

AF A/S

Sønderhøj 14,

8260 Viby J

CVR No. 49649428

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

AF A/S

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AF A/S

Management's Statement

Today, Management has considered and approved the Annual Report of AF 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

John Duus Andresen

Torben Dahl Nyholm

Independent Auditor's Report

To the shareholders of AF A/S

Opinion

We have audited the financial statements of AF 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 our auditor's report under "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' 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 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 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 the Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 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

AF A/S

Company details

Company	AF A/S Sønderhøj 14, 8260 Viby J
CVR No.	49649428
Registered office	Aarhus
Board of directors	Peder Tuborgh, Chairman John Duus Andresen Torben Dahl Nyholm
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 acts as a holding-company for a couple of the Arla Food Group companies. Except from this, the company has no business activities.

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 -1.035 and the Balance Sheet at 31 December 2020 a balance sheet total of kDKK 611.004 and an equity of kDKK 570.782. The profit before tax and income from investments in subsidiaries of -493 kDKK 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 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 profit before tax and income from investments in subsidiaries is expected to fall within a range of -1 to 0 mDKK for the coming year.

Key Figures and Financial Ratios

The development in the Company's key figures and financial ratios can be described as follows:

Numbers below appear in DKK thousands

	2020	2019	2018	2017	2016
Operating profit	-25	-26	-169	-175	-4.386
Financial income/costs, net	-1.115	-36.587	-14.164	82.469	944.172
Profit/loss for the year	-1.035	-36.798	-12.043	83.268	948.163
Total assets	611.004	632.058	698.414	1.344	2.050.201
Total equity	570.782	595.250	666.433	679	1.364.900
Return on equity (%)	-0,18	-6,02	-1,79	8,15	102,16
Return on capital employed (%)	0	0	0	0	-0,25
Solvency ratio (%)	93,42	94,17	95,42	50,53	66,59

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

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

Return on capital employed (%) = Operating profit X 100 / Avg. assets

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

Accounting Policies

Reporting Class

The Annual Report of AF 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.

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.

Income Statement

Other external costs

Other external costs include costs for management and administration.

Income from investments in subsidiaries

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 consist of interests and are recognised in the Income Statement based on the amounts that concern the financial year.

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 entities are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish entities in relation to their taxable income (full distribution).

Accounting Policies

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries 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.

Equity

The accumulated fair value adjustment under investment in subsidiaries are showed as a "reserve for net revaluation according to equity method" under equity. The reserve is reduced with dividends from subsidiaries and is adjusted with other equity movements in the subsidiaries.

Current tax receivable

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

Liabilities are measured at amortised cost.

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
Other external costs		-25	-26
Gross profit/loss		-25	-26
Income from investments in subsidiaries		-647	-36.239
Financial costs	1	-468	-348
Profit/loss before tax		-1.140	-36.613
Tax	2	105	-185
Profit/loss for the year		-1.035	-36.798
Proposed distribution of results	3		
Reserve for net revaluation according to equity method		-647	-36.239
Retained earnings		-388	-559
Distribution of profit		-1.035	-36.798

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Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Assets			
Investments in subsidiaries	4, 5	610.896	631.976
Investments		610.896	631.976
Non-current assets		610.896	631.976
Current tax		108	82
Receivables		108	82
Current assets		108	82
Assets		611.004	632.058

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Balance Sheet as of 31 December

	Note	2020 kDKK	2019 kDKK
Liabilities and equity			
Contributed capital		20.000	20.000
Reserve for net revaluation according to equity method		364.157	388.237
Retained earnings		186.625	187.013
Equity		570.782	595.250
Payables to group companies		40.222	36.808
Long-term liabilities		40.222	36.808
Liabilities		40.222	36.808
Liabilities and equity		611.004	632.058
Contingent liabilities	6		
Deferred tax assets and liabilities	7		
Related parties	8		

Statement of changes in Equity

kDKK

	Contributed capital	Reserve for net re- valuation ac- cording to equity method	Retained earnings	Total
Equity 1 January 2020	20.000	388.237	187.013	595.250
Net adjustments of hedging instruments	0	-19.755	0	-19.755
Tax on hedge instruments	0	4.346	0	4.346
Profit (loss)	0	-647	-388	-1.035
Adjustment to tax instrument on hedging instruments previous years	0	-8.024	0	-8.024
Equity 31 December 2020	20.000	364.157	186.625	570.782

The Company's share capital is kDKK 20,000 divided into shares of kDKK 1 or any multiple thereof.

The share capital has remained unchanged for the last 5 years.

Notes

	2020 kDKK	2019 kDKK
1. Financial costs		
Financial costs regarding group companies	468	348
	468	348
2. Tax		
Current income tax	-108	-82
Adjustment of current income tax of previous years	3	267
	-105	185
3. Distribution of profit		
Reserve for net revaluation according to equity method	-647	-36.239
Retained earnings	-388	-559
	-1.035	-36.798
4. Investments in subsidiaries		
Cost at the beginning of the year	127.731	122.731
Addition during the year	3.000	5.000
Cost at the end of the year	130.731	127.731
Value adjustments at the beginning of the year	504.245	574.869
Adjustment of hedge instruments	-23.433	-34.385
Profit for the year	-647	-36.239
Value adjustments at the end of the year	480.165	504.245
Carrying amount at the end of the year	610.896	631.976

5. Disclosure of investments in subsidiaries*Subsidiaries*

Name	Registered office	Share held in %
Arla Foods Finance A/S	Aarhus	100,00
- Kingdom Foods Products ApS	Aarhus	100,00
- Ejendomsanpartsselskabet St.	Aarhus	100,00
Arla Foods Trading A/S	Aarhus	100,00
Arla Insurance Company Ltd.	Guernsey	100,00
Arla Foods Energy A/S	Aarhus	100,00

Notes

6. 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.

7. Deferred tax assets and liabilities

At 31.12.2020 the company has a unrecognised tax asset of kDKK 4.186 due to uncertainty about when it can be used.

8. Related parties

AF A/S related parties are the company's management and other companies in the Arla Foods Group.

Group annual report:

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 a.m.b.a, CVR No. 25313763. The consolidated financial statements are available at the following address: Arla Foods Amba, Sønderhøj 14, 8260 Viby J.

The company's transactions with related parties:

Other group companies	2020	2019
	kDKK	kDKK
Interest on intercompany loans	468	348
Payables to group companies	40.222	36.808
Parent company		
Other internal cost recharges	25	25