

Arla Foods Ingredients Group P/S

Sønderhøj 10-12

8260 Viby J

CVR No. 33372116

Annual Report 2019

The Annual Report was presented and approved at the Annual General Meeting of the Company on 22 May 2020

Peter Stenholt Randrup
Chairman

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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 2019 - 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January 2019 - 31 December 2019.

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 May 2020

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 2019 - 31 December 2019, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January 2019 - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditors' responsibility 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management considers necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements. Management either intends to either liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. 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 taken on the basis of these 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 skepticism throughout the audit. We also:

- * Identify and assess the risk of material misstatements in 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control.
- * 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.

Independent Auditor's Report

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on 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 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 can conclude that the Mangement's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review

Aarhus, 22 May 2020

Ernst & Young

Godkendt Revisionspartnerselskab

CVR-no. 30700228

Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687

Arla Foods Ingredients Group P/S

Company details

Company	Arla Foods Ingredients Group P/S Sønderhøj 10-12 8260 Viby J
Telephone	89381000
CVR No.	33372116
Board of Directors	Peder Tuborgh Andreas Lundby Povl Krogsgaard
Executive Board	Henrik Højen Andersen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Management's Review

The Company's principal activities

Arla Foods Ingredients (AFI) is a 100 per cent owned subsidiary of Arla and a global leader in whey-based ingredients used in a wide range of categories from infant, clinical and sport nutrition to bakery, beverages and dairy. In addition, AFI manufacture child nutrition products for third parties.

"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. Our products provide proteins for clear beverages in sport nutrition, protein fractions and lactose for infant formula getting even closer to mimicking human milk, and solutions for food applications with unique functional properties.

Development in activities and financial matters

In 2019 all of our business units within the ingredients segment pediatric, health & performance and food continued to increase sales. Our child nutrition business however experienced lower revenue due to repercussions from the major changes in Chinese infant formula regulations. Nevertheless, we continued with our strategy aiming to continuously grow our child nutrition products, which included investing in significant capacity increases to supply the strong global demand for organic child nutrition. In the beginning of the year, we started operations in our new infant milk formula (IMF) plant at Arinco, and this will ensure supply for our rapidly growing organic infant milk formula business.

In the beginning of the year started operations in our new infant milk formula (IMF) plant. This will ensure supply for our rapidly growing organic infant milk formula business.

AFI increased the revenue from 4.618 mDKK in 2018 to 4.917 mDKK in 2019. The increase in sales was characterized by lower prices for standard products, which was more than offset by the growing share of specialty products sold through 2019.

Earnings for the year of 656 mDKK is equivalent to an increase of 17 % which is at an satisfactory level and above the expectations disclosed in 2018. The increased earnings are mainly driven by the growing share of specialty products.

Post financial year events

After the end of the financial year, in March 2020, restrictions related to the spread of the Coronavirus have entered into force in Denmark and many other countries, which significantly reduces the global economic growth. We have implemented strict mitigating measures and management constantly evaluates the situation. Short term demand has increased with positive impact on sales following the continuing stable operations. The long-term impact is not possible to estimate at this point in time, however the growing demand for value adding whey based ingredients and child nutrition are expected to continue in 2020. However, this conclusion is based on the information available at the time of signing these financial statements and the impact of future events may differ from the management's current assessment.

Expectations for the future

In 2019 we have made progress on several important projects to increase our raw material supply, most of which are expected to continue into 2020.

Construction of our new Innovation Centre in Nr. Vium has been started in 2019 and the work will continue during 2020. Once the centre is completed it will become a world-leading centre of whey research. It will operate in close cooperation with our key production site, Danmark Protein. Construction will be completed by 2021.

Management's Review

Looking into 2020, growth remains at the top of our agenda with large investments set to be completed. In March 2020 the breakout of Corona has been seen in many markets. On short term demand has increased with positive impact on sales following the continuing stable operations. The long-term impact is not possible to estimate at this point in time, however the growing demand for value adding whey based ingredients and child nutrition are expected to continue in 2020. We therefore expect earnings for the year to be in the range of 600 mDKK to 750 mDKK.

Environmental issues

We prioritise investments and initiatives to reduce our environmental footprint and contribute to a stronger planet. Today, at our resource-intensive production plants, we strive to maximise our use of whey raw materials and minimise our environmental footprint. Energy, water and wastewater optimisation are an ongoing focus and challenge

Statement on Corporate Social Responsibility

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 the Annual report, as this is covered by Arla Foods group's CSR report.

- <https://www.arla.com/company/responsibility/csr-reports/>

AFI has also prepared a supplement to Arla's CSR report, which can be read on the company's website.

- <https://www.arlafoodsingredients.com/about/corporate-social-responsibility/>

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 2019, the Board's composition is 100% of the same gender. No new members of the Board of Directors were appointed during 2019, why the target figure was not met. It is expected that the obligation is met by the end of 2023.

The management in the company is defined as the executive management, and since the executive management only consists of one person the composition is 100%.

Key Figures and Financial Ratios

kDKK

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

	2019	2018	2017	2016	2015
Revenue	4.916.714	4.617.812	3.394.170	2.870.750	2.803.814
Operating profit/loss	666.518	562.345	575.714	544.630	242.597
Net financial income and expenses	-10.935	-3.299	-71.989	-16.153	19.106
Profit/loss for the year	655.583	559.046	503.725	528.477	261.703
Total assets	3.945.594	3.699.395	3.075.663	3.010.552	2.750.571
Investment in non-current assets	449.140	280.841	261.138	229.012	343.414
Total equity	1.719.221	1.063.638	1.004.592	990.867	722.390
Return on capital employed (%)	17,44	16,60	18,92	18,91	9,28
Return on equity (ROE) (%)	47,12	54,06	50,49	61,69	35,29
Solvency ratio (%)	43,57	28,75	32,66	32,91	26,26
Avg. number of full-time employees	766	715	644	588	546

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 2019 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.

Accounting policies has been changed as follows:

The company has opted to change the disclosure of the 2019 statutory accounts from a statement of profit and loss by function to a statement of profit and loss by nature. This aligns with current internal management reporting requirements. Hence, comparatives for 2018 are changed.

Apart from the above mentioned fields, the accounting policies are consistent with those of the previous year.

Consolidated Financial Statements

With reference to § 112 of the Danish Financial Statements Act, no Consolidated Financial Statement have been prepared because the Group enterprises are subsidiaries of a higher-ranking group.

Reporting currency

The Annual Report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates prevailing at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the Income Statement under Financial Income and Expenses.

Income Statement

Revenue

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 VAT, duties and net of sales discounts.

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 expenses

Other external costs include costs for distribution, sales, advertising, administration, premises, loss of debtors, operating leasing costs etc.

Staff expenses

Staff expenses comprise wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement, pensions and social security costs.

Other staff expenses are recognised in other external expenses.

Depreciation and impairment of tangible and intangible assets

Amortisation and impairment of intangible and tangible assets has been performed based on a continuing assessment of the useful life of the assets in the Company. Non-current assets are amortised on a straight line

Accounting Policies

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 or tangible assets 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.

Other operating income/expenses

Other operating income/expenses include items relating to activities secondary to the main activity of the enterprises.

Income from investments in group enterprises and associates

Income from equity investments comprises dividends received from group enterprises and associates in so far as they do not exceed the accumulated earnings in the group enterprise or the associate during the ownership period.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the tax prepayment scheme.

Balance Sheet

Intangible assets

Clearly defined and identifiable development projects where the technical rate of utilisation, 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 amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalised development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation 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 expenses 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.

Accounting Policies

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

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

Land is not amortised.

Tangible assets that are leased and meet the conditions for leasing are treated according to the same guidelines as those applying to purchased assets.

The cost of 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 and joint ventures

Equity investments in group enterprises and associates 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 realisable value, a write-down to this lower value will be performed.

Inventories

Inventories are measured at cost on the basis of the FIFO principle. Where the net realisable value is lower than cost, the inventories are written down to this lower value.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs incurred to make the sale. The value is determined taking into account the negotiability of inventories, obsolescence and expected development in sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Impairment of accounts receivables past due is established on individual assessment of receivables.

Prepayments

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

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 realisable 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.

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 dividends or losses. The reserve is deducted or dissolved by depreciation of the recognised costs or abandonment of the activity. Such reduction or dissolution is made by means of a transfer to distributable reserves.

Accounting Policies

Dividends

Proposed dividends 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

Financial liabilities are recognised initially at the proceeds received net of transaction expenses incurred. In subsequent periods, financial liabilities are measured at amortised cost, corresponding to the capitalised 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 amortised cost, corresponding to the outstanding balance in case of cash loans. In case of bond loans, amortised 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, comprising deposits, trade payables and other accounts payable, are measured at amortised cost, which usually corresponds to the nominal value.

Other payables

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

Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but appear only in the notes.

Income Statement

	Note	2019 kDKK	2018 kDKK
Revenue	1	4.916.714	4.617.812
Raw materials and cosumables used		-2.899.812	-2.804.828
Other external expenses		-666.472	-627.775
Gross profit		1.350.430	1.185.209
Staff costs	2	-450.930	-406.597
Depreciation and impairment losses		-233.173	-216.284
Other operating income		191	17
Operating profit		666.518	562.345
Financial income	3	41.592	26.333
Financial costs	4	-52.527	-29.632
Profit for the year		655.583	559.046
Proposed distribution of results	5		
Proposed dividend recognised in equity		500.000	0
Retained earnings		155.583	559.046
Distribution of profit		655.583	559.046

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
Assets			
IT and other development projects	6	109.409	108.383
Intangible assets		109.409	108.383
Land and buildings	7	511.290	500.770
Plant and machinery	8	1.124.313	1.063.499
Fixtures, fittings, tools and equipment	9	28.465	18.255
Property, plant and equipment in progress	10	444.316	279.964
Property, plant and equipment		2.108.384	1.862.488
Investments in subsidiaries	11, 12	342.379	326.612
Investments in joint ventures	12, 13	0	0
Other long-term investments		31.809	31.809
Investments		374.188	358.421
Non-current assets		2.591.981	2.329.292
Raw materials and consumables		92.642	86.908
Work in progress		4.044	2.357
Finished goods and goods for resale		327.268	389.281
Inventories		423.954	478.546
Trade receivables		407.054	601.148
Receivables from group companies		430.323	191.119
Other receivables		78.283	86.908
Prepayments		13.999	12.382
Receivables		929.659	891.557
Current assets		1.353.613	1.370.103
Assets		3.945.594	3.699.395

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

	Note	2019 kDKK	2018 kDKK
Liabilities and equity			
Contributed capital		10.000	10.000
Reserve for development expenditure		103.409	96.383
Retained earnings		1.105.812	957.255
Proposed dividend recognised in equity		500.000	0
Equity		1.719.221	1.063.638
Trade payables		327.615	301.458
Payables to group companies		1.802.038	2.314.184
Payables to joint ventures		75.073	0
Other payables		21.647	20.115
Short-term liabilities		2.226.373	2.635.757
Liabilities		2.226.373	2.635.757
Liabilities and equity		3.945.594	3.699.395
Contingent liabilities	14		
Collaterals and assets pledged as security	15		
Related parties	16		

Arla Foods Ingredients Group P/S

Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Development expenditure	Total
Equity 1 January 2019	10.000	957.255	0	96.383	1.063.638
Profit (loss)		148.557	500.000	7.026	655.583
Equity 31 December 2019	10.000	1.105.812	500.000	103.409	1.719.221

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

Notes

	2019 kDKK	2018 kDKK
1. Revenue		
Whey-based ingredients - domestic	272.789	264.769
Whey-based ingredients - export	3.437.453	3.021.269
Child Nutrition Manufacturing (CNM) - export	1.206.472	1.331.774
	4.916.714	4.617.812
2. Employee benefits expense		
Wages and salaries	413.457	368.413
Post-employment benefit expense	35.796	33.829
Social security contributions	1.677	4.355
	450.930	406.597
Average number of employees	766	715
The disclosure of remuneration to the Executive Board is omitted due to Danish Financial Statements Act § 98b.		
3. Finance income		
Other financial income	36.332	16.184
Financial income from group companies	5.260	10.149
	41.592	26.333
4. Finance expenses		
Financial costs regarding group companies	23.100	29.426
Other financial costs	29.427	206
	52.527	29.632
5. Distribution of profit		
Proposed dividend	500.000	0
Retained earnings	155.583	559.046
	655.583	559.046
6. Completed development projects		
Cost at the beginning of the year	152.383	111.316
Addition during the year	30.929	41.067
Cost at the end of the year	183.312	152.383
Depreciation at the beginning of the year	-44.000	-22.311
Depreciation for the year	-29.903	-21.689
Depreciation at the end of the year	-73.903	-44.000
Carrying amount at the end of the year	109.409	108.383

Notes

	2019 kDKK	2018 kDKK
7. Land and buildings		
Cost at the beginning of the year	614.286	554.851
Addition during the year	12.193	26.566
Transfers during the year to other items	18.930	32.569
Cost at the end of the year	645.409	613.986
Depreciation at the beginning of the year	-113.516	-94.007
Depreciation for the year	-20.603	-19.209
Depreciation at the end of the year	-134.119	-113.216
Carrying amount at the end of the year	511.290	500.770
8. Plant and machinery		
Cost at the beginning of the year	1.797.484	1.707.716
Addition during the year	88.383	26.722
Disposal during the year	-3.801	0
Transfers during the year to other items	139.968	63.046
Cost at the end of the year	2.022.034	1.797.484
Depreciation at the beginning of the year	-733.985	-569.245
Depreciation for the year	-167.568	-164.740
Reversal of depreciations on disposed assets	3.832	0
Depreciation at the end of the year	-897.721	-733.985
Carrying amount at the end of the year	1.124.313	1.063.499
9. Fixtures, fittings, tools and equipment		
Cost at the beginning of the year	69.016	48.246
Addition during the year	3.408	2.281
Transfers during the year to other items	21.907	18.489
Cost at the end of the year	94.331	69.016
Depreciation at the beginning of the year	-50.761	-39.187
Depreciation for the year	-15.105	-11.574
Depreciation at the end of the year	-65.866	-50.761
Carrying amount at the end of the year	28.465	18.255

Notes

	2019 kDKK	2018 kDKK
10. Property, plant and equipment in progress		
Cost at the beginning of the year	279.964	168.796
Addition during the year	345.156	225.272
Transfers during the year to other items	-180.804	-114.104
Cost at the end of the year	444.316	279.964

Carrying amount at the end of the year	444.316	279.964
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11. Investments in subsidiaries

Cost at the beginning of the year	326.612	38.787
Addition during the year	15.767	192.594
Reclassification	0	95.231
Cost at the end of the year	342.379	326.612

Carrying amount at the end of the year	342.379	326.612
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12. Disclosure of investments in subsidiaries*Subsidiaries*

Name	Registered office	Share held in		
		%	Equity	Profit
AF Ingredients Energy A/S	Denmark	100,00	917	-7
Arla Foods Ingredients Inc	USA	100,00	10.181	1.768
AF Ingredients Korea Co. Ltd.	Korea	100,00	11.751	1.429
Arla Foods Ingredients KK	Japan	100,00	11.555	2.213
AF Ingredients S.A. de C.V	Mexico	100,00	25.414	1.669
AFI Singapore Pte. Ltd.,	Singapore	100,00	2.775	254
AFI Trading (Beijing) Co., Ltd	China	100,00	5.288	422
Arla Foods Ingredients S.A.	Argentina	97,00	441.633	46.594
- AFI Comercio de Produtos Ltda.	Brazil	99,97	-2.057	429
			507.457	54.771

13. Investments in Joint Ventures

	2019 kDKK	2018 kDKK
Cost at the beginning of the year	0	95.231
Reclassification	0	-95.231
Cost at the end of the year	0	0

Carrying amount at the end of the year	0	0
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Notes

	2019	2018
	kDKK	kDKK

14. Contingent liabilities

Contractual commitments consist of purchase commitments and operating rent/lease commitments. In total these commitments amounts to 104 mDKK.

15. Collaterals and securities

Arla Foods Ingredients 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.

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):

Consolidated

- Sale of goods & Services	343.389	263.700
- Purchase of goods & services	-387.886	-310.924
- Other internal cost recharges	-22.152	-2.309
- Interest on intercompany loans	2.803	5.359
- Receivables from group companies	385.981	133.235
- Payables to group companies	1.724.268	2.314.184

Parent company

- Sale of goods & Services	178.229	173.356
- Purchase of goods & services	-1.083.668	-1.289.825
- Other internal cost recharges	-16.465	-48.172
- Interest on intercompany loans	-20.643	-24.636
- Receivables from parent company	0	57.883
- Payables to parent company	33.428	0
- Dividends paid to parent company	0	500.000