

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

Sønderhøj 10-12

8260 Viby J

CVR No. 33372116

## **Annual Report 2020**

The Annual Report was presented and approved at the Annual General Meeting of the Company on 19 May 2021

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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 2020 - 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020.

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, 19 May 2021

### **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 2020 - 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January 2020 - 31 December 2020 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 "Auditors' 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 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 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 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.

### **Auditor's responsibilities 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 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 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, 19 May 2021

**EY**

**Godkendt Revisionspartnerselskab**

CVR-no. 30700228

Henrik Kronborg Iversen  
State Authorised Public Accountant  
mne24687

## Arla Foods Ingredients Group P/S

### Company details

|                           |   |
|---------------------------|---|
| <b>Company</b>            | Arla Foods Ingredients Group P/S<br>Sønderhøj 10-12<br>8260 Viby J                                |
| Telephone                 | 89381000  |
| CVR No.                   | 33372116  |
| <b>Board of Directors</b> | Peder Tuborgh, Chairman<br>Andreas Lundby<br>Povl Krogsgaard                                      |
| <b>Executive Board</b>    | Henrik Højen Andersen   |
| <b>Auditors</b>           | EY<br>Godkendt Revisionspartnerselskab<br>Værkmestergade 25<br>8000 Aarhus C<br>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

The financial year was defined by fluctuating and unprecedented market dynamics due to Covid-19. While AFI increased the value-add ingredient business driven by growth in our pediatrics and medical nutrition segments, the food segment and child nutrition manufacturing business delivered slightly below 2019 levels.

Our ingredient sales in sports nutrition were affected in the short term by lockdown of gyms in major markets leading to reduced demand for high-protein products like bars and ready-to-drinks. Our food business has been impacted by changing market conditions related to Covid-19. The child nutrition manufacturing business delivered slightly below 2019 levels, largely caused by delay in customer's new product launches.

China is, and will continue to be, a very important market both for our ingredient and Child Nutrition Manufacturing businesses. In 2020, we decided to strengthen our local presence in China to be closer to our customers and relevant decision-making bodies.

AFI increased the revenue from 4.917 mDKK in 2019 to 5.084 mDKK in 2020. The increase in sales was driven by the growing share of specialty products sold through 2020 slightly offset by lower standard volumes.

Earnings for the year of 680 mDKK is equivalent to an increase of 4 % which is at an satisfactory level and in line with communicated expectations.

### 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 2020 we have made progress on several important projects to increase our raw material supply, most of which are expected to continue into 2021.

Construction of our new Innovation Centre in Nr. Vium ran according to plan during 2020. Once the centre is completed in 2021 it will become a world-leading centre of whey research. It will operate in close cooperation with our key production site, Danmark Protein.

Looking into 2021, growth remains at the top of our agenda with large investments set to be completed and the pandemic has intensified a global focus on health, and with the specialised nutritional solutions offered by AFI, we see strong indications of further growth.

Strong momentum within hydrolysates for the medical nutrition and infant formula market with exciting ongoing customer projects and a strong NPD pipeline. To continue the growth journey, we are investigating new potential investments within this area.

## Management's Review

We therefore expect earnings for the year to be in the range of 600 mDKK to 750 mDKK.

### 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.

### 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 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 2020, the Board's composition is 100% of the same gender.

At the time for the financial reporting the weighting was 25%. In 2020, 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.

It is expected that the obligation is met by the end of 2023.



## Key Figures and Financial Ratios

kDKK

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

|                                    | 2020      | 2019      | 2018      | 2017      | 2016      |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue                            | 5.084.010 | 4.916.714 | 4.617.812 | 3.394.170 | 2.870.750 |
| Operating profit/loss              | 727.642   | 666.472   | 562.345   | 575.714   | 544.630   |
| Net financial income and costs     | -47.948   | -10.935   | -3.299    | -71.989   | -16.153   |
| Profit/loss for the year           | 679.694   | 655.537   | 559.046   | 503.725   | 528.477   |
| Total assets                       | 4.232.206 | 3.945.594 | 3.699.395 | 3.075.663 | 3.010.552 |
| Investment in tangible assets      | 422.629   | 449.140   | 280.841   | 261.138   | 229.012   |
| Total equity                       | 1.898.915 | 1.719.221 | 1.063.638 | 1.004.592 | 990.867   |
| Return on capital employed (%)     | 17,80     | 17,44     | 16,60     | 18,92     | 18,91     |
| Return on equity (ROE) (%)         | 37,57     | 47,11     | 54,06     | 50,49     | 61,69     |
| Solvency ratio (%)                 | 44,87     | 43,57     | 28,75     | 32,66     | 32,91     |
| Avg. number of full-time employees | 811       | 766       | 715       | 644       | 588       |

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 2020 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).

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed new and amended presentation and disclosure requirements.

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 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 Costs.

## **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 costs**

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

### **Staff costs**

Staff costs 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 costs are recognised in other external costs.

## **Accounting Policies**

### **Depreciation, amortisation 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 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.

### **Financial income and costs**

Financial income and costs are recognised in the Income Statement based on the amounts that concern the financial year. Financial income and costs include interest revenue and costs, 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, 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.

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

|   |             |
|---|-------------|
| IT and other development projects       | 3-5 years   |
| Land and buildings                      | 20-30 years |
| Plant and machinery                     | 10-20 years |
| Fixtures, fittings, tools and equipment | 3-7 years   |

## **Accounting Policies**

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**

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.

### **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.

### **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.

### **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.

### **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.

## **Accounting Policies**

### **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 | 2020<br>kDKK     | 2019<br>kDKK     |
|--|------|------------------|------------------|
| Revenue  | 1    | 5.084.010        | 4.916.714        |
| Raw materials and cosumables used                |      | -2.923.950       | -2.899.812       |
| Other external costs                             |      | -620.664         | -666.281         |
| <b>Gross profit</b>                              |      | <b>1.539.396</b> | <b>1.350.621</b> |
| Staff costs                                      | 2    | -540.291         | -450.930         |
| Depreciation, amortisation and impairment losses |      | -271.463         | -233.173         |
| <b>Operating profit</b>                          |      | <b>727.642</b>   | <b>666.518</b>   |
| Financial income                                 | 3    | 7.540            | 41.592           |
| Financial costs                                  | 4    | -55.488          | -52.527          |
| <b>Profit for the year</b>                       |      | <b>679.694</b>   | <b>655.583</b>   |
| <b>Proposed distribution of results</b>          | 5    |                  |                  |
| Proposed dividend recognised in equity           |      | 300.000          | 500.000          |
| Retained earnings                                |      | 379.694          | 155.583          |
| <b>Distribution of profit</b>                    |      | <b>679.694</b>   | <b>655.583</b>   |

Arla Foods Ingredients Group P/S

Balance Sheet as of 31 December

|   | Note   | 2020<br>kDKK     | 2019<br>kDKK     |
|---|--------|------------------|------------------|
| <b>Assets</b>                             |        |                  |                  |
| IT and other development projects         | 6      | 89.503           | 109.409          |
| <b>Intangible assets</b>                  |        | <b>89.503</b>    | <b>109.409</b>   |
| Land and buildings                        | 7      | 685.312          | 511.290          |
| Plant and machinery                       | 8      | 1.183.900        | 1.124.313        |
| Fixtures, fittings, tools and equipment   | 9      | 34.119           | 28.465           |
| Property, plant and equipment in progress | 10     | 392.407          | 444.316          |
| <b>Property, plant and equipment</b>      |        | <b>2.295.738</b> | <b>2.108.384</b> |
| Investments in subsidiaries               | 11, 12 | 342.379          | 342.379          |
| Other long-term investments               |        | 31.809           | 31.809           |
| <b>Investments</b>                        |        | <b>374.188</b>   | <b>374.188</b>   |
| <b>Non-current assets</b>                 |        | <b>2.759.429</b> | <b>2.591.981</b> |
| Raw materials and consumables             |        | 97.092           | 92.642           |
| Work in progress                          |        | 8.742            | 4.044            |
| Finished goods and goods for resale       |        | 322.520          | 327.268          |
| <b>Inventories</b>                        |        | <b>428.354</b>   | <b>423.954</b>   |
| Trade receivables                         |        | 638.821          | 407.054          |
| Receivables from group companies          |        | 212.417          | 430.323          |
| Other receivables                         |        | 189.199          | 78.283           |
| Prepayments                               |        | 3.986            | 13.999           |
| <b>Receivables</b>                        |        | <b>1.044.423</b> | <b>929.659</b>   |
| <b>Current assets</b>                     |        | <b>1.472.777</b> | <b>1.353.613</b> |
| <b>Assets</b>                             |        | <b>4.232.206</b> | <b>3.945.594</b> |

**Balance Sheet as of 31 December**

|  | Note | 2020<br>kDKK            | 2019<br>kDKK            |
|--|------|-------------------------|-------------------------|
| <b>Liabilities and equity</b>              |      |                         |                         |
| Contributed capital                        |      | 10.000                  | 10.000                  |
| Reserve for development expenditure        |      | 89.057                  | 103.409                 |
| Retained earnings                          |      | 1.499.858               | 1.105.812               |
| Proposed dividend recognised in equity     |      | 300.000                 | 500.000                 |
| <b>Equity</b>                              |      | <b><u>1.898.915</u></b> | <b><u>1.719.221</u></b> |
| Trade payables                             |      | 377.576                 | 327.615                 |
| Payables to group companies                |      | 1.833.419               | 1.802.038               |
| Other payables                             |      | 122.296                 | 96.720                  |
| <b>Short-term liabilities</b>              |      | <b><u>2.333.291</u></b> | <b><u>2.226.373</u></b> |
| <b>Liabilities</b>                         |      | <b><u>2.333.291</u></b> | <b><u>2.226.373</u></b> |
| <b>Liabilities and equity</b>              |      | <b><u>4.232.206</u></b> | <b><u>3.945.594</u></b> |
| Contingent liabilities                     | 13   |                         |                         |
| Collaterals and assets pledged as security | 14   |                         |                         |



**Statement of changes in Equity**

kDKK

|                                    | <b>Contributed<br/>capital</b> | <b>Retained<br/>earnings</b> | <b>Proposed<br/>dividend<br/>recognised<br/>in equity</b> | <b>Development<br/>expenditure</b> | <b>Total</b>     |
|------------------------------------|--------------------------------|------------------------------|---|------------------------------------|------------------|
| Equity 1 January 2020              | 10.000                         | 1.105.812                    | 500.000   | 103.409                            | 1.719.221        |
| Dividend paid                      | 0                              | 0                            | -500.000  | 0                                  | -500.000         |
| Profit (loss)                      | 0                              | 394.046                      | 300.000   | -14.352                            | 679.694          |
| <b>Equity 31 December<br/>2020</b> | <b>10.000</b>                  | <b>1.499.858</b>             | <b>300.000</b>  | <b>89.057</b>                      | <b>1.898.915</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>2020</b>      | <b>2019</b>      |
|--|------------------|------------------|
|  | <b>kDKK</b>      | <b>kDKK</b>      |
| Whey-based ingredients – domestic            | 289.607          | 272.789          |
| Whey-based ingredients – export              | 3.648.475        | 3.437.453        |
| Child Nutrition Manufacturing (CNM) – export | 1.145.928        | 1.206.472        |
|  | <b>5.084.010</b> | <b>4.916.714</b> |

### 2. Staff costs

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Wages and salaries              | 497.209        | 413.457        |
| Post-employment benefit expense | 41.188         | 35.796         |
| Social security contributions   | 1.894          | 1.677          |
|                                 | <b>540.291</b> | <b>450.930</b> |

|                             |     |     |
|-----------------------------|-----|-----|
| Average number of employees | 811 | 766 |
|-----------------------------|-----|-----|

The disclosure of remuneration to the Executive Board is omitted due to Danish Financial Statements Act § 98b.

### 3. Finance income

|                                       |              |               |
|---------------------------------------|--------------|---------------|
| Other financial income                | 6.008        | 36.332        |
| Financial income from group companies | 1.532        | 5.260         |
|                                       | <b>7.540</b> | <b>41.592</b> |

### 4. Financial costs

|   |               |               |
|---|---------------|---------------|
| Financial costs regarding group companies | 21.323        | 23.100        |
| Other financial costs                     | 34.165        | 29.427        |
|   | <b>55.488</b> | <b>52.527</b> |

### 5. Distribution of profit

|                   |                |                |
|-------------------|----------------|----------------|
| Proposed dividend | 300.000        | 500.000        |
| Retained earnings | 379.694        | 155.583        |
|                   | <b>679.694</b> | <b>655.583</b> |

### 6. Completed development projects

|                                    |                |                |
|------------------------------------|----------------|----------------|
| Cost at the beginning of the year  | 183.312        | 152.383        |
| Addition during the year           | 17.123         | 30.929         |
| <b>Cost at the end of the year</b> | <b>200.435</b> | <b>183.312</b> |

|  |                 |                |
|--|-----------------|----------------|
| Amortisation at the beginning of the year  | -73.903         | -44.000        |
| Amortisation for the year                  | -37.029         | -29.903        |
| <b>Amortisation at the end of the year</b> | <b>-110.932</b> | <b>-73.903</b> |

|   |               |                |
|---|---------------|----------------|
| <b>Carrying amount at the end of the year</b> | <b>89.503</b> | <b>109.409</b> |
|---|---------------|----------------|

## Notes

**7. Land and buildings**

|   | <b>2020</b>     | <b>2019</b>     |
|---|-----------------|-----------------|
|   | <b>kDKK</b>     | <b>kDKK</b>     |
| Cost at the beginning of the year             | 645.409         | 614.286         |
| Addition during the year                      | 37.297          | 12.193          |
| Transfers during the year to other items      | 161.411         | 18.930          |
| <b>Cost at the end of the year</b>            | <b>844.117</b>  | <b>645.409</b>  |
| Depreciation at the beginning of the year     | -134.119        | -113.516        |
| Depreciation for the year                     | -24.686         | -20.603         |
| <b>Depreciation at the end of the year</b>    | <b>-158.805</b> | <b>-134.119</b> |
| <b>Carrying amount at the end of the year</b> | <b>685.312</b>  | <b>511.290</b>  |

**8. Plant and machinery**

|   |                   |                  |
|---|-------------------|------------------|
| Cost at the beginning of the year             | 2.022.034         | 1.797.484        |
| Addition during the year                      | 62.810            | 88.383           |
| Disposal during the year                      | -846              | -3.801           |
| Transfers during the year to other items      | 190.009           | 139.968          |
| <b>Cost at the end of the year</b>            | <b>2.274.007</b>  | <b>2.022.034</b> |
| Depreciation at the beginning of the year     | -897.721          | -733.985         |
| Depreciation for the year                     | -192.386          | -167.568         |
| Reversal of depreciations on disposed assets  | 0                 | 3.832            |
| <b>Depreciation at the end of the year</b>    | <b>-1.090.107</b> | <b>-897.721</b>  |
| <b>Carrying amount at the end of the year</b> | <b>1.183.900</b>  | <b>1.124.313</b> |

**9. Fixtures, fittings, tools and equipment**

|   |                |                |
|---|----------------|----------------|
| Cost at the beginning of the year             | 94.331         | 69.016         |
| Addition during the year                      | 9.369          | 3.408          |
| Transfers during the year to other items      | 13.643         | 21.907         |
| <b>Cost at the end of the year</b>            | <b>117.343</b> | <b>94.331</b>  |
| Depreciation at the beginning of the year     | -65.866        | -50.761        |
| Depreciation for the year                     | -17.358        | -15.105        |
| <b>Depreciation at the end of the year</b>    | <b>-83.224</b> | <b>-65.866</b> |
| <b>Carrying amount at the end of the year</b> | <b>34.119</b>  | <b>28.465</b>  |

## Notes

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

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
|   | <b>kDKK</b>    | <b>kDKK</b>    |
| Cost at the beginning of the year             | 444.317        | 279.964        |
| Addition during the year                      | 313.153        | 345.156        |
| Transfers during the year to other items      | -365.063       | -180.804       |
| <b>Cost at the end of the year</b>            | <b>392.407</b> | <b>444.316</b> |
| <b>Carrying amount at the end of the year</b> | <b>392.407</b> | <b>444.316</b> |

**11. Investments in subsidiaries**

|   |                |                |
|---|----------------|----------------|
| Cost at the beginning of the year             | 342.379        | 326.612        |
| Addition during the year                      | 0              | 15.767         |
| <b>Cost at the end of the year</b>            | <b>342.379</b> | <b>342.379</b> |
| <b>Carrying amount at the end of the year</b> | <b>342.379</b> | <b>342.379</b> |

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

| <b>Name</b>                      | <b>Registered office</b> | <b>Share held in</b> |                |               |
|----------------------------------|--------------------------|----------------------|----------------|---------------|
|                                  |                          | <b>%</b>             | <b>Equity</b>  | <b>Profit</b> |
| AF Ingredients Energy A/S        | Denmark                  | 100,00               | 1.310          | 393           |
| Arla Foods Ingredients Inc       | USA                      | 100,00               | 9.711          | 510           |
| AF Ingredients Korea Co. Ltd.    | Korea                    | 100,00               | 13.173         | 1.823         |
| Arla Foods Ingredients KK        | Japan                    | 100,00               | 12.246         | 1.246         |
| AF Ingredients S.A. de C.V       | Mexico                   | 100,00               | 23.506         | 1.748         |
| AFI Singapore Pte. Ltd.,         | Singapore                | 100,00               | 3.801          | 1.284         |
| AFI Trading (Beijing) Co., Ltd   | China                    | 100,00               | 11.794         | 6.804         |
| Arla Foods Ingredients S.A.      | Argentina                | 97,00                | 433.585        | 35.698        |
| - AFI Comercio de Produtos Ltda. | Brazil                   | 99,97                | -1.589         | -160          |
|                                  |                          |                      | <b>507.537</b> | <b>49.346</b> |

## Notes

### 13. Contingent liabilities

Contractual commitments consist of purchase commitments and operating rent/lease commitments. In total these commitments amounts to 70 mDKK.

### 14. 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.

### 15. 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>2020</b> | <b>2019</b> |
|----------------------------------|-------------|-------------|
|                                  | <b>kDKK</b> | <b>kDKK</b> |
| Sale of goods & services         | 415.242     | 343.389     |
| Purchase of goods & services     | -395.613    | -387.886    |
| Other internal cost recharges    | -15.451     | -22.152     |
| Interest on intercompany loans   | 1.532       | 2.803       |
| Receivables from group companies | 198.253     | 385.981     |
| Payables to group companies      | 1.673.173   | 1.724.268   |
| <br>                             |             |             |
| <b>Parent company</b>            |             |             |
| Sale of goods & services         | 149.065     | 178.229     |
| Purchase of goods & services     | -1.029.974  | -1.083.668  |
| Other internal cost recharges    | -23.793     | -16.465     |
| Interest on intercompany loans   | -21.323     | -20.643     |
| Receivables from Parent company  | 14.164      | 0           |
| Payables to Parent company       | 160.246     | 33.428      |
| Dividends paid to parent company | 500.000     | 0           |