



PARENT

# FINANCIAL STATEMENTS

2023

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# MANAGEMENT REVIEW

Under section 149 of the Danish Financial Statements Act, the consolidated financial statements of Arla Foods (also referred to as the 'group') represent an extract of Arla's complete annual report. This annual report of the parent company is an integrated part of the full annual report, which contains the statement from the Board of Directors and the Executive Board as well as the independent auditor's report.

The financial statements for the parent company show the financial position, result and cash flow of Arla Foods amba on a stand-alone basis for the financial year 1 January to 31 December 2023.

## Principal activities

Arla Foods amba conducts dairy activities in Denmark and purchases milk from the company's farmer owners in seven member countries. Milk collected outside of Denmark is resold to foreign subsidiaries in the group. This structure ensures that all owners receive milk

payments in compliance with common guidelines and exercise influence according to the owner democracy, including elections of the Board of Representatives and the Board of Directors, in accordance with the Articles of Association. For more details, refer to the governance section in the management review of the group annual report.

Arla Foods amba operates as the head office for the group, in addition to conducting its primary dairy activities.

## Performance

The milk price delivered to our farmer owners decreased by 17% resulting in a performance price of 47.0 EUR-cent/kg owner milk (2022: 55.1 EUR-cent/kg). Revenue decreased by 5% to EUR 9,942 million (2022: EUR 10,479 million). EBIT amounted to EUR 115 million (2022: EUR 30 million).

Within EBIT there has been an increase in gross profit, offset by an increase in

sales, distribution and administration costs. Additionally, there was an increase in other operating income, along with a decrease in other operating costs related to hedging instruments.

In 2023, the parent company incurred a loss due to impairment on investment in subsidiaries. The loss incurred amounted to EUR 13 million related to a minor number of subsidiaries, compared to a loss of EUR 32 million last year. This had no impact on group results or milk price paid to farmer owners.

Financial income increased by EUR 52 million, driven by foreign exchange rate gains and higher dividends received from subsidiaries and associates. Financial costs increased by EUR 119 million, due to interest on financial instruments and lease liabilities, foreign exchange losses and fair value adjustments.

Profit for the year amounted to EUR 227 million (2022: EUR 189 million), which is exceeding our expectations, mainly due to the development in hedging instruments and received dividends. Due to the cooperative setup the result for the parent company is dependent on the prepaid milk price and the performance of the group. For 2024, the company anticipates a result in the interval EUR 210 million to EUR 250 million, depending on the development of results in other group companies.

## Corporate Social Responsibility

For information on Corporate Social Responsibility in accordance with section 99a of the Danish Financial Statements Act, please refer to the Sustainability Statements in the Management Review of the group annual report.

## Diversity of the Board of Directors and management

This report includes our statutory statement for Arla Foods amba in compliance with section 99b of the Danish Financial Statements Act, regarding diversity of the board of directors and management.

Gender diversity initiatives are managed at the Arla Foods Group level, where targets have been set and are monitored.

To comply with regulatory requirements, gender diversity reporting is conducted based on the registered BoD and management of Arla Foods amba. The registered management is considered as the first level of management aligned with the regulatory definition and Arla Foods amba does not have a second management level. The registered management consists of two persons, which of both are male. Because the registered management consist of less than 3 members, no gender diversity target is set for other management.

Gender diversity refers to the proportion of women in relation to total headcount. The measurement of gender diversity

both in the registered BoD and registered management is based on headcounts as of 31 December 2023.

In the end of 2023, the registered BoD of Arla Foods amba consisted of 16 members, which of 12 are male.

In Arla, we believe that a diverse team brings together a wealth of perspectives, ideas, and experiences, which ultimately drives innovation, sustainable growth and better performance. To promote diversity within our Board of Directors, diversity and inclusion is included in presentations to the Board of Representatives as the Board of Representatives is responsible for electing the Board of Directors. Moreover, we recognize the importance of gender diversity across various levels of management. To address this, Arla has implemented onboarding sessions and leadership

## Gender diversity on Board of Directors

	2023
Number of elected members <sup>1)</sup>	16
Underrepresented gender (%)	25%
Target (%) <sup>2)</sup>	30%
Target year of fulfillment <sup>2)</sup>	2026

## Gender diversity on Management

Number of members	2
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<sup>1)</sup> As per section 99b of the Danish Financial Statements Act, only elected members are included in this number. The total number of BoD members is 19.

<sup>2)</sup> Gender diversity initiatives are managed at the Arla Foods Group level and the targets are set and monitored on Group level.

<sup>2)</sup> The gender diversity target in BoD was updated in 2023. The previous target of 25% was achieved on Group level in 2023.

trainings focused on diversity and inclusion. These initiatives aim to raise awareness about subconscious biases.

## Data Ethics

For information on Data Ethics in accordance with section 99d of the Danish Financial Statements Act, please refer to the Sustainability Statements in the Management Review of the group annual report.

## INCOME STATEMENT

(EUR million)	Note	2023	2022
Revenue	1.1	9,942	10,479
Production costs	1.2	-9,037	-9,628
<b>Gross profit</b>		<b>905</b>	<b>851</b>
Sales and distribution costs	1.2	-563	-501
Administration costs	1.2	-248	-255
Other operating income	1.3	122	85
Other operating costs	1.3	-101	-150
<b>Earnings before interest and tax (EBIT)</b>		<b>115</b>	<b>30</b>
Impairments and reversal of impairments in subsidiaries	3.3	-13	-32
Financial income	4.2	312	260
Financial costs	4.2	-178	-59
<b>Profit before tax</b>		<b>236</b>	<b>199</b>
Tax	5.1	-9	-10
<b>Profit for the year</b>		<b>227</b>	<b>189</b>

## COMPREHENSIVE INCOME

(EUR million)	Note	2023	2022
<b>Profit for the year</b>		<b>227</b>	<b>189</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to the income statement:</b>			
Value adjustments of hedging instruments		-64	96
Adjustments related to foreign currency translation		-2	-2
<b>Other comprehensive income, net of tax</b>		<b>-66</b>	<b>94</b>
<b>Total comprehensive income</b>		<b>161</b>	<b>283</b>

## PROFIT APPROPRIATION

(EUR million)	2023	2022
Profit for the year	227	189
<b>Profit appropriation:</b>		
Supplementary payment for milk	252	260
Interest on contributed individual capital	18	9
<b>Total supplementary payment</b>	<b>270</b>	<b>269</b>
<b>Transferred to equity:</b>		
Capital account	-119	-147
Reserve for special purposes	69	74
Contributed individual capital	41	39
Reserve for development costs	-34	-46
<b>Total transferred to equity</b>	<b>-43</b>	<b>-80</b>
<b>Appropriated profit</b>	<b>227</b>	<b>189</b>

**BALANCE SHEET**

(EUR million)	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets and goodwill	3.1	293	286
Property, plant, equipment and right of use assets	3.2	1.002	965
Investments in subsidiaries	3.3	1.370	1.280
Investments in associates	3.3	246	247
Subordinated loans to subsidiaries	3.3	429	432
Other non-current assets		3	3
<b>Total non-current assets</b>		<b>3.343</b>	<b>3.213</b>
<b>Current assets</b>			
Inventory	2.1	399	521
Trade receivables	2.1	242	337
Amounts owed by subsidiaries	2.1	972	863
Amounts owed by associates	2.1	5	3
Derivatives	4.5	106	200
Other receivables		75	97
Securities	4.3	144	155
Cash and cash equivalents	4.3	5	1
<b>Total current assets</b>		<b>1.948</b>	<b>2.177</b>
<b>Total assets</b>		<b>5.291</b>	<b>5.390</b>

(EUR million)	Note	2023	2022
<b>Equity and liabilities</b>			
<b>Equity</b>			
Common capital		1.201	1.245
Individual capital		557	540
Other equity accounts		13	113
Supplementary payment to owners		207	208
<b>Total equity</b>		<b>1.978</b>	<b>2.106</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	4.3	1.248	1.142
<b>Total non-current liabilities</b>		<b>1.248</b>	<b>1.142</b>
<b>Current liabilities</b>			
Loans	4.3	263	177
Trade and other payables	2.1	675	780
Amounts owed to subsidiaries		1.005	1.060
Derivatives	4.5	27	29
Other current liabilities		95	96
<b>Total current liabilities</b>		<b>2.065</b>	<b>2.142</b>
<b>Total liabilities</b>		<b>3.313</b>	<b>3.284</b>
<b>Total equity and liabilities</b>		<b>5.291</b>	<b>5.390</b>

**EQUITY**

(EUR million)	Common capital*			Individual capital				Other equity accounts			Supplementary payment		Total Equity
	Capital account	Reserve for special purposes	Total	Contributed individual capital	Delivery-based owner certificates	Injected individual capital	Total	Reserve for value adjustment of hedging instruments	Reserve for foreign exchange adjustments	Reserve for development costs	Total	Total	
<b>Equity at 1 January 2023</b>	-2	1.247	1.245	348	55	137	540	74	-14	53	113	208	2.106
<b>Profit for the year</b>	-119	69	-50	41	-	-	41	-	-	-34	-34	270	227
Other comprehensive income	-	-	-	-	-	-	-	-64	-2	-	-66	-	-66
<b>Total comprehensive income</b>	-119	69	-50	41	-	-	41	-64	-2	-34	-100	270	161
Transactions with owners	1	-	1	-17	-4	-5	-26	-	-	-	-	-	-25
Half-year supplementary payment	-	-	-	-	-	-	-	-	-	-	-	-63	-63
Supplementary payment regarding 2022	-	-	-	-	-	-	-	-	-	-	-	-201	-201
Foreign currency translation adjustments	5	-	5	-	-	2	2	-	-	-	-	-7	-
<b>Total transactions with owners</b>	6	-	6	-17	-4	-3	-24	-	-	-	-	-271	-289
<b>Equity at 31 December 2023</b>	-115	1.316	1.201	372	51	134	557	10	-16	19	13	207	1.978
<b>Equity at 1 January 2022</b>	130	1.173	1.303	334	61	147	542	-22	-12	99	65	207	2.117
<b>Profit for the year</b>	-147	74	-73	39	-	-	39	-	-	-46	-46	269	189
Other comprehensive income	-	-	-	-	-	-	-	96	-2	-	94	-	94
<b>Total comprehensive income</b>	-147	74	-73	39	-	-	39	96	-2	-46	48	269	283
Transactions with owners	2	-	2	-15	-5	-4	-24	-	-	-	-	-	-22
Half-year supplementary payment	-	-	-	-	-	-	-	-	-	-	-	-61	-61
Supplementary payment regarding 2021	-	-	-	-	-	-	-	-	-	-	-	-211	-211
Foreign currency translation adjustments	13	-	13	-10	-1	-6	-17	-	-	-	-	4	-
<b>Total transactions with owners</b>	15	-	15	-25	-6	-10	-41	-	-	-	-	-268	-294
<b>Equity at 31 December 2022</b>	-2	1.247	1.245	348	55	137	540	74	-14	53	113	208	2.106

\* Common capital consist of the capital account and reserve for special purposes, amounting to EUR 1.201 million in 2023 (2022: EUR 1.245 million).

Refer to comments to the equity statement in the group consolidated financial statements for an explanation of the characteristics of each equity account, except "Reserve for development costs" which is explained in Note 5.5.

**CASH FLOW**

(EUR million)	Note	2023	2022
EBITDA		298	206
Reversal of other operating items without cash impact		31	-53
Change in net working capital	2.1	-49	-268
Change in other receivables and other current liabilities		34	-37
Dividends received from subsidiaries and associates	4.2	179	135
Interest paid		-52	-19
Interest received		9	60
Taxes paid		-9	-11
<b>Cash flow from operating activities</b>		<b>441</b>	<b>13</b>
Investment in intangible fixed assets	3.1	-62	-73
Investment in property, plant and equipment	3.2	-152	-125
Sale of property, plant and equipment		1	2
Operating investing activities		-213	-196
Sale of financial assets	4.3.c	8	11
Acquisition of subsidiaries		-105	-3
Subordinated lending	4.3.c	6	-46
Financial investing activities		-91	-38
<b>Cash flow from investing activities</b>		<b>-304</b>	<b>-234</b>

(EUR million)	Note	2023	2022
Half-year supplementary payment		-63	-61
Supplementary payment regarding 2022		-201	-211
Transactions with owners		-25	-24
New loans obtained	4.3.c	522	497
Other changes in loans	4.3.c	-347	37
Payment of lease debt	4.3.c	-19	-17
<b>Cash flow from financing activities</b>		<b>-133</b>	<b>221</b>
<b>Net cash flow</b>		<b>4</b>	<b>-</b>
Cash and cash equivalents at 1 January		1	1
Net cash flow for the period		4	-
Exchange rate adjustment of cash funds		-	-
<b>Cash and cash equivalents at 31 December</b>		<b>5</b>	<b>1</b>
Cash flow from operating activities		441	13
Cash flow from operating investing activities		-213	-196
<b>Free operating cash flow</b>		<b>228</b>	<b>-183</b>
Cash flow from operating activities		441	13
Cash flow from investing activities		-304	-234
<b>Free cash flow</b>		<b>137</b>	<b>-221</b>

# NOTE 1.

## REVENUE AND COSTS

### 1.1 REVENUE

**Table 1.1 - Revenue split by category**

(EUR million)	Internal sales of goods	External sales of goods	Total revenue
<b>2023</b>			
Raw milk	3.647	116	3.763
Milk, yoghurt, powder and cooking	511	1.052	1.563
Cheese	1.150	988	2.138
Butter, spreads and margarine	1.053	494	1.547
Other	95	836	931
<b>Total</b>	<b>6.456</b>	<b>3.486</b>	<b>9.942</b>
<b>2022</b>			
Raw milk	4.236	152	4.388
Milk, yoghurt, powder and cooking	525	1.002	1.527
Cheese	1.080	1.042	2.122
Butter, spreads and margarine	1.019	394	1.413
Other	90	939	1.029
<b>Total</b>	<b>6.950</b>	<b>3.529</b>	<b>10.479</b>

### 1.2 OPERATIONAL COSTS

**Table 1.2.a Operational costs split by function and type**

(EUR million)	2023	2022
Production costs	9.037	9.628
Sales and distribution costs*	563	501
Administration costs	248	255
<b>Total</b>	<b>9.848</b>	<b>10.384</b>
<b>Specification:</b>		
Weighed-in raw milk	5.757	6.660
Other production materials**	2.535	2.263
Staff costs	543	509
Transportation costs	257	252
Marketing costs	80	81
Depreciation, amortisation and impairment	184	175
Other costs***	492	444
<b>Total</b>	<b>9.848</b>	<b>10.384</b>

\*Research and development costs are included in sales and distribution costs and amounts to EUR 50 million, compared to EUR 48 million last year.

\*\*Other production materials includes packaging, additives, consumables, variable energy and changes in inventory.

\*\*\*Other costs mainly includes maintenance, utilities and IT.



## 1.2 OPERATIONAL COSTS (CONTINUED)

**Table 1.2.b Staff costs**

(EUR million)	2023	2022
Wages, salaries and remuneration	506	466
Pensions	36	41
Other social security costs	1	2
<b>Total</b>	<b>543</b>	<b>509</b>
<b>Staff costs relate to:</b>		
Production costs	347	327
Sales and distribution costs	85	76
Administration costs	111	106
<b>Total</b>	<b>543</b>	<b>509</b>
Average number of full-time employees	5.970	5.800

**Table 1.2.c Depreciation, amortisation and impairment**

(EUR million)	2023	2022
Intangible assets, amortisation and impairment	53	50
Property, plant and equipment and RoU assets, depreciation and impairment	131	125
<b>Total</b>	<b>184</b>	<b>175</b>
<b>Depreciation, amortisation and impairment relate to:</b>		
Production costs	120	113
Sales and distribution costs	13	16
Administration costs	51	46
<b>Total</b>	<b>184</b>	<b>175</b>

## 1.3 OTHER OPERATING INCOME AND COSTS

**Table 1.3 Other operating income and costs**

(EUR million)	2023	2022
Income from currency hedging instruments transferred from equity	18	8
Royalty income	87	74
Other income items	17	3
<b>Other operating income</b>	<b>122</b>	<b>85</b>
Cost of currency hedging instruments transferred from equity	15	76
Intercompany service fee	85	70
Other cost items	1	4
<b>Other operating costs</b>	<b>101</b>	<b>150</b>

# NOTE 2.

## NET WORKING CAPITAL

### 2.1 NET WORKING CAPITAL

**Table 2.1.a Net working capital**

(EUR million)	2023	2022
Inventory	399	521
Trade receivables	242	337
Amounts owed by subsidiaries	972	863
Amounts owed by associates	5	3
Trade and other payables	-675	-780
Amounts owed to subsidiaries	-153	-203
<b>Net working capital</b>	<b>790</b>	<b>741</b>

Amounts owed by subsidiaries and amounts owed to subsidiaries are stated excluding interest-bearing items which is included in Note 4.3.

**Table 2.1.b Inventory**

(EUR million)	2023	2022
Inventory before the write-downs	407	531
Write-downs	-8	-10
<b>Total inventory</b>	<b>399</b>	<b>521</b>
Raw materials and consumables	113	138
Work in progress	164	222
Finished goods and goods for resale	122	161
<b>Total inventory</b>	<b>399</b>	<b>521</b>

**Table 2.1.c Trade receivables**

(EUR million)	2023	2022
Trade receivables before provision for expected losses	243	339
Provision for expected losses	-1	-2
<b>Total trade receivables</b>	<b>242</b>	<b>337</b>

# NOTE 3.

## CAPITAL EMPLOYED

### 3.1 INTANGIBLE ASSETS AND GOODWILL

Table 3.1 Intangible assets and goodwill

(EUR million)	Goodwill	Licenses and trademarks	IT and other development projects	Total
<b>2023</b>				
Cost at 1 January	100	28	554	682
Exchange rate adjustments	-3	-	-1	-4
Additions	-	-	62	62
Disposals	-	-	-176	-176
Reclassifications	-	-	-	-
<b>Cost at 31 December</b>	<b>97</b>	<b>28</b>	<b>439</b>	<b>564</b>
Amortisation and impairment at 1 January	-	-15	-381	-396
Exchange rate adjustments	-	-	2	2
Amortisation and impairment for the year	-	-2	-51	-53
Amortisation on disposals	-	-	176	176
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-17</b>	<b>-254</b>	<b>-271</b>
<b>Carrying amount at 31 December</b>	<b>97</b>	<b>11</b>	<b>185</b>	<b>293</b>

(EUR million)	Goodwill	Licenses and trademarks	IT and other development projects	Total
<b>2022</b>				
Cost at 1 January	79	28	482	589
Exchange rate adjustments	5	-	-	5
Additions	16	-	73	89
Disposals	-	-	-5	-5
Reclassifications	-	-	4	4
<b>Cost at 31 December</b>	<b>100</b>	<b>28</b>	<b>554</b>	<b>682</b>
Amortisation and impairment at 1 January	-	-13	-338	-351
Exchange rate adjustments	-	-	-	-
Amortisation and impairment for the year	-	-2	-48	-50
Amortisation on disposals	-	-	5	5
<b>Amortisation and impairment at 31 December</b>	<b>-</b>	<b>-15</b>	<b>-381</b>	<b>-396</b>
<b>Carrying amount at 31 December</b>	<b>100</b>	<b>13</b>	<b>173</b>	<b>286</b>

## 3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

Table 3.2.a Property, plant and equipment

(EUR million)	Land and building	Plant and machinery	Fixture and fitting, tools and equipment	Asset in course of construction	Total
<b>2023</b>					
Cost at 1 January	634	1.609	181	121	2.545
Exchange rate adjustments	-1	-4	-1	-	-6
Additions	12	18	16	124	170
Transferred from assets in course of construction	11	29	6	-46	-
Disposals	-2	-1	-8	-	-11
Reclassification	-	-	-	-	-
<b>Cost at 31 December</b>	<b>654</b>	<b>1.651</b>	<b>194</b>	<b>199</b>	<b>2.698</b>
Depreciation and impairments at 1 January	-322	-1.132	-126	-	-1.580
Exchange rate adjustments	1	3	-	-	4
Depreciation and impairments for the year	-25	-84	-22	-	-131
Depreciation on disposals	2	1	8	-	11
<b>Depreciation and impairment at 31 December</b>	<b>-344</b>	<b>-1.212</b>	<b>-140</b>	<b>-</b>	<b>-1.696</b>
<b>Carrying amount at 31 December</b>	<b>310</b>	<b>439</b>	<b>54</b>	<b>199</b>	<b>1.002</b>
Right of use assets included in the carrying amount 31 December	34	-	20	-	54

(EUR million)	Land and building	Plant and machinery	Fixture and fitting, tools and equipment	Asset in course of construction	Total
<b>2022</b>					
Cost at 1 January	587	1.487	163	188	2.425
Exchange rate adjustments	-	-	-	-	-
Additions	13	44	16	64	137
Transferred from assets in course of construction	35	82	10	-127	-
Disposals	-1	-4	-8	-	-13
Reclassification	-	-	-	-4	-4
<b>Cost at 31 December</b>	<b>634</b>	<b>1.609</b>	<b>181</b>	<b>121</b>	<b>2.545</b>
Depreciation and impairments at 1 January	-302	-1.053	-112	-	-1.467
Exchange rate adjustments	-	-	-	-	-
Depreciation and impairments for the year	-21	-82	-22	-	-125
Depreciation on disposals	1	3	8	-	12
<b>Depreciation and impairment at 31 December</b>	<b>-322</b>	<b>-1.132</b>	<b>-126</b>	<b>-</b>	<b>-1.580</b>
<b>Carrying amount at 31 December</b>	<b>312</b>	<b>477</b>	<b>55</b>	<b>121</b>	<b>965</b>
Right of use assets included in the carrying amount 31 December	35	1	19	-	55

### 3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

**Table 3.2.b Right of use assets**

(EUR million)	RoU Land and building	RoU Plant and machinery	RoU Fixture and fitting, tools and equipment	RoU Assets total
<b>2023</b>				
Carrying amount at 1 January	35	1	19	<b>55</b>
Additions	7	-	11	<b>18</b>
Disposals	-2	-1	-8	<b>-11</b>
Depreciations and impairments for the year	-8	-1	-10	<b>-19</b>
Depreciation on disposals	2	1	8	<b>11</b>
<b>Carrying amount at 31 December</b>	<b>34</b>	<b>-</b>	<b>20</b>	<b>54</b>
<b>2022</b>				
Carrying amount at 1 January	39	1	18	<b>58</b>
Additions	3	1	10	<b>14</b>
Disposals	-1	-1	-8	<b>-10</b>
Depreciations and impairments for the year	-8	-1	-9	<b>-18</b>
Depreciation on disposals	2	1	8	<b>11</b>
<b>Carrying amount at 31 December</b>	<b>35</b>	<b>1</b>	<b>19</b>	<b>55</b>

Total cash outflow from right of use assets amounted to EUR 33 million. This comprised, lease debt payments of EUR 19 million, non-capitalised short-term and low value lease costs of EUR 12 million and interest expenses on lease liabilities of EUR 2 million.

### 3.3 INVESTMENTS AND SUBORDINATED LOANS

**Table 3.3.a Investments and subordinated loans**

(EUR million)	Investments in subsidiaries	Investments in associates	Subordinated loans to subsidiaries
<b>2023</b>			
Cost at 1 January	2.065	246	507
Additions	105	-	13
Disposals	-	-	-19
<b>Cost at 31 December</b>	<b>2.170</b>	<b>246</b>	<b>501</b>
Adjustments at 1 January	-785	1	-75
Exchange rate adjustments	-2	-1	3
Impairments and reversal of impairment in subsidiaries	-13	-	-
<b>Adjustments at 31 December</b>	<b>-800</b>	<b>-</b>	<b>-72</b>
<b>Carrying amount at 31 December</b>	<b>1.370</b>	<b>246</b>	<b>429</b>
<b>2022</b>			
Cost at 1 January	2.062	246	460
Additions	3	-	53
Disposals	-	-	-6
<b>Cost at 31 December</b>	<b>2.065</b>	<b>246</b>	<b>507</b>
Adjustments at 1 January	-752	1	-65
Exchange rate adjustments	-1	-	-10
Impairments and reversal of impairment in subsidiaries	-32	-	-
<b>Adjustments at 31 December</b>	<b>-785</b>	<b>1</b>	<b>-75</b>
<b>Carrying amount at 31 December</b>	<b>1.280</b>	<b>247</b>	<b>432</b>

The parent company has incurred impairments of EUR -17 million related to a minor number of subsidiaries which is partly offset by reversal of impairments from previous years of EUR 4 million. The net impairment on investments is EUR 13 million. This had no impact on group results and the milk price paid to farmer owners.

### 3.3 INVESTMENTS AND SUBORDINATED LOANS (CONTINUED)

**Table 3.3.b Transactions with subsidiaries**  
(EUR million)

	2023	2022
Sale of goods	6.456	6.952
Purchase of goods and services	1.671	1.594
Royalty from subsidiaries	87	74
Interest from subsidiaries	40	68
Interest to subsidiaries	35	8
Dividends from subsidiaries and associates	179	135
Amounts owed to subsidiaries	1.005	1.060
Amounts owed by subsidiaries	972	863

**Transactions with associates**

Refer to Note 3.3 in the group consolidated financial statements.

# NOTE 4. FUNDING

## 4.1 FINANCIAL RISKS

Financial risks are managed by Group Treasury. Refer to Note 4 in the group consolidated financial statements for a description of the objectives, policies and processes for measuring and managing the exposure to financial risks. Specifications relevant to the parent company can be found below.

**Table 4.1.a Liquidity reserves**

(EUR million)	2023	2022
Unutilised committed loan facilities > 1 year	615	475
Unutilised other loan facilities	627	447
<b>Total</b>	<b>1.242</b>	<b>922</b>

**Table 4.1.b Currency exposure**

(EUR million)	Potential accounting impact		
	Sensitivity	Income statement	Other comprehensive income
<b>2023</b>			
EUR/DKK	1.0%	1	-
USD/DKK*	5.0%	-1	-17
GBP/DKK	5.0%	2	-16
SEK/DKK	5.0%	-2	-1
SAR/DKK	5.0%	-	-4
<b>2022</b>			
EUR/DKK	1.0%	3	-
USD/DKK*	5.0%	-3	-27
GBP/DKK	5.0%	-	-17
SEK/DKK	5.0%	2	-3
SAR/DKK	5.0%	2	-5

\* Incl. AED

## 4.1 FINANCIAL RISKS (CONTINUED)

**Table 4.1.c Contractual expected non-discounted cashflow on gross financial liabilities**

(EUR million)	Non-discounted contractual cash flow										
	Carrying amount	Total	2024	2025	2026	2027	2028	2029	2030	2031-2033	After 2033
<b>2023</b>											
Borrowings from subsidiaries	1.005	1.005	1.005	-	-	-	-	-	-	-	-
Bond Issue	407	407	-	109	181	-	118	-	-	-	-
Mortgage credit institutions	256	257	11	59	15	15	15	15	15	45	67
Credit institutions	443	456	251	1	1	101	1	101	1	-	-
Schuldschein	350	351	-	-	201	-	151	-	-	-	-
Lease liabilities	55	55	15	11	9	6	5	9	-	-	-
Other non-current liabilities	10										
Interest expense - interest-bearing debt	-	293	63	57	42	26	17	10	10	30	38
Trade and other payables	675	675	675	-	-	-	-	-	-	-	-
Derivative instruments	27	27	18	3	2	2	1	1	-	-	-
<b>Total</b>	<b>3.228</b>	<b>3.526</b>	<b>2.037</b>	<b>240</b>	<b>451</b>	<b>150</b>	<b>306</b>	<b>136</b>	<b>26</b>	<b>75</b>	<b>105</b>

	Non-discounted contractual cash flow										
	Carrying amount	Total	2023	2024	2025	2026	2027	2028	2029	2030-2032	After 2032
<b>2022</b>											
Borrowing from subsidiaries	1.060	1.060	1.060	-	-	-	-	-	-	-	-
Bond Issue	224	224	-	-	-	179	-	45	-	-	-
Mortgage credit institutions	266	266	11	11	59	15	15	15	15	45	80
Credit institutions	512	512	199	101	210	1	1	-	-	-	-
Lease liabilities	56	56	15	11	8	6	5	2	1	4	4
Other non-current liabilities	17	17	17								
Interest expense - interest-bearing debt	-	189	29	25	24	20	13	8	8	24	38
Trade and other payables	780	780	780	-	-	-	-	-	-	-	-
Derivative instruments	29	38	34	3	1	-	-	-	-	-	-
<b>Total</b>	<b>2.944</b>	<b>3.142</b>	<b>2.145</b>	<b>151</b>	<b>302</b>	<b>221</b>	<b>34</b>	<b>70</b>	<b>24</b>	<b>73</b>	<b>122</b>



## 4.1 FINANCIAL RISKS (CONTINUED)

### Power purchase agreements

Arla has signed power purchase agreements covering 277 GWh, of which 83 GWh went into operation in 2023.

**Table 4.1.d Contracted power purchase agreements**

Country	Annual MWh of energy contracted	Price terms	Average duration	Operating	Objective	Classification
Denmark	276.630	Fixed	10 years	2023	Own use	Executory contracts
<b>Total</b>	<b>276.630</b>					
Type of energy						
Solar	139.530					
Wind	137.100					
<b>Total</b>	<b>276.630</b>					

## 4.2 FINANCIAL ITEMS

**Table 4.2 Financial income and financial costs**  
(EUR million)

	2023	2022
<b>Financial income:</b>		
Interest securities	5	1
Dividends from subsidiaries and associates	179	135
Interest from subsidiaries	40	68
Foreign exchange gains	88	-
Fair value adjustments and other financial income	-	56
<b>Total financial income</b>	<b>312</b>	<b>260</b>
<b>Financial costs:</b>		
Interest on financial instruments and lease liabilities measured at amortised cost	-54	-22
Foreign exchange losses	-44	-14
Interest to subsidiaries	-35	-8
Interest transferred to property, plant and equipment	5	3
Fair value adjustments and other financial costs	-50	-18
<b>Total financial costs</b>	<b>-178</b>	<b>-59</b>
<b>Net financial costs</b>	<b>134</b>	<b>201</b>

## 4.3 NET INTEREST-BEARING DEBT

**Table 4.3.a Net interest-bearing debt**  
(EUR million)

	2023	2022
Long-term borrowings	1.248	1.142
Short-term borrowings	1.125	1.051
Securities, cash and cash equivalents	-149	-156
Subordinated loans to subsidiaries and other interest-bearing assets	-429	-432
<b>Net interest-bearing debt</b>	<b>1.795</b>	<b>1.605</b>

**Table 4.3.b Borrowings**  
(EUR million)

	2023	2022
<b>Long-term borrowings:</b>		
Issued bonds	408	224
Mortgage credit institutions	245	255
Bank borrowings	555	622
Lease liabilities	40	41
<b>Total long-term borrowings</b>	<b>1.248</b>	<b>1.142</b>
<b>Short-term borrowings:</b>		
Current borrowings from subsidiaries	852	857
Mortgage credit institutions	11	11
Bank borrowings	237	151
Lease liabilities	15	15
Other current liabilities	10	17
<b>Total short-term borrowings</b>	<b>1.125</b>	<b>1.051</b>
<b>Total interest-bearing borrowings</b>	<b>2.373</b>	<b>2.193</b>

Amounts owed to subsidiaries are EUR 1,005 million, compared to EUR 1,060 million last year, of which EUR 852 million, versus EUR 857 million last year, were interest-bearing and therefore included in net interest-bearing debt as short-term borrowings.

### 4.3 NET INTEREST-BEARING DEBT (CONTINUED)

**Table 4.3.c Cash flow, net interest-bearing debt**

(EUR million)	Cash flow		Non-cash changes			31 December
	1 January	Included in financing activities	Reclasses	Foreign exchange movements	Fair value changes	
<b>2023</b>						
Long-term borrowings	1.142	199	-119	-1	9	1.248
Short-term borrowings	1.051	-43	119	-2	-	1.125
<b>Total interest-bearing debt</b>	<b>2.193</b>	<b>156</b>	<b>-</b>	<b>-3</b>	<b>9</b>	<b>2.373</b>
Subordinated loans	-432	6	-	-3	-	-429
Amounts owed by subsidiaries	-	-	-	-	-	-
Securities	-155	8	-	-	3	-144
Cash	-1	-4	-	-	-	-5
<b>Net interest-bearing debt</b>	<b>1.605</b>	<b>166</b>	<b>-</b>	<b>-6</b>	<b>12</b>	<b>1.795</b>
<b>2022</b>						
Long-term borrowings	768	385	-17	-8	14	1.142
Short-term borrowings	1.083	-43	17	-6	-	1.051
<b>Total interest-bearing debt</b>	<b>1.851</b>	<b>342</b>	<b>-</b>	<b>-14</b>	<b>14</b>	<b>2.193</b>
Subordinated loans	-395	-46	-	9	-	-432
Amounts owed by subsidiaries	-175	175	-	-	-	-
Securities	-166	11	-	-	-	-155
Cash	-1	-	-	-	-	-1
<b>Net interest-bearing debt</b>	<b>1.114</b>	<b>482</b>	<b>-</b>	<b>-5</b>	<b>14</b>	<b>1.605</b>

**Table 4.3.d Net interest-bearing debt, maturity**

(EUR million)	Total	2024	2025	2026	2027	2028	2029	2030	2031-2033	After 2033
<b>2023</b>										
DKK	891	607	69	23	21	20	25	16	45	67
EUR	674	116	3	203	101	151	100	-	-	-
GBP	-232	-232	-	-	-	-	-	-	-	-
SEK	458	51	109	181	-	118	-	-	-	-
Other	4	4	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.795</b>	<b>546</b>	<b>180</b>	<b>407</b>	<b>122</b>	<b>288</b>	<b>125</b>	<b>16</b>	<b>45</b>	<b>67</b>
	Total	2023	2024	2025	2026	2027	2028	2029	2030-2032	After 2032
<b>2022</b>										
DKK	930	635	20	66	21	20	17	17	50	84
EUR	508	1	303	2	1	101	-	100	-	-
GBP	-208	-208	-	-	-	-	-	-	-	-
SEK	253	29	-	-	179	-	45	-	-	-
Other	122	6	116	-	-	-	-	-	-	-
<b>Total</b>	<b>1.605</b>	<b>463</b>	<b>439</b>	<b>68</b>	<b>201</b>	<b>121</b>	<b>62</b>	<b>117</b>	<b>50</b>	<b>84</b>

## 4.4 DERIVATIVES

Arla uses forward currency contracts to hedge currency risks regarding expected future revenue and costs.

**Table 4.4 Hedging of future cash flow from highly probable forecast transactions**

(EUR million)	Carrying value	Fair value recognised in OCI	Expected recognition in the income statement				
			2024	2025	2026	2027	After 2027
<b>2023</b>							
Currency contracts	8	8	8	-	-	-	-
Interest rate contracts	2	2	1	1	-	-	-
<b>Hedging of future cash flow</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>

(EUR million)	Carrying value	Fair value recognised in OCI	Expected recognition in the income statement				
			2023	2024	2025	2026	After 2026
<b>2022</b>							
Currency contracts	42	42	42	-	-	-	-
Interest rate contracts	30	30	6	5	5	3	11
<b>Hedging of future cash flow</b>	<b>72</b>	<b>72</b>	<b>48</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>11</b>

## 4.5 FINANCIAL INSTRUMENTS

**Table 4.5.a Categories of financial instruments**

(EUR million)	2023	2022
Derivatives	-34	62
Shares	3	3
<b>Financial assets measured at fair value through the income statement</b>	<b>-31</b>	<b>65</b>
Securities	144	155
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>144</b>	<b>155</b>
<b>Derivative assets used as hedging instruments</b>	<b>140</b>	<b>138</b>
Subordinated loans to subsidiaries	429	432
Trade receivables	242	337
Other receivables	75	97
Amounts owed by subsidiaries	972	863
Amounts owed by associates	5	3
Cash	5	1
<b>Financial assets measured at amortised cost</b>	<b>1.728</b>	<b>1.733</b>
Derivatives	-42	28
<b>Financial liabilities measured at fair value through the income statement</b>	<b>-42</b>	<b>28</b>
<b>Derivative liabilities used as hedging instruments</b>	<b>69</b>	<b>1</b>
External long term borrowings*	1.248	1.142
External short term borrowings*	273	194
Trade payables and other payables	675	780
Amounts owed to subsidiaries	1.005	1.060
<b>Financial liabilities measured at amortised cost</b>	<b>3.201</b>	<b>3.176</b>

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying amount.

\*Including lease liabilities

## 4.5 FINANCIAL INSTRUMENTS (CONTINUED)

**Table 4.5.b Fair value hierarchy - carrying amount**

(EUR million)	Level 1	Level 2	Level 3	Total
<b>2023</b>				
<b>Financial assets:</b>				
Bonds	144	-	-	144
Shares	3	-	-	3
Derivatives	-	106	-	106
<b>Total financial assets</b>	<b>147</b>	<b>106</b>	<b>-</b>	<b>253</b>
<b>Financial liabilities:</b>				
Issued bonds	-	408	-	408
Mortgage credit institutions	256	-	-	256
Derivatives	-	27	-	27
<b>Total financial liabilities</b>	<b>256</b>	<b>435</b>	<b>-</b>	<b>691</b>
<b>2022</b>				
<b>Financial assets:</b>				
Bonds	155	-	-	155
Shares	3	-	-	3
Derivatives	-	200	-	200
<b>Total financial assets</b>	<b>158</b>	<b>200</b>	<b>-</b>	<b>358</b>
<b>Financial liabilities:</b>				
Issued bonds	-	224	-	224
Mortgage credit institutions	266	-	-	266
Derivatives	-	29	-	29
<b>Total financial liabilities</b>	<b>266</b>	<b>253</b>	<b>-</b>	<b>519</b>

## 4.6 SALE AND REPURCHASE ARRANGEMENTS

**Table 4.6 Transfer of financial assets**

(EUR million)	Carrying value	Notional amount	Fair value
<b>2023</b>			
Mortgage bonds	144	144	144
Repurchase liability	136	134	136
<b>Net position</b>	<b>8</b>	<b>10</b>	<b>8</b>
<b>2022</b>			
Mortgage bonds	155	152	155
Repurchase liability	150	148	150
<b>Net position</b>	<b>5</b>	<b>4</b>	<b>5</b>

# NOTE 5. OTHER AREAS

## 5.1 TAX

**Table 5.1.a Tax recognised in the income statement**  
(EUR million)

	2023	2022
Tax on taxable equity (cooperative tax)	8	10
Adjustment regarding previous years, actual tax	1	-
<b>Total tax in the income statement</b>	<b>9</b>	<b>10</b>

**Table 5.1.b Calculation of effective tax rate**  
(EUR million)

	2023	2022
Statutory corporate income tax rate in Denmark	22,0%	22,0%
Adjustment for cooperative tax	-18,6%	-17,0%
Adjustment regarding previous years	0,4%	0,0%
<b>Total</b>	<b>3,8%</b>	<b>5,0%</b>

## 5.2 FEES TO AUDITORS APPOINTED BY THE BOARD OF REPRESENTATIVES

**Table 5.2 Fees to auditors appointed by the Board of Representatives**  
(EUR million)

	2023	2022
Statutory audit	0,7	0,7
Other assurance engagements	0,2	0,3
Tax assistance	0,1	0,2
Other services	0,2	-
<b>Total fees to auditors</b>	<b>1,2</b>	<b>1,2</b>

## 5.3 MANAGEMENT REMUNERATION AND TRANSACTIONS WITH RELATED PARTIES

Management remuneration: Refer to Note 5.4 in the group consolidated financial statements.

Transactions with related parties and associates: Refer to Note 3.3.

## 5.4 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

Arla provided security in property for mortgage debt, based on the Danish Mortgage Act, with a nominal value of EUR 257 million (2022: EUR 266 million). Financial surety and guarantee obligations amounted to EUR 2,782 million (2022: EUR 2,859 million).

Arla Foods amba is party to a small number of lawsuits, disputes, etc. It is the management assessment that the outcome of these will most likely not have a material impact on the group's financial position beyond what has already been recognised in the financial statements.

**Table 5.4 Contractual commitments\***

(EUR million)	0-1 years	1-5 years	5+ years	Total
<b>2023</b>				
IT contracts	33	30	-	63
Short term and low value leasing contracts	12	-	-	12
Power purchase agreements	6	67	92	165
Property, plant and equipment investment commitments	47	9	-	56
<b>Total</b>	<b>98</b>	<b>106</b>	<b>92</b>	<b>296</b>
<b>2022</b>				
IT contracts	27	28	-	55
Short term and low value leasing contracts	13	-	-	13
Power purchase agreements	-	56	109	165
Property, plant and equipment investment commitments	39	7	-	46
<b>Total</b>	<b>79</b>	<b>91</b>	<b>109</b>	<b>279</b>

\* Other contractual commitments not disclosed in the table includes pledged property as security for mortgage loans and financial surety and guarantee obligations.

## 5.5 GENERAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Basis for preparation

The financial statements of Arla Foods amba have been prepared in accordance with the IFRS International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act (large class C). The financial statements are presented in EUR in alignment with the group's presentation currency. Arla Foods amba's functional currency is DKK. With the exception of the accounting policies described below, the accounting policies for Arla Foods amba are identical to the group's consolidated financial statements.

### Dividends from subsidiaries and associates

Dividends from subsidiaries and associates are recognised in the income statement as a financial item when declared.

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. An impairment test is performed if indications of impairment arise, for example

lossmaking, declines in market values, among others. If the carrying amount exceeds the recoverable amount, it will be written down to the recoverable amount. Impairment losses, as well as gains and losses on disposal, are presented separately in the income statement.

### Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of equity investments, mergers, demergers, additions of assets and share conversions, etc., in which entities controlled by the parent company are involved, provided that the combination is considered completed at the acquisition date without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised directly in equity.

### Reserve for development costs

The equity reserve for development projects capitalised in 2016 and onwards is non-distributable. The reserve will be reversed as the capitalised development projects are expensed.

### Significant accounting estimates and judgements

Valuation of certain assets and liabilities at the reporting date requires estimates of how future events will develop. The significant estimates relate to:

- Inventory, refer to Note 2.1 in the group consolidated financial statements.
- Receivables, refer to Note 2.1 in the group consolidated financial statements
- Property, plant and equipment and right of use assets, refer to Note 3.2 in the group consolidated financial statements.
- Associates and Joint ventures, refer to Note 3.3 in the group consolidated financial statements.
- Investments in group companies: Recoverable amounts of investments in group companies that are directly owned by Arla Foods amba are continuously monitored and tested for impairment if indicators of such exist. The most important parameters in an impairment test for a specific subsidiary is expected future free cash flow in the subsidiary, cash flow in underlying subsidiaries, as well as assumptions on discount rates. Expectations for these are based on the same expectations as outlined in Note 3.1 in the group consolidated financial statements.

### Adoption of new or amended IFRS

Refer to the group consolidated financial statements for a description of new and amended IFRS.

## 5.6 EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 5.6 in the group consolidated financial statements.

## 5.7 GROUP CHART

Refer to Note 5.8 in the group consolidated financial statements.