

Arla Foods International A/S

Sønderhøj 14

8260 Viby J

CVR No. 55772215

Annual Report 2020

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

Peter Stenholt Randrup
Chairman

Contents

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	8
Accounting Policies	9
Income Statement	12
Balance Sheet	13
Statement of changes in Equity	15
Notes	16

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 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 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 will be approved at the Annual General Meeting.

Aarhus, 19 May 2021

Executive Board

Lars Jepsen

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 2020 - 31 December 2020, 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 2020 and of the results of the Company's operations 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 responsibilities under those standards and requirements are further described in the "Auditors' 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 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 determines 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 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 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken 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 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 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, 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 Foods International A/S

Company information

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	Lars Jepsen
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 financial matters

The Company's Income Statement of the financial year 1 January 2020 - 31 December 2020 shows a result of kDKK 274.575 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 3.876.245 and an equity of kDKK 3.093.546. The result before tax and excluding the results from subsidiaries is in line with the expectations for the year.

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 2020. 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:

	2020	2019	2018	2017	2016
Operating profit/loss	-288	-95	-566	-188	-201
Net financial income and expenses	273.549	124.151	-364.918	-117.402	-71.480
Profit/loss for the year	274.575	125.804	-359.266	-114.973	-71.328
Total assets	3.876.245	3.721.290	3.444.851	3.841.249	4.201.608
Total equity	3.093.546	2.960.536	2.690.921	3.097.496	3.566.825
Total equity and liabilities	3.876.245	3.721.290	3.444.851	3.841.249	4.201.608
Return on equity (ROE) (%)	9	4	-12	-3	-3
Solvency ratio (%)	80	80	78	81	85

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

Accounting Policies

Reporting Class

The Annual Report of Arla Foods International A/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.

The Company has also decided not to include a cash flow statement due to Danish Financial Statements Act §86, 4.

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.

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

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

External costs

Other external costs include costs for administration and management for the company.

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 on net profit for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

The Company and the Danish 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).

Accounting Policies

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.

Equity

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

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.

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.

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.

Other payables

Other payables 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.

Accounting Policies

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2020 kDKK	2019 kDKK
Gross profit/loss		-288	-95
Income from investments in subsidiaries and Joint ventures		293.868	143.739
Financial income	1	1.748	1.588
Financial costs	2	-22.067	-21.176
Profit before tax		273.261	124.056
Tax	3	1.314	1.748
Profit for the year		274.575	125.804
Proposed distribution of results	4		
Retained earnings		274.575	125.804
Distribution of profit		274.575	125.804

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Assets			
Investments in subsidiaries and joint ventures	5, 6	3.856.774	3.699.648
Investments		3.856.774	3.699.648
Non-current assets			
Receivables from group companies		14.638	17.312
Current tax		4.534	4.330
Other receivables		299	0
Receivables		19.471	21.642
Current assets		19.471	21.642
Assets		3.876.245	3.721.290

Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Liabilities and equity			
Contributed capital		252.001	252.001
Retained earnings		2.841.545	2.708.535
Equity		3.093.546	2.960.536
Subordinated loans		650.000	650.000
Long-term liabilities	7	650.000	650.000
Trade payables		1.124	0
Payables to group companies		131.519	110.645
Other payables		56	109
Short-term liabilities		132.699	110.754
Liabilities		782.699	760.754
Liabilities and equity		3.876.245	3.721.290
Contingent liabilities	8		

Arla Foods International A/S

Statement of changes in Equity

kDKK

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	252.001	2.708.535	2.960.536
Change of investments through net exchange differences	0	-167.123	-167.123
Other adjustments of equity	0	25.558	25.558
Profit (loss)	0	274.575	274.575
Equity 31 December 2020	252.001	2.841.545	3.093.546

The contributed capital consist of 252.001 shares of nominal 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.

Notes

1. Financial income

	2020	2019
	kDKK	kDKK
Other financial income	1.748	22
Financial income regarding group companies	0	1.566
	1.748	1.588

2. Financial costs

Financial costs regarding group companies	20.411	19.666
Other financial costs	1.656	1.510
	22.067	21.176

3. Tax expense

Current tax	-4.534	-4.330
Adjustment current tax, previous years	3.220	2.582
	-1.314	-1.748

4. Distribution of profit

Retained earnings	274.575	125.804
	274.575	125.804

5. Investments in subsidiaries and joint ventures

Cost at the beginning of the year	6.997.807	6.997.807
Addition during the year	4.823	0
Cost at the end of the year	7.002.630	6.997.807
Fair value adjustments at the beginning of the year	-3.298.159	-3.585.709
Equity transactions	25.558	25.943
Change due to foreign currency translation adjustment	-167.123	117.868
Profit for the year	293.868	143.739
Fair value adjustments at the end of the year	-3.145.856	-3.298.159
Carrying amount at the end of the year	3.856.774	3.699.648

The carrying amount of Investments in subsidiaries and Joint ventures includes a goodwill value of mDKK 1.526. Goodwill depreciations for the year amount to mDKK 210, and are included in Profit of the year.

The company utilizes the corridor approach when recognizing actuarial gains and losses arising on the defined benefit obligation. Per December 2020 the Company has a non-recognized actuarial loss of mDKK 904. According to Danish accounting legislation the corridor approach can be used until end of 2020, and afterwards actuarial gains and losses must be recognized directly on the equity. Thus, the non-recognized actuarial loss will be recognized in 2021.

Notes

6. Disclosure of investments in subsidiaries and joint ventures

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
- Yeo Valley Dairies 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

Joint Ventures

Name	Registered office	Share held in %
- MV Ingredients Ltd.	United Kingdom	50,00

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	650.000	0	0
	650.000	0	0

Notes

8. 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.

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):

Other group companies	2020	2019
	kDKK	kDKK
Other internal recharges	1.329	0
Interest on intercompany loans	-1.418	474
Receivables from group companies	14.638	16.980
Payables to group companies	131.519	110.645
Parent company		
Other internal recharges	1	-68
Interest on intercompany loans	-18.993	-18.574
Receivables from parent company	0	332
Payables to parent company	650.000	650.000