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PARENT COMPANY 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. This contains the statement from the Board of Directors and the Executive Directors as well as the independent auditor's report.

The financial statements for the parent company show the financial position, the result and the cash flow of Arla Foods amba on a stand-alone basis for the financial year 1 January to 31 December 2021.

Principal activities

Arla Foods amba conducts dairy activities in Denmark and purchases milk from the companys' 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.

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 farmers owners increased by 8.8 per cent resulting in a performance price of 39.7 EUR-cent/kg.

Revenue increased by 6.7 per cent to EUR 8,164 million, compared to EUR 7,652 million last year.

EBIT amounted to EUR 56 million compared to EUR 128 million last year.

In 2021, the parent company incurred a loss due to impairment on investment in subsidiaries. The loss incurred amounted to EUR 4 million compared to a gain of EUR 9 million last year.

Financial income increased by EUR 84 million, mainly driven by higher dividends received from subsidiaries, fair value adjustment from commodity derivatives and foreign exchange gains on subordinated loans. Dividends received amounted to EUR 122 million compared to EUR 71 million last year.

Profit for the year increased to EUR 194 million compared to EUR 186 million last year.

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 2022, the company anticipates a result in line with the 2021 result depending on the development of results in other group companies.



INCOME STATEMENT

(EURm)	Note	2021	2020
Revenue	1.1	8,164	7,652
Production costs	1.2	-7,320	-6,800
Gross profit		844	852
Sales and distribution costs	1.2	-473	-430
Administration costs	1.2	-267	-296
Other operating income	1.3	51	70
Other operating costs	1.3	-99	-68
Earnings before interest and tax (EBIT)		56	128
Impairments and reversal of impairments in subsidiaries	3.3	-4	9
Financial income	4.1	176	92
Financial costs	4.1	-24	-33
Profit before tax		204	196
Tax	5.1	-10	-10
Profit for the year		194	186

COMPREHENSIVE INCOME

(EURm)	2021	2020
Profit for the year	194	186
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Value adjustment of hedging instruments	-16	31
Adjustments related to foreign currency translation	-7	1
Other comprehensive income, net of tax	-23	32
Total comprehensive income	171	218

PROFIT APPROPRIATION

(EURm)	2021	2020
Profit for the year	194	186
<i>Profit appropriation:</i>		
Supplementary payment for milk	203	219
Interest on contributed individual capital	4	4
Total supplementary payment	207	223
<i>Transferred to equity:</i>		
Capital account	-79	-181
Reserve for special purposes	83	81
Contributed capital	42	41
Reserve for development costs	-59	22
Total transferred to equity	-13	-37
Appropriated profit	194	186



BALANCE SHEET

(EURm)	Note	2021	2020
Assets			
Non-current assets			
Intangible assets and goodwill	3.1	238	251
Property, plant, equipment and right of use assets	3.2	958	925
Investments in subsidiaries	3.3	1,310	1,297
Investments in associates	3.3	247	247
Subordinated loans to subsidiaries	3.3	395	391
Amounts owed by subsidiaries		175	201
Other non-current assets		12	11
Total non-current assets		3,335	3,323
Current assets			
Inventory	2.1	301	286
Trade receivables	2.1	247	149
Amounts owed by subsidiaries		825	640
Amounts owed by associates		12	13
Derivatives		25	23
Other receivables		81	245
Securities	4.2	166	174
Cash and cash equivalents	4.2	1	1
Total current assets		1,658	1,531
Total assets		4,993	4,854

(EURm)	Note	2021	2020
Equity and liabilities			
Equity			
Common capital		1,303	1,295
Individual capital		542	513
Other equity accounts		65	147
Proposed supplementary payments to owners		207	223
Total equity		2,117	2,178
Liabilities			
Non-current liabilities			
Loans	4.2	768	623
Total non-current liabilities		768	623
Current liabilities			
Loans	4.2	225	193
Trade and other payables		668	604
Amounts owed to subsidiaries		1,050	1,014
Derivatives		38	23
Other current liabilities		127	219
Total current liabilities		2,108	2,053
Total liabilities		2,876	2,676
Total equity and liabilities		4,993	4,854



EQUITY

	Common capital		Individual capital				Other equity accounts			Total
	Capital account	Reserve for special purposes	Contributed individual capital	Delivery-based owner certificates	Injected individual capital	Proposed supplementary payment	Reserve for value adjustment of hedging instruments	Reserve for foreign exchange adjustments	Reserve for development costs	
(EURm)										
Equity at 1 January 2021	205	1,090	302	65	146	223	-6	-5	158	2,178
Profit for the year	-79	83	42	-	-	207	-	-	-59	194
Other comprehensive income	-	-	-	-	-	-	-16	-7	-	-23
Total comprehensive income	-79	83	42	-	-	207	-16	-7	-59	171
Transaction with owners	1	-	-11	-4	-4	-	-	-	-	-18
Supplementary payment related to 2020	-	-	-	-	-	-227	-	-	-	-227
Foreign exchange adjustments	3	-	1	-	5	4	-	-	-	13
Total transactions with owners	4	-	-10	-4	1	-223	-	-	-	-232
Equity at 31 December 2021	130	1,173	334	61	147	207	-22	-12	99	2,117
Equity at 1 January 2020	410	1,009	271	68	159	127	-37	-6	136	2,137
Profit for the year	-181	81	41	-	-	223	-	-	22	186
Other comprehensive income	-	-	-	-	-	-	31	1	-	32
Total comprehensive income	-181	81	41	-	-	223	31	1	22	218
Intra-group business combinations*	-28	-	-	-	-	-	-	-	-	-28
Total intra-group business combinations	-28	-	-	-	-	-	-	-	-	-28
Transaction with owners	-	-	-11	-4	-7	-	-	-	-	-22
Supplementary payment related to 2019	-	-	-	-	-	-127	-	-	-	-127
Foreign exchange adjustments	4	-	1	1	-6	-	-	-	-	-
Total transactions with owners	4	-	-10	-3	-13	-127	-	-	-	-149
Equity at 31 December 2020	205	1,090	302	65	146	223	-6	-5	158	2,178

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 5.6.

* In 2020 Arla foods amba acquired all activities in Tholstrup Cheese A/S. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised directly in equity.



CASH FLOW

(EURm)	Note	2021	2020	(EURm)	Note	2021	2020
EBITDA		364	377	Investment in intangible assets	3.1	-42	-47
Reversal of share of result in joint ventures and associates		-	-1	Investment in property, plant and equipment	3.2	-138	-181
Reversal of other operating items without cash impact		4	-24	Sale of property, plant and equipment		1	20
Change in net working capital	2.1	-86	-57	Operating investing activities		-179	-208
Change in other receivables and other current liabilities		119	-146	Sale of financial assets	4.4	9	8
Dividends received from subsidiaries	4.1	122	71	Acquisition of enterprises		1	-19
Interest paid, net		1	-2	Investment in subsidiaries		-17	-35
Taxes paid		-9	-10	Subordinated lending	4.4	10	-
Cash flow from operating activities		393	137	Financial investing activities		3	-46
				Cash flow from investing activities		-176	-254
				Supplementary payment regarding the previous financial year		-227	-127
				Paid in and out from equity regarding individual capital instruments		-18	-22
				Change in loans	4.4	44	283
				Repayment of lease debt	4.4	-16	-16
				Cash flow from financing activities		-217	118
				Net cash flow		-	1
				Cash and cash equivalents at 1 January		1	-
				Cash and cash equivalents at 31 December		1	1
				<i>Free operating cash flow</i>			
				<i>Cash flow from operating activities</i>		393	137
				<i>Operating investing activities</i>		-179	-208
				Free operating cash flow		214	-71
				<i>Free cash flow</i>			
				<i>Cash flow from operating activities</i>		393	137
				<i>Cash flow from investing activities</i>		-176	-254
				Free cash flow		217	-117



Revenue and costs

1.1 REVENUE

(EURm)	Internal sales of goods	External sales of goods	Total revenue
2021			
Raw milk	3,096	99	3,195
Milk, yoghurt, powder and cooking	581	940	1,521
Cheese	870	767	1,637
Butter, spreads and margarine	852	275	1,127
Other	133	551	684
Total	5,532	2,632	8,164
2020			
Raw milk	2,784	61	2,845
Milk, yoghurt, powder and cooking	586	807	1,393
Cheese	925	693	1,618
Butter, spreads and margarine	889	247	1,136
Other	108	552	660
Total	5,292	2,360	7,652

Revenue and cost

1.2 COSTS

(EURm)	2021	2020
Research and development costs are included in sales and distribution costs and amounts to EUR 52 million, compared to EUR 39 million last year.		
Operational costs split by functions		
Production costs	7,320	6,800
Sales and distribution costs	473	430
Administration costs	267	296
Total	8,060	7,526
<i>Specification:</i>		
Weighed-in raw milk	4,773	4,362
Other production materials*	1,926	1,773
Staff costs	495	498
Transportation costs	203	181
Marketing costs	76	81
Depreciation, amortisation and impairment	187	179
Other costs**	400	452
Total	8,060	7,526
<i>*Other production materials includes packaging, additives, consumables and changes in inventory</i>		
<i>**Other costs mainly includes maintenance, utilities and IT</i>		
Staff costs		
Wages, salaries and remuneration	456	460
Pensions	37	36
Other social security costs	2	2
Total staff costs	495	498
<i>Staff costs relate to:</i>		
Production costs	315	311
Sales and distribution costs	70	61
Administration costs	110	126
Total staff costs	495	498
Average number of full-time employees	5,662	5,540



Revenue and cost

1.2 COSTS

Depreciation, amortisation and impairment (EURm)	2021	2020
Intangible assets, amortisation and impairments	62	58
Property, plant and equipment including right of use assets, depreciation and impairments	125	121
Total depreciation, amortisation and impairment	187	179
<i>Depreciation, amortisation and impairment losses relate to:</i>		
Production costs	108	110
Sales and distribution costs	20	33
Administration costs	59	36
Total depreciation, amortisation and impairment	187	179

Revenue and operational cost

1.3 OTHER OPERATING INCOME AND COSTS

(EURm)	2021	2020
Income of hedging instruments transferred from equity	7	29
Other items	44	41
Total other operating income	51	70
Costs of hedging instruments transferred from equity	38	12
Other items	61	56
Total other operating costs	99	68

Net working capital

2.1 NET WORKING CAPITAL

Net working capital (EURm)	2021	2020
Inventory	301	286
Trade receivables	247	149
Amounts owed by subsidiaries	825	640
Amounts owed by associated	12	13
Trade and other payables	-668	-604
Amounts owed to subsidiaries	-207	-78
Total net working capital	510	406

Amounts owed by subsidiaries and amounts owed to subsidiaries are stated excluding interest-bearing items which is included in note 4.2

Inventory (EURm)	2021	2020
Inventory before write-downs	306	302
Write-downs	-5	-16
Total inventory	301	286
Raw materials and consumables	93	97
Work in progress	94	83
Finished goods and goods for resale	114	106
Total inventory	301	286

Trade receivables (EURm)	2021	2020
Trade receivables before provision for expected losses	247	152
Provision for expected losses	-	-3
Total trade receivables	247	149



Capital employed

3.1 INTANGIBLE ASSETS AND GOODWILL

(EURm)	Goodwill	Licenses and trade-marks	IT and other development projects	Total
2021				
Cost at 1 January	73	28	441	542
Exchange rate adjustments	6	-	1	7
Additions	-	-	42	42
Disposals	-	-	-2	-2
Cost at 31 December	79	28	482	589
Amortisation and impairment at 1 January	-	-11	-280	-291
Exchange rate adjustments	-	-	-	-
Amortisation and impairment for the year	-	-2	-60	-62
Amortisation on disposals	-	-	2	2
Amortisation and impairment at 31 December	-	-13	-338	-351
Carrying amount at 31 December	79	15	144	238
2020				
Cost at 1 January	80	28	392	500
Exchange rate adjustments	-7	-	3	-4
Additions	-	-	47	47
Disposals	-	-	-1	-1
Cost at 31 December	73	28	441	542
Amortisation and impairment at 1 January	-	-9	-224	-233
Exchange rate adjustments	-	-	-1	-1
Amortisation and impairment for the year	-	-2	-56	-58
Amortisation on disposals	-	-	1	1
Amortisation and impairment at 31 December	-	-11	-280	-291
Carrying amount at 31 December	73	17	161	251

Capital employed

3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

Property, plant and equipment (EURm)	Land and buildings	Plant and machinery	Fixture and fitting, tools and equipment	Assets in course of construction	Total
2021					
Cost at 1 January	549	1,426	150	154	2,279
Exchange rate adjustments	-	1	-	-	1
Additions	30	27	13	91	161
Transferred from assets under construction	11	39	6	-56	-
Disposals	-3	-6	-6	-1	-16
Reclassification	-	-	-	-	-
Cost at 31 December	587	1,487	163	188	2,425
Depreciation and impairment at 1 January	-286	-972	-96	-	-1,354
Exchange rate adjustments	-	-	-	-	-
Depreciation and impairments for the year	-18	-86	-21	-	-125
Depreciation on disposals	2	5	5	-	12
Depreciation and impairment at 31 December	-302	-1,053	-112	-	-1,467
Carrying amount at 31 December	285	434	51	188	958
Right of use assets included in the carrying amount	39	1	18	-	58
2020					
Cost at 1 January	513	1,248	126	188	2,075
Exchange rate adjustments	1	5	-	1	7
Additions	18	60	15	102	195
Transferred from assets under construction	29	95	13	-137	-
Disposals	-12	-7	-4	-	-23
Reclassification	-	25	-	-	25
Cost at 31 December	549	1,426	150	154	2,279
Depreciation and impairment at 1 January	-274	-894	-79	-	-1,247
Exchange rate adjustments	-1	-2	-	-	-3
Depreciation and impairments for the year	-19	-82	-20	-	-121
Depreciation on disposals	8	6	3	-	17
Depreciation and impairment at 31 December	-286	-972	-96	-	-1,354
Carrying amount at 31 December	263	454	54	154	925
Right of use assets included in the carrying amount	34	2	18	-	54



Capital employed

3.2 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

Right of use assets (EURm)

	Land and building	Plant and machinery	Fixture and fitting, tools and equipment	Total
2021				
Carrying amount at 1 January	34	2	18	54
Additions	12	1	10	23
Disposals	-2	-1	-5	-8
Depreciation and impairments for the year	-7	-2	-9	-18
Depreciation on disposals	2	1	4	7
Carrying amount at 31 December	39	1	18	58
2020				
Carrying amount at 1 January	40	3	18	61
Additions	3	1	9	13
Disposals	-4	-2	-4	-10
Depreciation and impairments for the year	-7	-1	-8	-16
Depreciation on disposals	2	1	3	6
Carrying amount at 31 December	34	2	18	54

Total cash outflow from right of use assets amounted to EUR 28 million. This comprised, lease debt payments of EUR 16 million, non-capitalised short-term and low value lease costs of EUR 10 million and interest expenses on lease liabilities of EUR 2 million.

Capital employed

3.3 INVESTMENTS AND SUBORDINATED LOANS

(EURm)

	Investments in subsidiaries	Investments in associates	Subordinated loans to subsidiaries
2021			
Cost at 1 January	2,046	246	470
Additions	16	-	10
Disposals	-	-	-20
Cost at 31 December	2,062	246	460
Adjustments at 1 January	-749	1	-79
Exchange rate adjustments	1	-	14
Impairments and reversal of impairment in investments in subsidiaries	-4	-	-
Adjustments at 31 December	-752	1	-65
Carrying amount at 31 December	1,310	247	395
2020			
Cost at 1 January	1,999	246	470
Additions	47	-	-
Disposals	-	-	-
Cost at 31 December	2,046	246	470
Adjustments at 1 January	-763	-	-69
Exchange rate adjustments	5	1	-10
Impairments and reversal of impairment in investments in subsidiaries	9	-	-
Adjustments at 31 December	-749	1	-79
Carrying amount at 31 December	1,297	247	391

The parent company has incurred impairments of EUR -15 million which is partly offset by reversal of impairments of EUR 11 million. The net impairment on investments is EUR 4 million.

Transactions with subsidiaries (EURm)

	2021	2020
Sale of goods	5,532	5,292
Purchase of goods and services	1,247	1,199
Royalty from subsidiaries	43	23
Interest from subsidiaries	16	18
Interest to subsidiaries	1	1
Dividends from subsidiaries	122	71

Transactions with associates

Refer to note 3.3 in the group consolidated financial statements.



Funding

4.1 FINANCIAL ITEMS

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.

(EURm)	2021	2020
Interest, securities	1	1
Dividends from subsidiaries	122	71
Gain from divestment of associates	-	-
Interest from subsidiaries	16	18
Foreign exchange gains	14	-
Fair value adjustment	23	2
Total financial income	176	92
Interest costs on financial instruments and lease liabilities measured at amortised cost	-16	-20
Foreign exchange losses	-9	-9
Interest to subsidiaries	-1	-1
Interest transferred to property, plant and equipment	3	3
Fair value adjustments	-1	-6
Total financial costs	-24	-33
Net financial income	152	59

Funding

4.2 NET INTEREST-BEARING DEBT

Net interest-bearing debt (EURm)	2021	2020
Securities	-166	-174
Cash	-1	-1
Subordinated loans to subsidiaries and other interest-bearing assets	-570	-592
Long-term borrowings	768	623
Short-term borrowings	1,083	1,198
Net interest-bearing debt	1,114	1,054
Borrowings (EURm)		
Bond Issue	146	-
Mortgage credit institutions	266	277
Bank borrowings	312	305
Lease liabilities	44	41
Total long-term borrowings	768	623
Current borrowing from subsidiaries	843	936
Bank borrowings	210	180
Lease liabilities	15	13
Other current borrowings	15	69
Total short-term borrowings	1,083	1,198
Total interest-bearing borrowings	1,851	1,821

Amounts owed to subsidiaries are EUR 1,050 million, compared to EUR 1,014 last year, of which EUR 843 million, versus EUR 936 million last year, were interest-bearing and therefore included in net interest-bearing debt as short-term borrowings.



Funding

4.2 NET INTEREST-BEARING DEBT

Table 4.2 Cash flow, net interest-bearing debt
(EURm)

	Cash flow		Non-cash changes				31 December
	1 January	Included in financing activities	Acquisitions	Reclasses	Foreign exchange movements	Fair value changes	
2021							
Long-term borrowings	623	137	-	-20	7	21	768
Short-term borrowings	1,198	-136	-	20	-	-	1,083
Total interest-bearing debt	1,821	1	-	-	7	21	1,851
Subordinated loans	-391	10	-	-	-14	-	-395
Amounts owed by subsidiaries	-201	27	-	-	-1	-	-175
Securities	-174	9	-	-	-	-1	-166
Cash	-1	-	-	-	-	-	-1
Net interest-bearing debt	1,054	47	-	-	-8	20	1,114
2020							
Long-term borrowings	646	8	-	-22	-8	-1	623
Short-term borrowings	911	271	-	10	6	-	1,198
Total interest-bearing debt	1,557	279	-	-12	-2	-1	1,821
Subordinated loans	-401	-	-	-	10	-	-391
Amounts owed by subsidiaries	-213	-	-	12	-	-	-201
Securities	-182	8	-	-	-1	1	-174
Cash	-	-	-	-	-1	-	-1
Net interest-bearing debt	761	287	-	-	6	-	1,054

Funding

4.2 NET INTEREST-BEARING DEBT

Net interest-bearing debt, maturity
(EURm)

	Total	2022	2023	2024	2025	2026	2027	2028	2029-	After
									2031	2031
2021										
DKK	722	416	20	18	64	20	18	18	53	95
EUR	210	4	103	102	1	-	-	-	-	-
GBP	-194	-194	-	-	-	-	-	-	-	-
SEK	263	117	-	-	-	146	-	-	-	-
Other	113	3	-	110	-	-	-	-	-	-
Total	1,114	346	123	230	65	166	18	18	53	95
2020									2028-	After
	Total	2021	2022	2023	2024	2025	2026	2027	2030	2030
DKK	907	591	20	18	16	63	18	18	52	111
EUR	-1	-1	-	-	-	-	-	-	-	-
GBP	30	-176	2	102	101	1	-	-	-	-
SEK	8	8	-	-	-	-	-	-	-	-
Other	110	9	-	-	101	-	-	-	-	-
Total	1,054	431	22	120	218	64	18	18	52	111

Funding

4.3 FINANCIAL RISKS

Liquidity reserves
(EURm)

	2021	2020
Unutilised committed loan facilities	689	326
Other unutilised loan facilities	167	12
Total	856	338



Funding

4.3 FINANCIAL RISKS

Gross financial liabilities

(EURm)

	Carrying amount	Non-discounted contractual cash flows									
		Total	2022	2023	2024	2025	2026	2027	2028	2029-2031	After 2031
31 December 2021											
Borrowings from subsidiaries	1,050	1,050	1,050	-	-	-	-	-	-	-	-
Mortgage credit institutions	276	276	11	11	11	60	16	15	15	47	90
Credit institutions	512	512	199	101	210	1	1	-	-	-	-
Lease liabilities	59	59	15	12	8	5	4	2	2	6	5
Interest expense - interest-bearing debt	-	25	4	2	2	2	1	1	1	4	8
Trade and other payables	668	668	668	-	-	-	-	-	-	-	-
Derivative instruments	38	38	34	3	1	-	-	-	-	-	-
Total	2,603	2,628	1,981	129	232	68	22	18	18	57	103

	Carrying amount	Non-discounted contractual cash flows									
		Total	2021	2022	2023	2024	2025	2026	2027	2028-2030	After 2030
31 December 2020											
Borrowings from subsidiaries	1,014	1,014	1,014	-	-	-	-	-	-	-	-
Mortgage credit institutions	285	287	8	11	11	11	60	16	16	47	107
Credit institutions	477	477	172	1	101	201	1	1	-	-	-
Lease liabilities	53	53	12	9	8	5	4	2	2	6	5
Interest expense - interest-bearing debt	-	27	2	2	2	2	2	2	1	4	10
Trade and other payables	604	604	604	-	-	-	-	-	-	-	-
Derivative instruments	23	23	10	5	4	3	1	-	-	-	-
Total	2,456	2,485	1,822	28	126	222	68	21	19	57	122



Funding

4.3 FINANCIAL RISKS**Currency risk**
(EURm)

Currency risk 31 December 2021	EUR/DKK	USD/DKK*	GBP/DKK	SEK/DKK	SAR/DKK
Applied sensitivity	1%	5%	5%	5%	5%
Impact on profit or loss	-1	2	1	1	-
Impact on OCI	3	-13	-21	-2	-9

Currency risk 31 December 2020	EUR/DKK	USD/DKK*	GBP/DKK	SEK/DKK	SAR/DKK
Applied sensitivity	1%	5%	5%	5%	5%
Impact on profit or loss	-1	1	-	-2	-
Impact on OCI	-	-10	-21	-4	-9

* Incl. AED

Funding

4.4 DERIVATIVES

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

		Fair value recognised in OCI	Expected recognition in the income statement				
			2022	2023	2024	2025	Later than 2025
(EURm)	Carrying value						
2021							
Currency contracts	-17	-17	-	-	-	-	-
Interest rate contracts	-5	-5	-4	-3	-	1	1
Hedging of future cash flows	-22	-22	-4	-3	-	1	1

		Fair value recognised in OCI	Expected recognition in the income statement				
			2021	2022	2023	2024	Later than 2024
(EURm)	Carrying value						
2020							
Currency contracts	11	11	11	-	-	-	-
Interest rate contracts	-17	-17	-5	-5	-4	-3	-
Hedging of future cash flows	-6	-6	6	-5	-4	-3	-



Funding

4.5 FINANCIAL INSTRUMENTS

Categories of financial instruments (EURm)	2021	2020	Fair value hierarchy – carrying amount (EURm)	Level 1	Level 2	Level 3	Total
Derivatives	19	8	2021				
Shares	4	3	<i>Financial assets</i>				
Financial assets measured at fair value through income statement	23	11	Bonds	166	-	-	166
Securities	166	174	Shares	4	-	-	4
Financial assets measured at fair value through other comprehensive income	166	174	Derivatives	25	-	-	25
Derivative assets used as hedging instruments	6	15	Total financial assets	195	-	-	195
Subordinated loans to subsidiaries	395	391	<i>Financial liabilities</i>				
Trade receivables	247	149	Derivatives	38	-	-	38
Other receivable	81	244	Total financial liabilities	38	-	-	38
Amounts owed by subsidiaries	1,000	841	2020				
Amounts owed by associates	12	13	<i>Financial assets</i>				
Cash	1	1	Bonds	174	-	-	174
Financial assets measured at amortised cost	1,736	1,639	Shares	3	-	-	3
Derivatives	10	2	Derivatives	23	-	-	23
Financial liabilities measured at fair value through the income statement	10	2	Total financial assets	200	-	-	200
Derivative liabilities used as hedging instruments	28	21	<i>Financial liabilities</i>				
External long-term borrowings*	768	623	Derivatives	23	-	-	23
External short-term borrowings*	42	262	Total financial liabilities	23	-	-	23
Trade payables and other payables	668	604					
Amounts owed to subsidiaries	1,050	1,014					
Financial liabilities measured at amortised cost	2,528	2,503					

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

*Including lease liabilities



Funding

4.6 TRANSFER OF FINANCIAL ASSETS

(EURm)	Carrying value	Notional value	Fair value
31 December 2021			
Mortgage bonds	166	162	166
Repurchase liability	159	158	159
Net position	7	4	7
31 December 2020			
Mortgage bonds	174	170	174
Repurchase liability	170	166	170
Net position	4	4	4

Other areas

5.1 TAX

Tax in the income statement (EURm)	2021	2020
Tax on taxable equity (cooperative tax)	9	9
Adjustments regarding previous years, actual tax	1	1
Total tax in the income statement	10	10
Calculation of effective tax rate		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Adjustment for cooperative tax	-17.5	-17.5%
Adjustment regarding previous years	0.4%	0.4%
Effective tax rate	4.9%	4.9%

Other areas

5.2 FEES TO AUDITORS APPOINTED BY THE BOARD OF REPRESENTATIVES

(EURm)	2021	2020
Statutory audit	0.6	0.6
Other assurance engagements	0.2	0.1
Tax assistance	0.1	0.4
Other services	0.5	0.3
Total fees to auditors	1.4	1.4

Other areas

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.

Other areas

5.4 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES

(EURm)	2021	2020
Guarantee commitments	2,279	1,956
Operating rent and lease commitments	71	80
Commitments in relation to agreements on the purchase of property, plant and equipment	30	16

The group provided security in property for mortgage debt, based on the Danish Mortgage Act to a nominal value of EUR 286 million, compared to EUR 287 million last year

Arla Foods a.m.b.a is party to a small number of lawsuits, disputes, etc. Management believe that the outcome of these lawsuits will not significantly impact the company's financial position beyond what is recognised in the financial statements.



Other areas

5.5 EVENTS AFTER THE BALANCE SHEET DATE

Refer to note 5.6 in the group consolidated financial statements.

Other areas

5.6 GENERAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The financial statements of Arla Foods amba have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 loss-making, 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 developments 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.

Some reclassifications have been carried out compared to previously. These, however, have no impact on the net profit or the equity.

Adoption of new or amended IFRS

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

Other areas

5.7 GROUP CHART

Refer to the group consolidated financial statements.