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Any materials relating to the potential offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

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ARLA FOODS AMBA

(incorporated as a co-operative in The Kingdom of Denmark)

SEK 1,150,000,000 5.00 per cent. Notes due 2016

and

SEK 350,000,000 floating rate Notes due 2016

The issue price of the SEK 1,150,000,000 5.00 per cent. Notes due 2016 (ISIN: SE0004050938) (the “**Series A Notes**”) of Arla Foods amba (the “**Issuer**”) is 99.719 per cent. of their principal amount. The issue price of SEK 350,000,000 floating rate Notes due 2016 (ISIN: SE0004050946) (the “**Series B Notes**”) of the Issuer is 100.00 per cent. of their principal amount. The Series A Notes and the Series B Notes are together, the “**Notes**”.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 22 June 2016. The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in The Kingdom of Denmark. See “*Terms and Conditions of the Notes – Redemption and Purchase*”.

The Series A Notes will bear interest from the Issue Date (as defined in the “*Terms and Conditions of the Notes*” (the “**Conditions**” and each a “**Condition**”)) at the rate of 5.00 per cent. per annum payable annually in arrear on 22 June each year commencing on 22 June 2012. The Series B Notes bear interest from the Issue Date, payable on 22 March, 22 June, 22 September and 22 December in each year commencing on 22 September 2011. Payments on the Notes will be made in Swedish Kronor without deduction for or on account of taxes imposed or levied by The Kingdom of Denmark to the extent described under “*Terms and Conditions of the Notes – Taxation*”.

SEE “RISK FACTORS” FOR A DISCUSSION OF CERTAIN FACTORS TO BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE NOTES BEGINNING ON PAGE 8.

Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange (the “**Luxembourg Stock Exchange**”) and application has been made to admit the Notes to trading on the Luxembourg Stock Exchange’s Euro MTF Market (the “**Euro MTF Market**”). This Offering Circular constitutes a prospectus for the purposes of the Luxembourg Act dated 10 July 2005 on prospectuses for securities. This Offering Circular has not been approved as a prospectus by the Luxembourg *Commission de Surveillance du Secteur Financier*, which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (the “**2010 PD Amending Directive**”) to the extent that such amendments have been implemented in a Member State of the European Economic Area (the “**Prospectus Directive**”).

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”). The Notes are being offered outside the United States by the Lead Managers (as defined in “**Subscription and Sale**”) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be issued in the denomination of SEK 500,000 each in uncertificated and dematerialised book-entry form, with the legal title thereto being evidenced by book entries in the register for such Notes kept, on behalf of the Issuer, by Euroclear Sweden AB (“**Euroclear Sweden**”). Title to the Notes will not be evidenced by any physical note or document of title. Notes in definitive form will not be issued in respect of any Notes. The TEFRA C and TEFRA D Rules will not be applicable to the Notes.

Payment of principal and interest and, if applicable, withholding of preliminary tax payable in respect of the Notes will be made by Euroclear Sweden, Euroclear Sweden AB, P.O. Box 7822, SE-103 97 Stockholm, Phone number: +46 8 402 90 00.

LEAD MANAGERS

DANSKE BANK

NORDEA

16 June 2011

CONTENTS

	<i>Page</i>
IMPORTANT NOTICES	3
INFORMATION INCORPORATED BY REFERENCE	4
OVERVIEW	5
RISK FACTORS	8
TERMS AND CONDITIONS OF THE NOTES	14
USE OF PROCEEDS	26
DESCRIPTION OF THE ISSUER	27
TAXATION	42
SUBSCRIPTION AND SALE	44
GENERAL INFORMATION	46

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Lead Managers named under “**Subscription and Sale**” below (the “**Lead Managers**”) that this Offering Circular contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Lead Managers.

Neither the Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Offering Circular.

In connection with the issue and sale of the Notes, no person is authorised to give any information or to make any representation not contained in the Offering Circular and neither the Issuer nor the Lead Managers accept responsibility for any information or representation so given that is not contained in the Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. This Offering Circular may only be used for the purpose for which it has been published.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Offering Circular, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area. References to “**DKK**” and “**Danish Krone**” are to the lawful currency of The Kingdom of Denmark, references to “**£**” or “**GBP**” are to the British Pound, the official currency of the United Kingdom, references to the “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, and references to “**SEK**” and “**Swedish Kronor**” are to the lawful currency of The Kingdom of Sweden.

INFORMATION INCORPORATED BY REFERENCE

The information set out in the table below shall be deemed to be incorporated in, and to form part of, this Offering Circular **provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Issuer and the Listing Agent in Luxembourg, unless such documents have been modified or superseded. Such documents will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

For ease of reference, the tables below set out the relevant page references for the audited consolidated financial statements, the notes to the audited consolidated financial statements and the Auditors' reports for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 for the Issuer, as set out in the respective annual reports. Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only.

Arla Foods amba

Audited Consolidated Financial Statements for the year ended 31 December 2010

Income statement	Page 29
Balance sheet	Page 30
Cash flow statement	Page 33
Notes to Financial Statements	Page 34
Auditors' Report	Page 22

Audited Consolidated Financial Statements for the year ended 31 December 2009

Income statement	Page 25
Balance sheet	Page 26
Cash flow statement	Page 29
Notes to Financial Statements	Page 30
Auditors' Report	Page 19

Audited Consolidated Financial Statements for the year ended 31 December 2008

Income statement	Page 47
Balance sheet	Page 48
Cash flow statement	Page 51
Notes to Financial Statements	Page 52
Auditors' Report	Page 41

OVERVIEW

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this overview.

The Issuer:	Arla Foods amba.
Lead Managers:	Danske Bank A/S and Nordea Bank Danmark A/S.
Swedish Issuing Agent:	Nordea Bank AB (publ), as account operator appointed by the Issuer in respect of the Notes.
Agent Bank:	Nordea Bank AB (publ).
The Series A Notes:	SEK 1,150,000,000 5.00 per cent. Notes due 2016.
The Series B Notes:	SEK 350,000,000 floating rate Notes due 2016.
Issue Price:	99.719 per cent. of the principal amount of the Series A Notes and 100.00 per cent. of the principal amount of the Series B Notes.
Issue Date:	22 June 2011.
Use of Proceeds:	The net proceeds of the issue of Notes will be used by the Issuer for refinancing existing indebtedness and its general corporate purposes. See “ <i>Use of Proceeds</i> ”.
Interest:	The Series A Notes will bear interest from and including the Issue Date at a rate of 5.00 per cent. per annum payable annually in arrear on 22 June in each year commencing 22 June 2012. The Series B Notes will bear interest from the Issue Date at a rate of 1.80 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Series B Interest Period payable quarterly in arrear on 22 March, 22 June, 22 September and 22 December in each year commencing 22 September 2011 and as set out in Condition 4 (<i>Interest</i>).
Series A Interest Payment Dates:	22 June in each year commencing on 22 June 2012.
Series B Interest Payment Dates:	22 March, 22 June, 22 September and 22 December in each year commencing on 22 September 2011.
Status:	The Notes constitute senior, unsubordinated, direct, general unconditional and unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Form and Denomination:	The Notes will be issued in the denomination of SEK 500,000 each in uncertificated and dematerialised book-entry form, with the legal title thereto being evidenced by book entries in the register for such Notes kept, on behalf of the Issuer, by Euroclear Sweden. The dematerialised book-entry form of the Notes is governed by Swedish law (the SFIA Act). Title to the Notes will not be

evidenced by any physical note or document of title. Notes in definitive form will not be issued in respect of any Notes. The TEFRA C and TEFRA D Rules will not be applicable to the Notes.

Final Redemption:

22 June 2016.

Optional Redemption:

If at any time any Note remains outstanding (as defined in Condition 3 (*Negative Pledge*)) a Change of Control Put Event (as defined in Condition 5(c) (*Redemption at the option of Noteholders following a change of control*)) occurs, then the Noteholder will have a Change of Control Put Option (unless, prior to the giving of the Change of Control Put Event Notice, the Issuer gives notice of its intention to redeem the Notes under Condition 5(b) (*Redemption for tax reasons*)) to require the Issuer to redeem or, at the Issuer's option, to purchase or procure the purchase of that Note on the Change of Control Optional Redemption Date, at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest (if any) up to but excluding the Change of Control Optional Redemption Date. See Condition 5(c) (*Redemption and Purchase – Redemption at the option of Noteholders following a change of control*).

Tax Redemption:

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time in the case of Series A Notes and on any Interest Payment Date in the case of Series B Notes. See Condition 5(b) (*Redemption and Purchase – Redemption for tax reasons*).

Negative Pledge:

So long as any Note remains outstanding (as defined in the Condition 3 (*Negative Pledge*)), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in Schedule 2 of the Deed Poll (*Provisions for Meetings of Noteholders*)) of Noteholders. See *Condition 3 (Negative Pledge)*.

Cross Default:

Subject to an aggregate threshold of EUR 20,000,000 in the event of (i) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period; or, (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Subsidiary or (*provided, however*, that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness, then any Note may, by written notice addressed by the Noteholder thereof to the Issuer and delivered to the Issuer (with a copy to the Swedish Issuing Agent), be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount

together with accrued interest without further action or formality. See “*Condition 8(c) (Events of Default – Cross-default of Issuer or Subsidiary)*”.

Rating:

The Notes will not be rated.

Withholding Tax:

The Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no withholding or deduction been required subject to customary exceptions and as set out in Condition 7 (*Taxation*).

Governing Law:

The Notes, the Deed Poll, the Agent Bank Agreement and the Subscription Agreement will be governed by English law. The clearing of the Notes through Euroclear Sweden and the Swedish Issuing Agency Agreement will be governed by Swedish Law.

Listing and Trading:

Applications have been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

Clearing System:

Euroclear Sweden.

Selling Restrictions:

See “*Subscription and Sale*”.

Risk Factors:

Investing in the Notes involves risks. See “*Risk Factors*”.

RISK FACTORS

Prospective investors should read the entire Offering Circular. Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Offering Circular have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

Risks Relating to the Issuer

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

Product branding and competition risk

The preferences and purchasing patterns of customers may be influenced by factors outside the Group’s control. Customer loyalty to certain of the Group’s brands relative to those of competitors may change.

The Group’s strong brand positions in Sweden and Denmark may also be challenged if the major retailers significantly increase the promotion of their own private labels, in particular on fresh dairy products. The Group also competes for those contracts. However, increasing private label products in these countries may result in a decline in business performance.

Price Pressure

From time to time, the Group may need to reduce its prices in response to competitive and customer pressures and to maintain its market share. Competition and customer pressures may also restrict the Group’s ability to increase prices in response to commodity and other input cost increases. The Group’s operational results will suffer if profit margins decrease, as a result of either a reduction in prices or increased input costs, and if it is unable to increase sales volumes to offset those profit margin decreases. As a cooperative the Group is generally able to reduce the price of raw milk from its members in Denmark, Sweden and Germany to off-set such effects.

Dependency on milk intake

The Group is dependent on a stable intake of raw milk. In Denmark, Sweden and Germany the raw milk is sourced from the Group’s members. The loyalty among members has always been very high. In each of 2009 and 2010 less than 1 per cent. of the Group’s members left for other dairy companies. The general decrease in members during the last few years is mainly caused by members retiring rather than members shifting to other dairies. Generally, retiring members’ raw milk deliveries are taken over by existing members increasing their raw milk deliveries or deliveries from joining members who have acquired a retiring member’s farm.

In the UK, Finland, Holland, Canada, US and Poland the raw milk is sourced from either individual contract suppliers or local cooperatives. Also in these regions the Group has established long-term relationships and hence the Group’s milk intake in these countries has not been negatively impacted by high turnover-rates.

However, members can leave with 4 months' notice. Major sudden decreases in raw milk supplies either from members or contract suppliers could have a negative impact on the Group's results and financial condition.

Breakdown of large production facilities

The Group is obliged to buy and receive all the milk supplied from its members as well as from contract suppliers. The Group operates a number of larger dairies in Denmark, Sweden and UK. Even though many of these dairies are modern facilities with up-to-date risk prevention programs, a major breakdown of a dairy may occur. Even though contingency plans and proper insurance are in place this may result in reduced production and reduced sales during the rebuilding period and competitors taking market share, each of which may have a negative impact on the Group's results and financial condition.

Political risk

The Group has smaller production facilities in politically less stable countries. Political instability could have an effect on the book value of the assets in such countries. However, given the size and geographical spread of such facilities, no event in any single country is likely to have a material adverse effect on the Group's financial condition and ability to meet its financial obligations.

The export of dairy products and milk powder from Denmark and Sweden to developing countries, including countries in the Middle East, is part of the export business. In some regions the Group has strong brand positions. The Group has previously experienced politically or religiously motivated boycotts of imported dairy products in certain regions. Such boycotts can lead to an immediate decrease of profit. Previously, such events have triggered a reduction in the price of raw milk to the Group's members to offset such effects.

Expansion risk

The Group's business strategy involves acquisitions and investments in its core business. This strategy depends on the Group's ability successfully to acquire and integrate companies that enhance the Group's businesses. Failure to acquire and integrate such companies successfully may have a negative impact on the Group's results and financial condition.

IT risk

The Group operates a highly integrated global business and relies on complex information technology to do so. As a result of the increasing complexity of information technology, the Group is exposed to various risks in this context, ranging from the loss or theft of data, stoppages and interruptions to the business, to systems failure, each of which may have a negative impact on the Group's results and financial condition.

Animal diseases

Widespread animal diseases may affect the milk production in the countries where the Group operates. In Denmark, Sweden and UK, where the Group has a significant milk intake, the relevant authorities have very clear and precise contingency plans to stem infections. The Group also has its own contingency plans if a breakout of animal diseases should occur. Any breakout of BSE or Foot and Mouth disease would have an immediate impact on the local consumption. However, history shows that such declines prove to be short-lived since dairy products form an important part of the daily diet.

Many countries will typically stop imports of dairy products from countries where a "dangerous" virus is found. Any such stoppages may have a negative impact on the Group's results and financial condition.

Currency risk

The Group operates in many different countries and has significant investments in operations outside Denmark and the Euro area, of which the UK and Sweden represent the largest part of the Group's business by turnover, profit and assets. As a large part of the production from especially Denmark in particular is exported outside the Euro area, this also contributes to the Group's currency exposure.

Significant exchange rate fluctuations may have a negative impact on the Group's results and financial condition.

Interest rate risk

The Group generally pays a variable interest rate on its financial debt. With due regard to the Group's growth strategy and the low interest rate level in the financial markets during the last few years, a significant part of the Group's financing has been converted to fixed rate via hedging instruments such as interest swaps. The term of the interest hedging of the debt amounts to approximately four years. As at 31 December 2010, the Group estimates that a change in the interest rate of 1 percentage point during the next financial year would negatively impact the Group's funding costs by approximately DKK 30 million. Significant interest rate fluctuations may have a negative impact on the Group's results and financial condition.

Liquidity risk

The Group manages its liquidity risk by ensuring the availability of sufficient operating liquidity and credit facilities for operations. The financing of acquisitions and major investments is assessed separately.

The management of day-to-day liquidity flow is for the vast majority of the Group conducted through Arla Foods Finance A/S, via cash pool arrangements with the Group's banks. Within the Group, the companies with excess liquidity finance the companies with liquidity deficits. As a result the Group achieves a more cost efficient financing.

As at 31 December 2010, the Group's liquidity reserve was as outlined below:

Liquidity reserve

	<i>DKK million</i>	
	<i>2010</i>	<i>2009</i>
Cash at bank and at hand	448	1,397
Securities (free)	123	176
Undrawn committed facilities	1,182	1,191
Undrawn facilities	4,611	3,320
Total liquidity reserves at 31 December 2010	6,364	6,084

Legal and regulatory risks

Various markets in which the Group operates are subject to significant influence from legislation or regulation. In Europe, the EU Agriculture Regime is the main regulatory regime relevant to the Group. The current regime runs until 2015. New regulations and legislation and changes to existing regulation and legislation regularly occur and may lead to various risks arising. Increased governmental regulation of the food industry could also increase the Group's costs and adversely affect its profitability.

Risks Relating To The Notes

There is no active trading market for the Notes

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF Market, there is no assurance that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

The Notes may not be freely transferred

The Notes are not registered, and will not be registered, under the Securities Act or any other securities laws. Accordingly, the Notes are subject to certain restrictions on resale and other transfer thereof as set forth in the section entitled "*Subscription and Sale*." As a result of these restrictions, the Issuer cannot be certain of the existence of a secondary market for the Notes or the liquidity of such a market if one develops.

Consequently, Noteholders must be able to bear the economic risk of their investment in the Notes for the terms of the Notes.

Investors will have to rely on Euroclear Sweden's procedures for transfer, payment and communication with the Issuer

Investors in the Notes will have to rely on Euroclear Sweden's procedures for transfer, payment and communication with the Issuer.

The Notes will not be evidenced by any physical note or document of title other than statements of account made by Euroclear Sweden. Ownership of the Notes will be recorded and transfer effected only through the book-entry system and register maintained by Euroclear Sweden.

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Kingdom of Denmark or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

Noteholders are subject to market volatility

Noteholders should be aware that, in view of the prevailing and widely reported global credit market conditions (which, to a certain extent, continue at the date hereof), the secondary market for the Notes and instruments of this kind may be illiquid. The Issuer cannot predict when these circumstances will change.

Noteholders are subject to credit risk on the Issuer

Noteholders take a credit risk on the Issuer. A holder's ability to receive payment under the Notes is dependent on the Issuer's ability to fulfil its payment obligations, which in turn is dependent upon the development of the Issuer's business.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- 1.1 have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- 1.2 have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- 1.3 have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- 1.4 understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- 1.5 be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Modification

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders

including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

With the exception of the clearing of the Notes through Euroclear Sweden, the conditions of which are based on Swedish law in effect at the date of this Offering Circular, the conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

In respect of the clearing of the Notes through Euroclear Sweden, the conditions of which are based on Swedish law in effect at the date of this Offering Circular, no assurance can be given as to the impact of any possible judicial decision or change to Swedish law or administrative practice after the date of this Offering Circular.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member States of residence as from 1 January 2010.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive. Investors who are in any doubt as to their position should consult their professional advisers.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Swedish Kronor. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than Swedish Kronor. These include the risk that exchange rates may significantly change (including changes due to devaluation of Swedish Kronor or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to

Swedish Kronor would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The SEK 1,150,000,000 5.00 per cent. Notes due 2016 (ISIN: SE0004050938) (the “**Series A Notes**”) and the SEK 350,000,000 Floating Rate Notes due 2016 (ISIN: SE0004050946) (the “**Series B Notes**”, and together with the Series A Notes, the “**Notes**”, which expression includes any further notes issued pursuant to Condition 12 (*Further issues*) and forming a single series with the Series A Notes or, as the case may be, the Series B Notes) of Arla Foods amba are constituted by a deed poll dated 16 June 2011 (as amended or supplemented from time to time, the “**Deed Poll**”).

The Notes are subject to (a) a Swedish issuing agency agreement (as amended or supplemented from time to time, the “**Swedish Issuing Agency Agreement**”) between the Issuer and the Swedish issuing agent named therein (the “**Swedish Issuing Agent**”, which expression includes any successor or additional Swedish issuing agents appointed from time to time in connection with the Notes), and (b), in the case of Series B Notes, to an agent bank agreement (as amended or supplemented from time to time, the “**Agent Bank Agreement**”) between the Issuer and Nordea Bank AB (publ) as agent bank (the “**Agent Bank**”, which expression includes any successor agent bank appointed from time to time in connection with the Series B Notes). References herein to the “**Agents**” are to the Swedish Issuing Agent and the Agent Bank and references to the “**Agent**” is to any one of them. Certain provisions of these Conditions are summaries of the Swedish Issuing Agency Agreement, the Deed Poll and the Agent Bank Agreement and subject to their detailed provisions.

The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Deed Poll and the Agent Bank Agreement applicable to them. Copies of the Deed Poll and the Agent Bank Agreement are available for inspection by Noteholders during normal business hours at the registered office of the Issuer.

1. Form, Denomination and Status

- (a) *Form and denomination:* The Notes are in uncertificated and dematerialised book-entry form registered in Euroclear Sweden in the denomination of SEK 500,000 (the “**Authorised Denomination**”). The clearing of the Notes through Euroclear Sweden is governed by Swedish law (including the Swedish Financial Instruments Accounts Act (*Sw. Lag (1998: 1479) om kontoföring av finansiella instrument*) as amended (the “**SFIA Act**”).

The Issuer shall be entitled to obtain information from the Euroclear Sweden Register in respect of the Notes.

- (b) *Status:* The Notes constitute senior, unsubordinated, direct, general, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2. Title and Transfers

- (a) *Title:* The holder of a Note will be the person appearing as such in the Euroclear Sweden Register. The term “**Noteholder**” shall be construed accordingly. Where a nominee (*Sw. förvaltare*) in accordance with the SFIA Act is so evidenced it shall be treated by the Issuer as the holder of the relevant Note or Notes.
- (b) *Transfers:* Title to the Notes will pass by transfer in the register that the Issuer will procure to be kept by Euroclear Sweden on behalf of the Issuer.
- (c) *Regulations concerning transfers and registration:* Any request regarding registrations in relation to the Notes shall be directed to the institution (*Kontoförande institut*) at which the relevant Noteholder has its vp-account (*avstämningskonton*). All transfers of Notes are subject to any cut-off dates applicable to such Notes and are subject to any other rules and procedures for the time being of

Euroclear Sweden. Euroclear Sweden's rules and regulations may be downloaded from its website: <http://www.euroclear.eu>.

In these Conditions:

“Euroclear Sweden” means the Swedish Central Depositary and Clearing Organisation Euroclear Sweden AB, incorporated in Sweden with Reg No. 556112-8074; and

“Euroclear Sweden Register” means in respect of the Notes the computerised register maintained by Euroclear Sweden for the Issuer consisting of accounts for the holders of financial instruments registered pursuant to the SFIA Act.

3. Negative Pledge

So long as any Note remains outstanding (as defined below), the Issuer shall not, and the Issuer shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in Schedule 2 of the Deed Poll (*Provisions for Meetings of the Noteholders*)) of Noteholders.

In these Conditions:

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

“Indebtedness” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“Permitted Security Interest” means

- (a) any Security Interest over or affecting any asset of any company which becomes a Subsidiary after 16 June 2011, where the Security Interest is created prior to the date on which that company becomes a Subsidiary if:
 - (i) the Security was not created in contemplation of the acquisition of that company; and

- (ii) the principal amount secured has not increased in contemplation of or since the acquisition of that company; or
- (b) any Security Interest created by way of ordinary mortgage on real estate (including machinery and equipment) assumed with a mortgage credit institution in the ordinary course of business provided such indebtedness falls within the statutory maximum limits on loan size in accordance with the Danish Mortgage Credit Act ("*Realkreditloven*") at the time of establishing the mortgage loan, charge, debenture, or lien;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"Subsidiary" means, in relation to any Person (the **"first Person"**) at any particular time, any other Person (the **"second Person"**):

- (a) whose affairs and policies the first Person controls or has the power to control (directly or indirectly), whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

For the purposes of the Conditions (but without prejudice to its status for any other purpose), a Note shall be considered to be **"outstanding"** unless one or more of the following events has occurred:

- (a) it has been redeemed in full, or purchased under Condition 5(e) (*Redemption and Purchase – Purchase*), and in either case has been cancelled in accordance with Condition 5(f) (*Redemption and Purchase – Cancellation*);
- (b) the due date for its redemption in full has occurred and all sums due in respect of such Note (including all accrued interest) have been received by or on behalf of the relevant Noteholder;
- (c) all claims for principal and interest in respect of such Note have become void under Condition 9 (*Prescription*); or
- (d) for the purposes of Schedule 2 of the Deed Poll (*Provisions for Meetings of the Noteholders*) only, it is held by, or by any person for the benefit of, the Issuer.

4. Interest

(A) Series A Notes:

- (a) *Interest rate and Interest Payment Dates:* The Series A Notes bear interest from 22 June 2011 (the **"Issue Date"**) at the rate of 5.00 per cent. per annum, (the **"Series A Rate of Interest"**) payable annually in arrear on 22 June in each year (each, a **"Series A Interest Payment Date"**), subject as provided in Condition 6 (*Payments*); *provided, however, that*, if any Series A Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day. Each period beginning on (but excluding) the Issue Date or any Series A Interest Payment Date and ending on (and including) the next Series A Interest Payment Date is herein called a **"Series A Interest Period"**.

- (b) *Accrual of Interest:* Each Series A Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until the day on which all sums due in respect of such Series A Note up to that day are received by or on behalf of the relevant Noteholder.
- (c) *Rate of interest:* The amount of interest payable on each Series A Interest Payment Date in respect of a Series A Interest Period shall be SEK 25,000 in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Series A Rate of Interest to the Calculation Amount (as defined below) multiplying the product by the relevant Day Count Fraction (as defined below), rounding the resulting figure to the öre (half a öre being rounded upwards).

(B) **Series B Notes:**

- (a) *Interest Rate and Interest Payment Dates:* The Series B Notes bear interest from the Issue Date, payable on 22 March, 22 June, 22 September and 22 December in each year (each, a “**Series B Interest Payment Date**”), subject as provided in Condition 6 (*Payments*); *provided, however, that*, if any Series B Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which event such Series B Interest Payment Date shall be brought forward to the immediately preceding Business Day. Each period beginning on (but excluding) the Issue Date or any Series B Interest Payment Date and ending on (and including) the next Series B Interest Payment Date is herein called a “**Series B Interest Period**”.
- (b) *Accrual of Interest:* Each Series B Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until the day on which all sums due in respect of such Series B Note up to that day are received by or on behalf of the relevant Noteholder.
- (c) *Rate of interest:* The rate of interest applicable to the Series B Notes (the “**Series B Rate of Interest**”) will be at a rate of 1.80 per cent. per annum above the three-month Stockholm Inter-Bank Offered Rate for SEK deposits for each Series B Interest Period payable quarterly in arrear on the Series B Interest Payment Date for each Series B Interest Period, and will be determined by the Agent Bank on the following basis:
 - (i) the Agent Bank will determine the rate for 3 month deposits in SEK which appears on the display page designated SIOR on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11.00 a.m. (Stockholm time) on the second Business Day (as defined below) before the first day of the relevant Series B Interest Period (the “**Interest Determination Date**”);
 - (ii) if such rate does not appear on that page, the Agent Bank will:
 - (A) request the principal Stockholm office of each of four major banks in the Stockholm interbank market to provide a quotation of the rate at which deposits in SEK are offered by it in the Stockholm interbank market at approximately 11.00 a.m. (Stockholm time) on the Interest Determination Date to prime banks in the Stockholm interbank market for 3 months and in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
 - (iii) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted

by major banks in Stockholm, selected by the Agent Bank, at approximately 11.00 a.m. (Stockholm time) on the first day of the relevant Series B Interest Period for loans in SEK to leading European banks for 3 months and in an amount that is representative for a single transaction in that market at that time.

- (d) *Calculation of Interest Amount:* The Agent Bank will, as soon as practicable after the Interest Determination Date in relation to each Series B Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable in respect of each Series B Note for such Series B Interest Period. The Interest Amount will be calculated by applying the Series B Rate of Interest for such Series B Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction (as defined below), rounding the resulting figure to the öre, half a öre being rounded upwards.
- (e) *Publication:* The Agent Bank will cause each Series B Rate of Interest and Interest Amount determined by it, together with the relevant Series B Interest Payment Date, to be notified to Euroclear Sweden. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Series B Interest Period.
- (f) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Agents and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(C) **Interpretation**

In these Conditions:

“**Business Day**” means, in respect of each Note, a day other than a Saturday or Sunday on which Euroclear Sweden is operating and on which commercial banks and foreign exchange markets settle payments generally in Stockholm;

“**Calculation Amount**” means SEK 500,000;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”):

- (i) In respect of the Series A Notes, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;” and

- (ii) In respect of the Series B Notes, the actual number of days in the Calculation Period divided by 360;

“**Regular Period**” means each period from (but excluding) the Issue Date or any Interest Payment Date to (and including) the next Interest Payment Date.

5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 22 June 2016 in the case of Series A Notes and on the Interest Payment Date falling in June 2016 in the case of Series B Notes, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time in the case of Series A Notes and on any Series B Interest Payment Date in the case of Series B Notes, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:
 - (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of The Kingdom of Denmark or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 22 June 2011; and
 - (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Swedish Issuing Agent:

- (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

- (c) *Redemption at the option of Noteholders following a change of control*: If at any time while any Note remains outstanding, (i) a Change of Control occurs and (ii) within the Change of Control Period (A) (if at the time that the Change of Control occurs either the Notes are or the Issuer or its debt are rated by a Rating Agency) a Rating Downgrade in respect of that Change of Control occurs, or (B) (if at such time the Notes or the Issuer or its debt are not rated) a Negative Rating Event in respect of that Change of Control occurs, then any Noteholder will have the option (the “**Change of Control Put Option**”) (unless, prior to the giving of the Change of Control Notice (as defined below), the Issuer gives notice of its intention to redeem the Notes under Condition 5(b) (*Redemption for tax reasons*)) to require the Issuer to redeem or, at the Issuer’s option, to purchase or procure the purchase of that

Note on the Change of Control Optional Redemption Date (as defined below), at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest (if any) up to but excluding the Change of Control Optional Redemption Date.

For the purposes of this Condition:

“Change of Control” shall be deemed to have occurred if any person or group of persons acting in concert gains control of the Issuer or if the Issuer ceases to be organised as a Danish co-operative whose members have limited liability (Danish: *andelsselskab med begrænset ansvar*);

“Change of Control Period” means the period ending 180 days after the Relevant Announcement Date (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 180 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

“control” means the power to direct the management and policies or affairs of an entity, directly or indirectly, and whether through the ownership of voting capital, by contract or otherwise;

“acting in concert” means acting together pursuant to an agreement or understanding (whether formal or informal);

“Investment Grade Rating” means a rating of BBB- by S&P or Fitch, Baa3 by Moody’s (or their respective successor companies) or an equivalent rating for the time being, or better;

A **“Negative Rating Event”** shall be deemed to have occurred if (i) the Issuer does not on or before the 45th Business Day after the relevant Change of Control seek, and use all reasonable endeavours to obtain from a Rating Agency, a rating in respect of the Notes or the Issuer or its debt or (ii) if it does so seek and use such endeavours, it has not at the expiry of the Change of Control Period obtained an Investment Grade Rating, provided that the Rating Agency publicly announces or confirms in writing to the Issuer that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the applicable Change of Control;

“Rating Agency” means each of Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. (**“S&P”**), Moody’s Investors Service Limited (**“Moody’s”**) and Fitch Ratings Limited (**“Fitch”**) and their successors or any other rating agency of equivalent international standing specified from time to time by the Issuer;

A **“Rating Downgrade”** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (x) withdrawn or (y) changed from an Investment Grade Rating to a non Investment Grade Rating (BB+ by S&P or Fitch/Ba1 by Moody’s, or their equivalent for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall, immediately prior to the Change of Control Period, be below an Investment Grade Rating) lowered one full rating category (for example, from BB+ to BB by S&P or Fitch or Ba1 to Ba2 by Moody’s or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or confirm in writing to the Issuer that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control;

“Relevant Announcement Date” means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any); and

“Relevant Potential Change of Control Announcement” means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where, within 90 days following the date of such announcement or statement, a Change of Control occurs.

Within three Business Days of the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a “**Change of Control Notice**”) to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Change of Control and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Condition.

To exercise the Change of Control Put Option, the Noteholder must deliver to the Issuer, within the period (the “**Change of Control Put Period**”) of 45 days after the day on which the Change of Control Notice is given a duly signed and completed put option notice in the form (for the time being current and substantially in the form set out in Schedule 1 of the Deed Poll) (the “**Put Option Notice**”) obtainable from the registered office of the Issuer. The Issuer shall make available to the Noteholder promptly on request a form of the Put Option Notice.

The Issuer shall redeem, or at its option, purchase or procure the purchase of the Notes in respect of which the Change of Control Put Option has been validly exercised as provided above on the date which is the fifth Business Day following the end of the Change of Control Put Period, in accordance with Condition 6 (*Payments*) (the “**Change of Control Optional Redemption Date**”). No duly completed Put Option Notice, once so delivered in accordance with this Condition 5(c) may be withdrawn.

If 80 per cent. or more in principal amount of the Notes outstanding at the beginning of the Change of Control Put Period have been redeemed or purchased, the Issuer may, at its option, on not less than 30 nor more than 60 days’ notice to the Noteholders given in accordance with Condition 13 within 30 days after the Change of Control Optional Redemption Date redeem or, at its option, purchase (or procure the purchase of) all (but not some only) of the remaining Notes, as a whole at their principal amount together with interest accrued to but excluding the date of redemption or purchase.

- (d) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled Redemption*) to (c) (*Redemption at the option of Noteholders following a change of control*) above.
- (e) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled.
- (f) *Cancellation:* All Notes so redeemed shall be cancelled and may not be reissued or resold. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 5(e) (*Redemption and Purchase – Purchase*) above cannot be reissued or resold.

6. Payments

Payments of principal and/or interest in respect of the Notes shall be made to the persons shown as Noteholders on the fifth Business Day (or in accordance with the rules and procedure applied by Euroclear Sweden from time to time) before the due date for such payment, or such other Business Day falling closer to the due date as may be stipulated in the current rules and procedures of Euroclear Sweden. Such day will be the “**Record Date**” in respect of the Notes.

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of The Kingdom of Denmark or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) held by a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with The Kingdom of Denmark other than the mere holding of the Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

If the Issuer becomes subject at any time to any taxing jurisdiction other than The Kingdom of Denmark, references in these Conditions to The Kingdom of Denmark shall be construed as references to The Kingdom of Denmark and/or such other jurisdiction.

8. Events of Default

If any of the following events occurs:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and the default continues for a period of 7 days (in the case of principal) or 14 days (in the case of interest); or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer (with a copy to the Swedish Issuing Agent); or
- (c) *Cross-default of Issuer or Material Subsidiary*:

Subject to an aggregate threshold of EUR 20,000,000:

- (i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness; or
- (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

“**Material Subsidiary**” means, at any particular time, a Subsidiary of the Issuer whose total assets or pre-tax profits as shown in the most recent audited financial statements represent 5 per cent. or more of the consolidated total assets or pre-tax profits of the Issuer as calculated by reference to the most recent consolidated audited financial statements of the Issuer.

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) by a court of competent jurisdiction for payment is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries; or

- (f) *Insolvency, etc:* (i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, reconstructor (*rekonstruktør*) or liquidator of the Issuer or any of its Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business; or
- (g) *Winding up, etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries; or
- (h) *Analogous event:* any event occurs which under the laws of The Kingdom of Denmark has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc*) above; or
- (i) *Failure to take action, etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes; and (ii) to ensure that those obligations are legal, valid, binding and enforceable and is not taken, fulfilled or done; or
- (j) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Note may, by written notice addressed by the Noteholder to the Issuer and delivered to the Issuer (with a copy to the Swedish Issuing Agent), be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

9. Prescription

Claims for principal and interest on redemption shall become void unless made within ten years (in the case of principal) or five years (in the case of interest) of the appropriate Relevant Date.

In these Conditions, “**Relevant Date**” means the date on which the payment in question first becomes due.

10. Agents

- (a) In acting under the Swedish Issuing Agency Agreement and the Agent Bank Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- (b) The initial Agents and their initial Specified Offices are listed in the Agent Bank Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Swedish issuing agent and agent bank; *provided, however*, that the Issuer shall at all times maintain a Swedish issuing agent and an agent bank.
- (c) Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.
- (d) The Agents shall have no liability for damage caused by Swedish or foreign enactment, action taken by a Swedish or foreign authority, war, strike, blockade, boycott, lockout or other similar circumstance. This limitation of liability in the case of a strike, blockade, boycott or lockout also applies if the Agents would themselves initiate or become subject to such conflict.
- (e) Damage caused in any other event will not be indemnified by the Agents unless the damage is caused by gross negligence or willful misconduct. In no event will indemnification be made for indirect damage.

- (f) Should the Agents be prevented from performing their obligations due to the circumstances mentioned in Condition 10(d) above, performance may be postponed until fulfilment is no longer prevented by such events.
- (g) The provisions in Conditions 10(d) to 10(f) apply unless they are inconsistent with the provisions of the SFIA Act, which provisions shall take precedence.

11. Meetings of Noteholders; Modification

- (a) *Meetings of Noteholders:* Schedule 2 of the Deed Poll (*Provisions for Meetings of Noteholders*) contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however*, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice in accordance with the provisions of Schedule 2 of the Deed Poll (*Provisions for Meetings of Noteholders*) of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed Poll may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Swedish Issuing Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such Parties, not materially prejudicial to the interests of the Noteholders.

12. Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Series A Notes or, as the case may be, the Series B Notes.

13. Notices

Notices to the Noteholders will be distributed via Euroclear Sweden. In addition, so long as Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices to Noteholders will be published on the date of such mailing in either (a) a daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe or (b) on the website of the Luxembourg Stock Exchange (www.bourse.lu).

14. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer, (with a copy to the Swedish Issuing Agent), against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

15. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law. The clearing of the Notes through Euroclear Sweden is governed by Swedish law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 15(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 15 (*Governing law and jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions. Under the SFIA Act or the operating procedures, rules and regulations of Euroclear Sweden (together, the “**Swedish Remedies**”), a Noteholder may have remedies against the Issuer for non-payment or non-performance under the Conditions applicable to such Notes provided that such Noteholder must first exhaust all available remedies under English law for non-payment or non-performance before any Proceedings may be brought against the Issuer in Sweden in respect of the Swedish Remedies.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Arla Foods UK plc at Arla House, 4 Savannah Way, Leeds Valley Park, Leeds, LS10 1AB or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed to the Issuer and delivered to the Issuer, with a copy to the Specified Office of the Swedish Issuing Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer, with a copy to the Specified Office of the Swedish Issuing Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (f) *Consent to enforcement etc:* The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to SEK 1,493,768,500 after deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Notes, will be used by the Issuer for refinancing existing indebtedness and its general corporate purposes.

DESCRIPTION OF THE ISSUER

General

The Issuer was formed on 17 April 2000 following the de facto merger between the Danish co-operative society MD Foods a.m.b.a and the Swedish co-operative society Arla Ekonomisk Förening. The merger established a business with the scale required to be a strong partner to its core customers, the major food retailing groups.

The Issuer is a co-operative owned by approximately 7,800 milk producers in Denmark, Sweden and Germany. In the financial year ended 31 December 2010, the Issuer and its subsidiaries (the “Group”) processed 8.7 billion kg of raw milk and had a net turnover of DKK 49 billion.

The UK, Sweden and Denmark and other Nordic countries are the largest contributors to total turnover, accounting for 65 per cent. of turnover. Besides Denmark, Sweden, UK and Finland, the Group has production plants in Argentina, Brazil, Canada, China, Germany, the Netherlands, Saudi Arabia, Poland and the US.

The Issuer produces milk-based products covering the entire spectrum of dairy products under own-brand and private-brand names including Lurpak®, Bregott®, Kærgården® and Anchor® (butter and spreads), Arla® Master Brand and Arla® Cow (mainly fresh products), Castello® (cheese), Buko® and Puck® (cream cheese and processed cheese), Apetina® and Keso® (white cheese), Yoggi® (yoghurt), Dano® and Milex® (milk powders) as well as many other brands.

The Issuer was incorporated and registered in Denmark on 17 April 2000 with registered number 25313763 and is a cooperative with limited liability under Danish Law. The head office and the registered office are located at Sønderhøj 14, 8260 Viby J, Denmark and its telephone number is +45 89 38 10 00. The fiscal year of the Issuer is the calendar year.

The Issuer is the holding company of the Group as well as the largest operating company. Most of the Danish operations, including the processing and sale of 4.3 billion kg of raw milk, are part of the Issuer’s business.

On 31 December 2010, the total assets of the Issuer amounted to DKK 30.1 billion, of which the total equity of the Issuer amounted to DKK 8.6 billion.

Cooperative Characteristics

As a Danish cooperative, the Issuer is fully owned by the milk producers, being cooperative members. The ownership rights in the Issuer are not tradable by the cooperative members and there is only one class of membership. No contribution is required to become a member and generally no payment is made on ceasing to be a member, although those members holding the delivery-based owner certificates may, at the discretion of the Board of Representatives, withdraw any capital which they have accumulated in their member’s accounts. As of 31 December 2010, the total amount of contributed capital in such accounts was DKK 1.1 billion and the total number of members was 7178.

The Issuer’s consolidation policy is considered to be the same as a dividend policy for a listed company. Total equity of the Issuer as at 31 December 2010 was 8,580 DKK million, with all capital fully paid up. The unallocated equity of the Issuer as at 31 December 2010 was 7,082 DKK million. The remainder is made up of delivery-based owner certificates, contributed capital and a reserve fund B. Delivery-based owner certificates, established in accordance with Section 19(1)(ii) of the Issuer’s Articles of Association and accompanying regulations, are owned directly by individual members, with deposits in the certificates of each owner payable on termination of membership of the Issuer in accordance with the provisions of the regulations and subject to the approval of the Board of Representatives. The contributed capital was established in 2010 in accordance with Section 19(1)(iii) of the Issuer’s Articles of Association, with the individual member’s balance as contributed capital payable on termination of membership of the Issuer in accordance with the provisions of the regulations and subject to the approval of the Board of Representatives. Reserve fund B comprises the reserves set aside on the incorporation of the Issuer. Other than the delivery-

based owner certificates and contributed capital, the capital is owned collectively by the Issuer as a cooperative.

The liability of members is limited to the capital which they have accumulated within their member's accounts and each member is entitled to one vote. The organisational set-up of a Danish cooperative is very much similar to that of a limited company. The functions of the Board of Directors and the Executive Management Board are substantively the same as those of a limited company. The members' influence is exercised via the Board of Representatives, which consists of a large group of members. These representatives are elected to represent the collective interests of the cooperative's members.

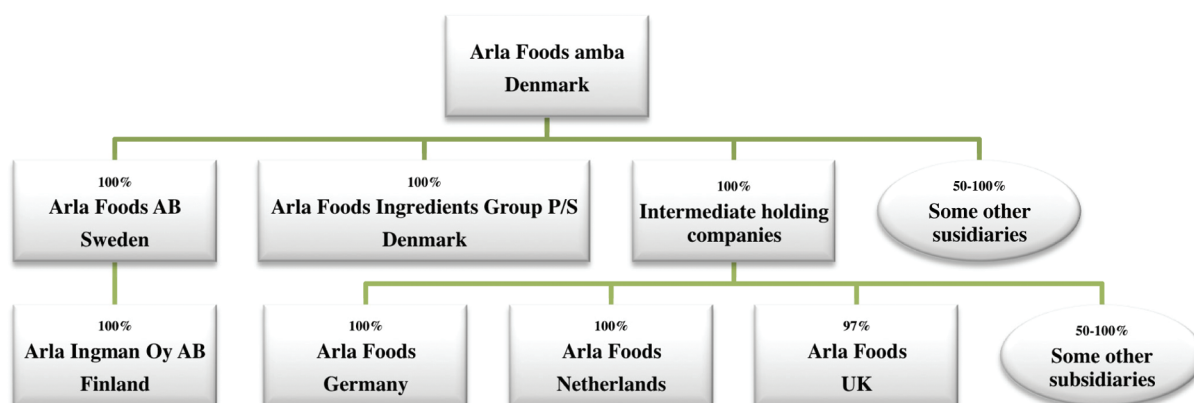
The object of the Issuer is to further the financial interests of its cooperative members by carrying on dairy business, including receiving, processing and selling the milk produced by its members as well as to carry on any business which is directly or indirectly related to the above activities. Hence, the Issuer is considered the marketing arm of its cooperative members and it is generally accepted that the payment to members for raw milk is directly linked to the return generated by the Group's processing and sale of the milk.

The articles of association stipulate in Section 19.2 that "no payment can be made to the cooperative's members which reduce the total of the cooperative's capital account." Hence, the Issuer generally regulates the price of raw milk from its members to reach a target profit for the year of 2 per cent.-2.5 per cent. of turnover.

As Arla's members are both owners of and suppliers to the cooperative, Arla has a high degree of member stability in terms of raw milk supply, even though the number of members has been and is still decreasing, reflecting the general structural trend in agriculture production towards fewer and larger production units. Members have an obligation to deliver the bulk part or all of their production of raw milk to the Issuer. This gives a steady supply of raw materials to the Issuer and the Group's processing companies.

Group Structure

The Issuer holds directly or indirectly the respective interests in the Group's operating companies. The following diagram shows a summary of the structure of the Group as of 30 April 2011.



History

Arla is the seventh largest dairy company in the world by turnover (source: 2010 Rabobank survey – based on 2009 annual reports). Arla can trace its beginnings back more than 100 years. In 2000, Swedish Arla Ekonomisk Förening and Danish MD Foods amba *de facto* merged by transfer of their membership ownership rights to Arla to form Arla Foods amba. At the beginning of 2011, 7,200 Danish and Swedish cooperative members owned Arla and from 7th April 2011 an additional 650 German cooperative members became owners following the *de facto* merger of Arla with Hansa Milch.

In 2003, Arla made a reverse takeover of Express Dairies plc whereby Arla became 51 per cent. owner of Arla Foods UK plc, being the combination of Arla's UK activities and Express Dairies plc. Following this transaction Arla Foods UK plc became (and remains) one of the top 3 dairy companies in the UK by turnover (source: Company annual reports and internal analysis).

In 2005, Arla established a joint venture with the Chinese dairy company, China Mengniu Dairy Company, for the production and sale of milk powder in consumer packs for the Chinese market.

In 2006, Arla acquired 30 per cent. of the shares in the second largest Finnish dairy company Ingman Foods Oy Ab, with the option to buy the remaining 70 per cent.. The transaction was a move into Finnish milk processing and was part of the Group's ongoing development in the Nordic dairy market. The remaining 70 per cent. of the shares were bought in 2008.

In 2007, Arla acquired full ownership of Arla Foods UK plc by purchasing the remaining 49 per cent. of the shares.

In 2009, Arla bought the Nijkerk plant from Friesland Campina whereby Arla established a solid platform for developing its business in the Netherlands.

In 2010, Arla decided to build one of the world's largest fresh milk dairies in the outskirts of London.

In March 2011, Arla *de facto* merged with Hansa Milch AG of Northern Germany and made an important entry into the German fresh milk market.

Also in March 2011, Arla announced a whey processing partnership with DMK (future merger of Nordmilch and Humana), pursuant to which DMK and Arla will establish a 50/50 per cent. joint venture to extract synergies in the processing of whey. The name of the new joint venture will be ArNoCo GmbH & Co. KG, and the two partners will invest a total of around EUR 44 million.

Strategy

In 2008, Arla announced its strategic ambition to increase its revenue by 50 per cent. to around 75 billion DKK in 2013 by acquisitions and organic growth. Due to the financial turmoil in 2008 and 2009 the strategy period was extended by 2 years to 2015 ("**Strategy 2015**"). Arla holds very strong market positions in five of its six core markets according to research from the survey companies, The Nielsen Company ("**Nielsen**") and MillwardBrown ("**MillwardBrown**"): in Sweden and Denmark a clear no. 1 in almost all dairy categories; in UK, Finland and Netherlands either no. 1 or 2 positions in terms of market share in the fresh dairy products and selected categories. In Germany Arla holds a top ten position after the *de facto* merger with Hansa Milch (source: Milch & Markt, Rabobank, Nielsen and industry homepages). Outside Denmark and Sweden Arla plans to expand its business in its other core markets into other dairy product categories to broaden its product portfolio in such core market. Generally Arla has the ambition to become a no 1 or 2 player by market share in those new dairy product categories. To support the organic growth, Arla will increase its investment in its 3 global brands Arla®, Castello® and Lurpak® and double its product development budget. In whey proteins to the global food industry, Arla is one of the largest players in the world, and its stated strategy is to double its sales in that market by entering into joint ventures to secure the raw material.

Products And Brands

Products

Arla is a full range dairy company, and produces all varieties of dairy products from liquid milk to functional whey proteins.

Revenue distribution in 2010 according to product group	
Fresh dairy products	40.2%
Cheese	24.5%
Butter and spreads	13.5%
Powder products	12.8%
Other	9.0%

Brands

The Group wants to build a strong Arla® brand and to be a global leader in branded higher margin butter and cheese products.

The Arla® brand will be both a corporate brand and a brand across all dairy product categories. The Issuer's aim is to have a global Arla® brand within all product categories and all markets, including its core markets. The Arla® brand is built on the Issuer's Closer to Nature™ concept. Arla has committed to make products free from artificial colouring and flavouring and limit its use of additives. The Group is also the world's largest producer by volume of organic dairy products (source: AMI Marktbilanz Öko-Landbau 2010 and Arla internal analysis).

The Issuer intends that Lurpak® will be the leading brand for butter and spreads. The brand is already number one in the UK, Denmark, and Greece and one of the leading butter brands in the Middle East (source: Nielsen). It is currently being launched in more markets, including Poland and Russia.

Castello® is intended to be a first-class cheese brand on a global scale and will cover several of Arla's many speciality cheeses.

Arla holds approximately 200 active brands, of which around 50 are supported by ongoing marketing programmes. Listed below are the most important brands and the split of countries where these brands have a significant presence.

	White Milk	Yoghurt and Fermented Products	Butter (BSM)	Yellow Cheese	Cream Cheese	Mould Cheese	Cooking Cheese	Cooking	Flavoured Milk	Juice	Milk Powder
SWEDEN	Arla	Arla Arla Yoggi	Arla Bregott Arla Svensk Smör	Arla Kvibille Wästgöta Kloster Billinge		Castello Höng Kvibille	Arla Apetina Arla Köket	Arla Arla Köket Kelda Arla Keso	Pucko	GodMorgon Rynkeby	
DENMARK	Arla Lærkevang Arla Harmonie	Arla Arla Yoggi Arla A38 Arla Harmonie Cheasy Cultura	Lurpak Arla Kærgården	Arla Klovborg Riberhus	Arla Buko Castello	Castello Höng	Arla Apetina Puck Arla Karolines Køkken	Arla Karolines Køkken Cheasy	Cocio Mathilde	GodMorgon Rynkeby 16 søde appelsiner	
UK	Cravendale Lactofree		Lurpak Anchor								
GERMANY	Hansano		Arla Kærgården		Arla Buko						
WORLD			Lurpak								Milex Dano

Consumer awareness of Arla

According to MillwardBrown, Arla has the highest consumer awareness (prompted awareness) among dairy company/dairy brands in both Denmark and Sweden. Arla (Ingman) is second in Finland, and Arla is number seven in Germany and fifth in Holland in terms of consumer awareness. Arla measures this on an ongoing basis in the different countries.

Market leadership

Denmark

In Denmark, Arla holds a total branded market share (volume) of 61 per cent. across yellow cheese, white cheese, cream cheese, moulded cheese, butter/spread/margarine, milk, yoghurt/fermented, cream, crème fraîche, cottage cheese, sauces and soups. Arla's highest market share is within yoghurts/fermented and its lowest is in sauces and soups. Private label products account for 31 per cent. of the total dairy market and, in addition to the branded volume, Arla is a major supplier of private label products to Danish retailers.

Sweden

In Sweden, Arla holds a total branded market share (volume) of 50 per cent. across yellow cheese, white cheese, moulded cheese, butter/spread/margarine, milk, yoghurt/fermented, cream, crème fraîche, cottage cheese, sauces and soups. Arla's highest market share is within milk and its lowest is in sauces and soups. Private label products account for 6 per cent. of the total dairy market and, in addition to the branded volume, Arla is an important supplier of private label products to Swedish retailers.

Strong positions outside Denmark and Sweden

Finland

In Finland, Arla is a clear number 2 by market share, after Valio. Arla sells and promotes products in a wide range of categories – from milk, yoghurts/fermented, cream, crème fraîche, soups, yellow cheese, white cheese and moulded cheese.*

UK

In the UK, Arla is a major supplier of private label products and has branded positions in selected categories – butter/spread/margarine 18 per cent., white cheese 20 per cent., moulded cheese 5 per cent. and milk 5 per cent.

Germany

In Germany, Arla has branded positions in selected categories – butter/spreads 3 per cent., moulded cheese 7 per cent. and cream cheese 9 per cent. and is further more an important supplier of private label cheese.

The Netherlands

In the Netherlands, Arla has branded positions in fresh dairy products and other selected categories and is an important supplier of private label products. Arla is a relative new player within fresh dairy products in the Netherlands and hence its market share is still developing. The market share within moulded cheese is 39 per cent., cream cheese 13 per cent. and white cheese 44 per cent.

Source: Nielsen, MAT w1709, MillwardBrown (Arla Tracking set-up)

Note: *Nielsen figures not available for Finland. Finland own internal analysis.

Competitive Strengths

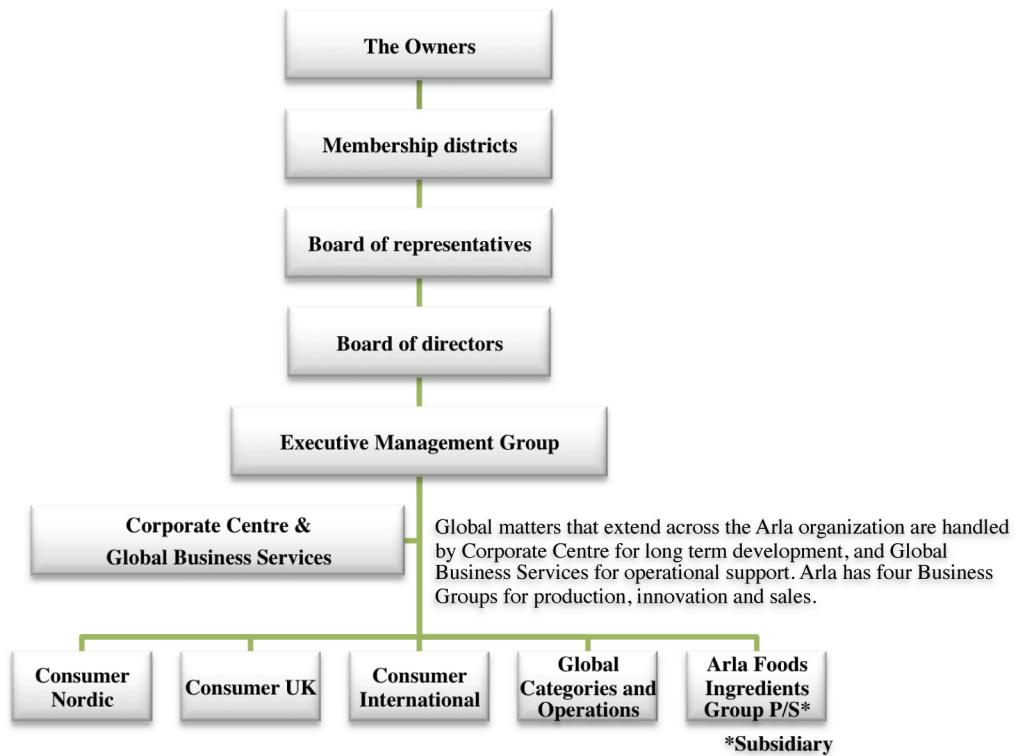
Being a cooperative Arla has control of the entire value chain from cow to consumer. On top of securing the milk supply to their company, Arla's owners decided in October 2010 to increase their investments in Arla by increased annual retentions in Arla in order to achieve the aims of Strategy 2015. The Board of Representatives approved a consolidation policy according to which 4.5 per cent. of the milk performance price (the sum of raw milk payments on account and Arla's share of result for the year divided by member milk volume) is intended to be transferred to equity each year. Hence, if Arla has a performance price of DKK 2.52 per kg (as in 2010) and a member milk volume of 6.2 billion kg (as in 2010) then DKK 699 million of Arla's share of the result for the year will according to the policy be transferred to the capital accounts.

Strategy 2015 aims to raise the turnover of the Group by 50 per cent. by 2015 from 2010. Growth is intended to be created through organic growth, by selling more value added products and by mergers and acquisitions. At the same time – and just as importantly – one of the pillars of the strategy is the Issuer's ability to manage its costs.

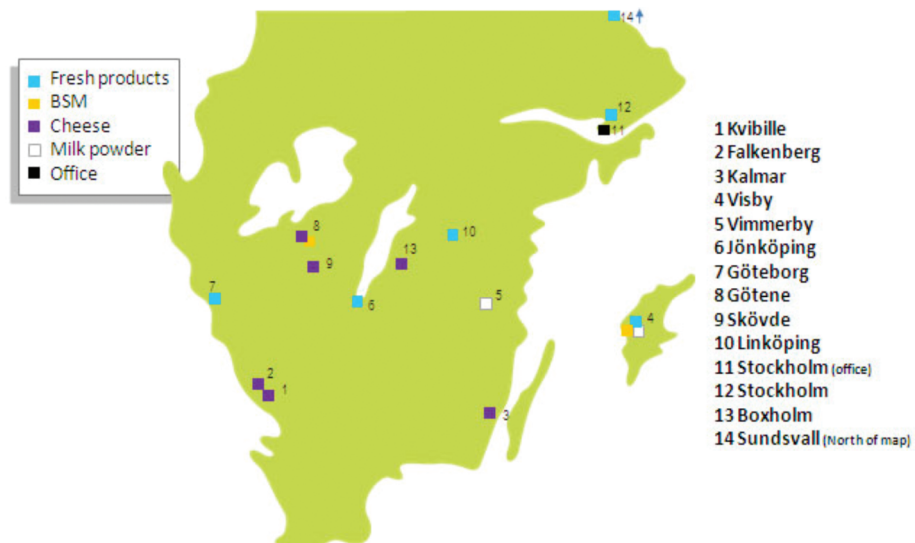
Business and Products

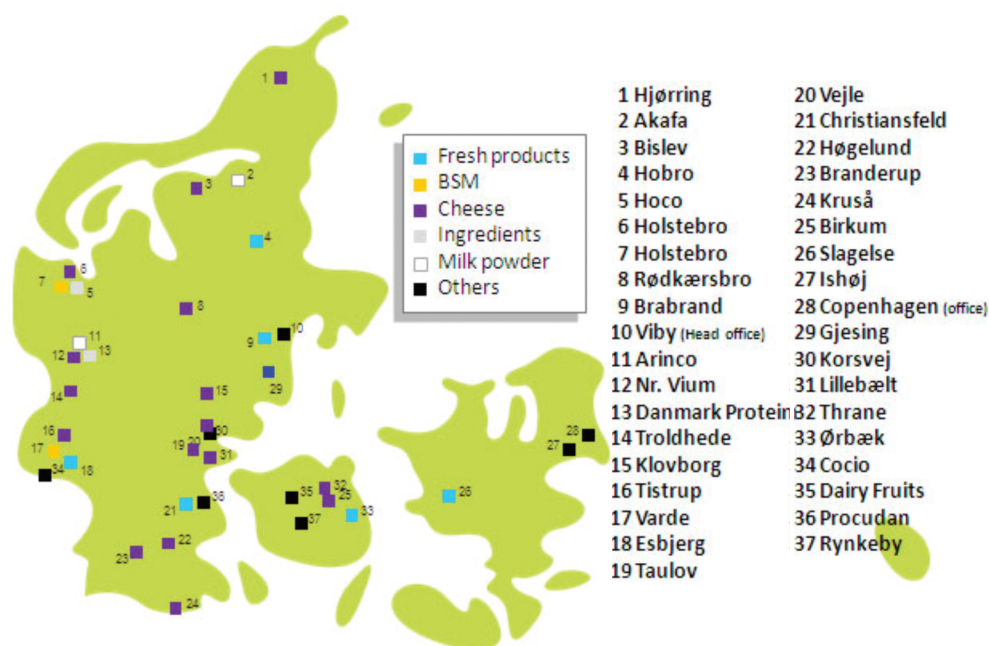
Arla provides retailers and the food industry with a wide product range of cheese, milk, butter and spreads. As at 31 December 2010, approximately 40 per cent. of the Group's turnover came from fresh dairy products such as liquid milk and yoghurts; 25 per cent. of the Group's turnover came from cheeses such as mozzarella for the food industry, sliced cheeses for the commodity markets, white feta-style cheese for the European markets, processed cheese for the Middle eastern markets and a range of speciality cheeses such as cream cheese and mould cheeses: 13 per cent. of the Group's turnover came from butter and spreads under the global brand Lurpak and the spread brand Kærgården; and 12 per cent. of the turnover came from milk proteins, whey proteins for the global food industry and milk powder for the global commodity markets.

Business Structure



Sites in Sweden and Denmark





Global Categories and Operations (GCO)

This business unit is responsible for production of butter, cheese and milk powder in Denmark and Sweden, milk allocation and sales of dairy products and milk powder to industrial customers. GCO processes approximately 4.5 billion kg of raw milk a year, which is 52 per cent. of the Group's total milk intake. In 2010 the external turnover in GCO was DKK 4.8 billion. The vast majority of the production is sold via the commercial business groups Consumer Nordic, Consumer International and Consumer UK.

GCO is also responsible for management and development of the global product categories, being butter, cheese and milk powder. This includes the responsibility for innovation and branding as well. GCO works closely together with the other business groups in executing the Group's global strategies.

Production

GCO operates 29 production facilities in Denmark and Sweden. 5 milk powder plants (2 in Sweden and 3 in Denmark) producing whole milk powder, skimmed milk powder and caseinate. 20 cheese dairies producing yellow cheese, mozzarella, white cheese, moulded and cream cheese. The 5 largest yellow cheese dairies (Taulov, Nr. Vium, Rødkærsbro, Falkenberg and Kalmar) produce in aggregate 152,000 tons of cheese and have a milk intake of 1,392 million kg of raw milk a year. Four dairies are dedicated to the production of butter and spreadable products (BSM).

The dairies are modern and regularly updated and upgraded with new and environmentally friendly technology. In 2011, GCO plans to invest in the level of DKK 600 million in the production facilities.

Since the merger between Arla and MD Foods in 2000, the Group has invested heavily in optimising the dairy structure in Denmark and Sweden. The number of sites has been reduced from 57 to 29. This will continue and the board has in April 2011 decided to invest a further DKK 615 million to increase the capacity in Taulov and Nr. Virum and to close the production in Falkenberg. Later it is expected to close the production in Hjørring and Klovborg as well as a consequence of this investment.

Marketing and Innovation

The global responsibility for the development of the butter (BSM), the cheese and the milk powder categories is placed in GCO. GCO runs a high-tech application centre in Denmark. The Group has increased its marketing expenditure from DKK 1.3 billion in 2008 to DKK 1.5 billion in 2010. A large part of this marketing expenditure is dedicated to the promotion of the three global brands Arla®, Lurpak® and Castello®. The organic growth in Lurpak® and Castello® was 14 per cent. and 6 per cent. respectively in 2010.

Consumer Nordic (CNO)

Consumer Nordic includes the markets in Denmark, Sweden, Finland and Norway and had a turnover in 2010 of DKK 19.8 billion. This business group has the responsibility for marketing, distribution, innovation and production of fresh dairy products in this region. Furthermore, CNO is responsible for sales and distribution of cheese and butter produced by GCO for the Nordic market. In Denmark and Sweden, Arla holds a no. 1 position with respectively around 72 per cent. and 51 per cent. of the total dairy market according to Nielsen surveys. In Finland Arla Ingman Oy Ab, a 100 per cent. owned subsidiary, holds a firm no. 2 position (source: Arla internal analysis).

Arla processed 90 per cent. of the total milk production in Denmark in 2009 and 68 per cent. of the total production in Sweden in 2010. Consumer Nordic processed a total of 1.5 billion kg milk in 2010 which is 18 per cent. of Arla's total milk intake.

Arla processes and sells a wide variety of dairy products in Denmark and Sweden both in own brands and as private label products for its customers. In 2010, approximately 10 per cent. of the turnover in CNO was generated from private label products. The priority is on branded products, but Arla is also a significant supplier of private label products. Arla is the largest producer of organic dairy products in the world by volume (source: AMI Marktbilanz Öko-Landbau 2010 and Arla internal analysis); in most of the consumer oriented categories of dairy product it is possible to find an organic version.

Denmark

The turnover in CNO Denmark was DKK 7.1 billion in 2010, created with 2,360 employees. CNO operates 8 dairy production sites, of which 4 sites produce fresh dairy products, 1 site produces UHT products and flavoured milk products for the Nordic and other export markets, 1 site is a flavoured milk facility 2 sites are small special dairies acquired in 2011. It also operates a fruit drink production site for the Scandinavian market.

Arla cooperates with all the major retailers in Denmark and has an integrated business set-up. The major retailers in Denmark are Dansk Supermarked (including Netto), Coop Denmark (including Fakta A/S and Irma A/S), Supergrø, Rema 1000, Aldi and Lidl. Arla has a strong nationwide logistic set-up that enables it to make daily deliveries of fresh dairy products to almost every store in the country. The main competition in Denmark is from the retailers' increased focus on own private labels. Apart from the Arla® brand, Lurpak® and Castello®, there is a wide range of well known brands in the Arla portfolio: Klovborg®, Cultura®, Rynkeby®, Apetina®, Høng®, Riberhus®, Buko®, Lærkevang®, Kløver®, Yoggi®, God Morgen® and Cocio®.

Sweden

The turnover in CNO Sweden was DKK 9.6 billion in 2010, created with 2,100 employees. CNO operates 7 dairy production sites, of which 6 produce fresh dairy products and 1 is a small specialist dairy acquired in 2011. Arla expanded its already strong distribution capabilities, where the sales and distribution of Arla's products in the Southern part of Sweden were changed from a cooperation with the local dairies to an own sales and distribution organisation. Arla is working to increase its direct distribution capacity to the retailers.

Arla cooperates with all the major retailers in Sweden and has an integrated business set-up. The major retailers in Sweden are ICA followed by Coop, Axfood, Bergendahl/Vi and Lidl. In the food-service sector Arla cooperates with wholesale companies to secure cost effective access to an increased number of customers. The main competitors on selected products or in local regions, apart from the very local producers, are Skånemejerier, Milko and for certain products Valio and Danone.

Apart from the Arla® and Castello® brands, there is a wide range of well known local brands in the Arla Sweden portfolio: Arla Bregott® Kvibille®, Arla Köket®, Høng®, Apetina®, Keso®, Kelda®, Yoggi®, God Morgen® and Pucko®.

Finland and Norway

Arla Ingman is the second largest dairy company in Finland with a market share of 25 per cent. (Arla estimate) and operates 3 wholly owned dairies in Finland, 1 partly owned and collaboration with 2 external

cooperatives. Arla Ingman had a turnover of DKK 2.1 billion in 2010 and processed around 13 per cent. of the Finnish milk production. (Source: Tike: Dairy Statistics and Arla annual report). The main competitor is the Finnish dairy cooperative Valio.

Norway is a pure export market for Arla, not a member of EU and with import quotas for dairy products. The Group's turnover in Norway was DKK 230 million in 2010.

Consumer UK (CUK)

MD Foods established itself in the UK market with its own dairies in 1990, while Lurpak butter has been on the UK market for more than 100 years. As mentioned above, in 2003 Arla significantly increased its presence in the UK by acquiring (through a reverse takeover) 51 per cent. of the shares in the listed company Express Dairies Plc. In 2007 Arla bought the remaining 49 per cent. of the shares and delisted the company.

Arla's business in the UK currently consists of:

- The production, marketing and sales of fresh milk and cream, in addition to other products such as butter, cottage cheese, speciality creams, custards and flavoured milk.
- Import, marketing, sales and distribution of the Group's products from Denmark and Sweden.
- The Fonterra licence to the Anchor brand, which gives Arla Foods UK plc the full right to the brand name for all dairy products in the UK, and for packet butter and aerosol cream in Europe.

The turnover in CUK in 2010 was DKK 12.2 billion or 25 per cent. of the Group's total turnover, which makes the UK the biggest single market for the Group.

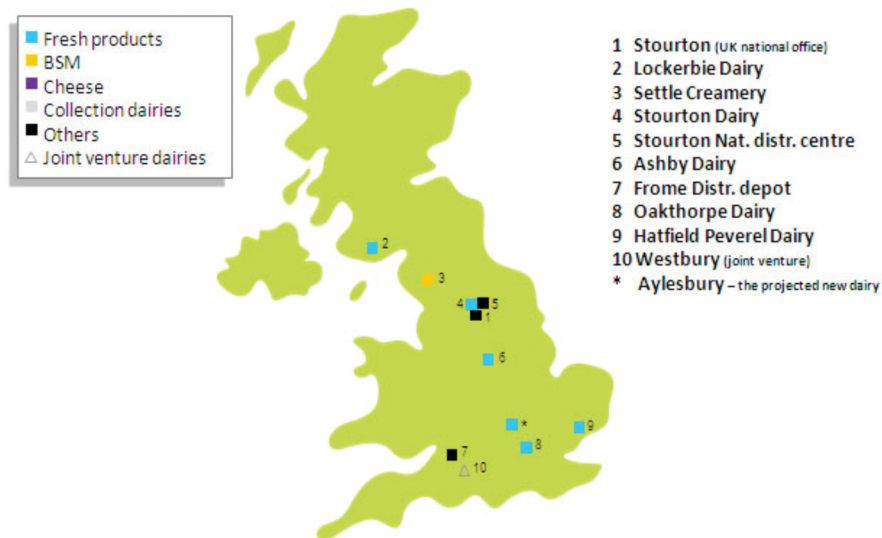
Arla is today the second largest dairy company in the UK based on turnover, according to Arla's own internal research. The competition on fresh dairy products is fierce and dominated by three market players: Arla Foods, Robert Wiseman Dairies and Dairy Crest. Arla Foods' strategy is to be UK's No. 1 dairy company for the retailers.

Production

Arla Foods UK processes 1.8 billion litres of milk per year. Approximately 90 per cent. of the milk is delivered from members of Arla Foods Milk Partnership (AFMP). The remaining part is purchased from selected suppliers. AFMP through its investment arm, Milk Partnership Limited, is a 3.2 per cent. owner of Arla Foods UK plc via a joint venture company together with Arla Foods. Arla Foods UK and Milk Partnership Limited (MPL) did in 2010 sign an agreement where the farmers (AFMP and MPL members) will invest 4 pence per litre of milk over a period of 8-10 years into shares in Arla Foods UK. Based on present milk volume the investment will amount to approximately GBP 60 million. This agreement will increase their shareholding from the present 3.2 per cent. to approximately 15 per cent. depending on the share price development.

CUK operates five dairies and two creameries. The flagship dairy is Stourton, Leeds, which started production in 2004. The production is mainly fresh liquid milk and specially filtered Cravendale milk. As a part of a GBP 70 million investment programme, the production of cottage cheese, fresh and cultured creams started on the site in 2010. The dairy has the capacity to process more than 600 million kg of milk per year. In December 2005 Arla opened its newest dairy in Lockerbie in Scotland which has the capacity to produce 150 million litres per year. The Lockerbie dairy was built when a group of Scottish milk producers joined Arla Foods Milk Partnership to supply the dairy.

In November 2009, Arla announced its plans to build the world's largest fresh milk dairy with a capacity of one billion litres. The location for this dairy will be Aylesbury, north of London. The facility is expected to be zero carbon which will be another industry first for Arla. The project is expected to cost around DKK 1.5 billion. With the new dairy supplying London and the surroundings and close to 11 million consumers, Arla aims at becoming the cost leader in the UK dairy industry.



The UK retail business

The UK is home to around 62 million consumers (source: Office for National Statistics, mid 2009). The four largest grocery chains in the UK have a market share of 76 per cent. (Source: Kantar Worldpanel). Arla's largest customers are Tesco, Asda/Walmart, Morrisons and Sainsbury's. Arla makes daily deliveries to approximately 2,200 stores. Arla Foods UK has focused on establishing leading brands and being an attractive business partner for the large retail customers. This is one of the reasons that Arla disposed of its "doorstep business" in 2006.

In 2004, Arla Foods UK plc entered into an agreement with the UK chain Asda to become its sole supplier of liquid milk in England and Scotland. The requirement for trace-ability was one of the reasons why Asda chose Arla as their supplier.

Arla Foods UK is the largest supplier of liquid milk to the top four retailers in the UK. Cravendale®, Arla UK's micro-filtered liquid milk which is sold at a premium price, is the UK leading milk brand (Source: Nielsen) and the fastest growing grocery brand in the UK. It celebrated its 10th anniversary in 2008 and aims to have a 10 per cent. share of the milk market by 2015 with a volume of 240 million litres.

Arla has 21 per cent. of the total British standard fresh milk market and a 38 per cent. share among the top four supermarket chains (Source: Arla's best estimate 2011). It also has a 60 per cent. value share of the total butter, spreadable and margarine(BSM) sales according to Nielsen (52wks/April 2011). A large proportion of all UK liquid milk and cream is sold under the retailers' own labels. For dairy products in general, the private label share, by volume, is believed by Arla to be approx. 64 per cent., which is the largest proportion in Europe.

Arla is in the top three in the UK in the retail market for fresh milk and cream and market leader in the spreads sector with brands like Lurpak® and Anchor®. Examples of products other than Lurpak®, which are exported from Denmark and Sweden, are cream cheese, mozzarella and Starbucks chilled coffee drinks. Examples of other cheese brands exported are Rosenborg®, Apetina® and Castello®.

Butter, especially Lurpak®, is a prime example of exporting dairy products from Denmark and Sweden. In the past ten years, sales of Lurpak® have tripled in a category which is otherwise declining. One of the reasons for this increase is the product development of the lighter variants such as Lurpak® Spreadable and Lurpak® Lighter Spreadable in addition to organic and unsalted variants. Marketing is very important in order to maintain a position in the highly competitive butter and spreads market. It is also important to push sales of Lurpak® as an attractive product for younger consumers and those based in the south of the country.

Anchor® butter, a result of the cooperation with the New Zealand dairy company Fonterra, is also a large and important brand.

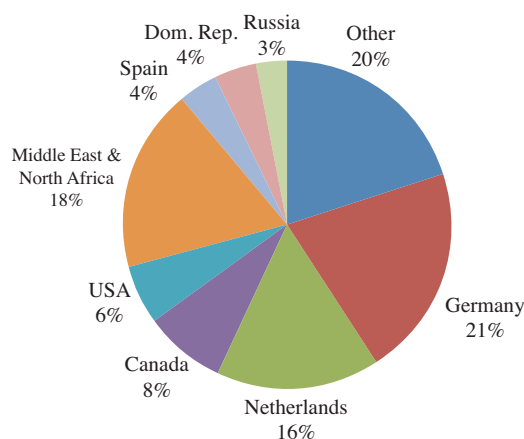
Over 150 Arla products are exported to the UK from Sweden and Denmark.

Consumer International (CIN)

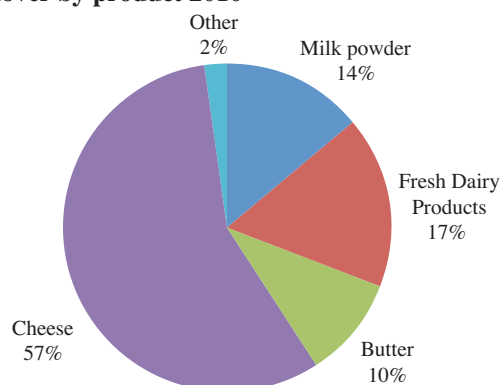
Consumer International is responsible for the sales to retail and the foodservice sectors outside the core markets in Scandinavia and UK. CIN is directly present with sales or representative offices in 29 countries and production facilities in 9 of those countries, but Arla's brands and products are sold in more than 100 countries worldwide.

CIN have fresh production in Germany (since 2011 merger with Hansa Milch) and Holland, specialty cheese production in Canada, USA and Saudi Arabia, and bulk production in Poland. CIN also have production and sales joint ventures. In China production is concentrated on milk powder and in Brazil various local everyday cheeses. The turnover in CIN was DKK 10.1 billion in 2010 created by approximately 2.400 employees.

Turnover by country 2010



Turnover by product 2010



Products and brands

CIN's focus is on developing the Group's global umbrella brands, such as Arla®, Lurpak® and Castello® and Closer to Nature™, as well as a wide range of strong, more local brands such as Arla Buko®, Arla Apetina®, Arla Kærgården®, Arla Dofino®, Three Cows®, Arla Finello®, Puck®, Milex® and Dano®.

Arla has well established positions for cheese in Germany, Holland and in the Middle East, and fast growing positions in recently entered markets such as Russia. The sales of milk powder and child nutrition are a growing business, especially in Asia, Africa, Middle and South America.

Germany: It is a fragmented dairy market with around 100 dairy companies. In 2011 Arla de facto merged with Hansa Milch which has a strong local position of fresh dairy products in the North-Eastern part of Germany and an expected turnover in 2010 of DKK 2.6 billion. With the merger Arla became no. 8 in terms of milk intake and number 11 in turnover compared to local German dairies (source: Milch & Markt, Rabobank, Nielsen, industry homepages). Hansa Milch produces mainly fresh dairy products under its own brand Hansano® and as private label products. Arla Buko® holds a strong no. 2 position in cream cheese after Philadelphia® and following the introduction of Arla Kærgården® in 2008 Arla holds a no. 1 position in the

spreadable category. In 2010 more than 55 per cent. of the turnover in Germany is generated from the brands of Arla, which is a contrast to surveys which shows that in the yellow cheese market as an example, 80 per cent. of the market is dominated by private label products (source: Nielsen).

Holland: Arla has been exporting to the Dutch market for several years, and has for a long time held market leading positions through brands and private label in mould cheese, white cheese and cream cheese. When Campina and Friesland Foods merged in 2008, they were forced by the competition authorities to dispose part of their fresh dairy business. It was bought by Arla in May 2009, which thereby became the second largest dairy company after Friesland Campina. Besides the Arla brands and Friesche Vlag®, Arla has large private label contracts with the Dutch retail sector. A large part of the dairy market in the Netherlands is based on private label products.

Middle East/North Africa: The history of Arla in the Middle East goes back to the 1970s. According to market surveys by Nielsen, Lurpak® butter has a market share of more than 30 per cent. in the Middle East, while the local brand Puck® is believed to have a market share of more than 25 per cent. in certain categories of processed cheese. Arla has a local production of shredded mozzarella, processed cheese, drinks/flavoured milk and thick cream in Saudi Arabia.

Milk powder: Milk powder for blending with water as a way of drinking milk is a global and increasing market especially in Asia, Middle and South America and developing countries close to the equator. The market is divided into two segments: Standard milk powder (adult) and child nutrition (0-12 years). In Arla, the products are sold under the brands Milex® and Dano®, in China (MengniuArla) in the joint venture under the brand ArlaMengniu® and further more as third party manufacturing. The brand Milex® is sold in Asia and Middle and South America, while Dano® is sold in the rest of world. Milex® and Dano® hold no. 1 or 2 positions in the Dominican Republic, Bangladesh, Nigeria, Yemen, Panama, Honduras and Egypt (source: Arla). MengniuArla in China was established in 2006 as a 51/49 joint venture between the large Chinese dairy company Mengniu and Arla.

Other markets: In Canada, Arla has a local production and marketing of speciality cheese as well as licences for import of cheese, mainly from Denmark, Sweden and Italy. The turnover was DKK 1.0 billion in 2010. The turnover in USA was DKK 0.6 billion generated from import of Danish speciality cheese and butter and local production. The strategy is to focus on higher margin products. The Brazilian production facility is a minor joint venture with a local partner.

Arla Foods Ingredients Group P/S

Through this subsidiary, Arla is a global player in whey proteins with a global market share believed by the Issuer to be more than 20 per cent. in the value added segments (protein), and an average growth rate of 17 per cent. p.a. (2005-2010). Arla Foods Ingredients is the specialist provider of advanced innovative solutions within the milk based ingredients industry. The core competencies of the company is to apply whey proteins in the food industry for higher value and/or lower cost and developing leading edge process technologies.

The 100 per cent. owned legal entity Arla Foods Ingredients Group P/S was formed in 2011 as a separation of the all whey based activities from other Arla units. The business area had a turnover of DKK 1.6 billion in 2010 excluding activities in joint ventures and internal sales.

Arla Foods Ingredients is divided into four business units: Bakery, Functional milk proteins, Nutrition and Lactose & Permeate.

Bakery: This unit provides cost effective solutions for high quality baking. The milk proteins provide effective solutions for replacing egg – the most expensive raw material used by the bakery industry.

Functional Milk Proteins: This unit provides solutions for better food and easier processing and aims to optimise the quality and processing properties of several applications. It specialises in fermented products, ice cream, cheese and meat.

Nutrition: This unit provides foods and beverage solutions with documented health benefits committed to filling the nutritional gap with healthy ingredients derived from milk and whey. The Paediatrics team works with infant formula for children. The Health & Performance team works with milk ingredients for disease-specific and other clinical nutrition along with sports products, dietary supplements and functional foods.

Lactose & Permeate: This unit delivers functionality and nutritional value to the international food and feed industry and seeks to create new solutions for such industries.

Ingredients derived from milk and milk whey have attracted growing interest in recent years. Ongoing research continues to reveal new, highly functional and nutritional ingredients of benefit to many food applications. At the same time, consumer demand for natural ingredients is increasing. The commitment to business growth enables Arla to make the most of this highly positive situation. By focusing on key areas of expertise, Arla aims to promote further development within milk-based ingredients.

Production and sales

The production capacity is extensive, as is the pool of professional experience and expertise on which it depends. At present, Arla Foods Ingredients has one plant in Denmark, and 50 per cent. share of a functional milk proteins plant in Argentina. It also has a 50 per cent. share in Biolac GMBH & KG with a plant in Germany and only recently, Arla Foods Ingredients added a new strategic whey partner to its list – DMK in Germany.

The business unit sells its products through the Group's global sales network.

Intake of key raw material has doubled over the past five years at the plants in Denmark, Sweden, Germany and Argentina.

Intellectual Property

Arla has a global intellectual property policy covering both research & innovation and marketing & sales, including branding. The policy is supported by written Standard Operations Procedures.

Principal Properties

Holstebro Mejeri, Hjermvej 24-26, 7500 Holstebro, Denmark manufactures products which generates approximately 13 per cent. of the Group's turnover. The dairy is producing butter and spreadable as well as cream cheese.

Holstebro Mejeri is the only Arla production site which accounts for more than 5 per cent. of the Group's turnover.

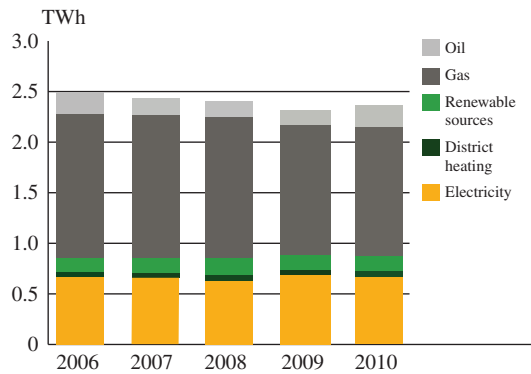
Governmental Regulation

Arla is subject to government regulations in the markets in which it operates. Most regulations to which Arla is subject are EU regulations and Arla is supported in the EU by the Danish Dairy Board that is working with product, environmental and other regulations on an EU level. Given the cross-border nature of Arla's business, it is in Arla's interest to have as many of these regulations being made by the EU as possible, rather than by individual Member States.

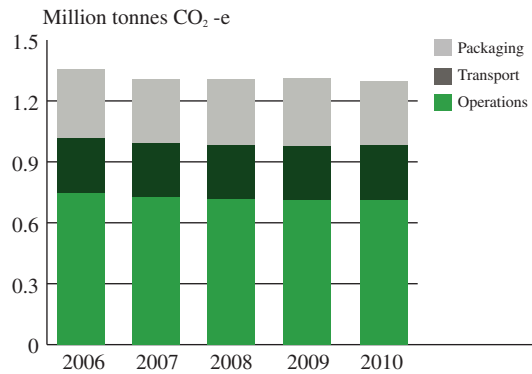
Environment

Arla's ambition is to minimise emissions and continually improve its environmental performance throughout the supply chain. Arla's ambition is to reduce greenhouse gas emissions as a result of transport, production and packaging by 25 per cent. from 2005 to 2020. Some of the steps currently being taken to achieve this include: Distribution employees in Sweden and the UK and half of those in Denmark have been trained in eco-friendly driving. All distribution vehicles in Denmark are fitted with a speed limiter which allows a maximum speed limit of 80 km/hour and which saves fuel. LED lights have been installed in Esbjerg Dairy, with a saving of 95 per cent. for warehouse lighting. In the UK the use of recycled plastic in packaging has increased to 15 per cent. and a project to reduce the light-weight of plastic bottles continues.

ENERGY CONSUMPTION



CARBON FOOTPRINT



Recent Developments

Arla repaid a DKK 1 billion subordinated bond loan on the first call date, 3 May 2011. Final maturity on this loan was 3 May 2014.

Also in May 2011, Arla obtained new mortgage funding for nominal value of DKK 1.1 billion with a final maturity date in 2038.

On 9 June 2011 a press release announced that Milko (the Swedish Co-operative) has approached Arla Foods a.m.b.a with a view to investigating the possibility of a merger. In the coming weeks and in accordance with Swedish labour market regulations, co-determination talks will be held with the Milko employees and information meetings will be held to notify the Milko members, who will be voting on the proposal. Over the coming months, the Arla board of members plan to meet to reach a decision on the merger agreement and the merger will be discussed at a meeting of the Arla Board of Representatives in October. The merger will also be subject to approval by Konkurrentverket, the Swedish Competition Authority.

Management And Employees

Board of Directors

Name	Position	Resides	Born	Board Member since
Åke Hantoft	Chairman	Laholm, Sweden	1952	1998
Viggo Ø. Bloch		Varde, Denmark	1955	2003
Jan Toft Nørgaard	Vice Chairman	Ribe, Denmark	1960	1998
Leif Eriksson	Employee at Götene Dairy	Lidköping, Sweden	1951	1998
Steen Nørgaard Madsen		Silkeborg, Denmark	1956	2005
Gunnar Pleijert		Mörlunda, Sweden	1949	2003
Heléne Gunnarson		Tvååker, Sweden	1969	2008
Torben Myrup		Gundersted, Denmark	1956	2006
Ingela Svensson		Gamleby, Sweden	1957	2007
Palle Borgström		Älvängen, Sweden	1960	2008
Anne-Lie Nielsen	Employee at Linköping Dairy		1970	2010
Pejter Søndergaard		Vestervig, Denmark	1947	2002
Bjarne Bundesen	Employee at Christiansfeld Dairy Centre	Christiansfeld, Denmark	1958	2003
Thomas Johansen		Egtved, Denmark	1959	2002
Bent Juul Sørensen		Ærøskøbing, Denmark	1958	1998
Uwe Krause		Schwerin, Germany	1952	2011
Björn Jepsen		Boris, Denmark	1963	2011
Bjarne Hass Nielsen	Employee of Brabrand Dairy		1959	2011

The board members are all members and suppliers of milk to Arla Foods amba, except for those which are employees. No board member has any actual or potential conflict of interest between his or her private interests and/or other duties. Following Björn Jakobsson's resignation from the board of directors, there will be a free seat on the board of directors until the next Board of Representatives meeting planned to take place during October 2011, at which point a new director will be elected.

Executive Management Board

<i>Name</i>	<i>Position</i>		<i>Principal activities performed outside the Group</i>
Peder Tuborgh	CEO	since 2005	Deputy chairman in The University of Aarhus
Povl Krosgaard	Vice CEO	since 2004	
Andreas Lundby	Vice CEO	since 2004	Deputy chairman of Per Aarsleff A/S

The Board of Representatives

The Board of Representatives is the company's supreme body comprising 155 members of whom 145 are co-operative members while ten are elected among the employees of Arla in Denmark and Sweden. The Board of Representatives consists of the district council chairmen, other members from most districts and ten employee representatives. The Board of Representatives meets at least three times a year: in March, May and in the autumn.

The Board of Directors

The Board of Directors consists of 19 members of whom eight are co-operative members from Denmark, six co-operative members from Sweden and one from Germany. The allocation of the Swedish and Danish members is based on the volume of milk and the number of milk producers in the two countries. A further four members are employee representatives. The Danish regions each appoint a member of the Board of Directors and the remaining Swedish and Danish members are elected by the Board of Representatives.

Areas of responsibility

The Board of Representatives and the Board of Directors make decisions relating to long-term strategic decisions. The Board of Directors also determines the raw milk price paid on account while the Board of Representatives decides on the distribution of the profits for the year. Moreover, it is the Board of Directors' responsibility to monitor the company's activities and asset management, to maintain the accounts satisfactorily and to appoint the Executive Management Board (CEO and Vice CEOs).

The Executive Management Board (EMG) is responsible for Arla's day-to-day business operations and for preparing strategies and planning the future dairy structure.

Employees

Arla's workforce encompasses a broad range of skills and experience in areas such as foods science, sales and marketing, engineering and support services. In 2010 the average number of full time employees was 16,215. The employees at Arla are vital for the success of its business. It is a key objective for the Group to attract and retain top-quality recruits, and to ensure that its employees develop and grow their roles and meet new challenges as their careers progress. Internal governance and education programmes such as One (The mission, vision and strategy), Arla Code of Conduct, Global Compact (A global initiative to promote ethical business practices), Our Responsibility and CSR Reports have been put in place to help achieve this.

Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the past 12 months, a significant effect on the Group's financial position or profitability, nor is the Issuer aware that any such proceedings are pending or threatened.

TAXATION

The following is a general description of certain Danish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of The Kingdom of Denmark of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This overview is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Swedish Taxation

If amounts that are considered to be interest for Swedish tax purposes are paid by Euroclear Sweden to a private individual (or an estate of a deceased individual) with residence in the Kingdom of Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld on such payments.

Danish Taxation

The following is a summary description of the taxation in Denmark of the Notes according to the Danish tax laws in force at the date hereof and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as professional dealers in securities) may be subject to special rules. Potential investors are under all circumstances strongly recommended to contact their own tax advisor to clarify the individual consequences of their investment in, holding of and disposal of the Notes. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes.

Taxation at source

Under existing Danish tax laws no general withholding tax or coupon tax will apply to payments of interest or principal or other amounts due on the Notes, other than in certain cases on payments in respect of controlled debt in relation to the Issuer. This will not have any impact on holders of Notes who are not “affiliated” with the Issuer pursuant to section 3B of the Danish Tax Control Act (Consolidated Act no. 1126 of 24 November 2005) (i.e., they control or are controlled by the Issuer).

Resident holders of Notes

Under existing Danish tax laws, private individuals, including persons who are engaged in financial trade, and companies, funds and similar entities, who are domiciled in Denmark for tax purposes, are (save for certain exceptions) liable to pay tax on capital gains from the redemption or sale of the Notes and on payments of interest under the Notes.

Non-resident holders of Notes

Under the Danish tax laws, payments of interest or principal amounts to any non-resident holders of Notes are not subject to taxation in Denmark, no withholding tax will be payable with respect to such payments and any capital gain realised upon the sale, exchange or retirement of a Note will not be subject to taxation in Denmark, other than in certain cases all payments in respect of controlled debt in relation to the Issuer as referred to under “*Taxation at source*” above.

This tax treatment applies solely to holders of Notes who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and do not carry all business in Denmark through a permanent establishment.

Luxembourg Taxation

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Offering Circular. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Swedish Issuing Agent under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC) and providing for the possible application of a withholding tax (15 per cent. from 1 July 2005 to 30 June 2008, 20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. from 1 July 2011) on interest paid to certain non Luxembourg resident investors (individuals and certain types of entities called “**residual entities**”) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above mentioned directive (see, paragraph “*EU Savings Tax Directive*” above);
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Responsibility for the withholding of tax in application of the above mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

SUBSCRIPTION AND SALE

Danske Bank A/S and Nordea Bank Danmark A/S (the “**Lead Managers**”) have, in a subscription agreement dated 16 June 2011 (the “**Subscription Agreement**”) and made between the Issuer and the Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for each of the Series A Notes and the Series B Notes at their issue price of 99.719 per cent. in the case of the Series A Notes and 100.00 per cent. in the case of the Series B Notes of their principal amount plus any accrued interest in respect thereof and less the fees and expenses to be paid by the Issuer to the Lead Managers pursuant to a fee side letter between the Issuer and the Lead Managers. The Issuer has also agreed to reimburse the Lead Managers for certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United Kingdom

Each Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering or the issue date of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Sweden

Each of the Lead Managers has confirmed and agreed that they will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale except in circumstances that will not result in a requirement to prepare a prospectus for an offer to the public pursuant to the provisions of the Swedish Financial Instruments Trading Act (*lag (1991: 980) om handel med finansiella instrument*).

Denmark

Each of the Lead Managers has represented and agreed that it has not offered or sold and will not offer, sell or deliver any Notes directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Consolidated Danish Act no. 298 of 8 April 2011 on Trading in Securities, as amended, and Executive Orders issued thereunder.

Each Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Notes. Persons into whose hands this Offering Circular comes are required by the Issuer and the Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

Authorisation

1. The creation and issue of the Notes has been authorised by the Managing Director of the Issuer on 25 May 2011 pursuant to the Issuer's Articles of Incorporation.

Legal and Arbitration Proceedings

2. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/Material Change

3. Since 31 December 2010 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries nor any significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

Auditors

4. The consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2010 and 31 December 2009 by KPMG Statsautoriseret Revisionspartnerselskab and KPMG AB, Sverige.

Documents on Display

5. Copies of the following documents (together with English translations thereof) when published will be obtainable by the public during normal business hours at the offices of the Issuer at Sønderhøj 14, 8260 Viby J, Denmark and at the offices of the Listing Agent at Vertigo Building – Polaris, 2-4 r. Eugène Ruppert, L-2453 Luxembourg:
 - (a) the Articles of Incorporation of the Issuer;
 - (b) the Agent Bank Agreement;
 - (c) the Deed Poll; and
 - (d) the audited consolidated financial statements of the Issuer for the years ended 31 December 2010, 31 December 2009 and 31 December 2008.

Yield

6. On the basis of the issue price of the Series A Notes of 99.719 per cent. of their principal amount, the gross yield of the Series A Notes is 5.065 per cent. on an annual basis.

ISIN and Common Code

7. The Notes have been accepted for clearance through Euroclear Sweden. The ISIN for the Series A Notes is SE0004050938 and the Common Code for the Series A Notes is 064099418. The ISIN for the Series B Notes is SE0004050946 and the Common Code for the Series B Notes is 064126261.

**PRINCIPAL
OFFICE OF THE ISSUER**

Arla Foods a.m.b.a

Sønderhøj 14
8260 Viby J
Denmark

LEAD MANAGERS

Danske Bank A/S

2-12 Holmens Kanal
DK-1092 Copenhagen K
Denmark

Nordea Bank Danmark A/S

Christiansbro, Strandgade 3
DK-1401 Copenhagen K
Denmark

LEGAL ADVISERS

To the Issuer as to English law:

Allen & Overy LLP

1 Bishops Square
London
E1 6AD
United Kingdom

To the Lead Managers as to English law:

Clifford Chance LLP

10 Upper Bank Street
London
E14 5JJ
United Kingdom

To the Issuer as to Danish law:

Kromann Reumert

Sundkrogsgade 5
DK-2100 Copenhagen
Denmark

To the Lead Managers as to Swedish law:

Advokatfirman Vinge KB

Östergatan 30
4255
203 13 Malmö
Sweden

AUDITORS TO THE ISSUER

KPMG AB, Sverige

Tegelbacken 4A
Box 16106
103 23 Stockholm
Sweden

**KPMG Statsautoriseret
Revisionspartnerselskab**

Borups Allé 177
Postboks 250
2000 Frederiksberg
Denmark

SWEDISH ISSUING AGENT

Nordea Bank AB (publ)

Smålandsgatan 17
SE-105 71 Stockholm
Sweden

AGENT BANK

Nordea Bank AB (publ)

Smålandsgatan 17
SE-105 71 Stockholm
Sweden

LISTING AGENT

Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building – Polaris
2-4 r. Eugène Ruppert
L-2453 Luxembourg
Luxembourg

