

Arla Foods Ingredients Group P/S

Sønderhøj 10-12

8260 Viby J

CVR No. 33372116

Annual Report 2023

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

DocuSigned by:

Jesper Blauenfeldt

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Jesper Blauenfeldt

Chairman

Arla Foods Ingredients Group P/S

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Arla Foods Ingredients Group P/S

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 2023 - 31 December 2023.

The Annual Report is presented in accordance with the Danish Financial Statements Act.


In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

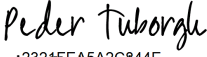
We recommend that the Annual Report be approved at the Annual General Meeting.

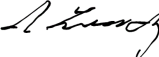
Aarhus, 6 June 2024

Executive Board

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Luis Cubel

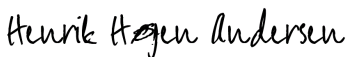
Board of Directors

DocuSigned by:

12321FEA5A2C844E...
Peder Tuborgh
Chairman

DocuSigned by:

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Andreas Lundby

DocuSigned by:

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Povl Krogsgaard

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Henrik Højen Andersen

Arla Foods Ingredients Group P/S

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 2023 - 31 December 2023, 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 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "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.

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.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are

Arla Foods Ingredients Group P/S

Independent auditor's report

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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aarhus, 6 June 2024

EY Godkendt Revisionspartnerselskab

CVR-no. 30700228

DocuSigned by:

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Jan Krarup Mortensen
State Authorised Public Accountant
mne40030

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 Henrik Højen Andersen
Executive Board	Luis Cubel
Auditors	EY Godkendt Revisionspartnerselskab Værkmestergade 25 8000 Aarhus C CVR-no.: 30700228

Arla Foods Ingredients Group P/S

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 amba.

"Arla Foods Ingredients' purpose is to discover and deliver powerful nutrition for a stronger tomorrow."

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

In 2023, AFI faced a very dynamic market environment and was especially subject to exceptionally volatile market prices for whey & lactose based ingredients.

However, a strong demand for our specialized whey protein products, combined with raw material and energy prices normalizing after record high levels, allowed us to protect our margins.

AFI's 2023 performance was driven by a continuous effort to produce new innovations and despite market price volatility, our ingredient business kept a strong momentum during 2023. This resulted in revenue of 6,572 mDKK in 2023 and has declined compared to revenue in 2022 of 7,064 mDKK. The negative revenue development can be explained by lower market prices, partly offset by higher sales volumes. Earnings for the year of 984 mDKK is slightly below with the expectations for the year which was between 1,000 mDKK and 1,500 mDKK, and can also be explained by the negative market development.

In 2023, AFI acquired full ownership of MV Ingredients in the UK. The full ownership of MV Ingredients brings AFI additional permeate volumes and a new source of WPC raw material to enable further growth.

Implementation of our Future26 strategy continued at full force: AFI entered into a Joint Development Agreement with Novonosis to develop new generations of highly specialized proteins based on precision fermentation. Also, a major investment programme was initiated at Danmark Protein to increase capacities of our unique protein solutions. Finally, we began an investment in a new permeate dryer at our plant in Argentina.

The Advanced Nutrition business, primarily producing early life nutrition products, was challenged during 2023 following rising production costs and strategic customers facing difficult market conditions in China. However, we have also introduced new customers in 2023, bringing the performance on par with 2022 levels.

Environmental conditions

The group continuously work to reduce the environmental impacts from it's 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 costumers, which will add value to our customers. The AFI Innovation Centre 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.

Arla Foods Ingredients Group P/S

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 a.m.b.a's (CVR-nr. 25313763) CSR report, which is a part of the consolidated annual report.

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

Diversity of the Board of Directors and management

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

It is essential to highlight that the ESG decision-making responsibility for Arla Foods Ingredients Group P/S is held by the board of directors (BoD) of Arla Foods Group. Likewise, the ESG decision-making responsibilities on Management level are governed by the Executive Management of Arla Foods Group. Gender diversity initiatives are managed at the Arla Foods Group level, where targets have been set and are monitored.

To comply with regulatory requirements, gender diversity reporting is conducted based on the registered BoD and management of Arla Foods Ingredients Group P/S. The registered management is considered as the first level of management aligned with the regulatory definition and Arla Foods Ingredients Group P/S does not have a second management level. The registered management consists only of one person, who is male. Because the registered management consists of less than 3 members no gender diversity target is set for other management.

Gender diversity refers to the proportion of women in relation to total headcount. The measurement of gender diversity in the registered BoD is based on headcounts as of 31 December 2023.

Gender diversity on Board of Directors	2023
Number of elected members	3
Underrepresented gender (%)	0%
Target (%)*	30%
Target year of fulfillment*	2026
Gender diversity on Management	2023
Number of members	1

*To be noted that gender diversity initiatives are managed at the Arla Foods Group level and targets are set and monitored on Group level. The target for gender diversity in BoD was updated in 2023 to 30 % before 2026. The previous target was 25 % which was reached on Group level in 2023.

In the end of 2023, the registered BoD of Arla Foods Ingredients Group P/S consisted of three members who are all male.

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

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 a.m.b.a'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/>

Arla Foods Ingredients Group P/S

Management's Review

Post financial year events

In April 2024, Arla Foods Ingredients has signed an agreement to acquire the Whey Nutrition division of Volac's business through a purchase of the shares in Volac Whey Nutrition Holdings Limited and its subsidiaries, Volac Whey Nutrition Limited and Volac Renewable Energy Limited. Completion of the transaction is expected later this year subject to required regulatory approvals.

Expectations to the future

In 2024, 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.

The revenue for 2024 is expected to be in the range between 6.000 mDKK to 6.500 mDKK.

Arla Foods Ingredients Group P/S**Key Figures and Financial Ratios**

kDKK

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

	2023	2022	2021	2020	2019
Revenue	6.572.557	7.064.018	5.585.108	5.084.010	4.916.714
Operating profit/loss	1.060.062	1.094.427	779.229	727.642	666.472
Net financials	-76.506	-23.463	-2.872	-47.948	-10.935
Profit/loss for the year	983.556	1.070.964	776.357	679.694	655.537
Investment in tangible assets	400.269	347.459	365.687	422.629	449.140
Total assets	5.270.442	5.483.061	4.838.729	4.232.206	3.945.594
Total equity	2.729.792	2.746.236	2.375.272	1.898.915	1.719.221
Return on capital employed (%)	19,72	21,21	17,18	17,80	17,44
Return on equity (ROE) (%)	35,92	41,82	36,33	37,57	47,11
Solvency ratio (%)	51,79	50,09	49,09	44,87	43,57
Avg. number of full-time employees	980	906	871	811	766

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

Arla Foods Ingredients Group P/S

Accounting Policies

Reporting Class

The annual report of Arla Foods Ingredients Group P/S for 2023 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 costs.

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 costs.

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.

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 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.

Other external costs

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

Arla Foods Ingredients Group P/S

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 costs.

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.

Arla Foods Ingredients Group P/S**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.

Receivables from group companies

Considering the nature of the scheme, account balances relating to the Group's cash pool scheme are not

Arla Foods Ingredients Group P/S

Accounting Policies

considered cash and cash equivalents, but are included in the financial statement item receivables from group companies.

Prepayments

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

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 costs 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.

Arla Foods Ingredients Group P/S

Income Statement

	Note	2023 kDKK	2022 kDKK
Revenue	1	6.572.557	7.064.018
Raw materials and consumables used		-3.489.447	-3.857.920
Other operating income		27.320	3.862
Other external costs		-1.073.142	-1.207.735
Gross profit		2.037.288	2.002.225
Staff costs	2	-663.657	-592.582
Depreciation, amortisation and impairment losses		-313.569	-315.216
Operating profit		1.060.062	1.094.427
Financial income	3	24.968	26.774
Financial costs	4	-101.474	-50.237
Profit before tax		983.556	1.070.964
Profit for the year	5	983.556	1.070.964
Proposed distribution of results	5		
Proposed dividend recognised in equity		1.500.000	1.000.000
Retained earnings		-516.444	70.964
Distribution of profit		983.556	1.070.964

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Assets			
IT and other development projects	6	17.299	31.201
Development projects in progress	7	4.739	1.603
Intangible assets		22.038	32.804
Land and buildings	8	1.284.816	1.118.846
Plant and machinery	9	1.107.692	1.160.170
Fixtures, fittings, tools and equipment	10	34.041	40.294
Property, plant and equipment in progress	11	249.400	254.308
Property, plant and equipment		2.675.949	2.573.618
Investments in subsidiaries	12, 13	381.233	381.234
Other long-term investments		0	31.809
Investments		381.233	413.043
Non-current assets		3.079.220	3.019.465
Raw materials and consumables		169.500	185.222
Work in progress		11.715	16.408
Finished goods and goods for resale		505.251	680.496
Inventories		686.466	882.126
Trade receivables		653.124	728.216
Receivables from group companies	14	615.870	727.003
Other receivables		175.981	109.663
Prepayments		59.765	16.565
Receivables		1.504.740	1.581.447
Cash and cash equivalents		16	23
Current assets		2.191.222	2.463.596
Assets		5.270.442	5.483.061

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

	Note	2023 kDKK	2022 kDKK
Liabilities and equity			
Contributed capital		10.000	10.000
Reserve for development costs		22.038	32.804
Retained earnings		1.197.754	1.703.432
Proposed dividend recognised in equity		1.500.000	1.000.000
Equity		2.729.792	2.746.236
Loans from credit institutions etc.		1.476.506	1.472.493
Long-term liabilities	15	1.476.506	1.472.493
Trade payables		553.085	676.599
Payables to group companies		477.367	402.460
Other payables		33.692	185.273
Short-term liabilities		1.064.144	1.264.332
Liabilities		2.540.650	2.736.825
Liabilities and equity		5.270.442	5.483.061
Contingent liabilities	16		
Related parties	17		
Events after the balance sheet date	18		

Arla Foods Ingredients Group P/S

Statement of changes in Equity

	Contributed capital	Retained earnings	Proposed dividend recognised in equity	Reserve for development costs	Total
Equity 1 January 2023	10.000	1.703.432	1.000.000	32.804	2.746.236
Dividend paid	0	0	-1.000.000	0	-1.000.000
Profit (loss)	0	-505.678	1.500.000	-10.766	983.556
Equity 31 December 2023	10.000	1.197.754	1.500.000	22.038	2.729.792

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.

Arla Foods Ingredients Group P/S**Notes****1. Revenue**

	2023	2022
	kDKK	kDKK
Whey-based ingredients – domestic	311.585	338.182
Whey-based ingredients – export	5.469.959	5.716.153
Child Nutrition Manufacturing (CNM) – export	791.013	1.009.683
	6.572.557	7.064.018

2. Staff costs

Wages and salaries	594.661	537.324
Post-employment benefit costs	66.688	53.142
Social security contributions	2.308	2.116
	663.657	592.582

Average number of employees	980	906
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In accordance with the section 98b (3)(1) of the Danish Financial Statements Act, information on management remuneration is given in total for all management levels. In 2023 the total remuneration amounts to kDKK 1.411 (2022: kDKK 1.400).

3. Finance income

Financial income from group companies	21.539	2.778
Other financial income	3.429	23.996
	24.968	26.774

4. Financial costs

Financial costs regarding group companies	2.674	21.303
Other financial costs	98.800	28.934
	101.474	50.237

5. Distribution of profit

Proposed dividend	1.500.000	1.000.000
Retained earnings	-516.444	70.964
	983.556	1.070.964

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6. IT and other development projects

	2023	2022
	kDKK	kDKK
Cost at the beginning of the year	202.178	202.048
Addition during the year	2.499	4
Disposal during the year	-2.871	0
Transfers during the year to other items	2.021	126
Cost at the end of the year	203.827	202.178
Amortisation at the beginning of the year	-170.977	-144.724
Amortisation for the year	-18.422	-26.253
Reversal of impairment losses and amortisation of disposed assets	2.871	0
Amortisation at the end of the year	-186.528	-170.977
Carrying amount at the end of the year	17.299	31.201

7. IT and development projects in progress

Cost at the beginning of the year	1.603	0
Addition during the year, incl. improvements	5.157	1.603
Transfers during the year to other items	-2.021	0
Cost at the end of the year	4.739	1.603
Carrying amount at the end of the year	4.739	1.603

8. Land and buildings

Cost at the beginning of the year	1.363.488	1.200.941
Addition during the year	152.636	88.546
Transfers during the year to other items	73.733	74.001
Cost at the end of the year	1.589.857	1.363.488
Depreciation at the beginning of the year	-244.642	-194.008
Depreciation for the year	-60.399	-50.634
Depreciation at the end of the year	-305.041	-244.642
Carrying amount at the end of the year	1.284.816	1.118.846

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9. Plant and machinery

	2023	2022
	kDKK	kDKK
Cost at the beginning of the year	2.630.253	2.477.837
Addition during the year	77.776	65.357
Disposal during the year	-1.036	-23.301
Transfers during the year to other items	84.795	110.360
Cost at the end of the year	2.791.788	2.630.253
Depreciation at the beginning of the year	-1.470.083	-1.267.134
Depreciation for the year	-214.089	-220.354
Reversal of depreciations on disposed assets	76	17.405
Depreciation at the end of the year	-1.684.096	-1.470.083
Carrying amount at the end of the year	1.107.692	1.160.170

10. Fixtures, fittings, tools and equipment

Cost at the beginning of the year	160.629	137.355
Addition during the year	4.875	11.243
Transfers during the year to other items	9.539	12.031
Cost at the end of the year	175.043	160.629
Depreciation at the beginning of the year	-120.335	-102.324
Depreciation for the year	-20.667	-18.011
Depreciation at the end of the year	-141.002	-120.335
Carrying amount at the end of the year	34.041	40.294

11. Property, plant and equipment in progress

Cost at the beginning of the year	254.308	268.512
Addition during the year	164.982	182.313
Transfers during the year to other items	-168.067	-196.517
Cost at the end of the year	251.223	254.308
Carrying amount at the end of the year	251.223	254.308

12. Investments in subsidiaries

Cost at the beginning of the year	381.233	381.234
Cost at the end of the year	381.233	381.234
Carrying amount at the end of the year	381.233	381.234

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13. Disclosure of investments in subsidiaries

Subsidiaries

Name	Registered office	Share held in		Equity	Profit
			%		
AF Ingredients Energy A/S	Denmark	100,00		861	136
Arla Foods Ingredients Inc	USA	100,00		32.636	10.480
AF Ingredients Korea Co. Ltd.	Korea	100,00		19.738	2.331
Arla Foods Ingredients KK	Japan	100,00		48.569	2.616
AF Ingredients S.A. de C.V	Mexico	100,00		37.512	-2.584
AFI Singapore Pte. Ltd.,	Singapore	100,00		5.424	195
AFI Trading (Beijing) Co., Ltd	China	100,00		26.872	5.663
Arla Foods Ingredients S.A.	Argentina	97,00		404.807	-258.205
- AFI Comercio de Produtos Ltda.	Brazil	100,00		-3.013	94
				573.406	-239.274

14. Receivables from group companies

The Company participates in the cash pool arrangement for Arla Foods Group, managed by Arla Foods Finance A/S. As part of the cash pool, the Company participates in the In-House Bank and holds SAP bank accounts that is deemed as an external bank account from the Company's point of view with balances being booked as intercompany asset/liability.

The conditions outlined within the cash pooling agreement grant the right to mutually offset withdrawals and deposits, resulting in only the net balance of all pooled accounts being reflected as Arla Foods Finance A/S' balance within the In-House bank.

The amount recognized as receivables from group companies relating to the cash pool agreement for Arla Foods Ingredients Group P/S amounts to 401.441 kDKK as of 31 December 2023 (2022: 305.901 kDKK).

15. Long-term liabilities

	Due	Due	Due
	after 1 year	within 1 year	after 5 years
	kDKK	kDKK	kDKK
Mortgage debt	0	0	1.476.506
	0	0	1.476.506

16. Contingent liabilities

Contractual commitments consist of purchase commitments of 318 mDKK in 2023 compared to 124 mDKK in 2022. Operating rent/lease commitments of 5 mDKK in 2023 compared to 9 mDKK in 2022.

Arla Foods Ingredients Group P/S**Notes****17. 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):

Other group companies	2023	2022
	kDKK	kDKK
Sale of goods & services	411.273	508.383
Purchase of goods & services	-601.799	-715.674
Other internal cost recharges	5.061	44.954
Interest on intercompany loans	21.539	2.778
Receivables from group companies	614.388	477.806
Payables to group companies	97.453	33.152
Parent company		
Sale of goods & services	166.305	187.464
Purchase of goods & services	-1.594.293	-2.199.144
Other internal cost recharges	-48.077	-48.544
Interest on intercompany loans	0	-21.303
Receivables from parent company	16.977	271.099
Payables to parent company	387.775	391.210
Dividends paid to parent company	1.000.000	700.000

18. 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.