

# **Arla Foods Finance A/S**

Sønderhøj 14

8260 Viby J

CVR No. 89622816

## **Annual Report 2023**

The Annual Report was presented and approved at the Annual General Meeting of the Company on 6 June 2024

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Jesper Blauenfeldt  
Chairman

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## **Management's Statement**

Today, Management has considered and approved the Annual Report of Arla Foods Finance A/S for the financial year 1 January 2023 - 31 December 2023.

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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

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, 6 June 2024

### **Executive Board**

Jesper Mellemkjær

### **Board of Directors**

Peder Tuborgh  
Chairman

John Duus Andresen

Torben Dahl Nyholm

## Independent auditor's report

To the shareholders of Arla Foods Finance A/S

### Opinion

We have audited the financial statements of Arla Foods Finance A/S for the financial year 1 January 2023 - 31 December 2023, 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 2023 and of the results of its operations for the financial year 1 January 2023 - 31 December 2023 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 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 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 suspend 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 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 Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 6 June 2024

### **EY Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Jan Krarup Mortensen  
State Authorised Public Accountant  
mne40030

## Arla Foods Finance A/S

### Company details

<b>Company</b>	Arla Foods Finance A/S Sønderhøj 14 8260 Viby J
CVR No.	89622816
<b>Board of Directors</b>	Peder Tuborgh John Duus Andresen Torben Dahl Nyholm
<b>Executive Board</b>	Jesper Mellemkjær
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

## Management's Review

### The Company's principal activities

The Group's overall liquidity and currency management is handled via Arla Foods Finance A/S. In addition, hedging transactions relating to interest rates, currency and commodities are also placed in the Company.

The objective of the Company is to reduce the Group's funding cost in the form of interest and fees by consolidating the Group's credit lines. Furthermore, cash management and internal group netting creates cost effective transactions, scale and optimised liquidity management.

The company is also engaged in small-scale financial investments.

### Development in activities and the financial situation

The Company's Income Statement of the financial year 1 January 2023 - 31 December 2023 shows a result of kDKK 4.160 and the Balance Sheet at 31 December 2023 a balance sheet total of kDKK 11.196.901 and an equity of kDKK 523.533. The profit before tax and unrealised fair value adjustments amounts to mDKK 22 which is higher than expected for the year, which was in the range of mDKK 4-9. The higher than expected result is mainly driven by higher interest rates in the market, resulting in increased interest income on the Company's interest-bearing liquidity.

### Risks

The risks related to the principal activities placed in the Company are borne by the Group companies making use of the said activities as all financial effects related hereto are passed in to the relevant Group companies.

### Expectations for the future

The Company expects a profit before tax and unrealised fair value adjustments in the range of mDKK 20 and 30 for the coming year.

### 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.

## Key Figures and Financial Ratios

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

### kDKK

	2023	2022	2021	2020	2019
Net financial income and costs	23.400	10.750	-6.290	9.169	-30.450
Profit for the year	4.160	-12.796	-19.493	-2.553	-26.740
Total assets	11.196.901	12.496.011	12.520.953	12.850.144	13.633.906
Total equity	523.533	519.393	555.073	383.715	409.701
Return on equity (ROE) (%)	0,8	-2,38	-4,15	-0,64	-6,07
Solvency ratio (%)	4,68	4,16	4,43	2,99	3,01

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

Solvency ratio (%):

Total equity X 100 / Total equity and liabilities



## **Accounting Policies**

### **Reporting Class**

The annual report of Arla Foods Finance A/S for 2023 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 decided not to include an cash flow statement due to Danish Financial Statements Act §86 (4). The Company's cash flows are included in the consolidated cash flows for the parent company Arla Foods a.m.b.a.

The accounting policies applied remain unchanged from last year.

### **Consolidated Financial Statements**

With reference to § 112 (1) 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 costs.

### **Derivative financial instruments**

Derivative financial instruments are measured at cost and subsequently at fair value at initial recognition in the balance sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

If the forecast transaction results in income or costs, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged items affects the income statement.

Changes in the fair value of derivative financial instruments classified as and fulfilling the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with any changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments classified as and fulfilling the conditions for hedging future assets and liabilities are recognised directly in equity. When the hedged transaction are realised, the accumulated gain or loss is recognised as part of cost of the relevant items.

For derivative financial instruments that do not fulfil the conditions for treatment as hedging instruments, changes in the fair value will continuously be recognised in the income statement.

## **Income statement**

### **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 expenses, realised and unrealised capital gains and losses regarding securities, transactions in foreign currencies, and surcharges and allowances under the tax prepayment scheme.

### **Other operating income**

Other operating income comprises items of a secondary nature to the activities of the enterprise.

## **Accounting Policies**

### **Other external costs**

Other external expenses include costs regarding 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 amortization of consolidated goodwill.

### **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**

Equity investments in subsidiaries are measured according to the equity method, which is considered a measurement method.

Investments in subsidiaries are measured in the balance sheet at the proportionate share of the equity value of the subsidiary, 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 amortized 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.

### **Other receivables**

Other receivables mainly consists of derivative financial instruments. Derivative financial instruments are recognised from the trade date and measured in the financial statement at fair value. Positive and negative fair values of derivative financial instruments are recognised in the balance sheet. Changes in the fair value of derivative financial instruments which meet the criteria for hedging the fair value of recognised assets and liabilities, are recognised alongside changes in the value of the hedged asset or the hedged liability for the portion that is hedged. Changes in the fair value of derivative financial instruments, that are classified as hedges of future cash flows and effectively hedge changes in future cash flows, are recognised in equity as a reserve for hedging transactions, until the hedged cash flows impact the income statement. For derivative financial instruments that do not meet the criteria for classification as hedging instruments, changes in fair value are recognised as they occur in the income statement, under financial income and costs.

### **Other securities and equity investments recognised in current assets**

Securities are measured at fair value at the balance sheet date. Other short-term investments are measured at estimated fair value.

## **Accounting Policies**

### **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.

### **Equity**

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

### **Deferred tax**

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

### **Current tax assets and liabilities**

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

### **Liabilities**

Financial liabilities such as bond issue, mortgage loans and loans from credit institutions are recognised initially at the proceeds received net of transactions expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, so that the difference between proceeds and the nominal value is recognised in the Income Statement as interest costs over the life of the financial instrument.

Other liabilities comprising, trade payables, other payables and deposits, are measured at amortised cost, which usually corresponds to the nominal value.

## Arla Foods Finance A/S

### Income Statement

	Note	2023 kDKK	2022 kDKK
Financial income	1	576.287	237.826
Other operating income		3.739	0
Financial costs	2	-552.887	-227.076
Other external costs		-4.070	-7.735
<b>Gross profit/loss</b>		<b>23.069</b>	<b>3.015</b>
Income from investments in subsidiaries		-660	-356
<b>Profit/loss before tax</b>		<b>22.409</b>	<b>2.659</b>
Tax	3	-18.249	-15.455
<b>Profit/loss for the year</b>		<b>4.160</b>	<b>-12.796</b>
<b>Proposed distribution of results</b>	4		
Retained earnings		4.160	-12.796
<b>Distribution of profit/loss</b>		<b>4.160</b>	<b>-12.796</b>

## Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
<b>Assets</b>			
Investments in subsidiaries	5, 6	5.982	6.642
Long-term receivables from group companies		0	978.730
<b>Investments</b>		<b>5.982</b>	<b>985.372</b>
<b>Non-current assets</b>			
		<b>5.982</b>	<b>985.372</b>
Receivables from group companies		9.112.401	9.260.333
Current tax		0	13.033
Other receivables		263.390	525.251
<b>Receivables</b>		<b>9.375.791</b>	<b>9.798.617</b>
Securities and other investments	7	1.669.224	1.701.952
<b>Current investments</b>		<b>1.669.224</b>	<b>1.701.952</b>
<b>Cash and cash equivalents</b>		<b>145.904</b>	<b>10.070</b>
<b>Current assets</b>		<b>11.190.919</b>	<b>11.510.639</b>
<b>Assets</b>		<b>11.196.901</b>	<b>12.496.011</b>

## Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
<b>Liabilities and equity</b>			
Contributed capital		1.000	1.000
Retained earnings		522.533	518.393
<b>Equity</b>		<b>523.533</b>	<b>519.393</b>
Deferred tax		0	1.712
<b>Provisions</b>		<b>0</b>	<b>1.712</b>
Loans from credit institutions etc.	9	0	1.115.460
Loans related to issuance of bonds	9	0	987.464
<b>Long-term liabilities</b>		<b>0</b>	<b>2.102.924</b>
Loans from credit institutions etc.	9	1.574.542	2.420.827
Loans related to issuance of bonds	9	1.711.640	1.642.987
Trade payables		39	101
Payables to group companies	8	7.159.711	5.165.857
Current tax		8.048	0
Other payables		204.388	627.210
Deposits		15.000	15.000
<b>Short-term liabilities</b>		<b>10.673.368</b>	<b>9.871.982</b>
<b>Liabilities</b>		<b>10.673.368</b>	<b>11.974.906</b>
<b>Liabilities, provisions and equity</b>		<b>11.196.901</b>	<b>12.496.011</b>
Contingent assets	10		
Contingent liabilities	11		
Scope and nature of derivative financial instruments	12		
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## Statement of changes in Equity

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Total</b>
Equity 1 January 2023	1.000	518.373	519.373
Profit (loss)	0	4.160	4.160
<b>Equity 31 December 2023</b>	<b>1.000</b>	<b>522.533</b>	<b>523.533</b>

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

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

## Notes

	<b>2023</b>	<b>2022</b>		
	<b>kDKK</b>	<b>kDKK</b>		
<b>1. Financial income</b>				
Financial income from group companies	492.831	223.283		
Other financial income	83.456	14.543		
	<b>576.287</b>	<b>237.826</b>		
<b>2. Financial costs</b>				
Financial costs to group companies	242.664	87.366		
Other financial costs	310.223	139.710		
	<b>552.887</b>	<b>227.076</b>		
<b>3. Tax</b>				
Current income tax	11.579	-4.739		
Adjustment current tax of previous years	8.382	18.482		
Change in deferred tax	-1.712	1.712		
	<b>18.249</b>	<b>15.455</b>		
<b>4. Distribution of profit</b>				
Retained earnings	4.160	-12.796		
	<b>4.160</b>	<b>-12.796</b>		
<b>5. Investments in subsidiaries</b>				
Cost at the beginning of the year	21.810	21.810		
<b>Cost at the end of the year</b>	<b>21.810</b>	<b>21.810</b>		
Fair value adjustments at the beginning of the year	-15.168	-14.812		
Adjustments for the year	-660	-356		
<b>Fair value adjustments at the end of the year</b>	<b>-15.828</b>	<b>-15.168</b>		
<b>Carrying amount at the end of the year</b>	<b>5.982</b>	<b>6.642</b>		
<b>6. Disclosure of investments in subsidiaries</b>				
Name	Registered office	Share held in %	Equity	Profit
Kingdom Food Products ApS	Aarhus	100,00	690	37
Ejendomsanpartsselskabet st. Ravnsbjerg	Aarhus	100,00	5.292	-697
			<b>5.982</b>	<b>-660</b>



## Notes

### 7. Securities and other short-term investments

The Company has repurchase agreements collateralised by bonds with a carrying amount of DKK 1.627 million at 31 December 2023 against DKK 1.669 million at 31 December 2022. The repurchase financing is disclosed as loans.

Other minor securities and short term investments amounting to DKK 42 million at 31 December 2023 against DKK 33 million at 31 December 2022 are also held by the company.

### 8. Receivables/debt from/to group companies

Arla Foods Finance A/S, a subsidiary within the Arla Foods Group, maintains ownership and management of the centralized cash-pooling arrangement used by the Group. As the primary account holder, the company oversees and facilitates the management of liquidity through a cash pooling system with the banks of Nordea, Danske Bank, SEB and HSBC.

The cash pooling agreement permits the mutual offsetting of withdrawals and deposits made by participating entities within the Group. This arrangement ensures that only the net balance of all pooled accounts is reflected in the financial statements of Arla Foods Finance A/S. The netting process effectively consolidates the cash resources of the Group, optimizing cash management and improving overall liquidity management.

As of December 31, 2023, the amount recognized as receivables from group companies under the cash pool agreement is reported at 9.112.401 thousand DKK. For comparative purposes, the corresponding figure as of December 31, 2022, was 9.260.333 thousand DKK.

As of December 31, 2023, the amount recognized as payables to group companies under the cash pool agreement is reported at 7.159.711 thousand DKK. For comparative purposes, the corresponding figure as of December 31, 2022, was 5.165.857 thousand DKK.

### 9. Bond issue

	Due after 1 year kDKK	Due within 1 year kDKK	Due after 5 years kDKK
Loans related to issuance of bonds	0	1.711.640	0
Loans from credit institutions etc.	0	1.720.627	0
	<b>0</b>	<b>3.432.267</b>	<b>0</b>

### 10. Contingent assets

Per 31 December 2023 the Company has a deferred tax asset amounting to kDKK 4.640 which is not recognised in the balance sheet due to uncertainties of the time of use.

### 11. Contingent liabilities

Per 31 December 2023 the Company has warranties amounting to DKK 14 million (2022: 16 mDKK).

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.

## Notes

### 12. Scope and nature of derivative financial instruments

After termination of interest rate swaps related to hedging in 2022, the reserve for interest hedging instruments recognized in equity remained at 0 mDKK as of 31 December 2023.

The Company has entered into interest rate swaps to hedge fair value risk on bond issue. The nominal value amounts to 506 mDKK and the market value amounts to 4,8 mDKK as of 31 December 2023.

Furthermore, the Company has entered into FX swaps and cross currency swaps to hedge currency risk on the bond issue, loans and internal receivables and payables. The market value amounts to 88 mDKK per 31 December 2023.

### 13. Related parties

Related to Arla Foods Finance A/S are the Company's Management and companies within the Arla Foods Group.

The Company is a wholly-owned subsidiary of AF A/S, Viby J, and is included in the consolidated financial statements of Arla Foods amba, CVR No. 25313763. The consolidated financial statements are available at the following address: Arla Foods amba, Sønderhøj 14, 8260 Viby J

Arla Foods Finance A/S has been engaged in transactions with enterprises in the Arla Foods Group participating in the Group cash pool setup.

<b>Parent company</b>	<b>2023</b>	<b>2022</b>
	<b>kDKK</b>	<b>kDKK</b>
Financial income from parent company	237.329	0
Financial costs to parent company	0	272.614
Receivables from parent company	6.141.877	5.856.582
Payables to parent company	16.673	205.340
<b>Other group companies</b>		
Financial income from group companies	255.502	5.384
Financial costs to group companies	242.664	511.749
Receivables from group companies	2.970.523	4.382.484
Payables to group companies	7.143.038	4.960.517

### 14. Events after the balance sheet date

After the end of the financial year, no events have occurred which may change the financial position of the entity substantially.