had no employees in 2020. No remuneration was paid to the Board of Directors and the Executive Board during the financial year. Arla Foods amba handles the administration of Arla ICC P/S.

2. Distribution of profit

	2020	2019
	kDKK	kDKK
Proposed dividends	1.362	9.863
	1.362	9.863

3. Contingent liabilities

The Company had no contingent liabilities at the balance sheet date.

4. Related parties

Arla ICC P/S' related parties comprise the Company's Management, companies within the Arla Foods Group and the parent company Inner Mongolia Mengniu Dairy (Group) Co., LTD.

Parties exercising control

Inner Mongolia Mengniu Dairy (Group) Co., LTD and Shengle Economy District, Hellingeer, Hohhot, Zorer Mongolia, China holds the majority of the voting rights in the Company.

Related party transactions

Other group companies	2020	2019
	kDKK	kDKK
Purchase of goods and services	624.189	442.701
Receivables from associated companies	6.813	3.310
Payables to associated companies	128.223	95.230
Parent Company		
Payables to parent company	3.836	3.565
Paid out dividend to parent company	9.863	6.466