

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended September 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-13323

**DARLING INGREDIENTS INC.**

(Exact name of registrant as specified in its charter)

**Delaware** **36-2495346**

(State or other jurisdiction  
of incorporation or organization) (I.R.S. Employer  
Identification Number)

**5601 N MacArthur Blvd., Irving, Texas 75038**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(972) 717-0300**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock \$0.01 par value per share	DAR	New York Stock Exchange ("NYSE")

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

There were 159,532,286 shares of common stock, \$0.01 par value, outstanding at November 2, 2023.

DARLING INGREDIENTS INC. AND SUBSIDIARIES  
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**

September 30, 2023 and December 31, 2022

(in thousands, except share data)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 118,977	\$ 127,016
Restricted cash	304	315
Accounts receivable, less allowance for bad debts of \$ 17,525 at September 30, 2023 and \$11,889 at December 31, 2022	735,582	676,573
Inventories	822,765	673,621
Prepaid expenses	101,559	85,665
Income taxes refundable	25,689	18,583
Other current assets	38,119	56,324
Total current assets	1,842,995	1,638,097
Property, plant and equipment, less accumulated depreciation of \$ 2,252,257 at September 30, 2023 and \$2,054,928 at December 31, 2022	2,798,727	2,462,082
Intangible assets, less accumulated amortization of \$ 709,690 at September 30, 2023 and \$623,101 at December 31, 2022	1,091,446	865,122
Goodwill	2,447,376	1,970,377
Investment in unconsolidated subsidiaries	2,164,182	1,926,395
Operating lease right-of-use assets	202,947	186,141
Other assets	238,053	136,268
Deferred income taxes	24,611	17,888
	<u>\$ 10,810,337</u>	<u>\$ 9,202,370</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 73,862	\$ 69,846
Accounts payable, principally trade	394,748	472,491
Income taxes payable	18,294	44,851
Current operating lease liabilities	52,378	49,232
Accrued expenses	494,421	432,023
Total current liabilities	1,033,703	1,068,443
Long-term debt, net of current portion	4,338,126	3,314,969
Long-term operating lease liabilities	154,858	141,703
Other non-current liabilities	313,889	298,933
Deferred income taxes	502,779	481,832
Total liabilities	6,343,355	5,305,880
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 250,000,000 shares authorized; 174,426,268 and 173,593,099 shares issued at September 30, 2023 and December 31, 2022, respectively	1,744	1,736
Additional paid-in capital	1,691,636	1,660,084
Treasury stock, at cost; 14,893,860 and 13,623,503 shares at September 30, 2023 and December 31, 2022, respectively	(628,991)	(554,451)
Accumulated other comprehensive loss	(332,413)	(383,874)
Retained earnings	3,648,738	3,085,528
Total Darling's stockholders' equity	4,380,714	3,809,023
Noncontrolling interests	86,268	87,467
Total stockholders' equity	4,466,982	3,896,490
	<u>\$ 10,810,337</u>	<u>\$ 9,202,370</u>

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF OPERATIONS**

Three and nine months ended September 30, 2023 and October 1, 2022

(in thousands, except per share data)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net sales	\$ 1,625,204	\$ 1,747,599	\$ 5,173,997	\$ 4,764,121
Costs and expenses:				
Cost of sales and operating expenses	1,238,733	1,371,237	3,965,408	3,623,321
Loss/(gain) on sale of assets	929	(3,116)	861	(4,560)
Selling, general and administrative expenses	137,697	105,080	409,914	314,888
Restructuring and asset impairment charges	—	—	5,420	8,557
Acquisition and integration costs	3,430	4,503	12,158	13,634
Change in fair value of contingent consideration	(5,559)	—	(13,058)	—
Depreciation and amortization	125,994	104,978	364,086	277,337
Total costs and expenses	1,501,224	1,582,682	4,744,789	4,233,177
Equity in net income of Diamond Green Diesel	54,389	103,414	361,690	248,898
Operating income	178,369	268,331	790,898	779,842
Other expense:				
Interest expense	(70,278)	(39,816)	(190,770)	(79,427)
Foreign currency gain/(loss)	845	(493)	8,339	(6,005)
Other income/(expense), net	2,247	(2,807)	13,485	(3,851)
Total other expense	(67,186)	(43,116)	(168,946)	(89,283)
Equity in net income of other unconsolidated subsidiaries	1,534	2,301	3,503	5,933
Income before income taxes	112,717	227,516	625,455	696,492
Income tax expense/(benefit)	(15,364)	35,215	52,322	108,631
Net income	128,081	192,301	573,133	587,861
Net income attributable to noncontrolling interests	(3,055)	(1,220)	(9,923)	(6,731)
Net income attributable to Darling	\$ 125,026	\$ 191,081	\$ 563,210	\$ 581,130
Basic income per share	\$ 0.78	\$ 1.19	\$ 3.52	\$ 3.60
Diluted income per share	\$ 0.77	\$ 1.17	\$ 3.47	\$ 3.54

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**

Three and nine months ended September 30, 2023 and October 1, 2022

(in thousands)  
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023		September 30, 2023	
	October 1, 2022	October 1, 2022	2023	October 1, 2022
Net income	\$ 128,081	\$ 192,301	\$ 573,133	\$ 587,861
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustments	(81,497)	(96,848)	57,312	(187,321)
Pension adjustments	327	429	981	1,286
Commodities derivative adjustments	(29,288)	26,620	(25,826)	29,024
Interest rate swap adjustments	1,911	—	12,237	—
Foreign exchange derivative adjustments	(10,425)	(2,476)	4,466	6,240
Total other comprehensive income/(loss), net of tax	(118,972)	(72,275)	49,170	(150,771)
Total comprehensive income	\$ 9,109	\$ 120,026	\$ 622,303	\$ 437,090
Comprehensive income attributable to noncontrolling interests	3,935	1,177	7,632	7,409
Comprehensive income attributable to Darling	\$ 5,174	\$ 118,849	\$ 614,671	\$ 429,681

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Nine months ended September 30, 2023 and October 1, 2022

(in thousands, except share data)

(unaudited)

Common Stock										
	Number of Outstanding Shares	\$0.01 par Value	Additional Paid-In Capital	Treasury Stock	Other Comprehensive Loss	Retained Earnings	Stockholders' equity attributable to Darling	Non-controlling Interests	Total Stockholders' Equity	
Balances at December 31, 2022	159,969,596	\$ 1,736	\$ 1,660,084	\$ (554,451)	\$ (383,874)	\$ 3,085,528	\$ 3,809,023	\$ 87,467	\$ 3,896,490	
Net income	—	—	—	—	—	185,801	185,801	4,054	189,855	
Deductions to noncontrolling interests	—	—	—	—	—	—	—	(3,441)	(3,441)	
Addition to noncontrolling interests	—	—	—	—	—	—	—	1,643	1,643	
Pension adjustments, net of tax	—	—	—	—	327	—	327	—	327	
Commodities derivative adjustments, net of tax	—	—	—	—	21,124	—	21,124	—	21,124	
Interest rate swap adjustments, net of tax	—	—	—	—	720	—	720	—	720	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	5,620	—	5,620	—	5,620	
Foreign currency translation adjustments	—	—	—	—	56,875	—	56,875	(658)	56,217	
Issuance of non-vested stock	—	—	47	—	—	—	47	—	47	
Stock-based compensation	—	—	11,806	—	—	—	11,806	—	11,806	
Treasury stock	(1,039,462)	—	—	(60,510)	—	—	(60,510)	—	(60,510)	
Issuance of common stock	633,972	6	1,695	—	—	—	1,701	—	1,701	
Balances at April 1, 2023	159,564,106	\$ 1,742	\$ 1,673,632	\$ (614,961)	\$ (299,208)	\$ 3,271,329	\$ 4,032,534	\$ 89,065	\$ 4,121,599	
Net income	—	—	—	—	—	252,383	252,383	2,814	255,197	
Distribution of noncontrolling interest earnings	—	—	—	—	—	—	—	(9,036)	(9,036)	
Addition to noncontrolling interests	—	—	—	—	—	—	—	2,003	2,003	
Pension adjustments, net of tax	—	—	—	—	327	—	327	—	327	
Commodities derivative adjustments, net of tax	—	—	—	—	(17,662)	—	(17,662)	—	(17,662)	
Interest rate swap adjustments, net of tax	—	—	—	—	9,606	—	9,606	—	9,606	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	9,271	—	9,271	—	9,271	
Foreign currency translation adjustments	—	—	—	—	85,105	—	85,105	(2,513)	82,592	
Issuance of non-vested stock	—	—	46	—	—	—	46	—	46	
Stock-based compensation	—	—	6,186	—	—	—	6,186	—	6,186	
Treasury stock	(164,362)	—	—	(9,891)	—	—	(9,891)	—	(9,891)	
Issuance of common stock	90,162	1	324	—	—	—	325	—	325	
Balances at July 1, 2023	159,489,906	\$ 1,743	\$ 1,680,188	\$ (624,852)	\$ (212,561)	\$ 3,523,712	\$ 4,368,230	\$ 82,333	\$ 4,450,563	
Net income	—	—	—	—	—	125,026	125,026	3,055	128,081	
Pension adjustments, net of tax	—	—	—	—	327	—	327	—	327	
Commodities derivative adjustments, net of tax	—	—	—	—	(29,288)	—	(29,288)	—	(29,288)	
Interest rate swap adjustments, net of tax	—	—	—	—	1,911	—	1,911	—	1,911	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	(10,425)	—	(10,425)	—	(10,425)	
Foreign currency translation adjustments	—	—	—	—	(82,377)	—	(82,377)	880	(81,497)	
Issuance of non-vested stock	—	—	47	—	—	—	47	—	47	
Stock-based compensation	—	—	8,914	—	—	—	8,914	—	8,914	
Treasury stock	(66,533)	—	—	(4,139)	—	—	(4,139)	—	(4,139)	
Issuance of common stock	109,035	1	2,487	—	—	—	2,488	—	2,488	
Balances at September 30, 2023	159,532,408	\$ 1,744	\$ 1,691,636	\$ (628,991)	\$ (332,413)	\$ 3,648,738	\$ 4,380,714	\$ 86,268	\$ 4,466,982	

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Nine months ended September 30, 2023 and October 1, 2022

(in thousands, except share data)

(unaudited)

	Common Stock									Stockholders' Total Stockholders' Equity
	Number of Outstanding Shares	\$0.01 par Value	Additional Capital	Treasury Stock	Other Comprehensive Loss	Retained Earnings	Stockholders' equity attributable to Darling	Non-controlling Interests		
Balances at January 1, 2022	160,792,004	\$ 1,717	\$ 1,627,816	\$ (374,721)	\$ (321,690)	\$ 2,347,838	\$ 3,280,960	\$ 66,825	\$ 3,347,785	
Net income	—	—	—	—	—	188,053	188,053	2,678	190,731	
Pension adjustments, net of tax	—	—	—	—	429	—	429	—	429	
Commodities derivative adjustments, net of tax	—	—	—	—	(22,058)	—	(22,058)	—	(22,058)	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	29,435	—	29,435	—	29,435	
Foreign currency translation adjustments	—	—	—	—	2,515	—	2,515	867	3,382	
Issuance of non-vested stock	5,000	—	18	—	—	—	18	—	18	
Stock-based compensation	—	—	6,305	—	—	—	6,305	—	6,305	
Treasury stock	(938,113)	—	—	(64,185)	—	—	(64,185)	—	(64,185)	
Issuance of common stock	1,644,866	17	3,791	—	—	—	3,808	—	3,808	
Balances at April 2, 2022	161,503,757	\$ 1,734	\$ 1,637,930	\$ (438,906)	\$ (311,369)	\$ 2,535,891	\$ 3,425,280	\$ 70,370	\$ 3,495,650	
Net income	—	—	—	—	—	201,996	201,996	2,833	204,829	
Pension adjustments, net of tax	—	—	—	—	428	—	428	—	428	
Commodities derivative adjustments, net of tax	—	—	—	—	24,462	—	24,462	—	24,462	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	(20,719)	—	(20,719)	—	(20,719)	
Foreign currency translation adjustments	—	—	—	—	(93,709)	—	(93,709)	(146)	(93,855)	
Issuance of non-vested stock	—	—	30	—	—	—	30	—	30	
Stock-based compensation	—	—	7,016	—	—	—	7,016	—	7,016	
Treasury stock	(751,432)	—	—	(52,811)	—	—	(52,811)	—	(52,811)	
Issuance of common stock	108,586	1	1,492	—	—	—	1,493	—	1,493	
Balances at July 2, 2022	160,860,911	\$ 1,735	\$ 1,646,468	\$ (491,717)	\$ (400,907)	\$ 2,737,887	\$ 3,493,466	\$ 73,057	\$ 3,566,523	
Acquisitionn of noncontrolling interests	—	—	—	—	—	—	—	18,212	18,212	
Net income	—	—	—	—	—	191,081	191,081	1,220	192,301	
Distribution of noncontrolling interest earnings	—	—	—	—	—	—	—	(3,744)	(3,744)	
Pension adjustments, net of tax	—	—	—	—	429	—	429	—	429	
Commodities derivative adjustments, net of tax	—	—	—	—	26,620	—	26,620	—	26,620	
Foreign exchange derivative adjustments, net of tax	—	—	—	—	(2,476)	—	(2,476)	—	(2,476)	
Foreign currency translation adjustments	—	—	—	—	(96,805)	—	(96,805)	(43)	(96,848)	
Issuance of non-vested stock	1,500	—	35	—	—	—	35	—	35	
Stock-based compensation	—	—	5,480	—	—	—	5,480	—	5,480	
Treasury stock	(623,359)	—	—	(38,188)	—	—	(38,188)	—	(38,188)	
Issuance of common stock	27,428	—	470	—	—	—	470	—	470	
Balances at October 1, 2022	160,266,480	\$ 1,735	\$ 1,652,453	\$ (529,905)	\$ (473,139)	\$ 2,928,968	\$ 3,580,112	\$ 88,702	\$ 3,668,814	

The accompanying notes are an integral part of these consolidated financial statements.



DARLING INGREDIENTS INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Nine months ended September 30, 2023 and October 1, 2022

(in thousands)

(unaudited)

	September 30, 2023	October 1, 2022
<b>Cash flows from operating activities:</b>		
Net Income	\$ 573,133	\$ 587,861
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	364,086	277,337
Loss/(gain) on sale of assets	861	(4,560)
Asset impairment	—	8,557
Change in fair value of contingent consideration	(13,058)	—
Gain on insurance proceeds from insurance settlements	(13,836)	—
Deferred taxes	(18,192)	42,120
Increase/(decrease) in long-term pension liability	809	(2,753)
Stock-based compensation expense	27,046	18,884
Deferred loan cost amortization	4,674	3,552
Equity in net income of Diamond Green Diesel and other unconsolidated subsidiaries	(365,193)	(254,831)
Distributions of earnings from Diamond Green Diesel and other unconsolidated subsidiaries	168,277	95,546
<b>Changes in operating assets and liabilities, net of effects from acquisitions:</b>		
Accounts receivable	25,731	(45,457)
Income taxes refundable/payable	(39,123)	(2,004)
Inventories and prepaid expenses	(22,694)	(140,971)
Accounts payable and accrued expenses	(39,570)	78,656
Other	29,337	(23,499)
<b>Net cash provided by operating activities</b>	<b>682,288</b>	<b>638,438</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(380,556)	(257,120)
Acquisitions, net of cash acquired	(1,093,183)	(1,760,139)
Investment in Diamond Green Diesel	(75,000)	(239,750)
Investment in other unconsolidated subsidiaries	(27)	—
Loan to Diamond Green Diesel	—	(25,000)
Loan repayment from Diamond Green Diesel	25,000	50,000
Gross proceeds from disposal of property, plant and equipment and other assets	4,817	9,430
Proceeds from insurance settlement	13,836	—
Payments related to routes and other intangibles	(1,521)	(179)
<b>Net cash used in investing activities</b>	<b>(1,506,634)</b>	<b>(2,222,758)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	812,348	1,929,870
Payments on long-term debt	(102,463)	(39,511)
Borrowings from revolving credit facility	1,972,953	1,684,840
Payments on revolving credit facility	(1,707,840)	(1,743,523)
Net cash overdraft financing	6,008	21,090
Deferred loan costs	(9)	(16,758)
Repurchase of common stock	(52,941)	(103,061)
Minimum withholding taxes paid on stock awards	(17,278)	(46,394)
Distributions to noncontrolling interests	(8,628)	(3,653)
<b>Net cash provided by financing activities</b>	<b>902,150</b>	<b>1,682,900</b>
<b>Effect of exchange rate changes on cash</b>	<b>25,559</b>	<b>(20,295)</b>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<b>103,363</b>	<b>78,285</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>150,168</b>	<b>69,072</b>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>\$ 253,531</b>	<b>\$ 147,357</b>

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INGREDIENTS INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements**

September 30, 2023

(unaudited)

(1) General

The accompanying consolidated financial statements for the three and nine month periods ended September 30, 2023 and October 1, 2022, have been prepared by Darling Ingredients Inc., a Delaware corporation ("Darling", and together with its subsidiaries, the "Company" or "we", "us" or "our") in accordance with generally accepted accounting principles in the United States ("GAAP") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting only of normal recurring accruals) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's Form 10-K for the fiscal year ended December 31, 2022.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Darling and its consolidated subsidiaries. Noncontrolling interests represent the outstanding ownership interest in the Company's consolidated subsidiaries that are not owned by the Company. In the accompanying Consolidated Statements of Operations, the noncontrolling interest in net income of the consolidated subsidiaries is shown as an allocation of the Company's net income and is presented separately as "Net income attributable to noncontrolling interests." In the Company's Consolidated Balance Sheets, noncontrolling interests represent the ownership interests in the Company's consolidated subsidiaries' net assets held by parties other than the Company. These ownership interests are presented separately as "Noncontrolling interests" within "Stockholders' Equity." All intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Periods

The Company has a 52/53 week fiscal year ending on the Saturday nearest December 31. Fiscal periods for the consolidated financial statements included herein are as of September 30, 2023, and include the 13 and 39 weeks ended September 30, 2023, and the 13 and 39 weeks ended October 1, 2022.

(c) Cash and Cash Equivalents

The Company considers all short-term highly liquid instruments, with an original maturity of three months or less, to be cash equivalents. Cash balances are recorded net of book overdrafts when a bank right-of-offset exists. All other book overdrafts are recorded in accounts payable and the change in the related balance is reflected in operating activities on the Consolidated Statement of Cash Flows. In addition, the Company has bank overdrafts, which are considered a form of short-term financing with changes in the related balance reflected in financing activities in the Consolidated Statement of Cash Flows. Restricted cash shown on the Consolidated Balance Sheet as of September 30, 2023 and December 31, 2022, primarily represented amounts set aside as collateral for foreign construction projects and U.S. environmental claims and were insignificant to the Company. Restricted cash included in other long term assets on the Consolidated Balance Sheet as of September 30, 2023 and December 31, 2022, primarily represents acquisition consideration hold-back amounts that are part of the purchase price set aside in escrow in the Company's name for possible indemnification claims by the Company, which amounts will be paid to the sellers in the future if no claims arise. A reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of same such amounts shown in the Consolidated Statement of Cash flows is as follows (in thousands):

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 118,977	\$ 127,016
Restricted cash	304	315
Restricted cash included in other long-term assets	134,250	22,837
<b>Total cash, cash equivalents and restricted cash shown in the statement of cash flows</b>	<b>\$ 253,531</b>	<b>\$ 150,168</b>

(d) Accounts Receivable Factoring

The Company has entered into agreements with third party banks to factor certain of the Company's trade receivables in order to enhance working capital by turning trade receivables into cash faster. Under these agreements, the Company sells certain selected customers' trade receivables to third party banks without recourse for cash less a nominal fee. For the three months ended September 30, 2023 and October 1, 2022, the Company sold approximately \$110.2 million and \$162.7 million of its trade receivables and incurred approximately \$1.7 million and \$1.2 million in fees, respectively, which are recorded as interest expense. For the nine months ended September 30, 2023 and October 1, 2022, the Company sold approximately \$402.2 million and \$434.0 million of its trade receivables and incurred approximately \$5.4 million and \$2.3 million in fees, which are recorded as interest expense.

(e) Revenue Recognition

The Company recognizes revenue on sales when control of the promised finished product is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for the finished product. Service revenues are recognized when the service occurs. Certain customers may be required to prepay prior to shipment in order to maintain payment protection related to certain foreign and domestic sales. These amounts are recorded as unearned revenue in accrued expenses and recognized when control of the promised finished product is transferred to the Company's customer. See Note 20 (Revenue) to the Company's Consolidated Financial Statements included herein.

(f) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

If it is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that exist at the date of the financial statements will change in the near term due to one or more future confirming events, and the effect of the change would be material to the financial statements, the Company will disclose the nature of the uncertainty and include an indication that it is at least reasonably possible that a change in the estimate will occur in the near term. If the estimate involves certain loss contingencies, the disclosure will also include an estimate of the probable loss or range of loss or state that an estimate cannot be made.

As a result of the Russia-Ukraine war and the current inflationary environment, we have evaluated the potential impact to the Company's operations and for any indicators of potential triggering events that could indicate certain of the Company's assets may be impaired. Through the nine months ended September 30, 2023, the Company has not observed any impairments of the Company's assets or a significant change in their fair value due to the Russia-Ukraine war or inflation.

(g) Out-of-Period Correction

During the quarter ended July 1, 2023, the Company determined the fair value of the contingent consideration liability recorded related to the FASA Group of approximately R\$ 867.5 million (approximately \$168.1 million USD at the exchange rate in effect on the closing date of the acquisition) was overstated in the initial

purchase price allocation. The error was the result of the use of an incorrect fair value model under the income approach to determine fair value of the contingent consideration liability upon acquisition. Utilizing assistance from external valuation experts and the use of a Monte-Carlo simulation, the Company determined during the quarter ended July 1, 2023 the acquisition date fair value of the contingent payment was R\$428.2 million (approximately \$83.0 million USD at the exchange rate in effect on the closing date of the acquisition) representing the probability weighted present value of the expected payment to be made under the agreement using the income approach. This resulted in an overstatement of the fair value of the contingent consideration liability of approximately \$ 85.1 million on the acquisition date.

The Company assessed the impact of this error and concluded that it was not material to the financial statements previously issued for any interim or annual period, and the correction of the error during the quarter ended July 1, 2023 was not material to the second quarter 2023 financial statements and is not expected to be material to the annual financial statements for fiscal 2023. The correction of the fair value of the contingent consideration liability at the acquisition date was recorded as an immaterial out-of-period correction during the quarter ended July 1, 2023 with the offset to the balance sheet recorded as a reduction to goodwill of approximately \$85.1 million, which is included in the Feed Ingredients segment.

(h) Reclassifications

Certain immaterial prior year amounts have been reclassified to conform to current year presentation.

(i) Earnings Per Share

Basic income per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares including non-vested and restricted shares outstanding during the period. Diluted income per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares outstanding during the period increased by dilutive common equivalent shares determined using the treasury stock method.

Net Income per Common Share (in thousands, except per share data)						
Three Months Ended						
	September 30, 2023			October 1, 2022		
	Income	Shares	Per Share	Income	Shares	Per Share
<b>Basic:</b>						
Net Income attributable to Darling	\$ 125,026	159,727	\$ 0.78	\$ 191,081	160,587	\$ 1.19
<b>Diluted:</b>						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		3,409			3,755	
Less: Pro forma treasury shares		(711)			(707)	
<b>Diluted:</b>						
Net income attributable to Darling	\$ 125,026	162,425	\$ 0.77	\$ 191,081	163,635	\$ 1.17

Net Income per Common Share (in thousands, except per share data)						
Nine Months Ended						
	September 30, 2023			October 1, 2022		
	Income	Shares	Per Share	Income	Shares	Per Share
<b>Basic:</b>						
Net Income attributable to Darling	\$ 563,210	159,894	\$ 3.52	\$ 581,130	161,205	\$ 3.60
<b>Diluted:</b>						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		3,378			3,837	
Less: Pro forma treasury shares		(735)			(715)	
<b>Diluted:</b>						
Net income attributable to Darling	\$ 563,210	162,537	\$ 3.47	\$ 581,130	164,327	\$ 3.54

For the three months ended September 30, 2023 and October 1, 2022, respectively, no outstanding stock options were excluded from diluted income per common share as the effect would be antidilutive. For the three months ended September 30, 2023 and October 1, 2022, respectively, 382,404 and 223,157 shares of non-vested stock and stock equivalents were excluded from diluted income per common share as the effect was antidilutive.

For the nine months ended September 30, 2023 and October 1, 2022, respectively, no outstanding stock options were excluded from diluted income per common share as the effect would be antidilutive. For the nine months ended September 30, 2023 and October 1, 2022, respectively, 470,213 and 249,618 shares of non-vested stock and stock equivalents were excluded from diluted income per common share as the effect was antidilutive.

(3) Investment in Unconsolidated Subsidiaries

On January 21, 2011, a wholly-owned subsidiary of Darling entered into a limited liability company agreement with a wholly-owned subsidiary of Valero Energy Corporation ("Valero") to form Diamond Green Diesel Holdings LLC ("DGD" or the "DGD Joint Venture"). The DGD Joint Venture is owned 50% / 50% with Valero.

Selected financial information for the Company's DGD Joint Venture is as follows:

(in thousands)	September 30, 2023	December 31, 2022
<b>Assets:</b>		
Total current assets	\$ 1,641,934	\$ 1,304,805
Property, plant and equipment, net	3,831,367	3,866,854
Other assets	94,149	61,665
Total assets	\$ 5,567,450	\$ 5,233,324
<b>Liabilities and members' equity:</b>		
Total current portion of long term debt	\$ 228,365	\$ 217,066
Total other current liabilities	391,027	515,023
Total long term debt	744,451	774,783
Total other long term liabilities	16,408	17,249
Total members' equity	4,187,199	3,709,203
Total liabilities and members' equity	\$ 5,567,450	\$ 5,233,324

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Revenues:</b>				
Operating revenues	\$ 1,430,666	\$ 1,470,036	\$ 5,356,827	\$ 3,906,614
<b>Expenses:</b>				
Total costs and expenses less depreciation, amortization and accretion expense	1,257,766	1,229,371	4,430,485	3,311,608
Depreciation, amortization and accretion expense	55,118	31,793	172,040	89,602
Total costs and expenses	1,312,884	1,261,164	4,602,525	3,401,210
Operating income	117,782	208,872	754,302	505,404
Other income	2,701	1,215	6,863	1,926
Interest and debt expense, net	(11,705)	(3,259)	(37,785)	(9,534)
Net income	\$ 108,778	\$ 206,828	\$ 723,380	\$ 497,796

As of September 30, 2023, under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately \$2,096.9 million on the consolidated balance sheet. The Company has recorded equity in net income from the DGD Joint Venture of approximately \$54.4 million and \$103.4 million for the three months ended September 30, 2023 and October 1, 2022, respectively. The Company has recorded equity in net income from the DGD Joint Venture of approximately \$361.7 million and \$248.9 million for the nine months ended September 30, 2023 and October 1, 2022, respectively. In December 2019, the blender tax credits were extended for calendar years 2020, 2021 and 2022. On August 16, 2022, the U.S. government enacted the Inflation Reduction Act (the "IR Act"). As part of the IR Act, the blender tax credits were extended as is until December 31, 2024. After 2024, the Clean Fuels Production Credit (the "CFPC") becomes effective from 2025 through 2027. Under the CFPC, on-road transportation fuel receives a base credit of up to \$1.00 per gallon of renewable diesel multiplied by the fuel's emission reduction



percentage as long as it is produced at a qualifying facility and it meets prevailing wage requirements and apprenticeship requirements. In contrast to the blenders tax credits, the CFPC requires that production must take place in the United States. For the three months ended September 30, 2023 and September 30, 2022, the DGD Joint Venture recorded approximately \$266.4 million and \$190.3 million of blenders tax credits, respectively. For the nine months ended September 30, 2023 and September 30, 2022, the DGD Joint Venture recorded approximately \$900.0 million and \$544.6 million of blenders tax credits, respectively. The blenders tax credits are recorded as a reduction of cost of sales by the DGD Joint Venture. In the nine months ended September 30, 2023 and October 1, 2022, respectively, the Company made \$75.0 million and \$239.8 million capital contributions to the DGD Joint Venture. In the nine months ended September 30, 2023 and October 1, 2022, the Company received \$163.6 million and \$90.5 million dividend distributions from the DGD Joint Venture, respectively. As of September 30, 2023, the DGD Joint Venture has borrowings outstanding of \$200.0 million under their unsecured revolving credit facility.

In addition to the DGD Joint Venture, the Company has investments in other unconsolidated subsidiaries that are insignificant to the Company.

(4) Acquisitions

Gelnex

On March 31, 2023, the Company acquired all of the shares of Gelnex, a leading global producer of collagen products (the "Gelnex Acquisition"). The Gelnex Acquisition includes a network of five processing facilities in South America and one in the United States. The initial purchase price of approximately \$1.2 billion was comprised of an initial cash payment of approximately \$ 1.1 billion, which consisted of a payment of approximately R\$4.3 billion Brazilian real (approximately \$ 855.1 million USD at the exchange rate of R\$ 5.08:USD\$1.00 on the closing date) and a payment of approximately \$243.5 million in USD, and is subject to various post-closing adjustments in accordance with the stock purchase agreement. In addition, the Company incurred a liability of approximately \$104.1 million for acquisition consideration hold-back amounts that are part of the purchase price set aside in escrow in the Company's name for possible indemnification claims by the Company, which amounts will be paid to the sellers in the future if no claims arise. The hold-back amount represents a noncash investing activity during the period of acquisition. The Gelnex Acquisition gives us immediate capacity to serve the growing needs of our collagen customers and the growing gelatin market. The initial purchase price was financed by borrowing all of the Company's term A-3 facility of \$300.0 million and term A-4 facility of \$500.0 million, with the remainder coming through revolver borrowings under the Company's Amended Credit Agreement. During the third quarter of fiscal 2023, the Company made immaterial working capital adjustments and made a cash payment for working capital purchase price adjustment per the stock purchase agreement of approximately \$14.1 million with an offset to goodwill. In addition, the Company obtained new information about facts and circumstances that existed at the acquisition date during the third quarter of 2023 that resulted in measurement period adjustments to increase property, plant and equipment by approximately \$15.7 million, increase intangible assets by approximately \$ 66.5 million, decrease goodwill by approximately \$75.8 million, increase deferred tax liabilities by approximately \$ 6.2 million and a decrease in other assets and liabilities of approximately \$0.2 million.

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed in the Gelnex Acquisition as of March 31, 2023 (in thousands) inclusive of all measurement period adjustments recorded:

Accounts receivable	\$	81,025
Inventories		141,066
Other current assets		3,477
Property, plant and equipment		143,509
Identifiable intangible assets		350,500
Goodwill		564,467
Operating lease right-of-use assets		134
Other assets		2,703
Deferred tax asset		857
Accounts payable		(15,059)
Current operating lease liabilities		(26)
Current portion of long-term debt		(44,692)
Accrued expenses		(18,887)
Long-term debt, net of current portion		(1,407)
Long-term operating lease liabilities		(123)
Deferred tax liability		(10,298)
Other noncurrent liabilities		(19)
Purchase price, net of cash acquired	\$	1,197,227
Less hold-back		104,145
Cash paid for acquisition, net of cash acquired	\$	1,093,082

The \$564.5 million of goodwill from the Gelnex Acquisition, which is expected to strengthen the Company's gelatin business and expand its ability to service increased demand of its collagen customer base, is assigned to the Food Ingredients segment. Of the preliminary goodwill booked in the Gelnex Acquisition approximately \$446.5 million is expected to be deductible for tax purposes. The identifiable intangible assets include \$342.5 million in customer relationships with a weighted average life of 11.4 years and \$8.0 million in trade name with a life of 5 years for a total weighted average life of approximately 11.3 years. The Company is still assessing the provisional amounts recorded for assets acquired and liabilities assumed including possible future price adjustments to property, plant and equipment, intangible assets and taxes, thus the final determination of the value of assets acquired and liabilities assumed may result in retrospective adjustments to the values presented in the above table with a corresponding adjustment to goodwill.

The amount of net sales and net income (loss) from the Gelnex Acquisition included in the Company's consolidated statement of operations for the three months ended September 30, 2023 was \$88.8 million and \$1.1 million, respectively. The amount of net sales and net income (loss) from the Gelnex Acquisition included in the Company's consolidated statement of operations for the nine months ended September 30, 2023 was \$180.0 million and \$(18.0) million, respectively. The Company incurred acquisition costs related to the Gelnex Acquisition for the three and nine months ended September 30, 2023 of approximately \$0.6 million and \$6.5 million, respectively.

#### FASA Group

On August 1, 2022, the Company acquired all of the shares of the FASA Group, the largest independent rendering company in Brazil, pursuant to a stock purchase agreement dated May 5, 2022 (the "FASA Acquisition"). The FASA Group, with its 14 rendering plants and an additional two plants under construction at the time of acquisition, will supplement the Company's global supply of waste fats, making it a leader in the supply of low-carbon waste fats and oils.

The Company initially paid approximately R\$ 2.9 billion Brazilian real in cash (approximately \$ 562.6 million USD at the exchange rate in effect on the closing date of the acquisition) for all the shares of the FASA Group, subject to certain post closing adjustments and a contingent payment based on future earnings growth in accordance with the terms set forth in the stock purchase agreement. Under the stock purchase agreement, such contingent payment could range from R\$0 to a maximum of R\$ 1.0 billion if future earnings growth reaches certain levels over a three-year period. The Company completed an initial analysis as of the acquisition date for this contingency and recorded a liability of approximately R\$867.5 million (approximately \$168.1 million USD at the exchange rate in effect on the closing date of the acquisition) representing the present value of the maximum contingency under the income approach.

As disclosed in Note 2(g), as a result of the immaterial out-of-period correction identified during the quarter ended July 1, 2023, utilizing assistance from external valuation experts and the use of a Monte Carlo model, the Company determined the acquisition date fair value of the contingent consideration was R\$428.2 million (approximately \$83.0 million USD at the exchange rate in effect on the closing date of the acquisition) representing the probability weighted present value of the expected payment to be made under the agreement using the income approach, resulting in an overstatement of the fair value of the contingent consideration liability of approximately \$85.1 million. The immaterial out-of-period correction reduced the acquisition date fair value of contingent consideration liability and goodwill associated with the FASA Acquisition by approximately \$85.1 million during the quarter ended July 1, 2023. The Company will analyze the contingent consideration liability using a Monte Carlo model each quarter and any change in fair value will be recorded through operating income as changes in fair value of contingent consideration including the accretion of the change in the long-term liability.

The hold-back and contingent consideration amounts represent noncash investing activities during the period of acquisition. The Company initially financed the FASA Acquisition by borrowing approximately \$ 515.0 million of revolver borrowings under the Company's Amended Credit Agreement, with the remainder coming from cash on hand. During the fourth quarter of fiscal 2022, the Company made immaterial working capital adjustments and made a cash payment for working capital purchase price adjustment per the stock purchase agreement of approximately \$7.1 million with an offset to goodwill. The Company obtained new information about facts and circumstances that existed at the acquisition date during the first and second quarter of 2023 that resulted in measurement period adjustments to increase property, plant and equipment by approximately \$81.5 million, decrease intangible assets by approximately \$ 41.7 million, decrease goodwill by approximately \$21.5 million, increase deferred tax liabilities by approximately \$16.0 million and increase other assets and liabilities by approximately \$ 2.3 million, with the net impact of the adjustments to the consolidated statement of operations being immaterial.

The following table summarizes the final fair value of the assets acquired and the liabilities assumed in the FASA Acquisition as of August 1, 2022 at the exchange rate of R\$5.16:USD\$1.00 (in thousands), as adjusted for the immaterial out of period correction disclosed in Note 2(g) and inclusive of all measurement adjustments recorded:

Accounts receivable	\$	76,640
Inventories		43,058
Other current assets		33,327
Property, plant and equipment		224,384
Identifiable intangible assets		119,477
Goodwill (1)		301,937
Operating lease right-of-use assets		583
Other assets		62,388
Deferred tax asset		2,315
Accounts payable		(15,920)
Current portion of long-term debt		(18,680)
Accrued expenses		(38,708)
Long-term debt, net of current portion		(41,926)
Long-term operating lease liabilities		(583)
Deferred tax liability		(95,653)
Other noncurrent liabilities		(503)
Non-controlling interests		(21,704)
Purchase price, net of cash acquired	\$	630,432
Less hold-back		21,705
Less contingent consideration (1)		82,984
Cash paid for acquisition, net of cash acquired	\$	<u>525,743</u>

(1) As disclosed in Note 2(g), the immaterial out-of-period correction made during the quarter ended July 1, 2023 resulted in a reduction of goodwill and contingent consideration liability recorded associated with the FASA Acquisition of approximately \$85.1 million.

The \$301.9 million of goodwill from the FASA Acquisition, which is expected to strengthen the Company's base business and expand its ability to provide additional low carbon intensity feedstocks to fuel the growing demand for renewable diesel, was assigned to the Feed Ingredients segment and is nondeductible for tax purposes. The identifiable

intangible assets include \$108.6 million in routes with a life of 12 years and \$10.9 million in trade name with a life of 5 years for a total weighted average life of approximately 11.4 years.

The amount of net sales and net income (loss) from the FASA Acquisition included in the Company's consolidated statement of operations for the three months ended September 30, 2023 was \$75.8 million and \$(3.5) million, respectively. The amount of net sales and net income (loss) from the FASA Acquisition included in the Company's consolidated statement of operations for the nine months ended September 30, 2023 was \$259.6 million and \$(1.7) million, respectively.

#### Valley Proteins

On May 2, 2022, the Company acquired all of the shares of Valley Proteins, pursuant to a stock purchase agreement dated December 28, 2021 (the "Valley Acquisition"). The Valley Acquisition includes a network of 18 major rendering plants and used cooking oil facilities throughout the southern, southeast and mid-Atlantic regions of the U.S. The Company initially paid approximately \$1.177 billion in cash for the Valley Acquisition, subject to various post-closing adjustments in accordance with the stock purchase agreement. During the third quarter of fiscal 2022, the Company made immaterial working capital adjustments and made a cash payment for a working capital purchase price adjustment per the stock purchase agreement of approximately \$6.0 million with an offset to goodwill. The initial purchase price was financed by borrowing all of the Company's term A-1 facility of \$400.0 million and term A-2 facility of \$500.0 million, with the remainder coming through revolver borrowings under the Company's Amended Credit Agreement.

The following table summarizes the final fair value of the assets acquired and the liabilities assumed in the Valley Acquisition as of May 2, 2022 (in thousands) inclusive of all measurement period adjustments recorded:

Accounts receivable	\$	68,558
Inventories		58,246
Other current assets		13,825
Property, plant and equipment		409,405
Identifiable intangible assets		389,200
Goodwill		358,298
Operating lease right-of-use assets		16,380
Other assets		14,164
Deferred tax asset		1,075
Accounts payable		(47,615)
Current portion of long-term debt		(2,043)
Current operating lease liabilities		(4,779)
Accrued expenses		(66,034)
Long-term debt, net of current portion		(5,995)
Long-term operating lease liabilities		(11,601)
Other noncurrent liabilities		(19,436)
Purchase price, net of cash acquired	\$	1,171,648

The \$358.3 million of goodwill from the Valley Acquisition, which is expected to strengthen the Company's base business and expand its ability to provide additional low carbon intensity feedstocks to fuel the growing demand for renewable diesel, was assigned to the Feed Ingredients segment. For U.S. income tax purposes, the Valley Acquisition is treated as a purchase of substantially all the assets of Valley Proteins; therefore, almost all of the goodwill is expected to be deductible for tax purposes. The identifiable intangible assets include \$292.1 million in collection routes with a life of 15 years and \$97.1 million in permits with a life of 15 years for a total weighted average life of approximately 15 years.

The amount of net sales and net income (loss) from the Valley Acquisition included in the Company's consolidated statement of operations for the three months ended September 30, 2023 was \$197.1 million and \$(11.3) million, respectively. The amount of net sales and net income (loss) from the Valley Acquisition included in the Company's consolidated statement of operations for the nine months ended September 30, 2023 was \$623.4 million and \$(7.7) million, respectively.

As a result of the Gelnex Acquisition, the FASA Acquisition and the Valley Acquisition, effective March 31, 2023, August 1, 2022 and May 2, 2022, respectively, the Company began including the operations of these acquisitions in the Company's consolidated financial statements. The following table presents selected pro forma information, for comparative purposes, assuming the Gelnex Acquisition, the FASA Acquisition and the Valley Acquisition had occurred on January 2, 2022 for the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	October 1, 2022	2023	October 1, 2022
Net sales	\$ 1,625,204	\$ 1,886,794	\$ 5,272,264	\$ 5,592,717
Net income	128,081	201,708	576,188	573,591

The Company notes that pro forma results of operations for the additional acquisitions discussed below have not been presented because the effect of each acquisition individually or in the aggregate is not deemed material to net sales, total assets and net income of the Company for any period presented.

On February 25, 2022, a wholly-owned international subsidiary of the Company acquired all of the shares of Group Op de Beeck, a Belgium digester, organic and industrial waste processing company, that is now included in our Fuel Ingredients segment, for an initially estimated purchase price of approximately \$91.7 million, plus or minus various closing adjustments in accordance with the stock purchase agreement. Initially, the Company paid approximately \$71.3 million in cash consideration. In the second quarter of fiscal 2022, the Company paid an additional \$4.2 million for purchase price adjustments related to working capital and estimated future construction costs for a total purchase price of approximately \$75.5 million. The Company recorded assets and liabilities consisting of property, plant and equipment of approximately \$28.1 million, intangible assets of approximately \$27.2 million, goodwill of approximately \$29.6 million and other net liabilities of approximately \$ 9.4 million including working capital and net debt.

Additionally, the Company completed other immaterial acquisitions in the first nine months of fiscal 2023 and 2022.

On November 2, 2022, the Company announced that we entered into a definitive agreement to purchase Polish rendering company, Miropasz Group for approximately €110.0 million, subject to post-closing adjustments. The transaction is subject to customary approvals, including the receipt of regulatory approval and is anticipated to close in the first quarter of 2024.

The Company incurred acquisition costs and integration costs of approximately \$ 3.4 million and \$4.5 million for the three months ended September 30, 2023 and October 1, 2022, respectively. The Company incurred acquisition and integration costs of approximately \$12.2 million and \$13.6 million for the nine months ended September 30, 2023 and October 1, 2022, respectively.

## (5) Inventories

A summary of inventories follows (in thousands):

	September 30, 2023	December 31, 2022
Finished product	\$ 481,874	\$ 384,289
Work in process	130,810	100,790
Raw material	70,953	69,164
Supplies and other	139,128	119,378
	<u>\$ 822,765</u>	<u>\$ 673,621</u>

## (6) Intangible Assets

The gross carrying amount of intangible assets not subject to amortization and intangible assets subject to amortization is as follows (in thousands):

	September 30, 2023	December 31, 2022
Indefinite Lived Intangible Assets:		
Trade names	\$ 51,421	\$ 51,639
	51,421	51,639
Finite Lived Intangible Assets:		
Routes	738,307	776,909
Customer relationships	350,506	4,377
Permits	555,318	557,083
Non-compete agreements	395	695
Trade names	85,013	76,549
Royalty, consulting, land use rights and leasehold	20,176	20,971
	1,749,715	1,436,584
Accumulated Amortization:		
Routes	(226,534)	(192,170)
Customer relationships	(20,222)	(3,938)
Permits	(396,303)	(368,005)
Non-compete agreements	(334)	(563)
Trade names	(60,921)	(53,486)
Royalty, consulting, land use rights and leasehold	(5,376)	(4,939)
	(709,690)	(623,101)
Total Intangible assets, less accumulated amortization	\$ 1,091,446	\$ 865,122

Gross intangible assets changed due to net acquisition activity in the first nine months of fiscal 2023 by approximately \$ 311.6 million and the remaining change is due to foreign currency translation and retirements. Amortization expense for the three months ended September 30, 2023 and October 1, 2022, was approximately \$32.2 million and \$25.4 million, respectively, and for the nine months ended September 30, 2023 and October 1, 2022 was approximately \$91.7 million and \$62.8 million, respectively.

#### (7) Goodwill

Changes in the carrying amount of goodwill (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
Balance at December 31, 2022				
Goodwill	\$ 1,556,855	\$ 320,807	\$ 143,379	\$ 2,021,041
Accumulated impairment losses	(15,914)	(3,170)	(31,580)	(50,664)
	1,540,941	317,637	111,799	1,970,377
Goodwill acquired during year	3,247	626,202	—	629,449
Measurement period adjustments	(21,270)	(61,735)	(66)	(83,071)
Out-of-period correction (1)	(85,144)	—	—	(85,144)
Foreign currency translation	13,060	3,693	(988)	15,765
Balance at September 30, 2023				
Goodwill	1,466,748	888,967	142,325	2,498,040
Accumulated impairment losses	(15,914)	(3,170)	(31,580)	(50,664)
	\$ 1,450,834	\$ 885,797	\$ 110,745	\$ 2,447,376

(1) As disclosed in Note 2(g), the immaterial out-of-period correction made during the quarter ended July 1, 2023 resulted in a reduction of goodwill recorded associated with the FASA Acquisition of approximately \$ 85.1 million, which is included in the Feed Ingredients segment.

#### (8) Accrued Expenses

Accrued expenses consist of the following (in thousands):



	September 30, 2023	December 31, 2022
Compensation and benefits	\$ 145,528	\$ 145,048
Accrued operating expenses	100,439	97,128
Other accrued expense	248,454	189,847
	<b>\$ 494,421</b>	<b>\$ 432,023</b>

(9) Debt

Debt consists of the following (in thousands):

	September 30, 2023	December 31, 2022
Amended Credit Agreement:		
Revolving Credit Facility (\$118.5 million and \$32.0 million denominated in € at September 30, 2023 and December 31, 2022, respectively)	\$ 399,518	\$ 135,028
Term A-1 facility	400,000	400,000
Less unamortized deferred loan costs	(590)	(722)
Carrying value Term A-1 facility	399,410	399,278
Term A-2 facility	484,375	493,750
Less unamortized deferred loan costs	(837)	(1,034)
Carrying value Term A-2 facility	483,538	492,716
Term A-3 facility	300,000	—
Less unamortized deferred loan costs	(898)	—
Carrying value Term A-3 facility	299,102	—
Term A-4 facility	493,750	—
Less unamortized deferred loan costs	(1,085)	—
Carrying value Term A-4 facility	492,665	—
Term Loan B	200,000	200,000
Less unamortized deferred loan costs	(818)	(1,302)
Carrying value Term Loan B	199,182	198,698
6% Senior Notes due 2030 with effective interest of 6.12%	1,000,000	1,000,000
Less unamortized deferred loan costs net of bond premium	(6,642)	(7,228)
Carrying value 6% Senior Notes due 2030	993,358	992,772
5.25% Senior Notes due 2027 with effective interest of 5.47%	500,000	500,000
Less unamortized deferred loan costs	(3,471)	(4,127)
Carrying value 5.25% Senior Notes due 2027	496,529	495,873
3.625% Senior Notes due 2026 - Denominated in euro with effective interest of 3.83%	544,973	549,814
Less unamortized deferred loan costs - Denominated in euro	(2,912)	(3,728)
Carrying value 3.625% Senior Notes due 2026	542,061	546,086
Other Notes and Obligations	106,625	124,364
	4,411,988	3,384,815
Less Current Maturities	73,862	69,846
	<b>\$ 4,338,126</b>	<b>\$ 3,314,969</b>

As of September 30, 2023, the Company had outstanding debt under the revolving credit facility denominated in euros of € 112.0 million and outstanding debt under the Company's 3.625% Senior Notes due 2026 denominated in euros of € 515.0 million. In addition, at September 30, 2023, the Company had finance lease obligations denominated in euros of approximately €7.5 million.

As of September 30, 2023, the Company had other notes and obligations of \$ 106.6 million that consist of various overdraft facilities of approximately \$30.6 million, Brazilian notes of approximately \$ 43.1 million, a China working capital line of credit of approximately \$ 1.9 million and other debt of approximately \$31.0 million, including U.S. finance lease obligations of approximately \$ 4.6 million.

On January 6, 2014, Darling, Darling International Canada Inc. ("Darling Canada") and Darling International NL Holdings B.V. ("Darling NL") entered into a Second Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement"), restating its then existing Amended and Restated Credit Agreement dated September 27, 2013, with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents from time to time party thereto.

The interest rate applicable to any borrowings under the revolving credit facility equals the adjusted term secured overnight financing rate (SOFR) for U.S. dollar borrowings or the adjusted euro interbank rate (EURIBOR) for euro borrowings or the adjusted daily simple Sterling overnight index average (SONIA) for British pound borrowings or CDOR for Canadian dollar borrowings plus 1.375% per annum or base rate or the adjusted term SOFR for U.S. dollar borrowings or Canadian prime rate for Canadian dollar borrowings or the adjusted daily simple European short term rate (ESTR) for euro borrowings or the adjusted daily SONIA rate for British pound borrowings plus 0.375% per annum subject to certain step-ups or step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowing under the term A-1 facility and term A-3 facility equals the adjusted term SOFR plus a minimum of 1.50% per annum subject to certain step-ups based on the Company's total leverage ratio. The interest rate applicable to any borrowing under the term A-2 facility and term A-4 facility equals the adjusted term SOFR plus 1.375% per annum subject to certain step-ups or step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowings under the term loan B facility equals the base rate plus 1.00% or LIBOR plus 2.00%.

As of September 30, 2023, the Company had (i) \$ 21.0 million outstanding under the revolving credit facility at base rate plus a margin of 0.375% per annum for a total of 8.875% per annum, (ii) \$260.0 million outstanding under the revolver at SOFR plus a margin of 1.375% per annum for a total of 6.79108% per annum, (iii) \$400.0 million outstanding under the term A-1 facility at SOFR plus a margin of 1.50% per annum for a total of 6.91608% per annum, (iv) \$484.4 million outstanding under the term A-2 facility at SOFR plus a margin of 1.375% per annum for a total of 6.79108% per annum, (v) \$300.0 million outstanding under the term A-3 facility at SOFR plus a margin 1.50% per annum for a total of 6.91608% per annum, (vi) \$493.8 million outstanding under the term A-4 facility at SOFR plus a margin 1.375% per annum for a total of 6.79108% per annum, (vii) \$200.0 million outstanding under the term B facility at LIBOR plus a margin of 2.00% per annum for a total of 7.44% per annum and (viii) €112.0 million outstanding under the revolving credit facility at EURIBOR plus a margin of 1.375% per annum for a total of 5.17646% per annum. As of September 30, 2023, the Company had revolving credit facility availability of \$1,044.0 million, under the Amended Credit Agreement taking into account amounts borrowed, ancillary facilities of \$52.6 million and letters of credit issued of \$ 3.9 million. The Company also had foreign bank guarantees of approximately \$11.5 million and U.S. bank guarantees of approximately \$ 10.9 million that are not part of the Company's Amended Credit Agreement at September 30, 2023.

As of September 30, 2023, the Company believes it is in compliance with all of the financial covenants under the Amended Credit Agreement, as well as all of the other covenants contained in the Amended Credit Agreement, the 6% Senior Notes due 2030, the 5.25% Senior Notes due 2027 and the 3.625% Senior Notes due 2026.

(10) Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Accrued pension liability	\$ 22,067	\$ 22,538
Reserve for self-insurance, litigation, environmental and tax matters	69,475	76,685
Long-term acquisition hold-backs	137,401	26,113
Long-term contingent consideration (1)	78,570	169,903
Other	6,376	3,694
	<hr/> \$ 313,889	<hr/> \$ 298,933

(1) As disclosed in Note 2(g), the immaterial out-of-period correction made during the quarter ended July 1, 2023 resulted in a reduction of goodwill recorded associated with the FASA Acquisition of approximately \$85.1 million.

(11) Income Taxes

The Company has provided income taxes for the three and nine month periods ended September 30, 2023 and October 1, 2022, based on its estimate of the effective tax rate for the entire 2023 and 2022 fiscal years. The Company's estimated annual effective tax rate is based on forecasts of income by jurisdiction, permanent differences between book and tax income, the relative proportion of income and losses by jurisdiction, and statutory income tax rates. Discrete events such as the assessment of the ultimate outcome of tax audits, audit settlements, recognizing previously unrecognized tax benefits due to the lapsing of statutes of limitation, recognizing or derecognizing deferred tax assets due to projections of income or loss and changes in tax laws are recognized in the period in which they occur.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. As of September 30, 2023 and October 1, 2022, the Company had \$17.0 million and \$12.8 million, respectively of gross unrecognized tax benefits and \$1.3 million and \$1.1 million, respectively of related accrued interest and penalties. The Company's gross unrecognized tax benefits are not expected to decrease significantly within the next twelve months.

On August 16, 2022, the U.S. government enacted the IR Act that includes tax incentives for energy and climate initiatives, among other provisions. The blender tax credits, which are refundable excise tax credits, have been extended two years through December 31, 2024. After 2024, the CFPC, a transferable income tax credit, becomes effective from 2025 through 2027. We are assessing these tax incentives, which could materially change our pre-tax or after-tax amounts and impact our tax rate in future years. We will continue to evaluate the applicability and effect of the IR Act as more guidance is issued.

The Company's major taxing jurisdictions include the United States (federal and state), Canada, the Netherlands, Belgium, Brazil, Germany, France and China. The Company is subject to regular examination by various tax authorities and although the final outcome of these examinations is not yet determinable, the Company does not anticipate that any of the examinations will have a significant impact on the Company's results of operations or financial position. The statute of limitations for the Company's major tax jurisdictions is open for varying periods, but is generally closed through the 2013 tax year.

(12) Other Comprehensive Income/(Loss)

The components of other comprehensive income/(loss) and the related tax impacts for the three and nine months ended September 30, 2023 and October 1, 2022 are as follows (in thousands):

		Three Months Ended					
		Before-Tax		Tax (Expense) or Benefit		Net-of-Tax	
		Amount		Amount		Amount	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Defined benefit pension plans							
Amortization of prior service (cost)/benefit	\$ (1)	\$ 5	\$ —	\$ (1)	\$ (1)	\$ 4	
Amortization of actuarial loss	434	571	(106)	(146)	328	425	
Total defined benefit pension plans	433	576	(106)	(147)	327	429	
Soybean meal option derivatives							
Reclassified to earnings	322	(121)	(82)	30	240	(91)	
Activity recognized in other comprehensive income/(loss)	(361)	296	92	(75)	(269)	221	
Total soybean meal option derivatives	(39)	175	10	(45)	(29)	130	
Corn option derivatives							
Reclassified to earnings	—	2,188	—	(555)	—	1,633	
Activity recognized in other comprehensive income/(loss)	—	(1,176)	—	298	—	(878)	
Total corn option derivatives	—	1,012	—	(257)	—	755	
Heating oil derivatives							
Activity recognized in other comprehensive income/(loss)	(39,221)	34,497	9,962	(8,762)	(29,259)	25,735	
Total heating oil derivatives	(39,221)	34,497	9,962	(8,762)	(29,259)	25,735	
Interest swap derivatives							
Reclassified to earnings	(22,072)	—	5,606	—	(16,466)	—	
Activity recognized in other comprehensive income/(loss)	24,633	—	(6,256)	—	18,377	—	
Total interest swap derivatives	2,561	—	(650)	—	1,911	—	
Foreign exchange derivatives							
Reclassified to earnings	(11,677)	(3,619)	3,973	1,076	(7,704)	(2,543)	
Activity recognized in other comprehensive income/(loss)	(4,124)	(209)	1,403	276	(2,721)	67	
Total foreign exchange derivatives	(15,801)	(3,828)	5,376	1,352	(10,425)	(2,476)	
Foreign currency translation	(82,571)	(98,776)	1,074	1,928	(81,497)	(96,848)	
Other comprehensive income/(loss)\$	<u>(134,638) \$</u>	<u>(66,344) \$</u>	<u>15,666 \$</u>	<u>(5,931) \$</u>	<u>(118,972) \$</u>	<u>(72,275)</u>	

		Nine Months Ended					
		Before-Tax		Tax (Expense) or Benefit		Net-of-Tax	
		Amount		Amount		Amount	
		September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Defined benefit pension plans							
Amortization of prior service (cost)/benefit	\$ (1)	\$ 16	\$ —	\$ (4)	\$ (1)	\$ 12	
Amortization of actuarial loss	1,302	1,711	(320)	(437)	982	1,274	
Total defined benefit pension plans	1,301	1,727	(320)	(441)	981	1,286	
Soybean meal option derivatives							
Reclassified to earnings	(182)	(438)	46	111	(136)	(327)	
Activity recognized in other comprehensive income/(loss)	(448)	272	114	(69)	(334)	203	
Total soybean meal option derivatives	(630)	(166)	160	42	(470)	(124)	
Corn option derivatives							
Reclassified to earnings	(1,537)	13,533	390	(3,437)	(1,147)	10,096	
Activity recognized in other comprehensive income/(loss)	1,627	(11,335)	(412)	2,879	1,215	(8,456)	
Total corn option derivatives	90	2,198	(22)	(558)	68	1,640	
Heating oil derivatives							
Activity recognized in other comprehensive income/(loss)	(34,081)	36,874	8,657	(9,366)	(25,424)	27,508	
Total heating oil derivatives	(34,081)	36,874	8,657	(9,366)	(25,424)	27,508	
Interest swap derivatives							
Reclassified to earnings	(21,206)	—	5,386	—	(15,820)	—	
Activity recognized in other comprehensive income/(loss)	37,609	—	(9,552)	—	28,057	—	
Total interest swap derivatives	16,403	—	(4,166)	—	12,237	—	
Foreign exchange derivatives							
Reclassified to earnings	(23,950)	(10,970)	8,149	3,491	(15,801)	(7,479)	
Activity recognized in other comprehensive income/(loss)	30,720	20,122	(10,453)	(6,403)	20,267	13,719	
Total foreign exchange derivatives	6,770	9,152	(2,304)	(2,912)	4,466	6,240	
Foreign currency translation	56,984	(191,677)	328	4,356	57,312	(187,321)	
Other comprehensive income/(loss)	\$ 46,837	\$ (141,892)	\$ 2,333	\$ (8,879)	\$ 49,170	\$ (150,771)	

The following table presents the amounts reclassified out of each component of other comprehensive income/(loss), net of tax for the three and nine months ended September 30, 2023 and October 1, 2022 as follows (in thousands):

	Three Months Ended		Nine Months Ended		Statement of Operations Classification
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	
Derivative instruments					
Soybean meal option derivatives	\$ (322)	\$ 121	\$ 182	\$ 438	Net sales
Foreign exchange contracts	11,677	3,619	23,950	10,970	Net sales
Corn option derivatives	—	(2,188)	1,537	(13,533)	Cost of sales and operating expenses
Interest swaps	22,072	—	21,206	—	Foreign currency gain/(loss) and interest expense
	33,427	1,552	46,875	(2,125)	Total before tax
	(9,497)	(551)	(13,971)	(165)	Income taxes
	23,930	1,001	32,904	(2,290)	Net of tax
Defined benefit pension plans					
Amortization of prior service cost	\$ 1	\$ (5)	\$ 1	\$ (16)	(a)
Amortization of actuarial loss	(434)	(571)	(1,302)	(1,711)	(a)
	(433)	(576)	(1,301)	(1,727)	Total before tax
	106	147	320	441	Income taxes
	(327)	(429)	(981)	(1,286)	Net of tax
Total reclassifications	\$ 23,603	\$ 572	\$ 31,923	\$ (3,576)	Net of tax

(a) These items are included in the computation of net periodic pension cost. See Note 14 (Employee Benefit Plans) to the Company's Consolidated Financial Statement included herein for additional information.

The following table presents changes in each component of accumulated other comprehensive income/(loss) as of September 30, 2023 as follows (in thousands):

	Nine Months Ended September 30, 2023				
	Foreign		Defined		
	Currency	Derivative	Benefit		
	Translation	Instruments	Pension Plans	Total	
Accumulated Other Comprehensive loss December 31, 2022, attributable to Darling, net of tax	\$ (374,368)	\$ 7,176	\$ (16,682)	\$ (383,874)	
Other comprehensive loss before reclassifications	57,312	23,781	—	81,093	
Amounts reclassified from accumulated other comprehensive loss	—	(32,904)	981	(31,923)	
Net current-period other comprehensive income	57,312	(9,123)	981	49,170	
Noncontrolling interest	(2,291)	—	—	(2,291)	
Accumulated Other Comprehensive loss September 30, 2023, attributable to Darling, net of tax	\$ (314,765)	\$ (1,947)	\$ (15,701)	\$ (332,413)	

(13) Stockholders' Equity

Fiscal 2023 Long-Term Incentive Opportunity Awards (2023 LTIP). On January 3, 2023, the Compensation Committee (the "Committee") of the Company's Board of Directors adopted the 2023 LTIP pursuant to which they awarded certain of the Company's key employees, 118,208 restricted stock units and 177,299 performance share units (the "PSUs") under the Company's 2017 Omnibus Incentive Plan. The restricted stock units vest 33.33% on the first, second and third anniversaries of the grant date. The PSUs are tied to a three-year forward-looking performance period and will be earned based on the Company's average return on gross investment ("ROGI"), as calculated in accordance with the terms of the award agreement, relative to the average ROGI of the Company's performance peer group companies, with the earned award to be determined in the first quarter of fiscal 2026, after the final results for the relevant performance period are determined. The PSUs were granted at a target of 100%, but each PSU will reduce or increase (up to 225%) depending on the Company's ROGI relative to that of the performance peer group companies and is also subject to the application of a total shareholder return ("TSR") cap/collar modifier depending on the Company's TSR during the performance period relative to that of the performance peer group companies. On May 11,

2023 and August 7, 2023, the Committee awarded 4,432 and 1,980, respectively of restricted stock units and 6,648 and 2,971, respectively of PSUs to newly hired executive officers, which will have the same performance period and terms as those issued to the other participants on January 3, 2023. In addition, on May 11, 2023, the Committee granted one of the newly hired executive officers a one-time grant of 44,304 restricted stock units that will vest in three equal installments on the first, second and third anniversaries of the grant.

As previously announced, the Company's Board of Directors approved a share repurchase program in August 2017, then refreshed and increased the program on December 9, 2021 up to an aggregate of \$500.0 million of the Company's Common Stock depending on market conditions, and extended the program to August 13, 2024. During the first nine months of fiscal 2023, \$52.9 million of Common Stock was repurchased under the share repurchase program. As of September 30, 2023, the Company had approximately \$321.6 million remaining under the share repurchase program.

(14) Employee Benefit Plans

Net pension cost for the three and nine months ended September 30, 2023 and October 1, 2022 includes the following components (in thousands):

	Pension Benefits		Pension Benefits	
	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Service cost	\$ 683	\$ 765	\$ 2,041	\$ 2,391
Interest cost	1,964	1,302	5,881	3,934
Expected return on plan assets	(1,805)	(2,145)	(5,413)	(6,466)
Amortization of prior service cost	(1)	5	(1)	16
Amortization of actuarial loss	434	571	1,302	1,711
Net pension cost	\$ 1,275	\$ 498	\$ 3,810	\$ 1,586

Based on actuarial estimates at September 30, 2023, the Company expects to contribute approximately \$ 3.6 million to its pension plans to meet funding requirements during the next twelve months. Additionally, the Company has made tax deductible discretionary and required contributions to its pension plans for the nine months ended September 30, 2023 and October 1, 2022 of approximately \$2.3 million and \$4.1 million, respectively.

The Company participates in various multiemployer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts to meet their pension benefit obligations to their participants. The Company's contributions to each multiemployer plan represent less than 5% of the total contributions to each plan. Based on the most currently available information, the Company has determined that, if a withdrawal were to occur, withdrawal liabilities on two of the plans in which the Company currently participates could be material to the Company, with one of these material plans certified as critical or red zone. With respect to the other multiemployer pension plans in which the Company participates and which are not individually significant, five plans have certified as critical or red zone as defined by the Pension Protection Act of 2006.

The Company currently has withdrawal liabilities recorded on four U.S. multiemployer plans in which it participated. During the second quarter of fiscal 2023, the Company was notified by one of their multiemployer plans that an additional partial withdrawal liability was incurred and the Company also received a notification that another one of its multiemployer plans liabilities was being reduced. As a result of these events, the Company recorded an additional liability of approximately \$2.8 million. As of September 30, 2023, the Company has an aggregate accrued liability of approximately \$6.6 million representing the present value of scheduled withdrawal liability payments on the multiemployer plans that have given notice of withdrawal. While the Company has no ability to calculate a possible current liability for under-funded multiemployer plans that could terminate or could require additional funding under the Pension Protection Act of 2006, the amounts could be material.

(15) Derivatives

The Company's operations are exposed to market risks relating to commodity prices that affect the Company's cost of raw materials, finished product prices, energy costs and the risk of changes in interest rates and foreign currency exchange rates.

The Company makes limited use of derivative instruments to manage cash flow risks related to interest rates, natural gas usage, diesel fuel usage, inventory, forecasted sales and foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. Interest rate swaps are entered into with the intent of managing overall borrowing costs by reducing the potential impact of increases in interest rates on floating-rate long-term debt. Natural gas swaps and options are entered into with the intent of managing the overall cost of natural gas usage by reducing the potential impact of seasonal weather demands on natural gas that increases natural gas prices. Heating oil swaps and options are entered into with the intent of managing the overall cost of diesel fuel usage by reducing the potential impact of seasonal weather demands on diesel fuel that increases diesel fuel prices. Soybean meal forwards and options are entered into with the intent of managing the impact of changing prices for poultry meal sales. Corn options and future contracts are entered into with the intent of managing U.S. forecasted sales of bakery by-products ("BBP") by reducing the impact of changing prices. Foreign currency forward and option contracts are entered into to mitigate the foreign exchange rate risk for transactions designated in a currency other than the local functional currency.

At September 30, 2023, the Company had soybean meal forward and option contracts, foreign exchange forward and option contracts and interest rate swaps outstanding that qualified and were designated for hedge accounting as well as corn forward contracts, soybean meal forward and option contracts and foreign currency forward contracts that did not qualify and were not designated for hedge accounting.

In the first nine months of fiscal 2023 and 2022, the Company's DGD Joint Venture entered into heating oil derivatives that were deemed to be cash flow hedges. As a result, the Company has accrued the other comprehensive income/(loss) portion belonging to Darling with an offset to the investment in DGD as required by FASB ASC Topic 323.

#### Cash Flow Hedges

In the first quarter and second quarter of fiscal 2023, the Company entered into interest rate swaps that are designated as cash flow hedges. The notional amount of these swaps totaled \$900.0 million. Under the contracts, the Company is obligated to pay a weighted average rate of 4.007% while receiving the 1-month SOFR rate. Under the terms of the interest rate swaps, the Company hedged a portion of its variable rate debt into the first quarter of 2026. At September 30, 2023, the aggregate fair value of these interest rate swaps was approximately \$16.4 million. These amounts are included in other current assets and other assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In the first quarter of fiscal 2023, the Company also entered into cross currency swaps that are designated as cash flow hedges. The notional amount of these swaps was €519.2 million. Under the contracts, the Company is obligated to pay a 4.6% euro denominated fixed rate while receiving a weighted average U.S. dollar fixed rate of 5.799%. Under the terms of the cross currency swaps, the Company hedged its intercompany notes receivable into the first quarter of 2025. Accordingly, changes in the fair value of the cash flow hedge are initially recorded as gains and/or losses as a component of accumulated other comprehensive loss. We immediately reclassify from accumulated other comprehensive loss to earnings an amount to offset the remeasurement recognized in earnings associated with the respective intercompany loan. Additionally, we reclassify amounts from accumulated other comprehensive income/(loss) associated with the interest rate differential between the U.S. dollar and a Euro to interest expense. At September 30, 2023, the aggregate fair value of these cross currency swaps was approximately \$12.9 million. These amounts are included in other current assets and other assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In fiscal 2022, the Company entered into corn option contracts on the Chicago Board of Trade that are designated as cash flow hedges. Under the terms of the corn option contracts, the Company hedged a portion of its U.S. forecasted sales of BBP into the second quarter of fiscal 2023. There are not any open designated corn option contracts at September 30, 2023. At September 30, 2023 and December 31, 2022, the aggregate fair value of these corn option contracts was approximately zero and \$0.9 million, respectively. The amounts outstanding as of December 31, 2022 are included in other current assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In fiscal 2022 and fiscal 2023, the Company entered into foreign exchange forward and option contracts that are designated as cash flow hedges. Under the terms of the foreign exchange contracts, the Company hedged a portion of its forecasted collagen sales in currencies other than the functional currency through the fourth quarter of fiscal 2024. At September 30, 2023 and December 31, 2022, the aggregate fair value of these foreign exchange contracts was approximately \$17.2 million and \$13.8 million, respectively. These amounts are included in other current assets,

accrued expenses, other assets and other non-current liabilities on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In fiscal 2022 and fiscal 2023, the Company entered into soybean meal option contracts to hedge a portion of its forecasted poultry meal sales into the fourth quarter of fiscal 2023. At September 30, 2023 and December 31, 2022, the aggregate fair value of the soybean meal contracts was approximately \$0.1 million and \$0.6 million, respectively. These amounts are included in other current assets and accrued expenses on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

As of September 30, 2023, the Company had the following designated and non-designated outstanding forward and option contract amounts that were entered into to hedge foreign currency transactions in currencies other than the functional currency and forecasted transactions in currencies other than the functional currency (in thousands):

Functional Currency		Contract Currency	
Type	Amount	Type	Amount
Brazilian real	154,113	Euro	28,202
Brazilian real	3,152,853	U.S. dollar	768,550
Euro	49,053	U.S. dollar	52,542
Euro	36,246	Polish zloty	165,500
Euro	14,300	Japanese yen	2,241,486
Euro	25,240	Chinese renminbi	196,576
Euro	19,001	Australian dollar	31,860
Euro	5,997	British pound	5,213
Euro	104	Canadian dollar	150
Polish zloty	678	U.S. dollar	157
Polish zloty	34,443	Euro	7,497
British pound	159	Euro	183
British pound	231	U.S. dollar	282
Japanese yen	242,161	U.S. dollar	1,716
U.S. dollar	440	Japanese yen	65,000
U.S. dollar	562,340	Euro	519,182
Australian dollar	174	Euro	105
Australian dollar	164	U.S. dollar	105

The Company estimates the amount that will be reclassified from accumulated other comprehensive loss at September 30, 2023 into earnings over the next 12 months for all cash flow hedges will be approximately \$18.6 million. As of September 30, 2023, no amounts have been reclassified into earnings as a result of the discontinuance of cash flow hedges.

The table below summarizes the effect of derivatives not designated as hedges on the Company's consolidated statements of operations for the three and nine months ended September 30, 2023 and October 1, 2022 (in thousands):

		Loss or (Gain) Recognized in Income on Derivatives Not Designated as Hedges			
		Three Months Ended		Nine Months Ended	
Derivatives not designated as hedging instruments	Location	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Foreign exchange	Foreign currency loss/(gain)	\$ (237)	\$ (3,092)	\$ (1,473)	\$ 39,400
Foreign exchange	Net sales	709	5,348	(268)	6,238
Foreign exchange	Cost of sales and operating expenses	(329)	(597)	(449)	(1,355)
Foreign exchange	Selling, general and administrative expenses	1,096	106	(2,962)	(2,481)
Corn options and futures	Net sales	373	(875)	1,755	(2,160)
Corn options and futures	Cost of sales and operating expenses	(35)	2,526	(2,643)	5,695
Heating Oil swaps and options	Selling, general and administrative expenses	—	—	49	—
Soybean meal	Net sales	179	—	487	—
<b>Total</b>		<b>\$ 1,756</b>	<b>\$ 3,416</b>	<b>\$ (5,504)</b>	<b>\$ 45,337</b>

At September 30, 2023, the Company had forward purchase agreements in place for purchases of approximately \$ 199.7 million of natural gas and diesel fuel. The Company intends to take physical delivery of the commodities under the forward purchase agreements and accordingly, these contracts are not subject to the requirements of fair value accounting because they qualify as normal purchases.

#### (16) Fair Value Measurements

FASB authoritative guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The following table presents the Company's financial instruments that are measured at fair value on a recurring and nonrecurring basis as of September 30, 2023 and are categorized using the fair value hierarchy under FASB authoritative guidance. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value.

(In thousands of dollars)	Fair Value Measurements at September 30, 2023 Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
		(Level 1)	(Level 2)	(Level 3)
<b>Assets</b>				
Derivative instruments	\$ 48,665	\$ —	\$ 48,665	\$ —
<b>Total Assets</b>	<b>\$ 48,665</b>	<b>\$ —</b>	<b>\$ 48,665</b>	<b>\$ —</b>
<b>Liabilities</b>				
Derivative instruments	\$ 5,086	\$ —	\$ 5,086	\$ —
Contingent consideration	78,570	—	—	78,570
6% Senior notes	945,000	—	945,000	—
5.25% Senior notes	476,250	—	476,250	—
3.625% Senior notes	524,918	—	524,918	—
Term loan A-1	398,000	—	398,000	—
Term loan A-2	481,953	—	481,953	—
Term loan A-3	298,500	—	298,500	—
Term loan A-4	491,281	—	491,281	—
Term loan B	200,125	—	200,125	—
Revolver debt	395,523	—	395,523	—
<b>Total Liabilities</b>	<b>\$ 4,295,206</b>	<b>\$ —</b>	<b>\$ 4,216,636</b>	<b>\$ 78,570</b>

(In thousands of dollars)	Fair Value Measurements at December 31, 2022 Using				
	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)	
<b>Assets</b>					
Derivative instruments	\$ 20,324	\$ —	20,324	—	
<b>Total Assets</b>	<b>\$ 20,324</b>	<b>\$ —</b>	<b>20,324</b>	<b>—</b>	
<b>Liabilities</b>					
Derivative instruments	\$ 5,406	\$ —	5,406	—	
Contingent consideration	169,903	—	—	169,903	
6% Senior notes	977,200	—	977,200	—	
5.25% Senior notes	485,700	—	485,700	—	
3.625% Senior notes	533,155	—	533,155	—	
Term loan A-1	398,000	—	398,000	—	
Term loan A-2	488,813	—	488,813	—	
Term loan B	199,000	—	199,000	—	
Revolver debt	133,003	—	133,003	—	
<b>Total Liabilities</b>	<b>\$ 3,390,180</b>	<b>\$ —</b>	<b>3,226,277</b>	<b>169,903</b>	

Derivative assets and liabilities consist of the Company's corn option and future contracts, foreign currency forward and option contracts, soybean meal forward contracts, interest rate swap contracts and cross currency swap contracts which represent the difference between observable market rates of commonly quoted intervals for similar assets and liabilities in active markets and the fixed swap rate considering the instruments term, notional amount and credit risk. See Note 15 (Derivatives) to the Company's Consolidated Financial Statements included herein for discussion on the Company's derivatives.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments and as such have been excluded from the table above.

The fair value of the senior notes, term loan A-1, term loan A-2, term loan A-3, term loan A-4, term loan B and revolver debt is based on market quotation from third-party banks. The carrying amount of the Company's other debt is not deemed to be significantly different from the fair value and all other instruments have been recorded at fair value.

The fair value measurement of the contingent consideration liability uses significant unobservable inputs (level 3). The changes in contingent consideration are due to the following:

(in thousands of dollars)	Contingent Consideration
Balance as of December 31, 2022	\$ 169,903
Out-of-period correction (1)	(85,144)
Total included in earnings during period	(11,002)
Exchange rate changes	4,813
<b>Balance as of September 30, 2023</b>	<b>\$ 78,570</b>

(1) As disclosed in Note 2(g), the immaterial out-of-period correction made during the quarter ended July 1, 2023 resulted in a reduction of goodwill recorded associated with the FASA Acquisition of approximately \$85.1 million.

#### (17) Restructuring and Asset Impairment Charges

In December 2022, the Company's management reviewed our global network of collagen plants for optimization opportunities and decided to close our Peabody, Massachusetts plant in 2023. In addition to charges incurred in fiscal 2022, the Company incurred additional restructuring charges in the first nine months of fiscal 2023 in the Food

Segment for employee termination and retention costs of approximately \$ 5.3 million. In addition, the Company incurred approximately \$0.1 million of employee termination costs in the first nine months of fiscal 2023 in the Feed Segment related to closing down of a processing location in Europe and transferring the material to another processing location in Europe.

(18) Contingencies

The Company is a party to various lawsuits, claims and loss contingencies arising in the ordinary course of its business, including insured worker's compensation, auto, and general liability claims, assertions by certain regulatory and governmental agencies related to various matters including labor and employment, employees benefits, occupational safety and health, wage and hour, compliance, sustainability, permitting requirements, environmental matters, including air, wastewater and storm water discharges from the Company's processing facilities and other federal, state and local issues, litigation involving tort, contract, statutory, labor, employment, and other claims, and tax matters.

The Company's workers compensation, auto and general liability policies contain significant deductibles or self-insured retentions. The Company estimates and accrues its expected ultimate claim costs related to accidents occurring during each fiscal year under these insurance policies and carries this accrual as a reserve until these claims are paid by the Company.

As a result of the matters discussed above, the Company has established loss reserves for insurance, environmental, litigation and tax contingencies. At September 30, 2023 and December 31, 2022, the reserves for insurance, environmental, litigation and tax contingencies reflected on the balance sheet in accrued expenses and other non-current liabilities was approximately \$90.0 million and \$92.1 million, respectively. The Company has insurance recovery receivables reflected on the balance sheet in other assets of approximately \$36.0 million as of September 30, 2023 and December 31, 2022, related to the insurance contingencies. The Company's management believes these reserves for contingencies are reasonable and sufficient based upon present governmental regulations and information currently available to management; however, there can be no assurance that final costs related to these contingencies will not exceed current estimates. The Company believes that the likelihood is remote that any additional liability from the lawsuits and claims that may not be covered by insurance would have a material effect on the Company's financial position, results of operations or cash flows.

*Lower Passaic River Area.* In December 2009, the Company, along with numerous other entities, received notice from the United States Environmental Protection Agency ("EPA") that the Company (as alleged successor-in-interest to The Standard Tallow Corporation) is considered a potentially responsible party (a "PRP") with respect to alleged contamination in the lower 17-mile area of the Passaic River (the "Lower Passaic River") which is part of the Diamond Alkali Superfund Site located in Newark, New Jersey. The Company's designation as a PRP is based upon the operation of former plant sites located in Newark and Kearny, New Jersey by The Standard Tallow Corporation, an entity that the Company acquired in 1996. In March 2016, the Company received another letter from the EPA notifying the Company that it had issued a Record of Decision (the "ROD") selecting a remedy for the lower 8.3 miles of the Lower Passaic River area at an estimated cost of \$ 1.38 billion. The EPA letter made no demand on the Company and laid out a framework for remedial design/remedial action implementation under which the EPA would first seek funding from major PRPs. The letter indicated that the EPA had sent the letter to over 100 parties, which include large chemical and refining companies, manufacturing companies, foundries, plastic companies, pharmaceutical companies and food and consumer product companies. The Company asserts that it is not responsible for any liabilities of its former subsidiary The Standard Tallow Corporation, which was legally dissolved in 2000, and that, in any event, the Standard Tallow Corporation did not discharge any of the eight contaminants of concern identified in the ROD (the "COCs"). Subsequently, the EPA conducted a settlement analysis using a third-party allocator and offered early cash out settlements to those PRPs for whom the third-party allocator determined did not discharge any of the COCs. The Company participated in this allocation process, and in November 2019, received a cash out settlement offer from the EPA in the amount of \$0.6 million (\$0.3 million for each of the former plant sites in question) for liabilities relating to the lower 8.3 miles of the Lower Passaic River area. The Company accepted this settlement offer, and the settlement became effective on April 16, 2021 following the completion of the EPA's administrative approval process. In September 2021, the EPA released a ROD selecting an interim remedy for the upper nine miles of the Lower Passaic River at an expected additional cost of \$441 million. In October 2022, the Company, along with other settling defendants, entered into a Consent Decree with the EPA pursuant to which the Company paid \$ 0.3 million to settle liabilities for both of the former plant sites in question related to the upper nine miles of the Lower Passaic River. The Company paid this amount into escrow, as the settlement is subject to the EPA's administrative approval process, which includes publication, a public comment period and court approval. On

September 30, 2016, Occidental Chemical Corporation ("OCC") entered into an agreement with the EPA to perform the remedial design for the cleanup plan for the lower 8.3 miles of the Lower Passaic River. On June 30, 2018, OCC filed a complaint in the United States District Court for the District of New Jersey against over 100 companies, including the Company, seeking cost recovery or contribution for costs under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") relating to various investigations and cleanups OCC has conducted or is conducting in connection with the Lower Passaic River. According to the complaint, OCC has incurred or is incurring costs which include the estimated cost to complete the remedial design for the cleanup plan for the lower 8.3 miles of the Lower Passaic River. OCC is also seeking a declaratory judgment to hold the defendants liable for their proper shares of future response costs, including the remedial action for the lower 8.3 miles of the Lower Passaic River. The Company, along with 40 of the other defendants, had previously received a release from OCC of its CERCLA contribution claim of \$165 million associated with the costs to design the remedy for the lower 8.3 miles of the Lower Passaic River. Furthermore, the Company's settlements with the EPA described above could preclude certain of the claims alleged by OCC against the Company. The Company's ultimate liability, if any, for investigatory costs, remedial costs and/or natural resource damages in connection with the Lower Passaic River area cannot be determined at this time; however, as of the date of this report, the Company has found no definitive evidence that the former Standard Tallow Corporation plant sites contributed any of the COCs to the Passaic River and, therefore, there is nothing that leads the Company to believe that this matter will have a material effect on the Company's financial position, results of operations or cash flows.

(19) Business Segments

The Company sells its products domestically and internationally, operating within three industry segments: Feed Ingredients, Food Ingredients and Fuel Ingredients. The measure of segment income/(loss) includes all revenues, operating expenses (excluding certain amortization of intangibles), and selling, general and administrative expenses incurred at all operating locations and excludes corporate activities.

Included in corporate activities are general corporate expenses and the amortization of certain intangibles. Assets of corporate activities include cash, unallocated prepaid expenses, deferred tax assets, prepaid pension, and miscellaneous other assets.

Feed Ingredients

Feed Ingredients consists principally of (i) the Company's U.S. ingredients business, including the Company's fats and proteins, used cooking oil, trap grease, Darling Canada, and the ingredients and specialty products businesses conducted by Darling Ingredients International under the Sonac and FASA names (proteins, fats, and blood products) and (ii) the Company's bakery residuals business. Feed Ingredients operations process animal by-products and used cooking oil into fats, proteins and hides.

Food Ingredients

Food Ingredients consists principally of (i) the collagen business conducted by Darling Ingredients International under the Rousselot and Gelnex names, (ii) the natural casings and meat-by-products business conducted by Darling Ingredients International under the CTH name and (iii) certain specialty products businesses conducted by Darling Ingredients International under the Sonac name.

Fuel Ingredients

The Company's Fuel Ingredients segment consists of (i) the Company's investment in the DGD Joint Venture and (ii) the bioenergy business conducted by Darling Ingredients International under the Ecoson and Rendac names.

Business Segments (in thousands):

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended September 30, 2023					
Net Sales	\$ 1,047,796	\$ 455,744	\$ 121,664	\$ —	\$ 1,625,204
Cost of sales and operating expenses	804,312	338,208	96,213	—	1,238,733
Gross Margin	243,484	117,536	25,451	—	386,471
Loss/(gain) on sale of assets	833	117	(21)	—	929
Selling, general and administrative expenses	80,985	31,463	5,666	19,583	137,697
Acquisition and integration costs	—	—	—	3,430	3,430
Change in fair value of contingent consideration	(5,559)	—	—	—	(5,559)
Depreciation and amortization	88,954	25,418	9,026	2,596	125,994
Equity in net income of Diamond Green Diesel	—	—	54,389	—	54,389
Segment operating income/(loss)	78,271	60,538	65,169	(25,609)	178,369
Equity in net income of other unconsolidated subsidiaries	1,534	—	—	—	1,534
Segment income/(loss)	79,805	60,538	65,169	(25,609)	179,903
Total other expense					(67,186)
Income before income taxes					\$ 112,717

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended October 1, 2022					
Net Sales	\$ 1,273,142	\$ 347,902	\$ 126,555	\$ —	\$ 1,747,599
Cost of sales and operating expenses	1,012,899	256,557	101,781	—	1,371,237
Gross Margin	260,243	91,345	24,774	—	376,362
Gain on sale of assets	(2,290)	(809)	(17)	—	(3,116)
Selling, general and administrative expenses	63,973	23,909	1,724	15,474	105,080
Acquisition and integration costs	—	—	—	4,503	4,503
Depreciation and amortization	80,679	14,408	7,284	2,607	104,978
Equity in net income of Diamond Green Diesel	—	—	103,414	—	103,414
Segment operating income/(loss)	117,881	53,837	119,197	(22,584)	268,331
Equity in net income of other unconsolidated subsidiaries	2,301	—	—	—	2,301
Segment income/(loss)	120,182	53,837	119,197	(22,584)	270,632
Total other expense					(43,116)
Income before income taxes					\$ 227,516

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Nine Months Ended September 30, 2023					
Net Sales	\$ 3,426,950	\$ 1,328,229	\$ 418,818	\$ —	\$ 5,173,997
Cost of sales and operating expenses	2,630,797	999,418	335,193	—	3,965,408
Gross Margin	796,153	328,811	83,625	—	1,208,589
Loss/(gain) on sale of assets	813	99	(51)	—	861
Selling, general and administrative expenses	233,082	98,269	16,829	61,734	409,914
Restructuring and asset impairment charges	92	5,328	—	—	5,420
Acquisition and integration costs	—	—	—	12,158	12,158
Change in fair value of contingent consideration	(13,058)	—	—	—	(13,058)
Depreciation and amortization	261,849	68,336	25,986	7,915	364,086
Equity in net income of Diamond Green Diesel	—	—	361,690	—	361,690
Segment operating income/(loss)	313,375	156,779	402,551	(81,807)	790,898
Equity in net income of other unconsolidated subsidiaries	3,503	—	—	—	3,503
Segment income/(loss)	316,878	156,779	402,551	(81,807)	794,401
Total other expense					(168,946)
Income before income taxes					\$ 625,455
Segment assets at September 30, 2023	\$ 4,690,902	\$ 2,617,325	\$ 2,491,075	\$ 1,011,035	\$ 10,810,337

	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Nine Months Ended October 1, 2022					
Net Sales	\$ 3,322,927	\$ 1,071,897	\$ 369,297	\$ —	\$ 4,764,121
Cost of sales and operating expenses	2,522,728	807,833	292,760	—	3,623,321
Gross Margin	800,199	264,064	76,537	—	1,140,800
Gain on sale of assets	(3,595)	(891)	(74)	—	(4,560)
Selling, general and administrative expenses	185,045	73,608	9,921	46,314	314,888
Restructuring and asset impairment charges	8,557	—	—	—	8,557
Acquisition and integration costs	—	—	—	13,634	13,634
Depreciation and amortization	203,967	44,307	20,894	8,169	277,337
Equity in net income of Diamond Green Diesel	—	—	248,898	—	248,898
Segment operating income/(loss)	406,225	147,040	294,694	(68,117)	779,842
Equity in net income of other unconsolidated subsidiaries	5,933	—	—	—	5,933
Segment income/(loss)	412,158	147,040	294,694	(68,117)	785,775
Total other expense					(89,283)
Income before income taxes					\$ 696,492
Segment assets at December 31, 2022	\$ 4,866,351	\$ 1,251,473	\$ 2,307,199	\$ 777,347	\$ 9,202,370

(20) Revenue

The Company extends payment terms to its customers based on commercially acceptable practices. The term between invoicing and payment due date is not significant. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring finished products or performing services, which is generally based on an executed agreement or purchase order.

Most of the Company's products are shipped based on the customer specifications. Customer returns are infrequent and not material to the Company. Adjustments to net sales for sales deductions are generally recognized in the same period as the sale or when known. Customers in certain industries or countries may be required to prepay prior to shipment in order to maintain payment protection. These represent short-term prepayment from customers and are not

material to the Company. The Company elected to treat shipping and handling as fulfillment costs, which will result in billed freight recorded in cost of sales and netted against freight costs. Sales, value-add, and other taxes collected concurrently with revenue-producing activities are excluded from revenue and booked on a net basis.

The following tables present the Company revenues disaggregated by geographic area and major product types by reportable segment for the three and nine months ended September 30, 2023 and October 1, 2022 (in thousands):

	Three Months Ended September 30, 2023			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
<b>Geographic Area</b>				
North America	\$ 872,493	\$ 122,594	\$ —	\$ 995,087
Europe	86,007	194,168	121,664	401,839
China	9,748	69,125	—	78,873
South America	75,801	51,639	—	127,440
Other	3,747	18,218	—	21,965
Net sales \$	1,047,796	455,744	121,664	\$ 1,625,204
<b>Major product types</b>				
Fats	\$ 417,856	\$ 38,242	\$ —	\$ 456,098
Used cooking oil	103,135	—	—	103,135
Proteins	405,411	—	—	405,411
Bakery	63,192	—	—	63,192
Other rendering	42,659	—	—	42,659
Food ingredients	—	390,695	—	390,695
Bioenergy	—	—	121,664	121,664
Other	15,543	26,807	—	42,350
Net sales \$	1,047,796	455,744	121,664	\$ 1,625,204

	Nine Months Ended September 30, 2023			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
<b>Geographic Area</b>				
North America	\$ 2,844,350	\$ 323,333	\$ —	\$ 3,167,683
Europe	292,323	611,634	418,818	1,322,775
China	21,251	217,910	—	239,161
South America	259,633	116,916	—	376,549
Other	9,393	58,436	—	67,829
Net sales \$	3,426,950	1,328,229	418,818	\$ 5,173,997
<b>Major product types</b>				
Fats	\$ 1,313,461	\$ 121,437	\$ —	\$ 1,434,898
Used cooking oil	387,103	—	—	387,103
Proteins	1,288,514	—	—	1,288,514
Bakery	205,388	—	—	205,388
Other rendering	182,738	—	—	182,738
Food ingredients	—	1,122,143	—	1,122,143
Bioenergy	—	—	418,818	418,818
Other	49,746	84,649	—	134,395
Net sales \$	3,426,950	1,328,229	418,818	\$ 5,173,997

	Three Months Ended October 1, 2022			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
<b>Geographic Area</b>				
North America	\$ 1,098,417	\$ 90,576	\$ —	\$ 1,188,993
Europe	114,646	169,638	126,555	410,839
China	6,291	65,217	—	71,508
South America	50,679	8,789	—	59,468
Other	3,109	13,682	—	16,791
Net sales	\$ 1,273,142	\$ 347,902	\$ 126,555	\$ 1,747,599

	Major product types			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
<b>Fats</b>				
Used cooking oil	\$ 543,333	\$ 47,577	\$ —	\$ 590,910
Proteins	163,523	—	—	163,523
Bakery	413,759	—	—	413,759
Other rendering	84,835	—	—	84,835
Food ingredients	51,117	—	—	51,117
Bioenergy	—	269,928	—	269,928
Other	16,575	30,397	—	46,972
Net sales	\$ 1,273,142	\$ 347,902	\$ 126,555	\$ 1,747,599

	Nine Months Ended October 1, 2022			
	Feed Ingredients	Food Ingredients	Fuel Ingredients	Total
<b>Geographic Area</b>				
North America	\$ 2,882,499	\$ 265,857	\$ —	\$ 3,148,356
Europe	361,356	538,513	369,297	1,269,166
China	19,859	195,850	—	215,709
South America	50,679	30,153	—	80,832
Other	8,534	41,524	—	50,058
Net sales	\$ 3,322,927	\$ 1,071,897	\$ 369,297	\$ 4,764,121
<b>Major product types</b>				
Fats	\$ 1,410,641	\$ 153,019	\$ —	\$ 1,563,660
Used cooking oil	411,156	—	—	411,156
Proteins	1,035,071	—	—	1,035,071
Bakery	252,939	—	—	252,939
Other rendering	172,784	—	—	172,784
Food ingredients	—	820,879	—	820,879
Bioenergy	—	—	369,297	369,297
Other	40,336	97,999	—	138,335
Net sales	\$ 3,322,927	\$ 1,071,897	\$ 369,297	\$ 4,764,121

**Long-Term Performance Obligations.** The Company from time to time enters into long-term contracts to supply certain volumes of finished products to certain customers. Revenue recognized to date in 2023 under these long-term supply contracts was approximately \$133.7 million, with the remaining performance obligations to be recognized in future periods (generally four years) of approximately \$803.7 million.

## (21) Related Party Transactions

### Raw Material Agreement

The Company entered into a Raw Material Agreement with the DGD Joint Venture in May 2011 pursuant to which the Company will offer to supply certain animal fats and used cooking oil at market prices, but the DGD Joint Venture is not obligated to purchase the raw material offered by the Company. Additionally, the Company may offer other feedstocks to the DGD Joint Venture, such as inedible corn oil, purchased on a resale basis. For the three months ended September 30, 2023 and October 1, 2022, the Company recorded sales to the DGD Joint Venture of



approximately \$276.6 million and \$287.4 million, respectively. For the nine months ended September 30, 2023 and October 1, 2022, the Company recorded sales to the DGD Joint Venture of approximately \$940.2 million and \$797.5 million, respectively. At September 30, 2023 and December 31, 2022, the Company had \$79.1 million and \$116.9 million in outstanding receivables due from the DGD Joint Venture, respectively. In addition, the Company has eliminated approximately \$73.8 million and \$31.1 million of additional sales for the nine months ended September 30, 2023 and October 1, 2022, respectively to defer the Company's portion of profit of approximately \$17.5 million and \$7.6 million on those sales relating to inventory assets remaining on the DGD Joint Venture's balance sheet at September 30, 2023 and October 1, 2022, respectively.

#### Revolving Loan Agreement

On May 1, 2019, Darling, through its wholly owned subsidiary Darling Green Energy LLC, ("Darling Green"), and Diamond Alternative Energy, LLC, a wholly owned subsidiary of Valero ("Diamond Alternative" and together with Darling Green, the "DGD Lenders"), entered into a revolving loan agreement (the "2019 DGD Loan Agreement") with the DGD Joint Venture, pursuant to which the DGD Lenders committed to making loans available to the DGD Joint Venture in the total amount of \$50.0 million, with each lender committed to \$25.0 million of the total commitment. Any borrowings by the DGD Joint Venture under the 2019 DGD Loan Agreement were at the applicable annum rate equal to the sum of (a) the LIBO Rate (meaning Reuters BBA Libor Rates Page 3750) on such day plus (b) 2.50%. On June 15, 2023, the DGD Lenders entered into a new revolving loan agreement (the "2023 DGD Loan Agreement") with the DGD Joint Venture that replaced and superseded in its entirety the 2019 DGD Loan Agreement and pursuant to which the DGD Lenders have committed to making loans available to the DGD Joint Venture in the total amount of \$200.0 million with each lender committed to \$100.0 million of the total commitment. Any borrowings by the DGD Joint Venture under the 2023 DGD Loan Agreement are at the applicable annum rate equal to the sum of (a) Term SOFR on such day plus (b) 2.50%. The 2023 DGD Loan Agreement expires on June 15, 2026. In September 2022 and again in December 2022, the DGD Joint Venture borrowed all \$50.0 million available under the 2019 DGD Loan Agreement, including the Company's full \$25.0 million commitment. The Company received interest from the DGD Joint Venture for the three months ended September 30, 2023 and October 1, 2022 of approximately zero and \$0.1 million, respectively and received interest from the DGD Joint Venture for the nine months ended September 30, 2023 and October 1, 2022 of approximately \$0.6 million and \$0.5 million, respectively. As of September 30, 2023 and December 31, 2022, zero and \$25.0 million, respectively, was owed to Darling Green under the 2023 DGD Loan Agreement and the 2019 DGD Loan Agreement, as applicable. This note receivable amount is included in other current assets on the balance sheet and is included in investing activities on the cash flow statement.

#### Guarantee Agreements

In February 2020, in connection with the DGD Joint Venture's expansion project at its Norco, LA facility, it entered into two agreements (the "IMTT Terminaling Agreements") with International-Matex Tank Terminals ("IMTT"), pursuant to which the DGD Joint Venture will move raw material and finished product to and from the IMTT terminal facility by pipeline, thereby providing better logistical capabilities. As a condition to entering into the IMTT Terminaling Agreements, IMTT required that the Company and Valero guarantee their proportionate share, up to a maximum of approximately \$50 million each, of the DGD Joint Venture's obligations under the IMTT Terminaling Agreements (the "IMTT Guarantee"), subject to the conditions provided for in the IMTT Terminaling Agreements. The Company has not recorded any liability as a result of the IMTT Guarantee, as the Company believes the likelihood of having to make any payments under the IMTT Guarantee is remote.

In April 2021, in connection with the DGD Joint Venture's expansion project at its Port Arthur, TX facility, it entered into two agreements (the "GTL Terminaling Agreements") with GT Logistics, LLC ("GTL"), pursuant to which the DGD Joint Venture will move raw material and finished product to and from the GTL terminal facility by pipeline, thereby providing better logistical capabilities. As a condition to entering into the GTL Terminaling Agreements, GTL required that the Company and Valero guarantee their proportionate share, up to a maximum of approximately \$160 million each, of the DGD Joint Venture's obligations under the GTL Terminaling Agreements (the "GTL Guarantee"), subject to the conditions provided for in the GTL Terminaling Agreements. The maximum amount of the GTL Guarantee is reduced over the 20-year initial term of the GTL Terminaling Agreements as the termination fee under such agreements declines. The Company has not recorded any liability as a result of the GTL Guarantee, as the Company believes the likelihood of having to make any payments under the GTL Guarantee is remote.

#### (22) Cash Flow Information

The following table sets forth supplemental cash flow information and non-cash transactions (in thousands):

	Nine Months Ended	
	September 30, 2023	October 1, 2022
<b>Supplemental disclosure of cash flow information:</b>		
Change in accrued capital expenditures	\$ (248)	\$ 1,484
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 167,050	\$ 43,508
Income taxes, net of refunds	\$ 127,729	\$ 88,927
<b>Non-cash operating activities</b>		
Operating lease right of use asset obtained in exchange for new lease liabilities	\$ 67,634	\$ 53,362
<b>Non-cash financing activities</b>		
Debt issued for assets	\$ 750	\$ 1,005

(23) New Accounting Pronouncements

The Company does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying consolidated financial statements.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below under the heading "Forward Looking Statements" and elsewhere in this report, and under the heading "Risk Factors" in Part I, Item 1A in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 27, 2023 and in the Company's other public filings with the SEC.

The following discussion should be read in conjunction with the unaudited consolidated financial statements and related notes thereto contained in this report.

### Overview

Darling Ingredients Inc. ("Darling", and together with its subsidiaries, the "Company" or "we," "us" or "our") is a global developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients, creating a wide range of ingredients and customized specialty solutions for customers in the pharmaceutical, food, pet food, feed, industrial, fuel, bioenergy and fertilizer industries. With operations on five continents, the Company collects and transforms all aspects of animal by-product streams into useable and specialty ingredients, such as collagen, edible fats, feed-grade fats, animal proteins and meals, plasma, pet food ingredients, organic fertilizers, yellow grease, fuel feedstocks, green energy, natural casings and hides. The Company also recovers and converts recycled oils (used cooking oil and animal fats) into valuable feed and feedstock and collects and processes residual bakery products into feed ingredients. In addition, the Company provides environmental services, such as grease trap collection and disposal services to food service establishments. The Company sells its products domestically and internationally and operates within three industry segments: Feed Ingredients, Food Ingredients and Fuel Ingredients.

The Feed Ingredients operating segment includes the Company's global activities related to (i) the collection and processing of beef, poultry and pork animal by-products in North America, Europe and South America into non-food grade oils and protein meals, (ii) the collection and processing of bakery residuals in North America into Cookie Meal®, which is predominantly used in poultry and swine rations, (iii) the collection and processing of used cooking oil in North America and South America into non-food grade fats, (iv) the collection and processing of porcine and bovine blood in China, Europe, North America and Australia into blood plasma powder and hemoglobin, (v) the processing of selected portions of slaughtered animals into a variety of meat products for use in pet food in Europe, North America and South America, (vi) the processing of cattle hides and hog skins in North America, (vii) the production of organic fertilizers using protein produced from the Company's animal by-products processing activities in North America and Europe, (viii) the rearing and processing of black soldier fly larvae into specialty proteins for use in animal feed and pet food in North America, and (ix) the provision of grease trap services to food service establishments in North America. Non-food grade oils and fats produced and marketed by the Company are principally sold to third parties to be used as ingredients in animal feed and pet food, as an ingredient for the production of renewable diesel and biodiesel, or to the oleo-chemical industry to be used as an ingredient in a wide variety of industrial applications. Protein meals, blood plasma powder and hemoglobin produced and marketed by the Company are sold to third parties to be used as ingredients in animal feed, pet food and aquaculture.

The Food Ingredients operating segment includes the Company's global activities related to (i) the purchase and processing of beef and pork bone chips, beef hides, pig skins, and fish skins into collagen in Europe, China, South America and North America, (ii) the collection and processing of porcine and bovine intestines into natural casings in Europe, China and North America, (iii) the extraction and processing of porcine mucosa into crude heparin in Europe, (iv) the collection and refining of animal fat into food grade fat in Europe, and (v) the processing of bones to bone chips for the collagen industry and bone ash in Europe. Collagens produced and marketed by the Company are sold to third parties to be used as ingredients in the pharmaceutical, nutraceutical, food, pet food and technical (e.g., photographic) industries. Natural casings produced and marketed by the Company are sold to third parties to be used as an ingredient in the production of sausages and other similar food products.

The Fuel Ingredients operating segment includes the Company's global activities related to (i) the Company's share of the results of its equity investment in Diamond Green Diesel Holdings LLC, a joint venture with Valero Energy Corporation ("Valero") to convert animal fats, recycled greases, used cooking oil, inedible corn oil, soybean oil, or other feedstocks that become economically and commercially viable into renewable diesel ("DGD" or the "DGD Joint Venture") as described in Note 3 (Investment in Unconsolidated Subsidiaries) to the Company's Consolidated Financial Statements for the period ended September 30, 2023 included herein, (ii) the conversion of organic sludge and food waste into biogas

in Europe, (iii) the collection and conversion of fallen stock and certain animal by-products pursuant to applicable E.U. regulations into low-grade energy sources to be used in industrial applications, and (iv) the processing of manure into natural bio-phosphate in Europe.

Corporate Activities principally include unallocated corporate overhead expenses, acquisition-related expenses, interest expense net of interest income, and other non-operating income and expenses.

### **Economic Conditions and Uncertainties**

#### ***Global Economic Conditions***

We operate globally and have operations in numerous countries. As such, we are exposed to, and impacted by global macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. Global economic conditions continue to be highly volatile due to, among other things, the conflicts in Ukraine and the Middle East and their impacts on volatility in energy and other commodity prices, inflation, cost and supply chain pressures and availability, and disruption in banking systems and capital markets. Disturbances in world financial, credit, commodities and stock markets, including inflationary, deflationary and recessionary conditions, could have a negative impact on the Company's results of operations. Any such disturbances or disruptions may also magnify the impact of other risks described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on February 27, 2023.

#### ***Energy Policies of U.S. and Foreign Governments***

Prices for our finished products, including those of DGD, may be impacted by worldwide government policies relating to renewable fuels and greenhouse gas emissions ("GHG"). Programs like the National Renewable Fuel Standard Program ("RFS") and low carbon fuel standards ("LCFS") (such as in the state of California) and tax credits for biofuels both in the United States and abroad are subject to revision and change which may impact the demand for and/or price of our finished products. Legal challenges or changes to, a failure to enforce, reductions in the mandated volumes under, or discontinuing or suspension of any of these programs could have a negative impact on our business and results of operations. However, such rules and the regulatory environment are continuing to evolve and change, and we cannot predict the ultimate effect that such changes may have on our business.

#### ***Climate Change***

There is a growing global concern that carbon dioxide and other GHG in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency of extreme weather and natural disasters. We are subject to physical, operational, transitional and financial risks associated with climate change and global, regional and local weather conditions, as well as legal, regulatory and market responses to climate change. Certain jurisdictions in which we operate have either imposed, or are considering imposing, new or increasingly stringent legal and regulatory requirements to reduce or mitigate the potential effects of climate change, including regulation and reduction of GHG and potential carbon pricing programs. These new or increasingly stringent legal or regulatory requirements could result in significantly increased costs of compliance and additional investments in facilities and equipment, and reduced raw material supplies in areas where these requirements limit or eliminate livestock operations. While we assess climate related regulatory risks as part of our risk management process, we are unable to predict the scope, nature and timing of any new or increasingly stringent environmental laws and regulations and therefore cannot predict the ultimate impact of such laws and regulations on our business or financial results. We continue to monitor existing and proposed laws and regulations in the jurisdictions in which we operate and to consider actions we may take to potentially mitigate the unfavorable impact, if any, of such laws or regulations. Furthermore, emerging legislation seeks to regulate corporate environmental, social and governance ("ESG") practices, including practices related to the causes and impacts of climate change as well as supply chain control and compliance with human rights. These new rules, which apply to all large companies and to listed small and medium-sized enterprises, require companies to report on how sustainability issues (environmental, social, and governance) affect their business and about their own impact on people and the environment. There has also been increased focus from our stakeholders, including consumers, employees and investors, on our ESG practices. We expect that stakeholder expectations with respect to ESG expectations will continue to evolve rapidly, which may necessitate additional resources to monitor, report on, and adjust our operations.

For additional information on risk factors that could impact our results, please refer to "Risk Factors" in Part I, Item 1A of the Company's Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC on February 27, 2023.

## **Operating Performance Indicators**

The Company monitors the performance of its business segments using key financial metrics such as results of operations, non-GAAP measurements (Adjusted EBITDA), segment operating income, raw material processed, gross margin percentage, foreign currency translation, and corporate activities. The Company's operating results can vary significantly due to changes in factors such as the fluctuation in commodity prices and energy prices, weather conditions, crop harvests, government policies and programs, changes in global demand, changes in standards of living, protein consumption, and global production of competing ingredients. Due to these unpredictable factors that are beyond the control of the Company, forward-looking financial or operational estimates are not provided. The Company is exposed to certain risks associated with a business that is influenced by agricultural-based commodities. These risks are further described in Item 1A of Part I, "Risk Factors" included in the Company's Form 10-K for the fiscal year ended December 31, 2022.

The Company's Feed Ingredients segment animal by-products, bakery residuals, used cooking oil recovery, and blood operations are each influenced by prices for agricultural-based alternative ingredients such as corn oil, soybean oil, soybean meal, and palm oil. In these operations, the costs of the Company's raw materials change with, or in certain cases are indexed to, the selling price or the anticipated selling price of the finished goods produced from the acquired raw materials and/or in some cases, the price spread between various types of finished products. The Company believes that this methodology of procuring raw materials generally establishes a relatively stable gross margin upon the acquisition of the raw material. Although the costs of raw materials for the Feed Ingredients segment are generally based upon actual or anticipated finished goods selling prices, rapid and material changes in finished goods prices, including competing agricultural-based alternative ingredients, generally have an immediate, and often times, material impact on the Company's gross margin and profitability resulting from the brief lapse of time between the procurement of the raw materials and the sale of the finished goods. In addition, the volume of raw material acquired, which has a direct impact on the amount of finished goods produced, can also have a material effect on the gross margin reported, as the Company has a substantial amount of fixed operating costs.

The Company's Food Ingredients segment collagen and natural casings products are influenced by other competing ingredients including plant-based and synthetic hydrocolloids and artificial casings. In the collagen operation, the cost of the Company's animal-based raw material moves in relationship to the selling price of the finished goods. The processing time for the Food Ingredients segment collagen and casings is generally 30 to 60 days, which is substantially longer than the Company's Feed Ingredients segment animal by-products operations. Consequently, the Company's gross margin and profitability in this segment can be influenced by the movement of finished goods prices from the time the raw materials were procured until the finished goods are sold.

The Company's Fuel Ingredients segment converts fats into renewable diesel, organic sludge and food waste into biogas, and fallen stock into low-grade energy sources. The Company's gross margin and profitability in this segment are impacted by world energy prices for oil, electricity and natural gas, global feed stock prices and governmental subsidies.

The reporting currency for the Company's financial statements is the U.S. dollar. The Company operates in over 15 countries and therefore, certain of the Company's assets, liabilities, revenues and expenses are denominated in functional currencies other than the U.S. dollar, primarily in the Euro, Brazilian real, Chinese renminbi, Canadian dollar and Polish zloty. To prepare the Company's consolidated financial statements, assets, liabilities, revenues, and expenses must be translated into U.S. dollars at the applicable exchange rate. As a result, increases or decreases in the value of the U.S. dollar against these other currencies will affect the amount of these items recorded in the Company's consolidated financial statements, even if their value has not changed in the functional currency. This could have a significant impact on the Company's results, if such increase or decrease in the value of the U.S. dollar relative to these other currencies is substantial.

## **Results of Operations**

### ***Three Months Ended September 30, 2023 Compared to Three Months Ended October 1, 2022***

#### **Operating Performance Metrics**

Operating performance metrics which management routinely monitors as an indicator of operating performance include:

- Finished product commodity prices
- Segment results
- Foreign currency exchange
- Corporate activities
- Non-U.S. GAAP measures

These indicators and their importance are discussed below.

#### Finished Product Commodity Prices

Prices for finished product commodities that the Company produces in the Feed Ingredients segment are reported each business day on the Jacobsen Index (the "Jacobsen"), an established North American trading exchange price publisher. The Jacobsen reports industry sales from the prior day's activity by product. Included on the Jacobsen are reported prices for finished products such as protein (primarily meat and bone meal ("MBM"), poultry meal ("PM") and feather meal ("FM")), hides, fats (primarily bleachable fancy tallow ("BFT") and yellow grease ("YG")) and corn, which is a substitute commodity for the Company's bakery by-product ("BBP") as well as a range of other branded and value-added products, which are products of the Company's Feed Ingredients segment. In the United States and South America, the Company regularly monitors the Jacobsen for MBM, PM, FM, BFT, YG and corn because it provides a daily indication of the Company's U.S. and Brazilian revenue performance against business plan benchmarks. In Europe and South America, the Company regularly monitors Thomson Reuters ("Reuters") to track the competing commodities palm oil and soy meal.

Although the Jacobsen and Reuters provide useful metrics of performance, the Company's finished products are commodities that compete with other commodities such as corn, soybean oil, palm oil complex, soybean meal and heating oil on nutritional and functional values. Therefore, actual pricing for the Company's finished products, as well as competing products, can be quite volatile. In addition, neither the Jacobsen nor Reuters provides forward or future period pricing for the Company's commodities. The Jacobsen and Reuters prices quoted below are for delivery of the finished product at a specified location. Although the Company's prices generally move in concert with reported Jacobsen and Reuters prices, the Company's actual sales prices for its finished products may vary significantly from the Jacobsen and Reuters because of production and delivery timing differences and because the Company's finished products are delivered to multiple locations in different geographic regions which utilize alternative price indexes. In addition, certain of the Company's premium branded finished products may sell at prices that may be higher than the closest product on the related Jacobsen or Reuters index. During the third quarter of fiscal 2023, the Company's actual sales prices by product trended with the disclosed Jacobsen and Reuters prices.

Average Jacobsen and Reuters prices (at the specified delivery point) for the third quarter of fiscal 2023, compared to average Jacobsen and Reuters prices for the third quarter of fiscal 2022 are as follows:

	Avg. Price 3rd Quarter 2023	Avg. Price 3rd Quarter 2022	Increase/(Decrease)	% Increase/(Decrease)
<b>Jacobsen:</b>				
MBM (Illinois)	\$ 455.04/ton	\$ 404.41/ton	\$ 50.63/ton	12.5 %
Feed Grade PM (Mid-South)	\$ 488.13/ton	\$ 388.85/ton	\$ 99.28/ton	25.5 %
Pet Food PM (Mid-South)	\$ 796.10/ton	\$ 762.30/ton	\$ 33.80/ton	4.4 %
Feather meal (Mid-South)	\$ 572.30/ton	\$ 574.07/ton	\$ (1.77)/ton	(0.3) %
BFT (Chicago)	\$ 68.66/cwt 80.04/cwt	\$ 80.04/cwt	\$ (11.38)/cwt	(14.2) %
YG (Illinois)	\$ 52.39/cwt 61.09/cwt	\$ 61.09/cwt	\$ (8.70)/cwt	(14.2) %
Corn (Illinois)	\$ 5.32/bushel	\$ 7.01/bushel	\$ (1.69)/bushel	(24.1) %
<b>Reuters:</b>				
Palm Oil (CIF Rotterdam)	\$ 963.00/MT	\$ 1,130.00/MT	\$ (167.00)/MT	(14.8) %
Soy meal (CIF Rotterdam)	\$ 513.00/MT	\$ 535.00/MT	\$ (22.00)/MT	(4.1) %

The following table shows the average Jacobsen and Reuters prices for the third quarter of fiscal 2023, compared to average Jacobsen and Reuters prices for the second quarter of fiscal 2023.

	Avg. Price 3rd Quarter 2023	Avg. Price 2nd Quarter 2023	Increase/(Decrease)	% Increase/(Decrease)
<b>Jacobsen:</b>				
MBM (Illinois)	\$ 455.04/ton	\$ 464.27/ton	\$ (9.23)/ton	(2.0) %
Feed Grade PM (Mid-South)	\$ 488.13/ton	\$ 485.56/ton	\$ 2.57/ton	0.5 %
Pet Food PM (Mid-South)	\$ 796.10/ton	\$ 934.67/ton	\$ (138.57)/ton	(14.8) %
Feather meal (Mid-South)	\$ 572.30/ton	\$ 577.87/ton	\$ (5.57)/ton	(1.0) %
BFT (Chicago)	\$ 68.66/cwt	\$ 56.61/cwt	\$ 12.05/cwt	21.3 %
YG (Illinois)	\$ 52.39/cwt	\$ 46.06/cwt	\$ 6.33/cwt	13.7 %
Corn (Illinois)	\$ 5.32/bushel	\$ 6.68/bushel	\$ (1.36)/bushel	(20.4) %
<b>Reuters:</b>				
Palm Oil (CIF Rotterdam)	\$ 963.00/MT	\$ 958.00/MT	\$ 5.00/MT	0.5 %
Soy meal (CIF Rotterdam)	\$ 513.00/MT	\$ 516.00/MT	\$ (3.00)/MT	(0.6) %

#### Segment Results

Segment operating income for the three months ended September 30, 2023 was \$178.4 million, which reflects a decrease of \$(89.9) million or (33.5)% as compared to the three months ended October 1, 2022.

(in thousands, except percentages)	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
<b>Three Months Ended September 30, 2023</b>					
Net Sales	\$ 1,047,796	\$ 455,744	\$ 121,664	\$ —	\$ 1,625,204
Cost of sales and operating expenses	804,312	338,208	96,213	—	1,238,733
<b>Gross Margin</b>	<b>243,484</b>	<b>117,536</b>	<b>25,451</b>	<b>—</b>	<b>386,471</b>
<b>Gross Margin %</b>	<b>23.2 %</b>	<b>25.8 %</b>	<b>20.9 %</b>	<b>— %</b>	<b>23.8 %</b>
Loss/(gain) on sale of assets	833	117	(21)	—	929
Selling, general and administrative expenses	80,985	31,463	5,666	19,583	137,697
Acquisition and integration costs	—	—	—	3,430	3,430
Change in fair value of contingent consideration	(5,559)	—	—	—	(5,559)
Depreciation and amortization	88,954	25,418	9,026	2,596	125,994
Equity in net income of Diamond Green Diesel	—	—	54,389	—	54,389
<b>Segment operating income/(loss)</b>	<b>78,271</b>	<b>60,538</b>	<b>65,169</b>	<b>(25,609)</b>	<b>178,369</b>
Equity in net income of other unconsolidated subsidiaries	1,534	—	—	—	1,534
<b>Segment income/(loss)</b>	<b>79,805</b>	<b>60,538</b>	<b>65,169</b>	<b>(25,609)</b>	<b>179,903</b>

(in thousands, except percentages)	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Three Months Ended October 1, 2022					
Net Sales	\$ 1,273,142	\$ 347,902	\$ 126,555	\$ —	\$ 1,747,599
Cost of sales and operating expenses	1,012,899	256,557	101,781	—	1,371,237
Gross Margin	260,243	91,345	24,774	—	376,362
Gross Margin %	20.4 %	26.3 %	19.6 %	— %	21.5 %
Gain on sale of assets	(2,290)	(809)	(17)	—	(3,116)
Selling, general and administrative expenses	63,973	23,909	1,724	15,474	105,080
Acquisition and integration costs	—	—	—	4,503	4,503
Depreciation and amortization	80,679	14,408	7,284	2,607	104,978
Equity in net income of Diamond Green Diesel	—	—	103,414	—	103,414
Segment operating income/(loss)	117,881	53,837	119,197	(22,584)	268,331
Equity in net income of other unconsolidated subsidiaries	2,301	—	—	—	2,301
Segment income/(loss)	120,182	53,837	119,197	(22,584)	270,632

#### Feed Ingredients Segment

*Raw material volume.* In the three months ended September 30, 2023, the raw material processed by the Company's Feed Ingredients segment totaled approximately 3.1 million metric tons. Compared to the three months ended October 1, 2022, overall raw material volume processed in the Feed Ingredients segment decreased 0.3%.

*Sales.* The decrease in net sales for the Feed Ingredients segment was primarily due to the following (in millions of dollars):

	Fats	Proteins	Other Rendering	Total Rendering	Used Cooking Oil	Bakery	Other	Total
Net sales three months ended October 1, 2022	\$ 543.3	\$ 413.8	\$ 51.1	\$ 1,008.2	\$ 163.6	\$ 84.8	\$ 16.5	\$ 1,273.1
Increase (decrease) in sales volumes	(31.9)	(13.2)	—	(45.1)	20.3	(8.2)	—	(33.0)
Decrease in finished product prices	(97.3)	(2.6)	—	(99.9)	(80.4)	(13.4)	—	(193.7)
Increase (decrease) due to currency exchange rates	3.8	7.4	0.5	11.7	(0.4)	—	—	11.3
Other change	—	—	(9.0)	(9.0)	—	—	(0.9)	(9.9)
<b>Total change</b>	<b>(125.4)</b>	<b>(8.4)</b>	<b>(8.5)</b>	<b>(142.3)</b>	<b>(60.5)</b>	<b>(21.6)</b>	<b>(0.9)</b>	<b>(225.3)</b>
Net sales three months ended September 30, 2023	\$ 417.9	\$ 405.4	\$ 42.6	\$ 865.9	\$ 103.1	\$ 63.2	\$ 15.6	\$ 1,047.8

*Margins.* In the Feed Ingredients segment for the three months ended September 30, 2023, the gross margin percentage increased to 23.2% as compared to 20.4% for the comparable period of fiscal 2022. The increase in margin was primarily due to improved margins from the Valley Acquisition and the FASA Acquisition as compared to fiscal 2022.

*Segment operating income.* Feed Ingredients operating income for the three months ended September 30, 2023 was \$78.3 million, a decrease of \$(39.6) million or (33.6)% as compared to the three months ended October 1, 2022. The decrease was primarily due to lower overall fat finished product prices, lower sales volumes and an increase in selling, general and administrative expenses as compared to fiscal 2022.

#### Food Ingredients Segment

*Raw material volume.* In the three months ended September 30, 2023, the raw material processed by the Company's Food Ingredients segment totaled approximately 324,000 metric tons. Compared to the three months ended October 1, 2022, overall raw material volume processed in the Food Ingredients segment increased approximately 18.3%. The increase was primarily due to the Gelnex Acquisition.

*Sales.* Net sales increased in the Food Ingredients segment primarily due to the increased sales recognized from the Gelnex Acquisition partially offset by lower collagen prices.

*Margins.* In the Food Ingredients segment for the three months ended September 30, 2023, the gross margin percentage decreased to 25.8% as compared to 26.3% for the comparable period of fiscal 2022. The decrease was primarily due to declining prices in the collagen market and higher raw material costs as compared to fiscal 2022.

*Segment operating income.* Food Ingredients operating income was \$60.5 million for the three months ended September 30, 2023, an increase of \$6.7 million or 12.5% as compared to the three months ended October 1, 2022. The increase was primarily due to an increase in sales volumes from the Gelnex Acquisition, which more than offset an increase in selling, general and administrative expense and depreciation and amortization from the Gelnex Acquisition as compared to fiscal 2022.

#### *Fuel Ingredients Segment*

*Raw material volume.* In the three months ended September 30, 2023, the raw material processed by the Company's Fuel Ingredients segment totaled approximately 344,000 metric tons. Compared to the three months ended October 1, 2022, overall raw material volume processed in the Fuel Ingredients segment decreased approximately 5.0%.

*Sales.* Net sales decreased in the Fuel Ingredients segment primarily due to lower sales prices and sales volumes in Europe.

*Margins.* In the Fuel Ingredients segment (exclusive of the equity contribution from the DGD Joint Venture) for the three months ended September 30, 2023, the gross margin percentage increased to 20.9% as compared to 19.6% for the comparable period of fiscal 2022. The increase was primarily due to the impact of higher margins on sales into the biofuel market as compared to fiscal 2022.

*Segment operating income.* The Company's Fuel Ingredients segment operating income (inclusive of the equity contribution from the DGD Joint Venture) for the three months ended September 30, 2023 was \$65.2 million, a decrease of \$(54.0) million or (45.3)% as compared to the same period in fiscal 2022. The decrease was primarily due to an anticipated catalyst turnaround at the DGD Joint Venture's St. Charles plant, an unexpected shut down at the DGD Joint Venture's St. Charles plant due to a minor fire, a decrease in renewable identification number (RIN) prices, lower values for LCFS credits and an unfavorable impact from commodity derivative instruments at the DGD Joint Venture as compared to fiscal 2022.

#### Foreign Currency Exchange

During the third quarter of fiscal 2023, overall the euro and Brazilian real strengthened while the Canadian dollar weakened against the U.S. dollar as compared to the same period in fiscal 2022. Using actual results for the three months ended September 30, 2023 and using the prior year's average currency rate for the three months ended October 1, 2022, foreign currency translation would result in a decrease in operating income of approximately \$8.7 million. The average rates for the three months ended September 30, 2023 were €1.00:\$1.09, R\$1.00:\$0.21 and C\$1.00:\$0.75 as compared to the average rates for the three months ended October 1, 2022 of €1.00:\$1.01, R\$1.00:\$0.19 and C\$1.00:\$0.77, respectively.

#### Corporate Activities

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were approximately \$19.6 million during the three months ended September 30, 2023, compared to approximately \$15.5 million during the three months ended October 1, 2022, an increase of \$4.1 million. The increase was primarily due to higher costs for corporate related compensation and benefits.

*Acquisition and Integration costs.* Acquisition and integration costs were approximately \$3.4 million during the three months ended September 30, 2023 as compared to \$4.5 million for the same period in fiscal 2022. These costs are decreasing as we moved into the integration phase on the most recent acquisitions, including costs related to the Gelnex Acquisition, FASA Acquisition and Valley Acquisition as compared to the prior year acquisition costs that primarily related to the Valley Acquisition, Op de Beeck acquisition and the FASA Acquisition.

*Depreciation and Amortization.* Depreciation and amortization charges were approximately \$2.6 million for each of the three months ended September 30, 2023 and October 1, 2022.

*Interest Expense.* Interest expense was \$70.3 million during the three months ended September 30, 2023, compared to \$39.8 million during the three months ended October 1, 2022, an increase of \$30.5 million. The increase in interest expense was primarily due to an increase in debt outstanding, including increased interest expense from the issuance of the 6% Senior Notes due 2030, the borrowing of all amounts under the term A-1, term A-2, term A-3 and term A-4 facilities, all of which were borrowed to fund acquisitions, and higher borrowings under the revolving credit facility as compared to the same period in fiscal 2022.

*Foreign Currency Gain/(Loss).* Foreign currency gains were \$0.8 million for the three months ended September 30, 2023 as compared to foreign currency losses of \$(0.5) million for the three months ended October 1, 2022. The increase in currency gains is due primarily to an increase in gains on the revaluation of non-functional currency assets and liabilities as compared to the same period of fiscal 2022.

*Other Income/(Expense), net.* Other income was \$2.2 million in the three months ended September 30, 2023, compared to other expense of \$(2.8) million for the three months ended October 1, 2022. The increase in other income was primarily due to an increase in interest income and a decrease in casualty losses as compared to the same period in fiscal 2022.

*Equity in Net Income in Investment of Other Unconsolidated Subsidiaries.* The change in this line item is not significant and primarily represents the Company's pro rata share of the net income from foreign unconsolidated subsidiaries.

*Income Taxes.* The Company recorded an income tax benefit of \$15.4 million for the three months ended September 30, 2023, compared to income tax expense of \$35.2 million recorded in the three months ended October 1, 2022, a decrease of \$50.6 million, which was primarily due to decreased pre-tax earnings of the Company and the relative impact of biofuel tax incentives for the three months ended September 30, 2023. The effective tax rate for the three months ended September 30, 2023 and October 1, 2022 is (13.6)% and 15.5%, respectively. The effective tax rate for the three months ended September 30, 2023 differs from the federal statutory rate of 21% due primarily to the relative mix of earnings among jurisdictions with different tax rates (including foreign withholding taxes and state income taxes), biofuel tax incentives and discrete items including the tax effects of IRS Notice 2023-55, which delays the effective date of the foreign tax credit regulations finalized in 2022 by allowing taxpayers to determine whether a foreign tax qualifies for a credit based on the former regulations. The effective tax rate for the three months ended October 1, 2022 differs from the federal statutory rate of 21% due primarily to the relative mix of earnings among jurisdictions with different tax rates (including foreign withholding taxes and state income taxes) and biofuel tax incentives. The Company's effective tax rate excluding the federal and state tax impact of the biofuel tax incentives and discrete items is 25.9% for the three months ended September 30, 2023, compared to 27.4% for the three months ended October 1, 2022.

#### Non-U.S. GAAP Measures

Adjusted EBITDA is not a recognized accounting measurement under GAAP; it should not be considered as an alternative to net income, as a measure of operating results, or as an alternative to cash flow as a measure of liquidity. It is presented here not as an alternative to net income, but rather as a measure of the Company's operating performance. Since EBITDA (generally, net income plus interest expense, taxes, depreciation and amortization) is not calculated identically by all companies, the presentation in this report may not be comparable to EBITDA or Adjusted EBITDA presentations disclosed by other companies. Adjusted EBITDA is calculated below and represents for any relevant period, net income/(loss) plus depreciation and amortization, restructuring, acquisition and integration costs, goodwill and long-lived asset impairment, change in fair value of contingent consideration, interest expense, income tax provision, other income/(expense) and equity in net (income)/loss of unconsolidated subsidiary. Management believes that Adjusted EBITDA is useful in evaluating the Company's operating performance compared to that of other companies in its industry because the calculation of Adjusted EBITDA generally eliminates the effects of financing, income taxes and certain non-cash and other items that may vary for different companies for reasons unrelated to overall operating performance.

Pro forma Adjusted EBITDA to Foreign Currency is not a recognized accounting measurement under GAAP. The Company evaluates the impact of foreign currency on its adjusted EBITDA. DGD Joint Venture Adjusted EBITDA (Darling's share) is not reflected in the Adjusted EBITDA or the Pro forma Adjusted EBITDA to Foreign Currency (Non-GAAP).

The Company's management uses Adjusted EBITDA as a measure to evaluate performance and for other discretionary purposes. In addition to the foregoing, management also uses or will use Adjusted EBITDA to measure compliance with certain financial covenants under the Company's Senior Secured Credit Facilities, 6% Notes, 5.25% Notes and 3.625% Notes that were outstanding at September 30, 2023. However, the amounts shown below for Adjusted

EBITDA differ from the amounts calculated under similarly titled definitions in the Company's Senior Secured Credit Facilities, 6% Notes, 5.25% Notes and 3.625% Notes, as those definitions permit further adjustments to reflect certain other non-recurring costs, non-cash charges and cash dividends from the DGD Joint Venture. Additionally, the Company evaluates the impact of foreign exchange on operating cash flow, which is defined as segment operating income (loss) plus depreciation and amortization.

DGD Joint Venture Adjusted EBITDA (Darling's share) is not a recognized accounting measurement under GAAP; it should not be considered as an alternative to net income or equity in net income of Diamond Green Diesel, as a measure of operating results, or as an alternative to cash flow as a measure of liquidity and is not intended to be a presentation in accordance with GAAP. The Company calculates DGD Joint Venture Adjusted EBITDA (Darling's share) by taking DGD's operating income plus DGD's depreciation, amortization and accretion expense and then multiplying by 50% to get Darling's share of DGD's EBITDA.

#### **Reconciliation of Net Income to (Non-GAAP) Adjusted EBITDA and (Non-GAAP) Pro Forma Adjusted EBITDA**

Third Quarter 2023 as Compared to Third Quarter 2022

(dollars in thousands)	Three Months Ended	
	September 30, 2023	October 1, 2022
Net income attributable to Darling	\$ 125,026	\$ 191,081
Depreciation and amortization	125,994	104,978
Interest expense	70,278	39,816
Income tax expense/(benefit)	(15,364)	35,215
Acquisition and integration costs	3,430	4,503
Change in fair value of contingent consideration	(5,559)	—
Foreign currency loss/(gain)	(845)	493
Other expense/(income), net	(2,247)	2,807
Equity in net income of Diamond Green Diesel	(54,389)	(103,414)
Equity in net income of other unconsolidated subsidiaries	(1,534)	(2,301)
Net income attributable to non-controlling interests	3,055	1,220
Darling's Adjusted EBITDA	\$ 247,845	\$ 274,398
Foreign currency exchange impact (1)	(8,677)	—
Pro forma Adjusted EBITDA to Foreign Currency (Non-GAAP)	\$ 239,168	\$ 274,398
DGD Joint Venture Adjusted EBITDA (Darling's Share)	\$ 86,450	\$ 120,333
Darling plus Darling's share of DGD Joint Venture Adjusted EBITDA	\$ 334,295	\$ 394,731

(1) The average rates for the three months ended September 30, 2023 were €1.00:\$1.09, R\$1.00:\$0.21 and C\$1.00:\$0.75 as compared to the average rates for the three months ended October 1, 2022 of €1.00:\$1.01, R\$1.00:\$0.19 and C\$1.00:\$0.77, respectively.

#### **Nine Months Ended September 30, 2023 Compared to Nine Months Ended October 1, 2022**

##### **Operating Performance Metrics**

Operating performance metrics which management routinely monitors as an indicator of operating performance include:

- Finished product commodity prices
- Segment results
- Foreign currency exchange
- Corporate activities
- Non-U.S. GAAP measures

These indicators and their importance are discussed below.

##### **Finished Product Commodity Prices**

During the first nine months of fiscal 2023, the Company's actual sales prices by product trended with the disclosed Jacobsen and Reuters prices.

Average Jacobsen and Reuters prices (at the specified delivery point) for the first nine months of fiscal 2023, compared to average Jacobsen and Reuters prices for the first nine months of fiscal 2022 are as follows:

	Avg. Price First Nine Months 2023	Avg. Price First Nine Months 2022	Increase/(Decrease)	% Increase/(Decrease)
<b>Jacobsen:</b>				
MBM (Illinois)	\$ 451.72/ton	\$ 362.75/ton	\$ 88.97/ton	24.5 %
Feed Grade PM (Mid-South)	\$ 460.21/ton	\$ 380.57/ton	\$ 79.64/ton	20.9 %
Pet Food PM (Mid-South)	\$ 824.84/ton	\$ 775.12/ton	\$ 49.72/ton	6.4 %
Feather meal (Mid-South)	\$ 582.30/ton	\$ 556.99/ton	\$ 25.31/ton	4.5 %
BFT (Chicago)	\$ 62.22/cwt	\$ 76.98/cwt	\$ (14.76)/cwt	(19.2) %
YG (Illinois)	\$ 49.85/cwt	\$ 58.37/cwt	\$ (8.52)/cwt	(14.6) %
Corn (Illinois)	\$ 6.28/bushel	\$ 7.37/bushel	\$ (1.09)/bushel	(14.8) %
<b>Reuters:</b>				
Palm Oil (CIF Rotterdam)	\$ 971.00/MT	\$ 1,449.00/MT	\$ (478.00)/MT	(33.0) %
Soy meal (CIF Rotterdam)	\$ 541.00/MT	\$ 554.00/MT	\$ (13.00)/MT	(2.3) %

#### Segment Results

Segment operating income for the nine months ended September 30, 2023 was \$790.9 million, which reflects an increase of \$11.1 million or 1.4% as compared to the nine months ended October 1, 2022.

(in thousands, except percentages)	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
<b>Nine Months Ended September 30, 2023</b>					
Net Sales	\$ 3,426,950	\$ 1,328,229	\$ 418,818	\$ —	\$ 5,173,997
Cost of sales and operating expenses	2,630,797	999,418	335,193	—	3,965,408
<b>Gross Margin</b>	<b>796,153</b>	<b>328,811</b>	<b>83,625</b>	<b>—</b>	<b>1,208,589</b>
<b>Gross Margin %</b>	<b>23.2 %</b>	<b>24.8 %</b>	<b>20.0 %</b>	<b>— %</b>	<b>23.4 %</b>
Loss/(gain) on sale of assets	813	99	(51)	—	861
Selling, general and administrative expenses	233,082	98,269	16,829	61,734	409,914
Restructuring and asset impairment charges	92	5,328	—	—	5,420
Acquisition and integration costs	—	—	—	12,158	12,158
Change in fair value of contingent consideration	(13,058)	—	—	—	(13,058)
Depreciation and amortization	261,849	68,336	25,986	7,915	364,086
Equity in net income of Diamond Green Diesel	—	—	361,690	—	361,690
Segment operating income/(loss)	313,375	156,779	402,551	(81,807)	790,898
Equity in net income of other unconsolidated subsidiaries	3,503	—	—	—	3,503
<b>Segment income/(loss)</b>	<b>316,878</b>	<b>156,779</b>	<b>402,551</b>	<b>(81,807)</b>	<b>794,401</b>

(in thousands, except percentages)	Feed Ingredients	Food Ingredients	Fuel Ingredients	Corporate	Total
Nine Months Ended October 1, 2022					
Net Sales	\$ 3,322,927	\$ 1,071,897	\$ 369,297	\$ —	\$ 4,764,121
Cost of sales and operating expenses	2,522,728	807,833	292,760	—	3,623,321
Gross Margin	800,199	264,064	76,537	—	1,140,800
Gross Margin %	24.1 %	24.6 %	20.7 %	— %	23.9 %
Gain on sale of assets	(3,595)	(891)	(74)	—	(4,560)
Selling, general and administrative expenses	185,045	73,608	9,921	46,314	314,888
Restructuring and asset impairment charges	8,557	—	—	—	8,557
Acquisition and integration costs	—	—	—	13,634	13,634
Depreciation and amortization	203,967	44,307	20,894	8,169	277,337
Equity in net income of Diamond Green Diesel	—	—	248,898	—	248,898
Segment operating income/(loss)	406,225	147,040	294,694	(68,117)	779,842
Equity in net income of other unconsolidated subsidiaries	5,933	—	—	—	5,933
Segment income/(loss)	412,158	147,040	294,694	(68,117)	785,775

#### Feed Ingredients Segment

*Raw material volume.* In the nine months ended September 30, 2023, the raw material processed by the Company's Feed Ingredients segment totaled approximately 9.4 million metric tons. Compared to the nine months ended October 1, 2022, overall raw material volume processed in the Feed Ingredients segment increased approximately 16.1%. The increase was primarily due to the Valley Acquisition and the FASA Acquisition.

*Sales.* The increase in net sales for the Feed Ingredients segment was primarily due to the following (in millions of dollars):

	Fats	Proteins	Other Rendering	Total Rendering	Used Cooking Oil	Bakery	Other	Total
Net sales nine months ended October 1, 2022	\$ 1,410.6	\$ 1,035.1	\$ 172.8	\$ 2,618.5	\$ 411.2	\$ 252.9	\$ 40.3	\$ 3,322.9
Increase (decrease) in sales volumes	121.4	164.2	—	285.6	82.5	(26.6)	—	341.5
Increase (decrease) in finished product prices	(222.1)	78.9	—	(143.2)	(104.9)	(20.9)	—	(269.0)
Increase (decrease) due to currency exchange rates	3.6	10.3	0.7	14.6	(1.7)	—	—	12.9
Other change	—	—	9.2	9.2	—	—	9.5	18.7
Total change	(97.1)	253.4	9.9	166.2	(24.1)	(47.5)	9.5	104.1
Net sales nine months ended September 30, 2023	\$ 1,313.5	\$ 1,288.5	\$ 182.7	\$ 2,784.7	\$ 387.1	\$ 205.4	\$ 49.8	\$ 3,427.0

*Margins.* In the Feed Ingredients segment for the nine months ended September 30, 2023, the gross margin percentage decreased to 23.2% as compared to 24.1% for the comparable period of fiscal 2022. The decrease in margin was primarily due to lower fat finished product prices as compared to fiscal 2022.

*Segment operating income.* Feed Ingredients operating income for the nine months ended September 30, 2023 was \$313.4 million, a decrease of \$(92.8) million or (22.8)% as compared to the nine months ended October 1, 2022. The decrease was primarily due to the lower fat finished product prices and an increase in selling, general and administrative expenses and depreciation and amortization from the Valley Acquisition and FASA Acquisition as compared to fiscal 2022.

#### *Food Ingredients Segment*

*Raw material volume.* In the nine months ended September 30, 2023, the raw material processed by the Company's Food Ingredients segment totaled approximately 920,000 metric tons. Compared to the nine months ended October 1, 2022, overall raw material volume processed in the Food Ingredients segment increased approximately 11.7%. The increase was primarily due to the Gelnex Acquisition.

*Sales.* Net sales increased in the Food Ingredients segment primarily due to the increased sales recognized from the Gelnex Acquisition.

*Margins.* In the Food Ingredients segment for the nine months ended September 30, 2023, the gross margin percentage increased to 24.8% as compared to 24.6% for the comparable period of fiscal 2022. The increase was primarily due to increased sales of higher margin hydrolyzed collagen that was partially offset by lower margins from the Gelnex Acquisition as a result of a step up of inventory value in purchase accounting as compared to fiscal 2022.

*Segment operating income.* Food Ingredients operating income was \$156.8 million for the nine months ended September 30, 2023, an increase of \$9.8 million or 6.7% as compared to the nine months ended October 1, 2022. The increase was due primarily to an increase in sales volumes from the Gelnex Acquisition and an increase in sales of higher margin hydrolyzed collagen that more than offset an increase in selling, general and administrative expense and depreciation and amortization from the Gelnex Acquisition as compared to fiscal 2022.

#### *Fuel Ingredients Segment*

*Raw material volume.* In the nine months ended September 30, 2023, the raw material processed by the Company's Fuel Ingredients segment totaled approximately 1.04 million metric tons. Compared to the nine months ended October 1, 2022, overall raw material volume processed in the Fuel Ingredients segment decreased approximately 1.3%.

*Sales.* Net sales increased in the Fuel Ingredients segment primarily due to higher sales volumes partially offset by lower sales prices.

*Margins.* In the Fuel Ingredients segment (exclusive of the equity contribution from the DGD Joint Venture) for the nine months ended September 30, 2023, the gross margin percentage decreased to 20.0% as compared to 20.7% for the comparable period of fiscal 2022. The decrease was primarily due to the impact of decreases in sales prices for our products sold into the electric energy markets that negatively impacted margins.

*Segment operating income.* The Company's Fuel Ingredients segment operating income (inclusive of the equity contribution from the DGD Joint Venture) for the nine months ended September 30, 2023 was \$402.6 million, an increase of \$107.9 million or 36.6% as compared to the same period in fiscal 2022. The increase was primarily due to increased volumes from production at the DGD Joint Venture's Port Arthur plant that more than offset third quarter decreases from an anticipated catalyst turnaround at the DGD Joint Venture's St. Charles plant, an unexpected shut down at the DGD Joint Venture's St. Charles plant due to a minor fire, a decrease in RIN prices and lower values for LCFS credits as compared to fiscal 2022.

#### Foreign Currency Exchange

During the first nine months of fiscal 2023, overall the euro and Brazilian real strengthened while the Canadian dollar weakened against the U.S. dollar as compared to the same period in fiscal 2022. Using actual results for the nine months ended September 30, 2023 and using the prior year's average currency rate for the nine months ended October 1, 2022, foreign currency translation would result in a decrease in operating income of approximately \$2.9 million. The average rates for the nine months ended September 30, 2023 were €1.00:\$1.08, R\$1.00:\$0.20 and C\$1.00:\$0.74 as compared to the average rates for the nine months ended October 1, 2022 of €1.00:\$1.07, R\$1.00:\$0.19 and C\$1.00:\$0.78, respectively.

#### Corporate Activities

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses were approximately \$61.7 million during the nine months ended September 30, 2023, compared to approximately \$46.3 million during the nine months ended October 1, 2022, an increase of \$15.4 million. The increase is primarily due to higher costs for corporate related compensation and benefits.

*Acquisition and Integration costs.* Acquisition and integration costs were approximately \$12.2 million during the nine months ended September 30, 2023 as compared to \$13.6 million for the same period in fiscal 2022. These costs primarily relate to the Gelnex Acquisition, FASA Acquisition and Valley Acquisition for the nine months ended September 30, 2023 as compared to the prior year acquisition costs that primarily related to the Valley Acquisition, Op de Beeck acquisition, FASA Acquisition and the Gelnex Acquisition.

*Depreciation and Amortization.* Depreciation and amortization charges were approximately \$7.9 million for the nine months ended September 30, 2023 as compared to \$8.2 million for the nine months ended October 1, 2022.

*Interest Expense.* Interest expense was \$190.8 million during the nine months ended September 30, 2023, compared to \$79.4 million during the nine months ended October 1, 2022, an increase of \$111.4 million. The increase in interest expense was primarily due to an increase in debt outstanding, including increased interest expense from the issuance of the 6% Senior Notes due 2030, the borrowing of all amounts under the term A-1, term A-2, term A-3 and term A-4 facilities, all of which were borrowed to fund acquisitions, and higher borrowings under the revolving credit facility as compared to the same period in fiscal 2022.

*Foreign Currency Gain/(Loss).* Foreign currency gains were \$8.3 million for the nine months ended September 30, 2023 as compared to foreign currency losses of \$(6.0) million for the nine months ended October 1, 2022. The increase in currency gains is due primarily to an increase in gains on the revaluation of an intercompany note and non-functional currency assets and liabilities as compared to losses from non-functional currency assets and liabilities in the same period of fiscal 2022.

*Other Income/(Expense), net.* Other income was \$13.5 million in the nine months ended September 30, 2023, compared to other expense of \$(3.9) million for the nine months ended October 1, 2022. The increase in other income was primarily due to casualty loss insurance proceeds received for the prior year Tacoma and Ward plant fires and an increase in interest income that was partially offset by an increase in the non-service component of pension expense and other miscellaneous non-operating expenses as compared to the same period in fiscal 2022.

*Equity in Net Income in Investment of Other Unconsolidated Subsidiaries.* The change in this line item is not significant and primarily represents the Company's pro rata share of the net income from foreign unconsolidated subsidiaries.

*Income Taxes.* The Company recorded income tax expense of \$52.3 million for the nine months ended September 30, 2023, compared to \$108.6 million recorded in the nine months ended October 1, 2022, a decrease of \$56.3 million, which was primarily due to decreased pre-tax earnings of the Company and the relative impact of biofuel tax incentives for the nine months ended September 30, 2023. The effective tax rate for the nine months ended September 30, 2023 and October 1, 2022 is 8.4% and 15.6%, respectively. The effective tax rate for the nine months ended September 30, 2023 differs from the federal statutory rate of 21% due primarily to the relative mix of earnings among jurisdictions with different tax rates (including foreign withholding taxes and state income taxes) and biofuel tax incentives. The effective tax rate for the nine months ended October 1, 2022 differs from the federal statutory rate of 21% due primarily to the relative mix of earnings among jurisdictions with different tax rates (including foreign withholding taxes and state income taxes), biofuel tax incentives, and discrete items, including excess tax benefits from stock compensation. The Company's effective tax rate excluding the federal and state impact of the biofuel tax incentives and discrete items is 28.4% for the nine months ended September 30, 2023, compared to 27.6% for the nine months ended October 1, 2022.

#### Non-U.S. GAAP Measures

For discussion of the reasons the Company's management believes the following Non-GAAP financial measures provide useful information to investors and the purposes for which the Company's management uses such measures, see "Results of Operations - Three Months Ended September 30, 2023 Compared to the Three Months Ended October 1, 2022 - Non-U.S. GAAP Measures."

#### Reconciliation of Net Income to (Non-GAAP) Adjusted EBITDA and (Non-GAAP) Pro Forma Adjusted EBITDA

First Nine Months of Fiscal 2023 as Compared to First Nine Months of Fiscal 2022

(dollars in thousands)	Nine Months Ended	
	September 30, 2023	October 1, 2022
Net income attributable to Darling	\$ 563,210	\$ 581,130
Depreciation and amortization	364,086	277,337
Interest expense	190,770	79,427
Income tax expense	52,322	108,631
Restructuring and asset impairment charges	5,420	8,557
Acquisition and integration costs	12,158	13,634
Change in fair value of contingent consideration	(13,058)	—
Foreign currency loss/(gain)	(8,339)	6,005
Other expense/(income), net	(13,485)	3,851
Equity in net income of Diamond Green Diesel	(361,690)	(248,898)
Equity in net income of other unconsolidated subsidiaries	(3,503)	(5,933)
Net income attributable to non-controlling interests	9,923	6,731
Darling's Adjusted EBITDA	<u>\$ 797,814</u>	<u>\$ 830,472</u>
Foreign currency exchange impact (1)	(2,898)	—
Pro forma Adjusted EBITDA to Foreign Currency (Non-GAAP)	<u>\$ 794,916</u>	<u>\$ 830,472</u>
DGD Joint Venture Adjusted EBITDA (Darling's Share)	<u>\$ 463,171</u>	<u>\$ 297,503</u>
Darling plus Darling's share of DGD Joint Venture Adjusted EBITDA	<u>\$ 1,260,985</u>	<u>\$ 1,127,975</u>

(1) The average rates for the nine months ended September 30, 2023 were €1.00:\$1.08, R\$1.00:\$0.20 and C\$1.00:\$0.74 as compared to the average rates for the nine months ended October 1, 2022 of €1.00:\$1.07, R\$1.00:\$0.19 and C\$1.00:\$0.78, respectively.

## FINANCING, LIQUIDITY AND CAPITAL RESOURCES

### Credit Facilities

#### Indebtedness

*Certain Debt Outstanding at September 30, 2023.* On September 30, 2023, debt outstanding under the Company's Amended Credit Agreement, the Company's 6% Notes, the Company's 5.25% Notes and the Company's 3.625% Notes consists of the following (in thousands):

Senior Notes:		
6 % Notes due 2030	\$	1,000,000
Less unamortized deferred loan costs net of bond premium		(6,642)
Carrying value of 6% Notes due 2030	\$	<u>993,358</u>
5.25 % Notes due 2027	\$	500,000
Less unamortized deferred loan costs		(3,471)
Carrying value of 5.25% Notes due 2027	\$	<u>496,529</u>
3.625 % Notes due 2026 - Denominated in euros	\$	544,973
Less unamortized deferred loan costs		(2,912)
Carrying value of 3.625% Notes due 2026	\$	<u>542,061</u>
Amended Credit Agreement:		
Term A-1 facility	\$	400,000
Less unamortized deferred loan costs		(590)
Carrying value of Term A-1 facility	\$	<u>399,410</u>
Term A-2 facility	\$	484,375
Less unamortized deferred loan costs		(837)
Carrying value of Term A-2 facility	\$	<u>483,538</u>
Term A-3 facility	\$	300,000
Less unamortized deferred loan costs		(898)
Carrying value of Term A-3 facility	\$	<u>299,102</u>
Term A-4 facility	\$	493,750
Less unamortized deferred loan costs		(1,085)
Carrying value of Term A-4 facility	\$	<u>492,665</u>
Term Loan B	\$	200,000
Less unamortized deferred loan costs		(818)
Carrying value of Term Loan B	\$	<u>199,182</u>
Revolving Credit Facility:		
Maximum availability	\$	1,500,000
Ancillary Facilities		52,614
Borrowings outstanding		399,518
Letters of credit issued		3,871
Availability	\$	<u>1,043,997</u>
Other Debt	\$	<u>106,625</u>

During the first nine months of fiscal 2023, the U.S. dollar increased as compared to the euro at December 31, 2022. Using the euro based debt outstanding at September 30, 2023 and comparing the closing balance sheet rate at September 30, 2023 to the balance sheet rate at December 31, 2022, the U.S. dollar debt balances of euro based debt decreased by approximately \$5.9 million at September 30, 2023. The closing balance sheet rate assumption used in this calculation was the actual fiscal closing balance sheet rate at September 30, 2023 of €1.00:\$1.0582 as compared to the closing balance sheet rate at December 31, 2022 of €1.00:\$1.0676.

**Senior Secured Credit Facilities.** On January 6, 2014, Darling, Darling International Canada Inc. ("Darling Canada") and Darling International NL Holdings B.V. ("Darling NL") entered into a Second Amended and Restated Credit Agreement (as subsequently amended, the "Amended Credit Agreement"), restating its then existing Amended and Restated Credit Agreement dated September 27, 2013, with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents from time to time party thereto. The Amended Credit Agreement provides for senior secured credit facilities in the aggregate principal amount of \$3.725 billion comprised of (i) the Company's \$525.0 million term B facility, (ii) the Company's \$400.0 million term A-1 facility, (iii) the Company's \$500.0 million term A-2 facility, (iv) the Company's \$300.0 million Term A-3 facility, (v) the Company's \$500.0 million Term A-4 facility and (vi) the Company's \$1.5 billion five-year revolving credit facility (up to \$150.0 million of which will be available for a letter of credit subfacility and \$50.0 million of which will be available for a swingline sub-facility) (collectively, the "Senior Secured Credit Facilities"). The Amended Credit Agreement also permits Darling and the other

borrowers thereunder to incur ancillary facilities provided by any revolving lender party to the Senior Secured Credit Facilities (with certain restrictions). Up to \$1.46 billion of the revolving credit facility is available to be borrowed by Darling, Darling Canada, Darling NL, Darling Ingredients International Holding B.V. ("Darling BV"), Darling GmbH, and Darling Belgium in U.S. dollars, Canadian dollars, euros, Sterling and other currencies to be agreed and available to each applicable lender. The remaining \$40.0 million must be borrowed in U.S. dollars only by Darling. The revolving credit facility will mature on December 9, 2026. The revolving credit facility will be used for working capital needs, general corporate purposes and other purposes not prohibited by the Amended Credit Agreement.

- As of September 30, 2023, the Company had availability of \$1,044.0 million under the revolving credit facility, taking into account that the Company had \$399.5 million in outstanding borrowings, \$52.6 million in ancillary facilities and letters of credit issued of \$3.9 million.
- As of September 30, 2023, the Company has borrowed all \$400.0 million under the terms of the term A-1 facility and has made no repayments. Amounts borrowed under the term A-1 facility that are repaid by the Company cannot be reborrowed. The term A-1 facility borrowings are repayable in quarterly installments of 0.25% of the aggregate principle amount of the relevant term A-1 facility on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter following the second anniversary of December 9, 2021 and continuing until the last day of such quarterly period ending immediately prior to the term A-1 facility maturity date of December 9, 2026 and one final installment in the amount of the term A-1 facility then outstanding, due and payable on December 9, 2026.
- As of September 30, 2023, the Company has borrowed all \$500.0 million under the terms of the term A-2 facility and has repaid \$15.6 million, which when repaid by the Company cannot be reborrowed. The term A-2 facility borrowings are repayable in quarterly installments of 0.625% of the aggregate principle amount of the relevant term A-2 facility on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter following the borrowings or September 30, 2022 and continuing until the last day of such quarterly period ending March 31, 2025, and quarterly installments of 1.25% of the aggregate principle amount of the relevant term A-2 facility due and payable on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter ending June 30, 2025 and continuing until the last day of such quarterly period ending immediately prior to the term A-2 facility maturity date of December 9, 2026 and one final installment in the amount of the term A-2 facility then outstanding, due and payable on December 9, 2026.
- As of September 30, 2023, the Company has borrowed all \$300.0 million under the terms of the term A-3 facility and has made no repayments. Amounts borrowed under the term A-3 facility that are repaid by the Company cannot be reborrowed. The term A-3 facility borrowings are repayable in quarterly installments of 0.25% of the aggregate principle amount of the relevant term A-3 facility on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter following the second anniversary of December 9, 2021 and continuing until the last day of such quarterly period ending immediately prior to the term A-3 facility maturity date of December 9, 2026 and one final installment in the amount of the term A-3 facility then outstanding, due and payable on December 9, 2026.
- As of September 30, 2023, the Company has borrowed all \$500.0 million under the terms of the term A-4 facility and has repaid \$6.3 million, which when repaid by the Company cannot be reborrowed. The term A-4 facility borrowings are repayable in quarterly installments of 0.625% of the aggregate principle amount of the relevant term A-4 facility on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter following the borrowings or June 30, 2023 and continuing until the last day of such quarterly period ending March 31, 2025, and quarterly installments of 1.25% of the aggregate principle amount of the relevant term A-4 facility due and payable on the last day of each March, June, September and December of each year commencing on the last day of such month falling on or after the last day of the first full fiscal quarter ending June 30, 2025 and continuing until the last day of such quarterly period ending immediately prior to the term A-4 facility maturity date of December 9, 2026 and one final installment in the amount of the term A-4 facility then outstanding, due and payable on December 9, 2026.
- As of September 30, 2023, the Company has borrowed all \$525.0 million under the terms of the term B facility and repaid \$325.0 million, which when repaid, cannot be reborrowed. As a result of early payments made by the

Company under the term B facility only one final installment of the relevant term B facility then outstanding is due on December 18, 2024. The term B facility will mature on December 18, 2024.

- The interest rate applicable to any borrowings under the revolving credit facility will equal the adjusted term secured overnight financing rate (SOFR) for U.S. dollar borrowings or the adjusted euro interbank rate (EURIBOR) for euro borrowings or the adjusted daily simple Sterling overnight index average (SONIA) for British pound borrowings or CDOR for Canadian dollar borrowings plus 1.375% per annum or base rate or the adjusted term SOFR for U.S. dollar borrowings or Canadian prime rate for Canadian dollar borrowings or the adjusted daily simple European short term rate (ESTR) for euro borrowings or the adjusted daily SONIA rate for British pound borrowings plus 0.375% per annum subject to certain step-ups or step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowing under the term A-1 facility and the term A-3 facility will equal the adjusted term SOFR plus a minimum of 1.50% per annum subject to certain step-ups based on the Company's total leverage ratio. The interest rate applicable to any borrowing under the term A-2 facility and term A-4 facility will equal the adjusted term SOFR plus 1.375% per annum subject to certain step-ups and step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowings under the term loan B facility will equal the base rate plus 1.00% or LIBOR plus 2.00%.

*6% Senior Notes due 2030.* On June 9, 2022, Darling issued and sold \$750.0 million aggregate principal amount of 6% Senior Notes due 2030 (the "6% Initial Notes"). The 6% Initial Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of June 9, 2022 (the "6% Base Indenture"), among Darling, the subsidiary guarantors party thereto from time to time, and Truist Bank, as trustee. On August 17, 2022, Darling issued an additional \$250.0 million in aggregate principal amount of its 6% Senior Notes due 2030 (the "add-on notes" and, together with the 6% Initial Notes, the "6% Notes"). The add-on notes and related guarantees, which were offered in a private offering, were issued as additional notes under the 6% Base Indenture, as supplemented by a supplemental indenture, dated as of August 17, 2022 (the "supplemental indenture" and, together with the 6% Base Indenture, the "6% Indenture"). The add-on notes have the same terms as the 6% Initial Notes (other than issue date and issue price) and, together with the 6% Initial Notes, constitute a single class of securities under the 6% Indenture. The 6% Notes are guaranteed on a senior unsecured basis by Darling and all of Darling's restricted subsidiaries (other than foreign subsidiaries) that are borrowers under or that guarantee the Senior Secured Credit Facilities.

*5.25 % Senior Notes due 2027.* On April 3, 2019, Darling issued and sold \$500.0 million aggregate principal amount of 5.25% Senior Notes due 2027 (the "5.25% Notes"). The 5.25% Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of April 3, 2019 (the "5.25% Indenture"), among Darling, the subsidiary guarantors party thereto from time to time, and Regions Bank, as trustee. The 5.25% Notes are guaranteed on a senior unsecured basis by Darling and all of Darling's restricted subsidiaries (other than foreign subsidiaries) that are borrowers under or that guarantee the Senior Secured Credit Facilities.

*3.625% Senior Notes due 2026.* On May 2, 2018, Darling Global Finance B.V. issued and sold €515.0 million aggregate principal amount of 3.625% Senior Notes due 2026 (the "3.625% Notes"). The 3.625% Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of May 2, 2018 (the "3.625% Indenture"), among Darling Global Finance B.V., Darling, the subsidiary guarantors party thereto from time to time, Citibank, N.A., London Branch, as trustee and principal paying agent, and Citigroup Global Markets Deutschland AG, as principal registrar. The 3.625% Notes are guaranteed on a senior unsecured basis by Darling and all of Darling's restricted subsidiaries (other than any foreign subsidiary or any receivable entity) that guarantee the Senior Secured Credit Facilities.

Other debt consists of U.S., European, China and Brazil overdraft ancillary facilities, U.S., European and Brazil finance lease obligations and note arrangements in U.S., Brazil, China and European notes that are not part of the Company's Amended Credit Agreement, 6% Notes, 5.25% Notes or 3.625% Notes.

The classification of long-term debt in the Company's September 30, 2023 consolidated balance sheet is based on the contractual repayment terms of the 6% Notes, the 5.25% Notes, the 3.625% Notes and debt issued under the Amended Credit Agreement.

As a result of the Company's borrowings under its Amended Credit Agreement, the 6% Indenture, the 5.25% Indenture and the 3.625% Indenture, the Company is highly leveraged. Investors should note that, in order to make scheduled payments on the indebtedness outstanding under the Amended Credit Agreement, the 6% Notes, the 5.25% Notes and the 3.625% Notes, and otherwise, the Company will rely in part on a combination of dividends, distributions and intercompany loan repayments from the Company's direct and indirect U.S. and foreign subsidiaries. The Company is prohibited under the Amended Credit Agreement, the 6% Indenture, the 5.25% Indenture and the 3.625% Indenture from

entering (or allowing such subsidiaries to enter) into contractual limitations on the Company's subsidiaries' ability to declare dividends or make other payments or distributions to the Company. The Company has also attempted to structure the Company's consolidated indebtedness in such a way as to maximize the Company's ability to move cash from the Company's subsidiaries to Darling or another subsidiary that will have fewer limitations on the ability to make upstream payments, whether to Darling or directly to the Company's lenders as a Guarantor. Nevertheless, applicable laws under which the Company's direct and indirect subsidiaries are formed may provide limitations on such dividends, distributions and other payments. In addition, regulatory authorities in various countries where the Company operates or where the Company imports or exports products may from time to time impose import/export limitations, foreign exchange controls or currency devaluations that may limit the Company's access to profits from the Company's subsidiaries or otherwise negatively impact the Company's financial condition and therefore reduce the Company's ability to make required payments under the Amended Credit Agreement, the 6% Notes, the 5.25% Notes and the 3.625% Notes, or otherwise. In addition, fluctuations in foreign exchange values may have a negative impact on the Company's ability to repay indebtedness denominated in U.S. or Canadian dollars or euros. See "*Risk Factors - Our business may be adversely impacted by fluctuations in exchange rates, which could affect our ability to comply with our financial covenants*" and "*Our ability to repay our indebtedness depends in part on the performance of our subsidiaries, including our non-guarantor subsidiaries, and their ability to make payments*" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 as filed with the SEC on February 27, 2023.

As of September 30, 2023, the Company believes it is in compliance with all of the financial covenants under the Amended Credit Agreement, as well as all of the other covenants contained in the Amended Credit Agreement, the 6% Indenture, the 5.25% Indenture and the 3.625% Indenture.

#### ***Working Capital and Capital Expenditures***

On September 30, 2023, the Company had working capital of \$809.3 million and its working capital ratio was 1.78 to 1 compared to working capital of \$569.7 million and a working capital ratio of 1.53 to 1 on December 31, 2022. As of September 30, 2023, the Company had unrestricted cash of \$119.0 million and funds available under the revolving credit facility of \$1,044.0 million, compared to unrestricted cash of \$127.0 million and funds available under the revolving credit facility of \$1,313.0 million at December 31, 2022. The Company diversifies its cash investments by limiting the amounts deposited with any one financial institution.

Net cash provided by operating activities was \$682.3 million for the first nine months ended September 30, 2023, as compared to net cash provided by operating activities of \$638.4 million for the first nine months ended October 1, 2022, an increase of \$43.9 million due primarily to an increase in cash distributions received from the DGD Joint Venture. Cash used in investing activities was \$1,506.6 million for the first nine months ended September 30, 2023, compared to \$2,222.8 million for the first nine months ended October 1, 2022, a decrease in cash used in investing activities of \$716.2 million, primarily due to a decrease in payments for acquisitions and capital contributions to the DGD Joint Venture that more than offset an increase in capital expenditures. Net cash provided by financing activities was \$902.2 million for the first nine months ended September 30, 2023, compared to \$1,682.9 million for the first nine months ended October 1, 2022, a decrease in net cash provided by financing activities of \$780.7 million, primarily due to a decrease in debt borrowings utilized to fund acquisitions in the first nine months ended September 30, 2023 compared to the first nine months ended October 1, 2022.

Capital expenditures of \$380.6 million were made during the first nine months of fiscal 2023, compared to \$257.1 million in the first nine months of fiscal 2022. The Company expects to incur additional capital expenditures of approximately \$184 million for the remainder of fiscal 2023 including compliance and expansion projects and spending related to acquired companies. The Company intends to finance these costs using cash flows from operations. Capital expenditures related to compliance with environmental regulations were \$43.4 million and \$29.2 million during the first nine months ended September 30, 2023 and October 1, 2022, respectively.

#### ***Accrued Insurance and Pension Plan Obligations***

Based upon the annual actuarial estimate, current year accruals and claims paid during the first nine months of fiscal 2023, the Company has an accrued balance of approximately \$22.4 million it expects will become due during the next twelve months in order to meet obligations related to the Company's self-insurance reserves and accrued insurance obligations, which are included in current accrued expenses at September 30, 2023. The self-insurance reserve is composed of estimated liability for claims arising for workers' compensation, auto liability and general liability claims. The self-insurance reserve liability is determined annually, based upon a third party actuarial estimate. The

actuarial estimate may vary from year to year due to changes in cost of health care, the pending number of claims or other factors beyond the control of management of the Company.

Based upon current actuarial estimates, the Company expects to contribute approximately \$0.2 million to its domestic pension plans in order to meet minimum pension funding requirements during the next twelve months. In addition, the Company expects to make payments of approximately \$3.4 million under its foreign pension plans in the next twelve months. The minimum pension funding requirements are determined annually, based upon a third party actuarial estimate. The actuarial estimate may vary from year to year due to fluctuations in return on investments or other factors beyond the control of management of the Company or the administrator of the Company's pension funds. No assurance can be given that the minimum pension funding requirements will not increase in the future. The Company has made tax deductible discretionary and required contributions to its domestic pension plans for the first nine months ended September 30, 2023 of approximately \$0.2 million. Additionally, the Company has made required and tax deductible discretionary contributions to its foreign pension plans for the first nine months ended September 30, 2023 of approximately \$2.1 million.

The U.S. Pension Protection Act of 2006 ("PPA") went into effect in January 2008. The stated goal of the PPA is to improve the funding of U.S. pension plans. U.S. plans in an under-funded status are required to increase employer contributions to improve the funding level within PPA timelines. Volatility in the world equity and other financial markets, including that associated with the Russia-Ukraine war and the Israeli-Palestinian conflict, could have a material negative impact on U.S. pension plan assets and the status of required funding under the PPA. The Company participates in various U.S. multiemployer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts to meet their pension benefit obligations to their participants. The Company's contributions to each individual U.S. multiemployer plan represent less than 5% of the total contributions to each plan. Based on the most currently available information, the Company has determined that, if a withdrawal were to occur, withdrawal liabilities for two of the U.S. plans in which the Company currently participates could be material to the Company, with one of these material plans certified as critical or red zone under PPA guidelines. The Company currently has withdrawal liabilities recorded on four U.S. multiemployer plans in which it participated. During the second quarter of fiscal 2023, the Company was notified by one of their multiemployer plans that an additional partial withdrawal liability was incurred and the Company also received a notification that another one of its multiemployer plans liabilities was being reduced. As a result of these events, the Company recorded an additional liability of approximately \$2.8 million. As of September 30, 2023, the Company has an aggregate accrued liability of approximately \$6.6 million representing the present value of scheduled withdrawal liability payments on the multiemployer plans that have given notice of withdrawal. While the Company has no ability to calculate a possible current liability for under-funded multiemployer plans that could terminate or could require additional funding under the Pension Protection Act of 2006, the amounts could be material.

#### ***DGD Joint Venture***

The DGD Joint Venture currently operates two renewable diesel plants, one located adjacent to Valero's St. Charles Refinery in Norco, Louisiana (the "DGD St. Charles Plant") and one located adjacent to Valero's Port Arthur Refinery in Port Arthur, Texas (the "DGD Port Arthur Plant" and, together with the DGD St. Charles Plant, the "DGD Facilities"). The DGD Joint Venture was formed in January 2011 to design, engineer, construct and operate the DGD St. Charles Plant, which reached mechanical completion and began production of renewable diesel and certain other co-products in late June 2013. In October 2021, the DGD Joint Venture completed an expansion of the DGD St. Charles Plant that increased its renewable diesel production capability to up to 750 million gallons per year of renewable diesel, as well as separating renewable naphtha (approximately 30 million gallons) and other light end renewable hydrocarbons for sale into low carbon fuel markets, at a total cost, including naphtha production and improved logistics capability, of approximately \$1.1 billion. Additionally, in November 2022, the DGD Joint Venture completed the construction of the DGD Port Arthur Plant, with a name plate capacity to produce 470 million gallons per year of renewable diesel and 20 million gallons per year of renewable naphtha and having similar logistics flexibilities as those of the DGD St. Charles Plant. The DGD Port Arthur Plant was completed at a total cost of approximately \$1.43 billion. The DGD Facilities have a combined renewable diesel production capacity of approximately 1.2 billion gallons per year. Furthermore, in January 2023, the DGD Joint Venture partners approved a capital project at the DGD Port Arthur Plant to provide the plant with the capability to upgrade approximately fifty percent (50%) of its current 470 million gallon annual production capacity to sustainable aviation fuel (SAF). Work on the project is underway, with completion expected in 2025 at a total estimated cost of approximately \$315 million, which is expected to be primarily funded by DGD Joint Venture cash flow; however, if the DGD Joint Venture cash flow is not sufficient to fund the remaining project costs, the DGD Joint Venture may need to borrow funds or the joint venture partners may be required to contribute additional funds to complete the project.

On May 1, 2019, Darling, through its wholly owned subsidiary Darling Green Energy LLC, ("Darling Green"), and Diamond Alternative Energy, LLC, a wholly owned subsidiary of Valero ("Diamond Alternative" and together with Darling Green, the "DGD Lenders"), entered into a revolving loan agreement (the "2019 DGD Loan Agreement") with the DGD Joint Venture, pursuant to which the DGD Lenders committed to making loans available to the DGD Joint Venture in the total amount of \$50.0 million, with each lender committed to \$25.0 million of the total commitment. Any borrowings by the DGD Joint Venture under the 2019 DGD Loan Agreement were at the applicable annum rate equal to the sum of (a) the LIBO Rate (meaning Reuters BBA Libor Rates Page 3750) on such day plus (b) 2.50%. On June 15, 2023, the DGD Lenders entered into a new revolving loan agreement (the "2023 DGD Loan Agreement") with the DGD Joint Venture that replaced and superseded in its entirety the 2019 DGD Loan Agreement and pursuant to which the DGD Lenders have committed to making loans available to the DGD Joint Venture in the total amount of \$200.0 million with each lender committed to \$100.0 million of the total commitment. Any borrowings by the DGD Joint Venture under the 2023 DGD Loan Agreement are at the applicable annum rate equal to the sum of (a) Term SOFR on such day plus (b) 2.50%. The 2023 DGD Loan Agreement expires on June 15, 2026. In September 2022 and again in December 2022, the DGD Joint Venture borrowed all \$50.0 million available under the 2019 DGD Loan Agreement, including the Company's full \$25.0 million commitment. The Company received interest from the DGD Joint Venture for the three months ended September 30, 2023 and October 1, 2022 of approximately zero and \$0.1 million, respectively and received interest from the DGD Joint Venture for the nine months ended September 30, 2023 and October 1, 2022 of approximately \$0.6 million and \$0.5 million, respectively. As of September 30, 2023 and December 31, 2022, zero and \$25.0 million, respectively, was owed to Darling Green under the 2023 DGD Loan Agreement and the 2019 DGD Loan Agreement, as applicable. This note receivable amount is included in other current assets on the balance sheet and is included in investing activities on the cash flow statement.

On June 23, 2023, the DGD Joint Venture entered into an amended and restated credit agreement for \$400.0 million senior, unsecured revolving credit facility, with CoBank ACB acting as lead arranger and the administrative agent for the lending group, which is comprised of Farm Credit System institutions. The revolving credit facility matures June 23, 2026 and is non-recourse to the joint venture partners. As of September 30, 2023, the DGD Joint Venture has borrowings outstanding of \$200.0 million under this unsecured revolving credit facility.

Based on the sponsor support agreements executed in connection with the initial construction of the DGD St. Charles Plant, the Company contributed a total of approximately \$111.7 million for initial completion of the DGD St Charles Plant, and each partner has subsequently made \$528.8 million in additional capital contributions to the DGD Joint Venture. As of September 30, 2023, under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately \$2,096.9 million included on the consolidated balance sheet.

The Company's original investment in DGD has expanded since 2011 to the point that it is now integral to how Darling operates its business. Darling traditionally collected and converted used cooking oil and animal fats into feed ingredients which were sold on a caloric value to feed animals as well as for industrial technical uses. Over the past decade, the world's increasing focus on climate change and greenhouse gas has provided a new finished market for the Company's finished fats ingredients. With Darling's significant fats ownership, this has and continues to transform how Darling operates. In 2022, a large portion of Darling's total U.S. finished fats products were sold to the DGD Joint Venture as feedstock for renewable diesel. In 2022, DGD was Darling's largest finished product customer in terms of net sales, with Darling recording sales of approximately \$1.1 billion to DGD or 17% of total net sales.

From a procurement, production and distribution standpoint, DGD has become integral to Darling's base business. DGD is integrated to the Company's operations via the combined vertical operating structure from collecting raw fats, to processing collected fats at Darling facilities worldwide to transporting the refined fats to the DGD St. Charles and Port Arthur Plants as feedstock. The Darling supply chain has become more efficient and sustainable with transparency for verification to obtain full value to low carbon intensity markets. The development of the low carbon markets in North America and Europe has influenced how Darling operates its core business and has also been a driver for the recent DGD expansions, which are making DGD much more relevant to Darling's earnings. Since 2011 when construction began on DGD, Darling has invested substantially to increase its U.S. railcar fleet to efficiently manage nationwide transportation of Darling fats to DGD. Additionally, Darling acquired an Iowa location on the Mississippi River that further enhances the ability of the Company's Midwest network of facilities to collect and deliver feedstocks to DGD via water, rail or truck from a centralized location. In fiscal 2022, Darling acquired both Valley Proteins and FASA, each of which supply additional feedstocks to DGD. Darling has also stepped up collection efforts by providing indoor used cooking oil collection units in exchange for extended collection contracts at eating establishments and has moved to more of a centralized digital marketing effort with restaurant chains and franchise groups and invested in internet search engine key words to improve visibility with restaurants. The Company also includes DGD in marketing efforts to emphasize

environmental sustainability that restaurants participate in when their used cooking oil is collected by Darling. From a production standpoint, Darling now isolates used cooking oil from other fats to preserve identification to qualify for a higher carbon intensity value. As a result, the Company includes its equity in net income of the DGD Joint Venture as operating income.

#### ***Financial Impact of Significant Debt Outstanding***

The Company has a substantial amount of indebtedness, which could make it more difficult for the Company to satisfy its obligations to its financial lenders and its contractual and commercial commitments, limit the Company's ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements on commercially reasonable terms or at all, require the Company to use a substantial portion of its cash flows from operations to pay principal and interest on its indebtedness instead of other purposes, thereby reducing the amount of the Company's cash flows from operations available for working capital, capital expenditures, acquisitions and other general corporate purposes, increase the Company's vulnerability to adverse economic, industry and business conditions, expose the Company to the risk of increased interest rates as certain of the Company's borrowings are at variable rates of interest, limit the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry in which the Company operates, place the Company at a competitive disadvantage compared to other, less leveraged competitors, and/or increase the Company's cost of borrowing.

#### ***Cash Flows and Liquidity Risks***

Management believes that the Company's cash flows from operating activities, unrestricted cash and funds available under the Amended Credit Agreement, will be sufficient to meet the Company's working capital needs and maintenance and compliance-related capital expenditures, scheduled debt and interest payments, income tax obligations, and other contemplated needs through the next twelve months. Numerous factors could have adverse consequences to the Company that cannot be estimated at this time, such as negative impacts from the Russia-Ukraine war and the Israeli-Palestinian conflict and those other factors discussed below under the heading "Forward Looking Statements". These factors, coupled with volatile prices for natural gas and diesel fuel, currency exchange fluctuations, general performance of the U.S. and global economies, disturbances in world financial, credit, commodities and stock markets, and any decline in consumer confidence, including the inability of consumers and companies to obtain credit due to lack of liquidity in the financial markets, among others, could negatively impact the Company's results of operations in fiscal year 2023 and thereafter. The Company reviews the appropriate use of unrestricted cash periodically. As of the date of this report, other than the Company's previously announced acquisition of Miropasz for approximately €110.0 million in cash, which will be financed through borrowings under the Company's Amended Credit Agreement, no decision has been made as to non-ordinary course material cash usages at this time; however, potential usages could include: opportunistic capital expenditures and/or acquisitions and joint ventures; investments relating to the Company's renewable energy strategy, including, without limitation, potential required funding obligations with respect to the DGD Joint Venture SAF project or potential investments in additional renewable diesel projects; investments in response to governmental regulations relating to human and animal food safety or other regulations; unexpected funding required by the legislation, regulation or mass termination of multiemployer plans; and paying dividends or repurchasing stock, subject to limitations under the Amended Credit Agreement, the 6% Notes, the 5.25% Notes and the 3.625% Notes, as well as suitable cash conservation to withstand adverse commodity cycles. The Company's Board of Directors has approved a share repurchase program of up to an aggregate of \$500.0 million of the Company's Common Stock depending on market conditions. The repurchases may be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. The program runs through August 13, 2024, unless further extended or shortened by the Board of Directors. During the first nine months of fiscal 2023, the Company has repurchased approximately \$52.9 million of its common stock in the open market. As of September 30, 2023, the Company had approximately \$321.6 million remaining in its share repurchase program.

Each of the factors described above has the potential to adversely impact the Company's liquidity in a variety of ways, including through reduced raw materials availability, reduced finished product prices, reduced sales, potential inventory buildup, increased bad debt reserves, potential impairment charges and/or higher operating costs.

Sales prices for the principal products that the Company sells are typically influenced by the demand and pricing of renewable diesel, which is dependent on governmental energy policies and programs, and sales prices for agricultural-based alternative ingredients, the prices of which are based on established commodity markets and are subject to volatile changes. Any decline in these prices has the potential to adversely impact the Company's liquidity. Any of a decline in raw material availability, a decline in agricultural-based alternative ingredients prices, increases in energy prices or the impact of U.S. and foreign regulation (including, without limitation, China), changes in foreign exchange rates, imposition of currency controls and currency devaluations has the potential to adversely impact the Company's liquidity. A decline in

commodities prices, adverse changes to governmental energy policies and programs, a rise in energy prices, a slowdown in the U.S. or international economy, high inflation rates or other factors could cause the Company to fail to meet management's expectations or could cause liquidity concerns.

#### **OFF BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS**

Based upon the underlying purchase agreements, the Company has commitments to purchase \$325.7 million of commodity products consisting of approximately \$92.6 million of finished products, approximately \$199.7 million of natural gas and diesel fuel and approximately \$33.4 million of other commitments during the next five years, which are not included in liabilities on the Company's balance sheet at September 30, 2023. The Company intends to take physical delivery of the commodities under the forward purchase agreements and accordingly, these contracts are not subject to the requirements of fair value accounting because they qualify as normal purchases. The commitments will be recorded on the balance sheet of the Company when delivery of these commodities or products occurs and ownership passes to the Company during the remainder of fiscal 2023 and through fiscal 2028, in accordance with accounting principles generally accepted in the United States.

The following table summarizes the Company's other commercial commitments, including both on- and off-balance sheet arrangements that are part of the Company's Amended Credit Agreement and other foreign and domestic bank guarantees that are not a part of the Company's Amended Credit Agreement at September 30, 2023 (in thousands):

Other commercial commitments:	
Standby letters of credit	\$ 3,871
Standby letters of credit (ancillary facility)	30,177
Foreign and domestic bank guarantees	22,335
Total other commercial commitments:	<u>\$ 56,383</u>

#### **CRITICAL ACCOUNTING POLICIES**

The Company follows certain significant accounting policies when preparing its consolidated financial statements. A complete summary of these policies is included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 27, 2023.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

See Note 23, "New Accounting Pronouncements," to the consolidated financial statements for a description of new accounting pronouncements.

#### **FORWARD LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q includes "forward-looking" statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. Statements that are not statements of historical facts are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "project," "planned," "contemplate," "potential," "possible," "proposed," "intend," "believe," "anticipate," "expect," "may," "will," "would," "should," "could," and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical facts included in this report are forward looking statements, including, without limitation, the statements under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and located elsewhere herein regarding industry prospects, the Company's financial position or the Company's use of cash. Forward-looking statements are based on the Company's current expectations and assumptions regarding its business, the economy and other future conditions. The Company cautions readers that any such forward-looking statements it makes are not guarantees of future performance and that actual results may differ materially from anticipated results or expectations expressed in its forward-looking statements as a result of a variety of factors, including many that are beyond the Company's control.

In addition to those factors discussed elsewhere in this report and in the Company's other public filings with the SEC, important factors that could cause actual results to differ materially from the Company's expectations include: existing and unknown future limitations on the ability of the Company's direct and indirect subsidiaries to make their cash flow available to the Company for payments on the Company's indebtedness or other purposes; global demands

for bio-fuels and grain and oilseed commodities, which have exhibited volatility, and can impact the cost of feed for cattle, hogs and poultry, thus affecting available rendering feedstock and selling prices for the Company's products; reductions in raw material volumes available to the Company due to weak margins in the meat production industry as a result of higher feed costs, reduced consumer demand or other factors, reduced volume from food service establishments, or otherwise; reduced demand for animal feed; reduced finished product prices, including a decline in fat and used cooking oil finished product prices; changes to government policies around the world relating to renewable fuels and greenhouse gas ("GHG") emissions that adversely affect programs like the U.S. government's renewable fuel standard, low carbon fuel standards ("LCFS") and tax credits for biofuels both in the United States and abroad; possible product recall resulting from developments relating to the discovery of unauthorized adulterations to food or food additives; the occurrence of 2009 H1N1 flu (initially known as "Swine Flu"), highly pathogenic strains of avian influenza (collectively known as "Bird Flu"), severe acute respiratory syndrome ("SARS"), bovine spongiform encephalopathy (or "BSE"), porcine epidemic diarrhea ("PED") or other diseases associated with animal origin in the United States or elsewhere, such as the outbreak of African Swine Fever in China and elsewhere; the occurrence of pandemics, epidemics or disease outbreaks, such as the COVID-19 outbreak; unanticipated costs and/or reductions in raw material volumes related to the Company's compliance with the existing or unforeseen new U.S. or foreign (including, without limitation, China) regulations (including new or modified animal feed, Bird Flu, SARS, PED, BSE or ASF or similar or unanticipated regulations) affecting the industries in which the Company operates or its value added products; risks associated with the DGD Joint Venture, including possible unanticipated operating disruptions, a decline in margins on the products produced by the DGD Joint Venture and issues relating to the announced SAF upgrade project; risks and uncertainties relating to international sales and operations, including imposition of tariffs, quotas, trade barriers and other trade protections imposed by foreign countries; tax changes, such as the introduction of a global minimum tax; difficulties or a significant disruption in the Company's information systems or failure to implement new systems and software successfully; risks relating to possible third party claims of intellectual property infringement; increased contributions to the Company's pension and benefit plans, including multiemployer and employer-sponsored defined benefit pension plans as required by legislation, regulation or other applicable U.S. or foreign law or resulting from a U.S. mass withdrawal event; bad debt write-offs; loss of or failure to obtain necessary permits and registrations; continued or escalated conflict in the Middle East, North Korea, Ukraine or elsewhere, including the Russia-Ukraine war and the Israeli-Palestinian conflict; uncertainty regarding the exit of the U.K. from the European Union; and/or unfavorable export or import markets. These factors, coupled with volatile prices for natural gas and diesel fuel, inflation rates, climate conditions, currency exchange fluctuations, general performance of the U.S. and global economies, disturbances in world financial, credit, commodities and stock markets, such as the recent turmoil in the world banking markets, and any decline in consumer confidence and discretionary spending, including the inability of consumers and companies to obtain credit due to lack of liquidity in the financial markets, among others, could cause actual results to vary materially from the forward-looking statements included in this report or negatively impact the Company's results of operations. Among other things, future profitability may be affected by the Company's ability to grow its business, which faces competition from companies that may have substantially greater resources than the Company. The Company's announced share repurchase program may be suspended or discontinued at any time and purchases of shares under the program are subject to market conditions and other factors, which are likely to change from time to time. For more detailed discussion of these factors see the Risk Factors discussion in Item 1A of Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The Company cautions readers that all forward-looking statements speak only as of the date made, and the Company undertakes no obligation to update any forward-looking statements, whether as a result of changes in circumstances, new events or otherwise.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Market risks affecting the Company include exposures to changes in prices of the finished products the Company sells, interest rates on debt, availability of raw material supplies and the price of natural gas and diesel fuel used in the Company's plants. Raw materials available to the Company are impacted by seasonal factors, including holidays, when raw material volume declines; warm weather, which can adversely affect the quality of raw material processed and finished products produced; and cold weather, which can impact the collection of raw material. Predominantly all of the Company's finished products are commodities that are generally sold at prices prevailing at the time of sale. Additionally, with the acquisition of foreign entities we are exposed to foreign currency exchange risks, imposition of currency controls and the possibility of currency devaluation.

The Company makes limited use of derivative instruments to manage cash flow risks related to interest rates, natural gas usage, diesel fuel usage, inventory, forecasted sales and foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. Interest rate swaps are entered into with the intent of managing overall borrowing costs by reducing the potential impact of increases in interest rates on floating-rate long-term debt. Natural gas swaps and options are entered into with the intent of managing the overall cost of natural gas usage by reducing the potential impact of seasonal weather demands on natural gas that increases natural gas prices. Heating oil swaps and

options are entered into with the intent of managing the overall cost of diesel fuel usage by reducing the potential impact of seasonal weather demands on diesel fuel that increases diesel fuel prices. Soybean meal forwards and options are entered into with the intent of managing the impact of changing prices for poultry meal sales. Corn options and future contracts are entered into with the intent of managing U.S. forecasted sales of BBP by reducing the impact of changing prices. Foreign currency forward contracts are entered into to mitigate the foreign exchange rate risk for transactions designated in a currency other than the local functional currency. The Company intends to take physical delivery of the commodities under certain of the Company's natural gas and diesel fuel instruments and accordingly, these contracts are not subject to the requirements of fair value accounting because they qualify as normal purchases. At September 30, 2023, the Company had soybean meal forward and option contracts, foreign exchange forward and option contracts and interest rate swaps outstanding that qualified and were designated for hedge accounting as well as corn forward contracts, soybean meal forward and option contracts and foreign currency forward contracts that did not qualify and were not designated for hedge accounting.

In the first and second quarter of fiscal 2023, the Company entered into interest rate swaps that are designated as cash flow hedges. The notional amount of these swaps totaled \$900.0 million. Under the contracts, the Company is obligated to pay a weighted average rate of 4.007% while receiving the 1-Month SOFR rate, which excludes margin. Under the terms of the interest rate swaps, the Company hedged a portion of its variable rate debt into the first quarter of 2026. At September 30, 2023, the aggregate fair value of these interest rate swaps was approximately \$16.4 million. These amounts are included in other current assets and other assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In the first quarter of fiscal 2023, the Company also entered into cross currency swaps that are designated as cash flow hedges. The notional amount of these swaps was €519.2 million. Under the contracts, the Company is obligated to pay a 4.6% fixed rate while receiving a weighted average fixed rate of 5.799%. Under the terms of the cross currency swaps, the Company hedged its intercompany notes receivable into the first quarter of 2025. Accordingly, changes in the fair value of the cash flow hedge are initially recorded as gains and/or losses as a component of accumulated other comprehensive loss. We immediately reclassify from accumulated other comprehensive loss to earnings an amount to offset the remeasurement recognized in earnings associated with the respective intercompany loan. Additionally, we reclassify amounts from accumulated other comprehensive income (loss) associated with the interest rate differential between the U.S. dollar and a Euro denominated intercompany loan to interest expense. At September 30, 2023, the aggregate fair value of these cross currency swaps was approximately \$12.9 million. These amounts are included in other current assets and other assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In fiscal 2022, the Company entered into corn option contracts on the Chicago Board of Trade that are designated as cash flow hedges. Under the terms of the corn option contracts, the Company hedged a portion of its U.S. forecasted sales of BBP into the second quarter of fiscal 2023. There are not any open designated corn option contracts at September 30, 2023. As of September 30, 2023 and December 31, 2022 the aggregate fair value of these corn option contracts was approximately zero and \$0.9 million, respectively. The amounts outstanding as of December 31, 2022 are included in other current assets on the balance sheet, with an offset recorded in accumulated other comprehensive loss. The Company may enter into corn option contracts in the future from time to time.

In fiscal 2022 and the first quarter of fiscal 2023, the Company entered into foreign exchange forward and option contracts that are considered cash flow hedges. Under the terms of the foreign exchange contracts, the Company hedged a portion of its forecasted collagen sales in currencies other than the functional currency through the fourth quarter of fiscal 2024. As of September 30, 2023 and December 31, 2022, the aggregate fair value of these foreign exchange contracts was approximately \$17.2 million and \$13.8 million, respectively. As of September 30, 2023, approximately \$15.4 million is included in other current assets, approximately \$0.3 million is included in accrued expenses, approximately \$2.2 million is included in other assets and approximately \$0.1 million is included in other non-current liabilities on the balance sheet, with an offset recorded in accumulated other comprehensive loss. As of December 31, 2022, approximately \$15.6 million is included in other current assets, approximately \$1.0 million is included in accrued expenses and approximately \$0.8 million is included in other non-current liabilities on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

In fiscal 2022 and fiscal 2023, the Company entered into soybean meal forward and option contracts to hedge a portion of its forecasted poultry meal sales into the fourth quarter of fiscal 2023. As of September 30, 2023 and December 31, 2022, the aggregate fair value of the soybean meal contracts was approximately \$0.1 million and \$0.6 million, respectively. The amounts are included in other current assets and accrued expenses on the balance sheet, with an offset recorded in accumulated other comprehensive loss.

As of September 30, 2023, the Company had the following outstanding forward and option contract amounts that were entered into to hedge foreign currency transactions in currencies other than the functional currency and forecasted transactions in currencies other than the functional currency (in thousands):

Functional Currency		Contract Currency		Range of Hedge rates		U.S. Equivalent
Type	Amount	Type	Amount			
Brazilian real	154,113	Euro	28,202	5.28 - 5.66	\$	30,780
Brazilian real	3,152,853	U.S. dollar	768,550	3.35 - 6.63		768,550
Euro	49,053	U.S. dollar	52,542	1.06 - 1.11		52,542
Euro	36,246	Polish zloty	165,500	4.49 - 4.63		38,356
Euro	14,300	Japanese yen	2,241,486	151.57 - 157.85		15,133
Euro	25,240	Chinese renminbi	196,576	7.69 - 7.82		26,709
Euro	19,001	Australian dollar	31,860	1.64 - 1.69		20,106
Euro	5,997	British pound	5,213	0.86 - 0.87		6,346
Euro	104	Canadian dollar	150	1.43 - 1.48		110
Polish zloty	678	U.S. dollar	157	4.32		157
Polish zloty	34,443	Euro	7,497	4.59 - 4.60		7,863
British pound	159	Euro	183	0.87		195
British pound	231	U.S. dollar	282	0.82		282
Japanese yen	242,161	U.S. dollar	1,716	132.67 - 147.86		1,716
U.S. dollar	440	Japanese yen	65,000	147.87		440
U.S. dollar	562,340	Euro	519,182	1.08		562,340
Australian dollar	174	Euro	105	1.66		113
Australian dollar	164	U.S. dollar	105	1.56		105
					\$	1,531,843

The above foreign currency contracts that are not designated as hedges had an aggregate fair value of approximately \$3.2 million and are included in other current assets and accrued expenses at September 30, 2023.

Additionally, the Company had corn forward contracts and soybean meal forward and option contracts that are marked to market because they did not qualify for hedge accounting at September 30, 2023. These contracts have an aggregate fair value of approximately \$0.2 million and less than \$0.1 million, respectively and are included in other current assets and accrued expenses at September 30, 2023.

As of September 30, 2023, the Company had forward purchase agreements in place for purchases of approximately \$199.7 million of natural gas and diesel fuel and approximately \$33.4 million of other commitments during the next five years. As of September 30, 2023, the Company had forward purchase agreements in place for purchases of approximately \$92.6 million of finished product during the next five years.

#### Foreign Exchange

The Company has significant international operations and is subject to certain opportunities and risks, including currency fluctuations. As a result, the Company is affected by changes in foreign currency exchange rates, particularly with respect to the euro, Brazilian real, Canadian dollar, Australian dollar, Chinese renminbi, British pound, Polish zloty, and Japanese yen.

#### Item 4. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Controls and Procedures.* As required by Rule 13a-15(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation, as of the end of the period covered by this report, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports it files or

submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on management's evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

*Changes in Internal Control over Financial Reporting.* As required by Exchange Act Rule 13a-15(d), the Company's management, including the Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any change occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no change in the Company's internal control over financial reporting during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting other than internal controls being implemented at Group Op de Beeck, Valley Proteins and FASA.

During the first quarter of 2023, the Company acquired Gelnex. The Company is currently in the process of integrating this acquisition pursuant to the Sarbanes-Oxley Act of 2002. The Company is evaluating changes to processes, information technology systems and other components of internal controls over financial reporting as part of the ongoing integration activities, and as a result, certain controls will be periodically changed. The Company believes, however, it will be able to maintain sufficient controls over the substantive results of its financial reporting throughout the integration process. Due to the timing of the Gelnex Acquisition, the internal control over financial reporting of Gelnex will be excluded from management's assessment of the Company's internal control over financial reporting for fiscal 2023, as permitted under SEC regulations.

DARLING INGREDIENTS INC. AND SUBSIDIARIES  
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

**PART II: Other Information**

**Item 1. LEGAL PROCEEDINGS**

The information required by this Item 1 is contained within Note 18 (Contingencies) on pages 30 through 31 of this Form 10-Q and is incorporated herein by reference.

**Item 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties that are not currently known or that are currently deemed to be immaterial may also materially and adversely affect our business operations and financial condition or the market price of our common stock.

**Item 5. OTHER INFORMATION**

*Rule 10b5-1 Plan Adoptions and Modifications*

None.

**Item 6. EXHIBITS**

The following exhibits are filed herewith:

31.1	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Randall C. Stuewe, the Chief Executive Officer of the Company.</u></a>
31.2	<a href="#"><u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, of Brad Phillips, the Chief Financial Officer of the Company.</u></a>
32	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Randall C. Stuewe, the Chief Executive Officer of the Company, and of Brad Phillips, the Chief Financial Officer of the Company.</u></a>
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022; (ii) Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and October 1, 2022; (iii) Consolidated Statements of Comprehensive Income/(Loss) for the three and nine months ended September 30, 2023 and October 1, 2022; (iv) Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2023 and October 1, 2022; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and October 1, 2022 and (vi) Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**DARLING INGREDIENTS INC.**

Date: November 7, 2023

By: /s/ Brad Phillips

Brad Phillips

Chief Financial Officer

(Principal Financial Officer and Duly Authorized  
Officer)

**CERTIFICATION**

I, Randall C. Stuewe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Darling Ingredients Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstance under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Randall C. Stuewe

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Randall C. Stuewe  
Chief Executive Officer

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**CERTIFICATION**

I, Brad Phillips, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Darling Ingredients Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstance under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Brad Phillips

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Brad Phillips  
Chief Financial Officer

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CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Darling Ingredients Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Randall C. Stuewe, Chief Executive Officer of the Company and Brad Phillips, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished solely for purposes of compliance with the Act.

/s/ Randall C. Stuewe

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Randall C. Stuewe

Chief Executive Officer

Date: November 7, 2023

/s/ Brad Phillips

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Brad Phillips

Chief Financial Officer

Date: November 7, 2023

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