

# **Arla Foods Holding A/S**

Sønderhøj 14

8260 Viby J

CVR No. 27466052

## **Annual Report 2020**

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

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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 Holding 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 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 Holding A/S

#### **Opinion**

We have audited the financial statements of Arla Foods Holding 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 "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 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 cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and 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 which we identify during our audit.

### Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of 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 Holding A/S

### Company details

<b>Company</b>	Arla Foods Holding A/S Sønderhøj 14 8260 Viby J
Telephone	89381000
CVR No.	27466052
<b>Supervisory Board</b>	Peder Tuborgh Torben Dahl Nyholm John Duus Andresen
<b>Executive Board</b>	Lars Jepsen
<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 of the 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 423.960 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 5.599.116 and an equity of kDKK 4.455.019.

The result before tax and excluding the results from subsidiaries is slightly below the expectations for the year and can be explained by higher interest costs due to an increased average debt in 2020.

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 result to be on a slightly higher level compared 2020. Thereby the expected loss before tax and excluding the results from subsidiaries, will fall within a range of mDKK 30 - 40.

### Risks

The Company, is exposed to foreign currency exchange rate fluctuations due to many of its shares in subsidiaries being foreign.

## 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	610	525	-173	0	0
Financial income	714	3.296	565	2.755	0
Financial expenses	-43.360	-34.138	-36.847	-79.692	-75.980
Profit/loss for the year	423.960	141.603	-315.503	-38.469	-80.057
Total assets	5.599.116	5.907.774	4.823.694	6.347.659	6.761.874
Total equity	4.455.019	4.244.515	3.960.130	4.319.913	4.696.889
Return on equity (ROE) (%)	10	4	-8	-1	-3
Solvency ratio (%)	80	72	83	68	69

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

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

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



## Accounting Policies

### Reporting Class

The Annual Report of Arla Foods Holding 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.

## 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.

### Revenue

Revenue is recognised in the income statement if the services have been delivered and the risk has passed to the buyer before year-end and if the revenue can be reliably calculated and expected to be received. Revenue is recognised exclusive VAT, duties and net of sales discounts.

### Other external costs

Other external costs include costs for management and administration.

### Other operating costs

Other operating costs include items relating to activities secondary to the main activity of the enterprises.

### Income from investments in subsidiaries and associates

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.

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

## Accounting Policies

### 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).

## Balance Sheet

### Tangible assets

Tangible assets are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

Properties	10 years
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### Investments in subsidiaries

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.

## **Accounting Policies**

### **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 and other lower-ranking creditors' claims**

Subordinate loans and other lower-ranking creditor's claims are recognised as independent liabilities in the Balance Sheet.

### **Contingent assets and liabilities**

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

Arla Foods Holding A/S

**Income Statement**

	Note	2020 kDKK	2019 kDKK
<b>Gross profit</b>		<b>666</b>	<b>525</b>
Depreciation and impairment losses		-56	0
<b>Operating profit</b>		<b>610</b>	<b>525</b>
Income from investments in subsidiaries and associates		461.681	170.742
Financial income	1	714	3.296
Financial costs	2	-43.360	-34.138
<b>Profit before tax</b>		<b>419.645</b>	<b>140.425</b>
Tax	3	4.315	1.178
<b>Profit for the year</b>		<b>423.960</b>	<b>141.603</b>
<b>Proposed distribution of results</b>	4		
Retained earnings		423.960	141.603
<b>Distribution of profit</b>		<b>423.960</b>	<b>141.603</b>

## Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
<b>Assets</b>			
Land and buildings	5	10.370	7.600
<b>Property, plant and equipment</b>		<b>10.370</b>	<b>7.600</b>
Investments in subsidiaries and associates	6, 7	5.540.026	5.892.731
<b>Investments</b>		<b>5.540.026</b>	<b>5.892.731</b>
<b>Non-current assets</b>		<b>5.550.396</b>	<b>5.900.331</b>
Receivables from group companies		39.600	318
Current tax		9.068	6.917
Other receivables		52	208
<b>Receivables</b>		<b>48.720</b>	<b>7.443</b>
<b>Current assets</b>		<b>48.720</b>	<b>7.443</b>
<b>Assets</b>		<b>5.599.116</b>	<b>5.907.774</b>

## Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
<b>Liabilities and equity</b>			
Contributed capital		22.000	22.000
Retained earnings		4.433.019	4.222.515
<b>Equity</b>		<b>4.455.019</b>	<b>4.244.515</b>
Provisions for investments in subsidiaries	6	14.730	0
<b>Provisions</b>		<b>14.730</b>	<b>0</b>
Subordinated loans		850.000	850.000
<b>Long-term liabilities</b>	8	<b>850.000</b>	<b>850.000</b>
Payables to group companies		278.925	812.193
Other payables		442	1.066
<b>Short-term liabilities</b>		<b>279.367</b>	<b>813.259</b>
<b>Liabilities</b>		<b>1.129.367</b>	<b>1.663.259</b>
<b>Liabilities and equity</b>		<b>5.599.116</b>	<b>5.907.774</b>
Contingent assets and liabilities	9		
Related parties	10		

## Arla Foods Holding A/S

### Statement of changes in Equity

kDKK

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 January 2020	22.000	4.222.515	4.244.515
Change of investments through net exchange differences	0	-215.397	-215.397
Other adjustments of equity	0	1.941	1.941
Profit (loss)	0	423.960	423.960
<b>Equity 31 December 2020</b>	<b>22.000</b>	<b>4.433.019</b>	<b>4.455.019</b>

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**

	<b>2020</b>	<b>2019</b>
	<b>kDKK</b>	<b>kDKK</b>
Other financial income	714	3.296
Financial income from group companies	0	0
	<b>714</b>	<b>3.296</b>

**2. Finance expenses**

Financial costs regarding group companies	42.743	34.138
Other financial costs	617	0
	<b>43.360</b>	<b>34.138</b>

**3. Tax expense**

Current tax, this year	-9.236	-6.730
Current tax, previous years	4.921	5.552
	<b>-4.315</b>	<b>-1.178</b>

**4. Distribution of profit**

Retained earnings	423.960	141.603
	<b>423.960</b>	<b>141.603</b>

**5. Land and buildings**

Cost at the beginning of the year	7.600	2.740
Addition during the year	2.826	7.600
Disposal during the year	0	-2.740
<b>Cost at the end of the year</b>	<b>10.426</b>	<b>7.600</b>

Depreciations at the beginning of the year	0	-274
Depreciations for the year	-56	0
Reversal of depreciations of disposed assets	0	274
<b>Depreciations at the end of the year</b>	<b>-56</b>	<b>0</b>

<b>Carrying amount at the end of the year</b>	<b>10.370</b>	<b>7.600</b>
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## Notes

## 6. Investments in subsidiaries and associates

	<b>2020</b>	<b>2019</b>
	<b>kDKK</b>	<b>kDKK</b>
Cost at the beginning of the year	8.198.408	7.319.402
Addition during the year	255.434	888.926
Disposal during the year	-40.237	-9.920
<b>Cost at the end of the year</b>	<b>8.413.605</b>	<b>8.198.408</b>
Revaluations at the beginning of the year	-2.305.677	-2.530.626
Dividends	-830.857	-83.922
Change due to foreign currency translation adjustment	-215.397	116.862
Profit for the year incl. amortisation of goodwill	461.681	170.742
Other equity transactions	1.941	-8.536
Gain/Loss on disposal of business activities	0	29.803
Provision for negative equity	14.730	0
<b>Impairment losses and amortisation at the end of the year</b>	<b>-2.873.579</b>	<b>-2.305.677</b>
<b>Carrying amount at the end of the year</b>	<b>5.540.026</b>	<b>5.892.731</b>

The carrying amount of Investments in subsidiaries and associates includes a goodwill value of mDKK 1.800. Goodwill amortisations for the year amount to mDKK 242, which are included in "Profit for the year incl. amortisation of goodwill" above. Furthermore, the investments include a share with a negative value. The total negative investment amounts to 14,7mDKK, and is presented as "Provision for investments in subsidiaries".

## 7. Disclosure of investments in subsidiaries and associates

*Subsidiaries*

<b>Name</b>	<b>Registered office</b>	<b>Shares %</b>
AF A/S	Denmark	100,00
- Arla Foods Finance A/S	Denmark	100,00
- Kingdom Food Products ApS	Denmark	100,00
- Ejendoms-ApS St. Ravnsbjerg	Denmark	100,00
- Arla Insurance Company Ltd.	Guernsey	100,00
- Arla Foods Energy A/S	Denmark	100,00
- Arla Foods Trading A/S	Denmark	100,00
Arla Foods International A/S	Denmark	100,00
- Danya Foods Ltd.	Saudi Arabia	75,00
- Arla Foods UK Holding Ltd.	United Kingdom	100,00
- Arla Foods UK Plc.	United Kingdom	100,00
- Arla Foods Finance Ltd.	United Kingdom	100,00
- Arla Foods Holdings Co. Ltd.	United Kingdom	100,00
- Arla Foods UK Services Ltd.	United Kingdom	100,00
- Milk Link Holding Limited	United Kingdom	100,00
- Westbury Dairies Ltd.	United Kingdom	11,00
- Arla Foods (Westbury) Ltd.	United Kingdom	100,00
- Arla Foods Cheese Co. Ltd.	United Kingdom	100,00
- Arla Foods Ingredients UK Ltd.	United Kingdom	100,00
- MV Ingredients Ltd.	United Kingdom	50,00

## Arla Foods Holding A/S

### Notes

- Arla Foods Limited	United Kingdom	100,00
- Arla Foods Property Co. Ltd.	United Kingdom	100,00
Arla Foods Distribution A/S	Denmark	100,00
Arla DP Holding A/S	Denmark	100,00
Arla Foods Belgien AG	Belgium	99,00
- Mølkerei Walhorn GmbH	Germany	100,00
Arla Foods Ingredients GmbH	Germany	100,00
Tholstrup Cheese A/S	Denmark	100,00
- Tholstrup Cheese USA Inc.	USA	100,00
Arla Foods Kuwait Company LLC	Kuwait	49,00
Arla Kallassi Lebanon S.A.L.	Libanon	50,01
Arla Foods Qatar WLL	Qatar	40,00
Arla Foods Sdn. Bhd.	Malaysia	100,00
Al Berit Alban LLC Bahrain	Bahrain	25,00
Arla Foods Procurement Ltd.	Hong Kong	100,00
TG Arla Dairy Products LFTZ	Nigeria	50,00
Arla Foods Investment A/S	Denmark	100,00
- Arla Senegal SA	Senegal	100,00
Cocio Chokolademælk A/S	Denmark	50,00
Biolac GmbH & Co. KG	Germany	50,00
Arla Foods B.V.	Netherlands	100,00
Yeo Valley Daries Ltd.	United Kingdom	100,00
Arla Global Dairy Products Ltd.	Nigeria	100,00
Arla Foods S.P.C.	Bahrain	100,00
Arla Foods OY	Finland	100,00
- Massby Facility & services Ltd.	Finland	60,00

### 8. Long-term liabilities

Subordinated loans of kDKK 850.000 will be exempt from repayment and irredeemable from the lender, Arla Foods amba, until 31.December 2023. The loan is liable and covered by liquidation, composition or bankruptcy after the company's other creditors have achieved full coverage.

	<b>Due after 1 year kDKK</b>	<b>Due within 1 year kDKK</b>	<b>Due after 5 years kDKK</b>
Payables to group enterprises	850.000	0	0
	<b>850.000</b>	<b>0</b>	<b>0</b>

## Notes

### 9. Contingent assets and 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.

Per 31 December 2020 the Company has a deferred tax asset amounting to mDKK 9,3 which is not recognised in the balance sheet due to uncertainties of the time of use.

No contingent liabilities exist at the balance sheet date.

### 10. Related parties

The Company is a wholly owned subsidiary of Arla Foods amba, Viby J and is included in the consolidated financial statements. 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>2020</b>	<b>2019</b>
	<b>kDKK</b>	<b>kDKK</b>
- Interest costs on intercompany loans	9.335	0
- Receivables from group companies	39.600	318
- Payables to group companies	277.509	812.193
- Received dividends	830.857	83.922
<b>Parent company</b>		
- Other internal cost recharges	20	69
- Interest costs on intercompany loans	33.408	32.914
- Payable to parent company	851.416	850.000