

# **Arla Foods Ingredients Group P/S**

Sønderhøj 10-12

8260 Viby J

CVR No. 33372116

## **Annual Report 2022**

The Annual Report was presented and approved at the Annual General Meeting of the Company on 22 June 2023

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Jesper Blauenfeldt  
Chairman

**Contents**

Management's Statement	3
Independent Auditor's Report	4
Company Information	6
Management's Review	7
Key Figures and Financial Ratios	9
Accounting Policies	10
Income Statement	14
Balance Sheet	15
Statement of changes in Equity	17
Notes	18

## **Management's Statement**

Today, Management has considered and approved the Annual Report of Arla Foods Ingredients Group P/S for the financial year 1 January 2022 - 31 December 2022.

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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022.

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, 22 June 2023

### **Executive Board**

Henrik Højen Andersen

### **Board of Directors**

Peder Tuborgh  
Chairman

Andreas Lundby

Povl Krogsgaard

## Independent Auditor's Report

### To the shareholders of Arla Foods Ingredients Group P/S

#### **Opinion**

We have audited the financial statements of Arla Foods Ingredients Group P/S for the financial year 1 January 2022 - 31 December 2022, which comprise 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 2022 and of the results of the Company's operations for the financial year 1 January 2022 - 31 December 2022 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with 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 determines is 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 liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **The auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

## **Independent Auditor's Report**

- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- \* Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- \* Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Statement on 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, 22 June 2023

### **EY Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

Jan Krarup Mortensen  
State Authorised Public Accountant  
mne40030

## Arla Foods Ingredients Group P/S

### Company details

<b>Company</b>	Arla Foods Ingredients Group P/S Sønderhøj 10-12 8260 Viby J
CVR No.	33372116
<b>Board of Directors</b>	Peder Tuborgh, Chairman Andreas Lundby Povl Krogsgaard
<b>Executive Board</b>	Henrik Højen Andersen
<b>Auditors</b>	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

## Management's Review

### The Company's principal activities

Arla Foods Ingredients (AFI) is a global leader in whey-based ingredients that are used in a wide range of categories from infant, clinical and sports nutrition to dairy and bakery. In addition, we manufacture child nutrition products for third parties. AFI is a 100 percent owned subsidiary of Arla Foods a.m.b.a.

"Arla Foods Ingredients' mission is to discover and deliver all the wonders whey can bring to people's life."

In the past, whey was regarded as a simple by-product from cheese production. Today whey is a high-value ingredient in its own right, and in the future. AFI's core customers request even more product differentiation than before. We bring unique protein and lactose solutions with considerable added value to our customers.

### Development in activities and financial matters

The financial year was defined by a very dynamic market environment and was subject to record-high energy and raw material prices. However, strong demand for our specialized whey protein and lactose products allowed us to protect our margins.

In the meantime, our Advanced Nutrition business primarily producing early life nutrition products, was challenged during 2022 following rising production costs and strategic customers facing difficult market conditions in China. However, we also successfully secured new customers during 2022 and our outlook for the business remains positive.

AFI increased the revenue from 5.585 mDKK in 2021 to 7.064 mDKK in 2022. AFI's 2022 performance was driven by a continuous effort to produce new innovations and despite inflationary pressure on raw materials and energy, our highly specialized whey protein and lactose products kept the strong momentum during 2022. We continued to deliver improvements in our underlying product mix and our pricing followed market developments.

Earnings for the year of 1.071 mDKK is equivalent to an increase of 38 % which is at a satisfactory level and above the communicated expectations due to commercial efforts to mitigate the volatile energy and raw material pricing environment.

### Environmental conditions

The group continuously work to reduce the environmental impacts from its value chain supported by the environmental policy and green ambition. Sustainability is integrated as a key pillar in the overall strategy. A more detailed sustainability strategy including specific targets will guide Arla to reduce negative environmental impacts. Targets related to climate impact was approved by the science based target initiative.

### Research and development activities

The key in AFI's processes and competencies are innovation, research and development. By investing strongly, AFI is able to establish relationships between supply chain and customers, which will add value to our customers. The AFI Innovation Centre opened in 2021 will further support the innovation agenda by giving home to AFI's leading scientists, and bridging the gap between world class research, clinical trials and collaboration across the globe.

## Management's Review

### CSR reporting

The Danish Financial Statements Act §99 a.

In accordance with §99 a of the Danish Financial Statements Act, we have not included a statement of our corporate social responsibility in this Annual report, as this is covered by Arla Foods amba's (CVR-nr. 25313763) CSR report, which is a part of the consolidated annual report.

- <https://www.arla.com/company/investor/annual-reports/>

The Danish Financial Statements Act §99 b.

In accordance with §99 b of the Danish Financial Statements Act, the company follows the diversity policy applicable in the consolidated financial statements of Arla Foods amba, where the long-term goal is that no more than 70% of the Board of Directors or the Executive Board, respectively, shall be of the same gender. In 2022, the Board's composition is 100% of the same gender, and women are here under-represented. It is expected that the obligation is met by the end of 2026.

In 2022, no changes in the Board of Directors occurred. The divergence for the composition of a responsible board is due to other factors, and therefore it is coincidental whether the policy is met.

Other managerial positions are defined as the Executive Board. The Executive Board consist of only one person.

### Data ethics

The Danish Financial Statements Act §99 d.

No policy on the company's data ethics has been prepared, as this is covered by the Arla Foods amba's (CVR-nr. 25313763) overall CSR reporting, which can be read on the company's website as a part of the Consolidated annual report.

- <https://www.arla.com/company/investor/annual-reports/>

### Post financial year events

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

### Expectations to the future

In 2023, AFI will focus on the priorities outlined in the launched AFI strategy 2026, such as growing whey intake and implementing comprehensive sustainability programs.

Taking strong demands; commercial efforts and raw material price volatility into consideration we expect profit before tax for the year to be in the range of 1.000 mDKK to 1.500 mDKK.



## Key Figures and Financial Ratios

kDKK

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Revenue	7.064.018	5.585.108	5.084.010	4.916.714	4.617.812
Operating profit/loss	1.098.289	779.229	727.642	666.472	562.345
Net financials	-23.463	-2.872	-47.948	-10.935	-3.299
Profit/loss for the year	1.074.826	776.357	679.694	655.537	559.046
Investment in tangible assets	165.146	365.687	422.629	449.140	280.841
Total assets	5.483.061	4.838.729	4.232.206	3.945.594	3.699.395
Total equity	2.746.236	2.375.272	1.898.915	1.719.221	1.063.638
Return on capital employed (%)	21,28	17,18	17,80	17,44	16,60
Return on equity (ROE) (%)	41,97	36,33	37,57	47,11	54,06
Solvency ratio (%)	50,09	49,09	44,87	43,57	28,75
Avg. number of full-time employees	906	871	811	766	715

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

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

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

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

## **Accounting Policies**

### **Reporting Class**

The annual report of Arla Foods Ingredients Group P/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Company has also decided not to include a cash flow statement due to Danish Financial Statements Act §86 (4).

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

### **Consolidated Financial Statements**

With reference to § 112 (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**

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

## **Income statement**

### **Revenue**

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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

### **Other operating income**

Other operating income comprises items of a secondary nature to the activities of the enterprises, including profits on sale of intangible and tangible assets.

### **Raw materials and consumables used**

Costs for raw materials and consumables comprise the cost of goods purchased less discounts, costs subcontractors and change in inventories for the year.

### **Other external costs**

Other external costs include costs for distribution, sales, advertising, administration, premises, bad debts, operating leasing expenses etc.

### **Staff costs**

Staff costs include wages and salaries including compensated absence and pension to the Companies employees, as well as other social security contributions etc. The item is deducted from refunds from public authorities.

Other staff costs are recognised in other external costs.

## **Accounting Policies**

### **Depreciation, amortisation and impairment of tangible and intangible assets**

Amortization and impairment of intangible assets, property, plant and equipment has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortized on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

Profit or loss resulting from the sale of intangible assets or property, plant and equipment is determined as the difference between the selling price less selling costs and the carrying amount at the date of sale, and is recognised in the income statement under other operating income or expenses.

### **Financial income and costs**

Financial income and costs are recognised in the income statement based at the amounts that concern the financial year. Financial income and costs include interest revenue and costs,, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges.

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

## **Balance sheet**

### **Intangible assets**

Development projects that are clearly defined and identifiable, and where the degree of technical utilization, sufficient resources and a potential future market or development potential in the Company are provable and where the intention is to manufacture, market or use the product or process are recognised as intangible assets if the value in use can be determined reliably and it is sufficiently certain that future earnings can cover production, sales and administration costs as well as total development costs.

Other development costs are recognised as costs in the income statement as they incur.

Development costs comprise costs, including wages, salaries and amortization, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalized development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortization and the recoverable amount.

### **Tangible assets**

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

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

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

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

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

## **Accounting Policies**

Completed development projects	3-5 years
Properties	20-30 years
Plant and machinery	10-20 years
Fixtures, fittings, tools and equipment	3-7 years

Land is not amortized.

Property, plant and equipment that are leased and meet the conditions for financial leasing are treated according to the same guidelines as those applying to purchased assets.

The cost of financially leased assets is measured at the lower value of the purchase prices according to the leases and the present value of the lease payments, determined on the basis of the interest rate implicit in the leases.

### **Investments in subsidiaries**

Investments in subsidiaries are measured at cost. Dividends that exceed accumulated earnings of the group enterprise or the associate during the ownership period are treated as a reduction of the cost. If cost exceeds the net realizable value, a write-down to this lower value will be performed.

### **Other long-term investments**

Investments in unlisted companies are recognised in the balance sheet at cost. The cost includes the purchase consideration calculated at fair value plus direct acquisition costs. Where the net realizable value is lower than cost, the investments are written down to this lower value. Realised and unrealised capital gains and losses are recognised in the income statement.

### **Inventories**

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries as well as indirect production overheads. Production overheads comprise costs of material and labour as well as maintenance of and depreciation on production machinery, buildings and equipment as well as costs relating to plant administration and management.

The net realisable value of inventories is determined as the selling price less any discounts, costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

### **Receivables**

The Company has chosen IAS 39 as interpretation for impairment write-down of financial 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.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate of the individual receivable or portfolio is used as discount rate.

### **Prepayments**

Prepayments recognised in assets comprises prepaid costs regarding subsequent financial years.

## **Accounting Policies**

### **Equity**

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

### **Development cost reserve**

Development cost reserve includes recognised development costs. The reserve is not available for the payment of dividend or losses. The reserve is deducted or dissolved by depreciation of the recognized costs or abandonment of the activity. Such reduction or dissolution is made by means of a transfer to distributable reserves.

### **Dividends**

Proposed dividend for the year are recognised as a separate item under equity. Proposed dividends are recognised as a liability when approved by the Annual General Meeting.

### **Liabilities**

The Company has chosen IAS 39 as interpretation for recognition and measurement of liabilities.

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest method, so that the difference between the proceeds and the nominal value is recognised in the income statement over the life of the financial instrument.

Mortgage debt is accordingly measured at amortized cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortized cost corresponds to the outstanding balance determined as the underlying cash value of the loans at the time of borrowing adjusted for amortisation of capital losses on the loans over the repayment period.

Other liabilities are measured at net realisable value.

### **Other payables**

Other payables are measured at amortized cost, which usually corresponds to the nominal value.

**Income Statement**

	<b>Note</b>	<b>2022 kDKK</b>	<b>2021 kDKK</b>
Revenue	1	7.064.018	5.585.108
Raw materials and cosumables used		-3.857.920	-3.120.317
Other operating income		3.862	0
Other external costs		-1.203.873	-843.278
<b>Gross profit</b>		<b>2.002.225</b>	<b>1.621.513</b>
Staff costs	2	-592.582	-548.055
Depreciation, amortisation and impairment losses		-315.216	-294.229
<b>Operating profit</b>		<b>1.094.427</b>	<b>779.229</b>
Financial income	3	26.774	25.995
Financial costs	4	-50.237	-28.867
<b>Profit before tax</b>		<b>1.070.964</b>	<b>776.357</b>
<b>Profit for the year</b>	5	<b>1.070.964</b>	<b>776.357</b>
<b>Proposed distribution of results</b>	5		
Proposed dividend recognised in equity		1.000.000	700.000
Retained earnings		70.964	76.357
<b>Distribution of profit</b>		<b>1.070.964</b>	<b>776.357</b>

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
<b>Assets</b>			
IT and other development projects	6	32.804	58.927
<b>Intangible assets</b>		<b>32.804</b>	<b>58.927</b>
Land and buildings	7	1.118.846	1.006.933
Plant and machinery	8	1.160.170	1.210.703
Fixtures, fittings, tools and equipment	9	40.294	35.031
Property, plant and equipment in progress	10	254.308	268.512
<b>Property, plant and equipment</b>		<b>2.573.618</b>	<b>2.521.179</b>
Investments in subsidiaries	11, 12	381.234	381.234
Other long-term investments		31.809	31.809
<b>Investments</b>		<b>413.043</b>	<b>413.043</b>
<b>Non-current assets</b>		<b>3.019.465</b>	<b>2.993.149</b>
Raw materials and consumables		185.222	109.729
Work in progress		16.408	8.789
Finished goods and goods for resale		680.496	527.921
<b>Inventories</b>		<b>882.126</b>	<b>646.439</b>
Trade receivables		728.216	618.820
Receivables from group companies		727.003	480.245
Other receivables		109.663	100.076
Prepayments		16.565	0
<b>Receivables</b>		<b>1.581.447</b>	<b>1.199.141</b>
<b>Cash and cash equivalents</b>		<b>23</b>	<b>0</b>
<b>Current assets</b>		<b>2.463.596</b>	<b>1.845.580</b>
<b>Assets</b>		<b>5.483.061</b>	<b>4.838.729</b>

## Balance Sheet as of 31 December

	Note	2022 kDKK	2021 kDKK
<b>Liabilities and equity</b>			
Contributed capital		10.000	10.000
Reserve for development costs		32.804	58.927
Retained earnings		1.703.432	1.606.345
Proposed dividend recognised in equity		1.000.000	700.000
<b>Equity</b>		<b>2.746.236</b>	<b>2.375.272</b>
Loans from credit institutions etc.		1.472.493	0
<b>Long-term liabilities</b>	13	<b>1.472.493</b>	<b>0</b>
Trade payables		676.599	617.359
Payables to group companies		402.460	1.774.147
Other payables		185.273	71.951
<b>Short-term liabilities</b>		<b>1.264.332</b>	<b>2.463.457</b>
<b>Liabilities</b>		<b>2.736.825</b>	<b>2.463.457</b>
<b>Liabilities and equity</b>		<b>5.483.061</b>	<b>4.838.729</b>
Contingent liabilities	14		
Collaterals and assets pledges as security	15		
Related parties	16		
Events after the balance sheet date	17		



**Statement of changes in Equity**

	<b>Contributed capital</b>	<b>Retained earnings</b>	<b>Proposed dividend recognised in equity</b>	<b>Reserve for development costs</b>	<b>Total</b>
Equity 1 January 2022	10.000	1.606.345	700.000	58.927	2.375.272
Dividend paid	0	0	-700.000	0	-700.000
Profit (loss)	0	97.087	1.000.000	-26.123	1.070.964
<b>Equity 31 December 2022</b>	<b>10.000</b>	<b>1.703.432</b>	<b>1.000.000</b>	<b>32.804</b>	<b>2.746.236</b>

The Company's share capital is kDKK 10.000 divided into shares of kDKK 1 or any multiple thereof. The share capital has remained unchanged for the last 5 years.

## Notes

## 1. Revenue

	<b>2022</b>	<b>2021</b>
	<b>kDKK</b>	<b>kDKK</b>
Whey-based ingredients – domestic	338.182	270.845
Whey-based ingredients – export	5.716.153	4.283.036
Child Nutrition Manufacturing (CNM) – export	1.009.683	1.031.227
	<b>7.064.018</b>	<b>5.585.108</b>

## 2. Staff costs

Wages and salaries	537.324	500.763
Post-employment benefit expense	53.142	45.270
Social security contributions	2.116	2.022
	<b>592.582</b>	<b>548.055</b>

Average number of employees	906	871
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Staff cost include remuneration of the Board of Directors totalling kDKK 1.400 in 2022, compared to kDKK 1.400 in 2021.

## 3. Finance income

Financial income from group companies	2.778	2.947
Other financial income	23.996	23.048
	<b>26.774</b>	<b>25.995</b>

## 4. Financial costs

Financial costs regarding group companies	21.303	19.685
Other financial costs	28.934	9.182
	<b>50.237</b>	<b>28.867</b>

## 5. Distribution of profit

Proposed dividend	1.000.000	700.000
Retained earnings	70.964	76.357
	<b>1.070.964</b>	<b>776.357</b>

## 6. IT and other development projects

Cost at the beginning of the year	203.651	200.435
Addition during the year	4	402
Transfers during the year to other items	126	2.814
<b>Cost at the end of the year</b>	<b>203.781</b>	<b>203.651</b>

Amortisation at the beginning of the year	-144.724	-110.932
Amortisation for the year	-26.253	-33.792
<b>Amortisation at the end of the year</b>	<b>-170.977</b>	<b>-144.724</b>

<b>Carrying amount at the end of the year</b>	<b>32.804</b>	<b>58.927</b>
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## Notes

## 7. Land and buildings

	<b>2022</b>	<b>2021</b>
	<b>kDKK</b>	<b>kDKK</b>
Cost at the beginning of the year	1.200.941	844.117
Addition during the year	88.546	178.996
Disposal during the year	0	-913
Transfers during the year to other items	74.001	178.741
<b>Cost at the end of the year</b>	<b>1.363.488</b>	<b>1.200.941</b>
Depreciation at the beginning of the year	-194.008	-158.805
Depreciation for the year	-50.634	-35.567
Reversal of impairment losses and depreciation of disposed assets	0	364
<b>Depreciation at the end of the year</b>	<b>-244.642</b>	<b>-194.008</b>
<b>Carrying amount at the end of the year</b>	<b>1.118.846</b>	<b>1.006.933</b>

## 8. Plant and machinery

Cost at the beginning of the year	2.477.837	2.274.007
Addition during the year	65.357	31.785
Disposal during the year	-23.301	-29.894
Transfers during the year to other items	110.360	201.939
<b>Cost at the end of the year</b>	<b>2.630.253</b>	<b>2.477.837</b>
Depreciation at the beginning of the year	-1.267.134	-1.090.108
Depreciation for the year	-220.354	-205.826
Reversal of depreciations on disposed assets	17.405	28.800
<b>Depreciation at the end of the year</b>	<b>-1.470.083</b>	<b>-1.267.134</b>
<b>Carrying amount at the end of the year</b>	<b>1.160.170</b>	<b>1.210.703</b>

## 9. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	137.355	117.343
Addition during the year	11.243	0
Transfers during the year to other items	12.031	20.012
<b>Cost at the end of the year</b>	<b>160.629</b>	<b>137.355</b>
Depreciation at the beginning of the year	-102.324	-83.224
Depreciation for the year	-18.011	-19.100
<b>Depreciation at the end of the year</b>	<b>-120.335</b>	<b>-102.324</b>
<b>Carrying amount at the end of the year</b>	<b>40.294</b>	<b>35.031</b>

## Notes

**10. Property, plant and equipment in progress**

	<b>2022</b>	<b>2021</b>
	<b>kDKK</b>	<b>kDKK</b>
Cost at the beginning of the year	268.512	392.407
Addition during the year	182.313	154.906
Transfers during the year to other items	-196.517	-278.801
<b>Cost at the end of the year</b>	<b>254.308</b>	<b>268.512</b>
<b>Carrying amount at the end of the year</b>	<b>254.308</b>	<b>268.512</b>

**11. Investments in subsidiaries**

Cost at the beginning of the year	381.234	342.379
Addition during the year	0	38.855
<b>Cost at the end of the year</b>	<b>381.234</b>	<b>381.234</b>
<b>Carrying amount at the end of the year</b>	<b>381.234</b>	<b>381.234</b>

**12. Disclosure of investments in subsidiaries***Subsidiaries*

Name	Registered office	Share held in	Equity	Profit
		%		
AF Ingredients Energy A/S	Denmark	100,00	1.773	226
Arla Foods Ingredients Inc	USA	100,00	23.164	6.830
AF Ingredients Korea Co. Ltd.	Korea	100,00	18.362	4.531
Arla Foods Ingredients KK	Japan	100,00	50.659	1.673
AF Ingredients S.A. de C.V	Mexico	100,00	36.231	4.198
AFI Singapore Pte. Ltd.,	Singapore	100,00	5.321	-585
AFI Trading (Beijing) Co., Ltd	China	100,00	22.596	6.784
Arla Foods Ingredients S.A.	Argentina	97,00	680.379	61.750
- AFI Comercio de Produtos Ltda.	Brazil	100,00	-2.961	-1.015
			<b>835.524</b>	<b>84.392</b>

**13. Long-term liabilities**

	Due after 1 year	Due within 1 year	Due after 5 years
	kDKK	kDKK	kDKK
Mortgage debt	0	0	1.472.493
	<b>0</b>	<b>0</b>	<b>1.472.493</b>

## Notes

### 14. Contingent liabilities

Contractual commitments consist of purchase commitments of 124 mDKK in 2022 compared to 90 mDKK in 2021. Operating rent/lease commitments of 9 mDKK in 2022 compared to 11 mDKK in 2021.

### 15. Collaterals and securities

Arla Foods Ingredients Group P/S shares in Arla Foods Ingredients SA are pledged towards banks. The total pledged value corresponds in the carrying amount of the shares equal to 288 mDKK in 2022 compared to 288 mDKK in 2021.

### 16. Related parties

The Company is a wholly owned subsidiary of Arla Foods amba, Viby J and is included in the consolidated financial statements. The consolidated financial statements can be obtained at the following address:

Arla Foods amba, Sønderhøj 14, 8260 Viby J.

Transactions with related parties (kDKK):

<b>Other group companies</b>	<b>2022</b>	<b>2021</b>
	<b>kDKK</b>	<b>kDKK</b>
Sale of goods & services	508.383	529.741
Purchase of goods & services	-715.674	-617.826
Other internal cost recharges	44.954	5.193
Interest on intercompany loans	2.778	2.947
Receivables from group companies	477.806	207.504
Payables to group companies	33.152	1.327.913
<b>Parent company</b>		
Sale of goods & services	187.464	112.388
Purchase of goods & services	-2.199.144	-1.891.785
Other internal cost recharges	-48.544	-25.630
Interest on intercompany loans	-21.303	-19.685
Receivables from Parent company	271.099	272.741
Payables to Parent company	391.210	446.234
Dividends paid to parent company	700.000	300.000

### 17. 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.