Financial highlights

### Revenue

<table>
<thead>
<tr>
<th>Product Category</th>
<th>In per cent by product category</th>
<th>In per cent by market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresh products</td>
<td>43.7%</td>
<td>Asia 2.3%</td>
</tr>
<tr>
<td>Cheese</td>
<td>25.3%</td>
<td>USA 5.0%</td>
</tr>
<tr>
<td>Butter and spreads</td>
<td>12.3%</td>
<td>Middle East 3.5%</td>
</tr>
<tr>
<td>Powder products</td>
<td>12.2%</td>
<td>Rest of Europe 1.0%</td>
</tr>
<tr>
<td>Other products</td>
<td>6.5%</td>
<td>Other EU countries 16.6%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>15.6%</td>
<td>Sweden 21.4%</td>
</tr>
</tbody>
</table>

1) As from 2006, the financial year was changed to follow the calendar year, the period 1 October – 31 December 2005 being the transitional period. The financial highlights for this financial year therefore only comprise three months.
The co-operative company
Arla Foods amba

OWNERSHIP
The fact that Arla Foods is one of the strongest players in the international dairy industry is largely owing to visionary and committed milk producers in Denmark and Sweden. Today, the co-operative company Arla Foods is owned by 9,408 Danish and Swedish co-operative members.

DEMOCRACY
The co-operative members supply Arla Foods’ most important raw material – milk from their cows. Through a democratic election system, the co-operative members elect representatives for both Arla Foods’ Supervisory Board and the company’s supreme body, The Board of Representatives.

THE CO-OPERATIVE CONCEPT
The two component companies, the Swedish Arla and the Danish MD Foods are rooted in the co-operative movement, which dates back more than 100 years. At that time, Danish and Swedish farmers joined forces to buy production machinery and produce dairy products in the best and most economic way. This still applies today.

A GLOBAL COMPANY
Arla Foods has sales offices in 24 countries and production in 11; Denmark, Sweden, the UK, USA, Canada, Argentina, Brazil, Poland, Germany, Saudi Arabia and China. The company’s dairy products are exported across the world and many of its products are sold under strong and well-known brands.
A turbulent year for Arla Foods

2006 was overshadowed by the extensive consumer boycott of Danish products in the Middle East. Within a few days in January, Arla Foods’ products were removed from the shelves of more than 50,000 stores across the Middle East as sales came to a complete standstill and production ceased at several dairies in Denmark where 55 employees had to be made redundant. The boycott is the main reason why Arla Foods’ result for the year is unsatisfactory. During the year, however, some of the distribution was re-established and by the end of 2006 Arla Foods’ brands had recovered 50 per cent of the original sales in the Middle East.

Important acquisitions in 2006
Despite the negative start to the year, the Group adhered to its strategy plan and implemented a series of strategic acquisitions. These comprised the Danish dairy company Tholstrup Cheese, 30 per cent of Finland’s second largest dairy company, Ingman Foods Oy and the American cheese dairy, White Clover Dairy. Moreover, it was decided to expand milk powder production in China and put forward an offer for the remaining 49 per cent of the shares in the UK company, Arla Foods UK plc.

Amalgamated markets, fewer brands and closer to consumers
To strengthen Arla Foods’ global competitiveness, 2006 saw the launch of an extensive reorganisation of the company’s structure. This includes the formation of a new joint Nordic organisation which reflects the fact that Arla Foods now regards the Nordic area as one market with 22 million potential consumers.

Arla Foods also started to cut back on the number of product brands. Offering fewer but stronger brands will ensure greater impact in the market as well as more efficient production.

Arla Foods’ product development has moved nearer to our markets and to consumers in order to guarantee closer interaction between consumer requirements and the Group’s product development.

In 2006, much of the company’s research strategy was focused on Forskningsstrategi 2012 (Research Strategy 2012) where, besides areas such as food safety, nutrition, processing and product, there is new emphasis on differentiated raw milk production.

A new environmental plan
In 2006, Arla Foods also prepared an environmental plan for the years up to 2010 aimed at reducing consumption of water and energy. Under the plan, water and energy consumption will be reduced by 5 per cent. The number of industrial accidents will also be reduced by 25 per cent, as will absenteeism.

Furthermore, Arla Foods is preparing for the sustained liberalisation of world markets by strategic growth in key markets and within strategic product categories. Efficiency programmes will continue across the Group.

Projections for 2007 are for a small increase in ordinary profit compared to 2006.

Peder Tuborgh
CEO
SUPERMARKETS AROUND THE GLOBE list a large number of products from Arla Foods. Buko® cream cheese is obtainable from the chilled cabinets of German supermarkets, Lurpak® Spreadable is available in the UK, Puck® processed cheese in the Middle East while in the Dominican Republic, the milk powder Milex® is sold at numerous stores around the country. To mention just a few examples of Arla Foods’ strong brands in some of its export markets.

Raising awareness of Arla Foods
Consumers are often unaware that a product comes from Arla Foods. This, however, is about to change as the Group will focus on fewer but stronger brands, many of which will be linked to the Arla name and the umbrella brand, the Arla Dairy Brand, instead of being marketed under their own brand name. Consequently, in 2006, several products were brought under the red umbrella brand, including Arla Harmonie®, Arla Finello®, Arla Buko® and the Arla Cow.

Red for products and green for Group
In other words, the red Arla Dairy Brand will act as a so-called umbrella brand for a large proportion of Arla Foods’ products while the green oval remains the company’s logo.

Arla Dairy Brand addresses the modern consumer and conveys inspiration, confidence and well-being. When consumers, through marketing campaigns, become acquainted with the brand and realise what it stands for, there will be no need for Arla Foods to initiate new campaigns whenever a new product is launched.

As part of Arla Foods’ strategy plan, in early 2006, the budget was increased by around DKK 100 million for a targeted marketing campaign to raise awareness of Arla Foods’ cheese brands. Moreover, Germany, Poland and Greece became the focal points for Arla Foods’ strategy to become the preferred supplier of speciality cheeses for customers in selected European markets.

Selected products in selected markets
This section of the annual report, «Our Brands», describes some of Arla Foods’ strong brands in some of the Group’s major markets. In most cases, the brands are also available in many other markets just as, of course, there are also other Arla products available in these markets. The descriptions, therefore, should be seen as examples of Arla Foods’ extensive business operations.
Home markets
Arla Foods regards those markets where we sell liquid milk as our home markets. In 2006, these were the UK, Sweden and Denmark.

Sales offices
1 Norway, Oslo
2 Finland, Helsinki
3 Germany, Düsseldorf
4 Germany, Harbarnsen
5 Holland, Lelystad
6 France, Lyon
7 Spain, Madrid
8 Italy, Cerimido
9 Greece, Athens
10 Poland, Warsaw
11 Argentina, Buenos Aires
12 Brazil, São Paulo
13 USA, New Jersey
14 Canada, Concord, Ontario
15 Mexico, Leon
16 Lebanon, Beirut
17 United Arab Emirates, Sharjah
18 Qatar, Doha
19 Kuwait, Safat
20 Bangladesh, Dhaka
21 Malaysia, Kuala Lumpur
22 Korea, Seoul
23 China, Beijing
24 Japan, Tokyo
25 Denmark (see map on page 24)
26 Sweden (see map on page 24)
27 United Kingdom (see map on page 24)
28 Germany, Harbarnsen
29 Poland, Goscino
30 Argentina, Porténa
31 Brazil, Cruzeiro
32 USA, Hollandtown, Wisconsin
33 USA, Muskegon, Michigan
34 Canada, Concord, Ontario
35 Canada, Atwood, Ontario
36 Canada, Prince Edward Island
37 Saudi Arabia, Riyadh
38 China, Hohhot

Production
25 Denmark (see map on page 24)
26 Sweden (see map on page 24)
27 United Kingdom (see map on page 24)
28 Germany, Harbarnsen
29 Poland, Goscino
30 Argentina, Porténa
31 Brazil, Cruzeiro
32 USA, Hollandtown, Wisconsin
33 USA, Muskegon, Michigan
34 Canada, Concord, Ontario
35 Canada, Atwood, Ontario
36 Canada, Prince Edward Island
37 Saudi Arabia, Riyadh
38 China, Hohhot
AROUND THE WORLD WITH ARLA FOODS

Arla Foods is a global dairy group whose products are sold in all continents and in more than 100 countries. We operate production in 11 countries and sales offices in 24. Here, we have chosen to tell the story behind some of our strongest brands and markets where the brands are particularly important or where substantial developments took place during the year under review. Welcome to our journey around the world.

Export markets
Arla Foods’ export markets are spread across the globe. Arla Foods’ export products are primarily speciality cheese (listed in the categories below), butter and spreads as well as retail packed milk powder and ingredients for the food industry.

SHREDDED CHEESE
Europeans consume huge quantities of pizza, pasta and gratins. Such products often contain shredded cheese from Arla Foods.

Page 16

WHITE CHEESE
The new name for Arla Foods’ feta is Arla Apetina®. In future, this category will be known as White Cheese.

Page 17

YELLOW CHEESE
From now on, Arla Foods’ everyday quality cheeses will be known under the Arla Dofino® brand.

Page 18

MOULD CHEESE
In 2006, Arla Foods acquired Tholstrup Cheese and, therefore, the rights to the Castello® name.

Page 19

BUTTER
The “yellow gold” is sold all over the world but it is especially popular in the UK.

Page 20

MILK POWDER
Retail packed milk powder is one of Arla Foods’ core businesses and is exported to 35 countries around the world.

Page 21

INGREDIENTS
Arla Foods Ingredients’ share of the world market for milk minerals is approximately 25 per cent.

Page 22

WORLDWIDE
ACCOUNTING FOR 44 PER CENT OF MILK SALES to the British retail sector, Arla Foods’ subsidiary, Arla Foods UK plc is currently responsible for one out of every two litres of milk sold in British supermarkets. By far the majority of this milk is sold under the multiples’ own label. In this highly competitive market, Arla Foods UK plc has, however, achieved considerable success with its branded milk CRAVENDALE®, and a small but rising share of the UK’s milk is now sold under this brand. Cravendale® has gained a 3 per cent market share of the British milk market – not an insignificant slice of a market with 60 million people.

Cravendale® milk is subjected to a special filtering process which retains all the goodness but removes more bacteria than is the case with pasteurisation. The filtration gives the milk a particularly fresh taste and enables it to keep fresh for up to 25 days in an unopened pack and seven days after opening.

2006 was a particularly good year for Cravendale® with volume growth of 19 per cent year on year. Growth particularly springs from the fact that new Cravendale® bottling lines came on stream in the autumn of 2005 at the new dairy in STOURTON near Leeds, which have enabled the dairy to double its production. Until then, the rising demand had, for a period, forced the dairy to ration the brand.

By the end of 2006, the brand had achieved a so-called brand value of £79 million. This meant that Cravendale® could join Lurpak® and Anchor® butter among the top 100 UK retail brands.

A second niche area within fresh milk, which is currently growing at a faster rate than any other, is organic milk. In 2006, sales of ORGANIC MILK rose by 51 per cent. Arla Foods UK plc is the market leader in this area which now accounts for more than 5 per cent of overall fresh milk volumes.

In 2006, demand for organic milk exceeded supply. As a result, Arla Foods UK plc is trying to persuade more milk suppliers to switch to organic production in order for the company to meet the rising demand for organic milk.

Lactose free milk
Arla Foods UK plc is also focused on developing new fresh milk products. One example, the new lactose free milk, LACTOFREE®, was launched in January 2006. During the year, the milk achieved widespread distribution and will, in 2007, be supported by a new advertising campaign. On the backdrop of this success, it is planned to launch more lactose free dairy products.
The UK is Arla Foods’ third home market

Arla Foods regards the UK as the Group’s third home market although, in terms of turnover, this part of the business by far outstrips the two original home markets, Denmark and Sweden.

In 2007, however, the term »home market« may acquire a whole new meaning in the UK. On October 20, Arla Foods began negotiations with its subsidiary, Arla Foods UK plc, with a view to acquiring the remaining 49 per cent of the shares. These negotiations resulted in a RECOMMENDED OFFER on January 22, 2007.

By taking full ownership of Arla Foods UK plc, Arla Foods will ensure that the UK business fully benefits from being part of Europe’s largest dairy company. In turn, Arla Foods will reap the benefits from integrating the British subsidiary into the parent company’s global strategy. If Arla Foods’ offer for the remaining shares in Arla Foods UK plc is accepted and approved, Arla Foods will, from April, be the company’s sole owner and therefore, one of the top suppliers of dairy products in the UK.

Exports and local production

Arla’s UK business comprises two parts: the export of butter and spreads from Denmark and Sweden (c.f. page 20) and local production of liquid milk.

In fact, the motive behind the then MD Foods’ original acquisitions in the UK dairy industry in 1990 was to safeguard its BUTTER EXPORTS as the large multiples had started to demand that suppliers should be able to offer a full range within the individual categories. In order to secure sales of Lurpak®, therefore, it was necessary to be able to supply fresh milk.

A farewell to the milkman

In the summer of 2006, Arla Foods UK plc decided to dispose of its doorstep delivery business. The move was prompted by the decline in the doorstep business from 25 per cent in 2000 to 9 per cent. The sale comprised approximately 390 million litres of milk, approximately 80 milk depots, primarily in central and northern England and two dairies in Liverpool and Nottingham.

The disposal was in keeping with Arla Foods’ strategy of building up leading milk brands and thus being an attractive PARTNER FOR SUPERMARKETS.

FACTS/CRAVENDALE®

- Cravendale® is produced at the dairies in STOURTON, Leeds and HATFIELD PEVEREL, Essex.
- Cravendale® was the UK’s first filtered milk. The brand was launched in 1998 in southern England and subsequently extended to include the whole country by 2002.
In 2006, Arla Foods in Sweden sold 467 million litres of liquid milk out of total sales of 641 million.

88 per cent of Arla Foods’ Swedish liquid milk is sold under the Arla Cow brand.

The Arla cow can be found on liquid milk, cream, yoghurt, »fil« (fermented product) and yellow cheese.

Every month 50 million products featuring the Arla cow are sold to consumers.

In Swedish brand surveys, Arla Foods has consistently held a very high ranking. At the beginning of 2006, Arla Foods occupied the second highest position among all Swedish brands (after Ikea). Among food producers, Arla Foods holds an undisputed top position.

Swedes increasingly take milk in their coffee: 22 per cent of all liquid milk is poured into coffee cups.

The red cow – a symbol since the 1940s

Back in 1887, Arla’s predecessors, Stockholm’s Mjölkförsäljnings AB, registered The Girl With The Cow trademark. In the 1940s, the cow acquired its present form and became a symbol of what was then called Mjölkcentralen. In 1975, the company changed its name to the softer-sounding Arla and since the merger with MD Foods in 2000, when Arla became Arla Foods, the cow has been the trademark for fresh products. All the products under the Arla Cow trademark are exclusively produced from milk from Swedish cows.

Milk with many values

The Arla Cow brand builds on two key words: naturalness, which reflects freshness, a short distance between cow and consumer, animal welfare, no additives and GM-free. Health, which means products that make you strong, provide energy and balance and are nutritional.

Surveys have proved that Swedish consumers are interested in local and regional food products and that three out of four consumers would like to know about a product’s origin.

In order to raise consumer awareness of the local origin of Arla Cow products, some local varieties of the Swedish milk carton with the characteristic stripes have been launched in the past two years. In 2005, Gotland’s famous ringwall was depicted in the stripes and in the autumn of 2006, Västküsten (the West Coast) was also given its own carton with softly curving stripes symbolising the proximity to the sea. A number of Arla farms, which supply milk to the dairy in Gothenburg on a daily basis, have also been depicted on the back of the new carton.

Tough competition and own brands

Until a few years ago, the Arla Cow lived a fairly protected life in the Swedish dairy market where competition from other Swedish and foreign dairy companies was modest. This has, however, changed radically and today, the Swedish market is exposed to fierce competition. Milk from other dairies and, for example, yoghurt and cheese from foreign suppliers are fighting for space on Swedish supermarket shelves.

The large multiples are becoming increasingly influential as they centralise their buying for the whole of the Swedish market. This was particularly evident at the beginning of 2006 when one of the Swedish retail chains selected another supplier of fresh dairy products. Although Arla Foods lost a major customer, Arla Foods increased its deliveries to two other important chains.

In addition, the retail sector is increasingly focusing on own label products. This also applies to the standard range, such as liquid milk which, once again, is a challenge to the Arla Cow.
The Arla Cow has achieved its high recognition factor through countless meetings between product and consumers over the years – and, of course, through extensive advertising campaigns. In 2006, the Elin campaign, where a young farming girl is shown with her cows and calves, won the Swedish advertising industry’s award.

The fact that 35,000 children visit Arla Foods’ «Minior» farms each year has significant promotional value. In the spring of 2006, a further 30,000 Swedes visited Arla farms on the day when the cows are put out to graze.

The milk carton is one of Sweden’s strongest mass media. Arla Foods sells close to half a billion litres of milk every year and the few lines about new products and the «milk university» found on the back of the cartons are among Sweden’s most read texts.

From Klöver® milk to organic
Partly to address the competition from cheaper foreign milk in the Swedish market, Arla Foods launched a discount liquid milk under the Klöver® brand in the autumn of 2005. Klöver® milk has a somewhat longer shelf-life than milk sold under the Arla Cow brand and is also sold through a different distribution system, which reduces costs. Klöver® milk accounted for 7 per cent of Arla Foods’ milk sales in Sweden in 2006.

At the high end of the price scale, Organic Milk has become an important product area. In fact, organic milk has grown so fast that Arla Foods has been unable to match demand and supply. Consequently, in the spring of 2005, Arla Foods decided to recruit 50 new Swedish organic suppliers. In 2006, organic milk accounted for 8 per cent of the Swedish milk market and the organic line under the Arla cow brand has a market share of 75 per cent.

Collaboration with Norrmejerier
Customer demands for efficient, nationwide deliveries were a contributory factory behind the decision of Arla Foods and the Swedish co-operative dairy, Norrmejerier, to extend their partnership in the autumn of 2006. The agreement consists of two parts: a closer distribution partnership in northern Sweden and a production partnership for speciality products. The distribution partnership offers substantial advantages in that northern Sweden, Norrmejerier’s base, covers a very large, but thinly populated area. Consequently, the agreement enables the two companies to distribute larger volumes more economically and efficiently. The production partnership will, in the longer term, increase Norrmejerier’s production volumes while, in return, Arla Foods can outsource some of its smaller speciality productions, such as lactose-reduced products, to Norrmejerier.

Innovation to maintain positions
Up to 2008, the Arla Cow brand’s objective is to maintain and develop its position in the Swedish market by highlighting the milk’s healthy properties. In addition, more products will be launched under the Arla Cow brand and consumers will also be inspired to use these products in other contexts besides breakfast.

In 2007, the entire Arla Cow range will have a new design to give the range a new consistent identity with a logical and clear expression. The stripes, however, will be retained.

At the beginning of 2006, Arla Foods ranked second among all Swedish brands.«

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MILK | SWEDEN

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Arla Foods believes in organic products

Although, over the years, the organic area has been unpredictable and lately strongly competitive, Arla Foods’ Supervisory Board decided, in October 2006, to increase the supplement paid for organic co-operative members’ milk by 12.5 per cent. This confirms that Arla Foods believes in the future of organic products and intends to develop more products in this category.

Harmonie® was a key element in the marketing of the Arla Dairy Brand in 2006 and an important part of the »New Arla in Denmark« process. The aim is to demonstrate Arla Foods’ determination to be the leading organic supplier in the Danish market and show the company’s ability and determination to drive the organic category and create a corresponding demand. The objective is to make organic products accessible, affordable and to meet modern consumers’ requirements in terms of quality.

Co-operation with smaller dairies

Even if Harmonie® has been, and continues to be, the largest organic milk brand in Denmark, a number of smaller organic dairies have been gaining market shares, particularly in the past two years. In the spring of 2004, Arla Foods set in motion a number of measures to improve the company’s image with customers under the strapline »The New Arla in Denmark.« As part of these endeavours, Arla Foods is increasingly focusing on partnerships with Danish organic dairies and the National Association of Organic Producers.

This partnership primarily covers marketing and includes a number of different events such as a day when Danish families can watch organic cows being put out to graze for the summer. The number of visitors rose from 10,000 in 2005 to 17,000 in 2006.
Regional milk nationwide
Overall, the Danish milk market remains fairly stable although conventional milk declined by 1 per cent in 2006 while organic milk grew by 2 per cent.

In order to secure its share of the growth in the organic market, Harmonie® focuses on both existing and new organic products. Throughout 2006, Harmonie® saw a high level of activity.

First and foremost, the development of the REGIONAL MILK concept continued. Regional Milk was introduced in late 2005 in order to meet consumer demand for knowing more about milk’s local origin. The first products were organic skimmed, mini and semi-skimmed milk from Himmerland and Southern Jutland.

April 2006 saw the launch of Harmonie® MARSKMÆLK (full-cream milk only) which boosted Harmonie® full-cream milk’s market share. When Harmonie® JUNKET FROM ZEALAND was launched in September this generated new growth within the organic natural category.

Moreover, all Harmonie® milk cartons were given screw caps, thus mirroring Ekspres milk which successfully started using screw tops in 2005.

All in all, the Harmonie® brand’s position was strengthened by the end of 2006.

Rising demand
In line with organic milk’s growing sales in Denmark in 2006, demand for organic milk in Arla Foods’ two other home markets also increased. Both in the UK and in Sweden, therefore, efforts are being directed towards enlisting new organic milk suppliers.

Moreover, interest in organic dairy products is also emerging in e.g. Germany. In August 2006, Arla Foods signed an agreement with a major German retail chain to supply organic products.

Market pressure
Overall, the Danish dairy market saw continuing tough competition again in 2006. For several years, the retail chains have, for instance, been selling cheap, imported fresh products such as liquid milk, cream and yoghurt under their own label and this continues to put Arla Foods under pressure in terms of volume as well as price.

A further factor was the TURBULENT SPRING caused by the Mohammed cartoons crisis. Besides being hit hard by the boycott of Danish products in the Middle East, the company also faced criticism at home. This was particularly evident following Arla’s advertisements in 25 Middle Eastern newspapers in which the company distanced itself from cartoons of the Prophet Mohammed published in a Danish newspaper in the autumn of 2005.
SINCE THE MD FOODS/ARLA MERGER IN 2000, the aim has been to amalgamate the four Nordic markets, Norway, Sweden, Finland and Denmark, into one market with common marketing and common ranges. Approximately five months after this Danish/Swedish dairy merger, YOGGI® was the first product to cross the Øresund waterway between Sweden and Denmark. Since then the Swedish yoghurt has become the leading fruit yoghurt brand in both Sweden and Denmark.

First fruit yoghurt in Sweden
Launched in 1971, Yoggi® was the first fruit yoghurt in Sweden. Originally, the brand was owned by the Swedish dairies, but was later bought by Arla. Over the years, the range has grown, the fruit content increased and the taste has become milder. The target group is primarily modern families with children.

Most Yoggi® in Sweden
While the Swedes buy three times as much Yoggi® as the Danes, most growth takes place in Denmark. The objective is now to strengthen the position as the largest fruit yoghurt brand in both Denmark and Sweden. In both countries the Yoggi® range comprises Yoggi Yangster® for children. Moreover, a range of other Yoggi products is available in Sweden, including the drinking yoghurt, Yoggi Yalla®, which has been highly successful since its launch in 2001 and is currently the market leader for drinking yoghurt.

Cultura has also come to Sweden
Besides Yoggi®, CULTURA® has become a Nordic brand in the fermented product category. Cultura® has been available in the Danish market for many years and has a strong foothold here. In 2004, Cultura® arrived in Sweden where, in 2006, the range was adapted to Swedish tastes and relaunched. Since then, the product has achieved 50 per cent growth.

The fermented product category is regarded as a market with excellent growth prospects. Arla Foods will endeavour to exploit this potential through new launches, fewer, but stronger brands, and better distribution.

One Nordic organisation
2006 provided further evidence of Arla Foods’ new focus on the Nordic area as one market. During the year, it was decided to amalgamate the two Consumer Nordic departments in Denmark and Sweden into one integrated Nordic organisation in 2007. By making the Nordic area one market, the Group will establish a stronger platform for new product development.

Beside Yoggi® and Cultura® other brands such as ARLA APETINA® and HØNG® have also become common Nordic brands.
IN 2006, 10 million Swedish consumers and 5 million Danish consumers sought help and inspiration for their cooking in the thousands of RECIPES from Arla Foods’ website. Together with this service, a broad range of cooking products from ARLA KOKET®/ARLA KAROLINES KØKKEN® makes cooking easier for busy consumers.

»Our kitchen is your kitchen«

Both in Denmark and Sweden, Arla Foods has a long history of providing dairy-based cooking products such as cream, crème fraîche, quark and cooking yoghurt. In Denmark, the products were previously sold under the KAROLINES® brand and in Sweden under the ARLA COW® brand.

In 2004, a common Danish/Swedish brand for cooking products and a recipe service were launched: Arla Köket® in Sweden and Arla Karolines Køkken® in Denmark. Although the names differ, the brands’ motto: »Our kitchen is your kitchen« is the same in the two countries, as is the ambition and the offer of »the best inspiration and assistance for a good meal.« In principle, the brand is targeted at everyone, although focus is on the modern family.

Cooking inspiration

Arla Karolines Køkken® is the latest member of the cooking products’ family. The launch of the product in Sweden has clearly had a positive impact in the »cooking cream« segment where Arla Foods has increased its market share by approximately 3 per cent since the launch. By the end of the financial year, Arla Köket Panna® had found its way on to the Swedish top ten list of the biggest products in the segment. The same product was launched in Denmark in March 2007.

In general, the cooking category is a growth area although the multiples’ trend is towards more own label brands. 2006 saw strongly rising competition in the category in both countries.

Acquisition in Finland creates more Nordic opportunities

In the competition for Nordic customers, Arla Foods, in 2006, decided to buy 30 per cent of the shares in the Finnish dairy company, Ingman Foods Oy AB, with the option to buy the remaining 70 per cent over the next three years. INGMAN FOODS OY AB is Finland’s second largest dairy company with 20 per cent of the milk market, 19 per cent of the yoghurt market and 8 per cent of the cheese market. The Swedish part of Arla Foods has operated a subsidiary in Finland since 1993. The acquisition of Ingman Foods, however, provides Arla Foods with a stronger strategic platform for entering Finnish dairy production. Moreover, ambitions for further developing the Nordic dairy market remain high. The new company is known as Arla Ingman Oy Ab.

ARLA KAROLINES KØKKEN®

Arla Karolines Køkken® and Arla Köket® grew by 1.8 per cent in turnover in Sweden/Denmark while maintaining its market share across the cooking category. Overall, the brands accounted for sales of approximately DKK 900 million in the two countries.

Arla Köket®/Arla Karolines Køkken® enjoy a recognition factor of 85 per cent in both countries.

PRODUCTION

Cooking products for Arla Köket® and Arla Karolines Køkken® are produced at the following plants:

▶ Cream and fermented products: LINKÖPING DAIRY
▶ Arla Karolines Køkken® pande: GRÅDÖ DAIRY (owned in partnership with Milko)
▶ Cottage cheese: SKÖVDE DAIRY (sold under the Keso brand in Sweden)
▶ Soups and sauces: ESBJERG DAIRY (sold under the Kelda name in Sweden)
▶ Cooking cream: CHRISTIANSFELD DAIRY CENTRE
▶ Crème fraîche, quark and fromage frais: BRABRAND DAIRY
PRODUCTION
In 2006, Arla Foods produced a total of 47,000 tons cream cheese, i.e. 12 per cent above the previous year. The largest volumes are made at HOLSTEBRO CREAM CHEESE. So far, decorated cream cheese has been produced at Vrinners Dairy, but since the acquisition of Tholstrup Cheese, it has been decided to transfer this production to KORSVEJ DAIRY during the spring of 2007 after which VRINNERS DAIRY will be closed down. Some small volumes are produced in Canada.

VARIETIES OF BUKO®
Today the Buko® range comprises both processed and cream cheese. The largest markets are Denmark and Germany. The Danes’ favourite is Buko® processed cheese with shrimps while Buko® piquant cream cheese is the most important variety outside Denmark.

EXPORTS
Besides Germany and Denmark, Buko® is sold in all Nordic countries, Holland, Bulgaria, The Czech Republic, Slovenia, Poland, Hungary, Japan, Korea, Malaysia and Canada.

GERMANY AND ARLA BUKO® ARE VIRTUALLY INTERCHANGEABLE. Dating back to 1932 when production of PROCESSED CHEESE began in modest premises in Copenhagen under the Buko® name, this is one of Arla’s oldest brands. However, it was not until after the Second World War that Buko® was extended to include CREAM CHEESE. Right from the beginning, this product was exported to Germany.

Germans love Buko® cream cheese
Today Germany is by far the largest market for Buko® and cream cheese in general, and sales continue to rise. Between 2002 and 2006, sales of Buko® cream cheese in 200g tubs rose by 21 per cent and Arla Foods’ substantial sales of own label cream cheese to German supermarkets chains have grown alongside.

The positive development is largely owing to the development of new low fat varieties although new flavours are also a key weapon in Buko’s armour. In recent years, varieties such as tomato/basil, ramson and paprika trio have been successful in the German market where 14 different Buko® varieties are now available. In 2006, two new varieties were launched: Buko® India and Buko® LactoMinus, which is the market's first LACTOSE-FREE CREAM CHEESE.

Following the acquisition of Tholstrup Cheese in September 2006, the cream cheese range was further expanded by DECORATED CHEESE and cream cheese in glass containers. During 2007, these products will be relaunched under a new brand. Germany was also one of Tholstrup’s major export markets.

Largest export market
Over many years, Denmark’s neighbour towards the south has been Arla Foods’ largest single market after the three home markets, Denmark, Sweden and the UK. During 2006, almost 8,000 lorries were dispatched across the Danish/German border carrying products, mainly cheese, from Arla Foods to German consumers.

In general, several years of negative trends, which resulted in declining consumption, have been replaced by a more positive atmosphere which has increased consumer confidence.

Arla Foods is currently committing considerable effort to raising Arla’s profile in Germany. In 2006, Arla implemented its largest ever German marketing campaign by doubling the marketing budget. As a result, German consumers’ awareness of the Arla brand has risen from 17 to 52 per cent. In view of the German population of 80 million, more Germans than Scandinavians are now familiar with the Arla name.
**PUCK® SOLD IN MORE THAN 30 MARKETS:**

Saudi Arabia and the Gulf States, the United Arab Emirates, Kuwait, Bahrain, Qatar and Oman are by far the largest markets, followed by Lebanon, Jordan and Syria. Recent years have also seen the launch of Puck® in the North African countries. Moreover, Puck® products are also available in selected stores in Europe and Arla Foods has recently been successful in launching the brand in Kazakhstan.

**PUCK® PRODUCTION**

Arla Foods produced 16,700 tons of processed cheese in 2006. As the Puck® brand includes a variety of different products, several dairies supply the brand:

- **BISLEV DAIRY:** processed cheese in glass containers, ultra-filtered feta and mascarpone (for food service)
- **HOSTEBRO FLØDEOST** and **ARLA FOODS DAIRY** in Saudi Arabia, Danya Foods: cream cheese, Labneh (special Arab cream cheese with yoghurt)
- **ESBJERG DAIRY:** UHT whipping cream
- **BRANDERUP DAIRY:** emmental cheese in blocks for sale at supermarkets’ delicatessen counters

**PUCK® is much more than processed cheese**

The Puck® brand was launched in the Middle East in 1983 for a selection of processed products. In the intervening years, Puck® has become one of the region’s leading dairy brands. It now encompasses a range of product types such as cream cheese, canned sterilised cream, feta, whipping cream, milk powder, labneh and canned processed cheese. The two most important categories are, however, **PROCESSED CHEESE IN GLASS** containers and **CANNED STERILISED CREAM**.

**Boycott hit hard**

Arab consumers’ boycott of Danish products during the cartoons crisis had widespread impact and hit Arla Foods particularly hard. For the past 40 years, the Group has been supplying dairy products to the Middle East and since the mid-1980s has operated the **DANYA FOODS** dairy in Saudi Arabia’s capital, Riyadh. Until the end of January 2006, therefore, Arla Foods had built up a strong position in the area.

For several months, sales of Danish butter, cheese and other dairy products came to a standstill. This resulted not only in lost revenue, but redundancies among dairy staff and substantial damage to Arla Foods’ brands and image. In the absence of Danish dairy products, other dairy companies also seized the opportunity to strengthen their position in the markets.

**Set-back**

At the start of 2007, Arla Foods’ turnover in the Middle East was up to 60 per cent of pre-boycott levels, but even if the company succeeds in recovering its previous position in 2007, Arla Foods’ development in the Middle East will have been put back two years.

**FROM ONE DAY TO THE NEXT, ARLA FOODS’ products disappeared from 50,000 stores in the Middle East. One of the brands hardest hit by the Mohammed cartoons crisis in the spring of 2006 was PUCK®.**

**For several months, sales of Danish butter, cheese and other dairy products in the Middle East came to a standstill.**

**Puck® is Arla Foods’ strongest brand in the Middle East**

2006 was the most difficult ever year for the Puck® brand. Thanks to the strength of the brand, however, Puck® has largely re-established itself in the market although there is still some way to go. It will be difficult to win back those consumers who have not yet returned to the brand as loyal Puck® consumers although this remains one of the tasks for 2007.

Arla Foods’ ambition is to regain its position as leader in the “glass cheese” category with the Puck® brand. The future strategy is to develop the brand to become Arla Foods’ umbrella brand in the Middle East. This will strengthen Arla Foods vis a vis the increasing competition in the market.
**Finello® in Spain**

Building a strong pan-European Arla brand again involved Spain in 2006, when Arla Finello® was launched through a massive TV campaign. So far, the results have been satisfactory with volumes significantly above last year. 32 per cent of Spanish consumers are now familiar with the Finello® brand.

2006 provided Finello® with a 46 per cent rise in Spain on the year. By comparison, the overall market for shredded cheese increased by 8 per cent. The new variety, TEXMEX, a shredded cheese mix with added herbs for use in spicy Mexican food, has been warmly welcomed by consumers.

Finello® in the main role

Today Spain is one of Arla Foods’ focus markets and shredded cheese continues to be the company’s strongest platform. When, in 2006, the Arla brand was launched to Spanish consumers, Finello® products played the leading role in the campaign. With its new name, Arla Finello®, the brand is spearheading other products under the Arla brand in Spain. The next stage will occur in the spring of 2007 with the launch of a range of yellow cheese under the Arla Dofino® name (for more details, please see page 18).

Backed by high quality and a broad, inspiring range, the aim is to establish Arla Finello® as the leading cheese brand not just in Spain, but throughout Europe.

**Shredded cheese for European pizzas**

In general, Arla Foods’ exports to Spain increased by 9 per cent year-on-year. As well as shredded cheese, sales primarily comprised yellow speciality cheese, cream cheese, blue mould and feta.

Since mozzarella was selected as one of Arla Foods’ focus areas in 2001, consumption of this cheese has risen sharply. In Europe alone, around 300,000 tons mozzarella are consumed per year, and with steadily rising consumption of pizzas, the market is growing by 10,000 tons per year.

As supplier to many of the leading pizza producers and chains in Europe, Arla Foods is clearly noting this positive trend.
THE DEVELOPMENT OF THE POLISH MARKET was among the positive events in 2006. The reason is the Arla Apetina® brand. Arla Foods’ European feta brand has now achieved such success in Poland that it is to be used as a “door opener” to other Eastern European countries. In general, Europeans have acquired such a liking for the white cheese that all previous forecasts have been exceeded. The European feta market is growing at approx. 15 per cent per year which makes feta one of the fastest rising categories.

The Poles savour the convenient, small, white cubes
When, in the spring of 2004, Arla Foods launched Apetina Cubes in Marinate, the Poles acquired a real liking for the small, white cubes largely because they make cooking easier. Right from the start, the product aroused enormous interest and sales in the Polish market continue to grow. Arla Foods’ aim for Apetina® is to take at least 30 per cent of the Polish feta market over the next 2–3 years.

In 2006, Arla Foods sited its Eastern European area office in Warsaw for the purpose of overseeing the business’ further growth in the area.

Greece won the right to the feta name
Consumers will soon search in vain for Danish feta in supermarkets. However, the product is still available under the Apetina® name, although not under feta.

The dispute between Greece and, among others, Denmark concerning the Right to the Feta name arose in 1987 and was finally settled in 2005 when the EU Court decided that, from October 15, 2007, only feta produced in Greece from Greek sheep and goats’ milk could be designated feta. The protracted legal process; however, gave Arla Foods time to find and introduce a New Name that consumers can link with the white cheese. Moreover, the name had to be easy to pronounce throughout Europe. The answer was Apetina®. 

APETINA LEADS THE WAY
The Apetina® name first emerged in 1991. Some years ago, Apetina® was selected as Arla Foods’ European brand for white cheese, replacing the majority of the local brands. Apetina® is now one of Arla Foods’ most globalised brands. Products in the Apetina® range are currently sold in some 35 countries. The brand also includes several lines, among them feta snack, where the cheese is mixed with a variety of ingredients such as olive oil.

Apetina® is exclusively produced at Bov Dairy. In 2006, it was decided to further expand the dairy’s capacity – from 16,000 to 26,000 tons.

TWO TYPES OF WHITE CHEESE
Apetina® is so-called traditional feta. At Bislev Dairy, Arla Foods also produces ultra-filtered feta, which is primarily exported to the Middle East under the Three Cows® and Puck® brands. Ultra-filtered feta differs from traditional feta in that the milk used for cheese-making is initially pressed through a filter which filters off most of the water content (the whey), and the curd ripens in the packaging. Ultra-filtered feta is often sold in brick packs in whole pieces, while the traditional variety is sold as small cubes in containers. Arla Foods produced 30,000 tons white cheese in 2006.
A STRONG INTERNATIONAL BRAND and high quality cheese are required if money is to be made on yellow cheese. In 2007, ARLA DOFINO® will spearhead Arla Foods’ yellow quality cheese for daily use. During the 2006 financial year, competition in this category increased significantly as consumers often choose a product for reasons of price rather than brand. For the first time ever, Arla Foods will put a concerted effort behind the yellow cheese area and focus on one brand across national borders.

The focus on Dofino® will be most important outside Arla Foods’ home markets, but the brand will also be launched in Denmark and Sweden.

A well-established brand
Dofino® is one of the company’s oldest brands. Originating back to the 1960s, it was first used on Danish yellow cheese for Italy. Later, the brand was also used in other markets, including the US and Canada, where it has been in use ever since.

DOFINO® IS SOLD HERE
US, Canada, Germany and Spain. During 2007, the brand will also be launched in Sweden, Denmark, Russia, Poland and Greece and, possibly, the Czech Republic.

PRODUCTION
Arla Foods produces 185,000 tons yellow cheese (excluding shredded cheese) of which 176,000 tons in Denmark and Sweden and the rest in the US and Poland. In Denmark, yellow cheese is produced at the following dairies: HJØRRING, AARS, NR. VIUM, TAULOV, KLOVBORG, TISTRUP and BRANDERUP.

In Sweden, yellow cheese is produced at KVIVILLE, KALMAR, GÖTENE and FALKENBERG. Arla Dofino comprises an extensive havarti range, but the intention is to add more varieties to the brand – all at the mild end of the taste scale – across international borders.

Many of the company’s current brands will be replaced by the Dofino name, but those brands that already enjoy a strong position such as RIBERHUS® in Denmark and KVIVILLE® in Sweden will continue under their current name.

Excellent year for Dofino® in the US
2006 saw strong focus on Dofino® in the US where the brand enjoyed an excellent year, with growth of approx. 25 per cent in the retail segment.

Overall, 2006 was a landmark year for Arla Foods in North America. The acquisition of the White Clover Dairy in Wisconsin significantly strengthened the company’s position in the yellow cheese category. A broader range and stable local production also contributed to strong growth for locally produced havarti under the Dofino® brand as well as for the two brands – WHITE CLOVER DAIRY and HOLLAND FARM – which were part of the acquisition. These belong under the category »yellow cheese sold from the delicatessen counter« and will, in 2007, be launched under the Dofino® brand. Consequently, Dofino® will be one of the leading brands in the category.

The objective: to become the leading supplier of speciality cheese in North America
In Canada and the US, Arla Foods has a strong position within blue mould and yellow cheese and the vision is to become a leading supplier of speciality cheese in the market.

Consequently, local production is essential as import quotas limit growth through imports.
When, in 2006, Arla Foods acquired the Danish family-owned dairy company, Tholstrup Cheese, the objective was to gain a firmer foothold in the international market. The company was interesting to Arla Foods not only for its mould cheese but also for the strong, international brand, Castello®.

The Tholstrup acquisition dovetailed seamlessly with Arla Foods’ international strategy to be the market leader in speciality cheese with focus on strong brands.

Australia on Arla Foods’ world map
The purchase also involved exports to one of Arla Foods’ smaller markets – Australia. Until then, Arla Foods had sold blue mould cheese under the Rosenborg® brand and small, but growing volumes of Lurpak to Australia. Following the Tholstrup acquisition, Australia now plays a more important role for Arla Foods in that Australian consumers’ liking for Castello® cheese has boosted sales. In 2006, a total of 700 tons of mould cheese was sold to Australia with Blue Castello® accounting for more than a third of the Australian market for blue mould cheese. What makes the exports of Castello® to Australia special is that the cheese is frozen in Denmark and shipped frozen to Australia.

Castello® dates back to the 1960s
Behind the family-owned Tholstrup Cheese lies three generations of dedicated cheese production, development and sales. Until the mid-90s, only the blue mould cheese, Blue Castello® carried the Castello® name. Later, the brand was extended to include other types of cheese, such as Rødkit cheese and White mould cheese Saga®. Blue Castello® has secured Tholstrup Cheese access to markets across the world. Of Tholstrup’s turnover of DKK 830 million in 2006, 85 per cent was outside Denmark.

Castello® as the driver
With the acquisition of Tholstrup Cheese, Arla Foods now has the potential to expand its blue mould cheese range and create a strong strategy for speciality cheese with Castello® as the driver.

The Tholstrup purchase also included a dairy in Michigan in the US which produces cheese for the US market.

Blue mould occupies a special place in the Danish dairy industry especially because of danablu cheese, which dates back to 1927. The cheese is unique in that it is made from homogenised milk. In 1952, the mould cheese acquired the danablu name and later became one of two Danish cheeses entitled to the EU’s Protected Designation of Origin.

In Denmark, Arla Foods has centred its production of blue mould cheese at Høgelund Dairy, which, a couple of years ago, was subject to a major expansion programme and production upgrading.

In addition, Arla Foods produces mould cheese at Troldhede Dairy (white and blue/white mould) in Denmark and Kvibille Dairy (blue mould) in Sweden. As the first in Canadian history to do so, Arla Foods began producing blue mould cheese at the Group’s dairy in Canada at the end of 2006. Arla Foods produced a total of 15,000 tons mould cheese in 2006. Tholstrup Cheese produced 2,700 tons from September 15 to December 31, 2006.
EVERY DAY, TENS OF THOUSANDS OF PEOPLE in Australia, Singapore, Saudi Arabia, South Africa, UK, USA and Brazil spread Lurpak® on their bread – just to name a few of the countries where Lurpak is available. And while they’re enjoying their morning toast, thousands of airline passengers who criss-cross the skies are served a pack of Lurpak® with their food.

An international 50th anniversary
The Lurpak® name made its debut precisely 50 years ago. Today, Lurpak®, the world’s largest and best distributed brand within butter and spreads, has achieved worldwide distribution and recognition.

Exports to the UK
Despite Lurpak®’s international status, one market, the UK, plays a particularly important role in the butter’s history. THE UK is where the Lurpak story first started and, with over 70 per cent of total Lurpak® sales, remains the brand’s largest market by far.

Danish butter first arrived in the UK more than 130 years ago where, in 1879, butter from Denmark received the two top prizes for lactic butter at the World Exhibition in London. The honour, however, encouraged producers from other countries to pass off their butter as »Danish« butter. Consequently, the concept for a national butter mark was born, and in 1901, the Danish dairies’ joint butter brand, THE LUR MARK, was registered for the first time.

Until 1957, Lur marked butter was shipped to the UK in wooden casks. Then the introduction of butter packing machinery paved the way for retail packed butter – and a whole new product. A new product deserves a new name and the choice fell on Lurpak® – »Lur« marked butter in a »pack«.

The spreadable variety saved Lurpak as a brand
Until 1997, there was only one product by the name of Lurpak®. Over the years, the brand had spread internationally, but growing awareness of the need to reduce fat intake had led to declining sales – also in the UK market. With the introduction in January 1997 of the new spreadable product, Lurpak® Spreadable, UK sales’ immediately reversed. Together with the fat-reduced Lurpak® Lighter Spreadable, Lurpak® Spreadable resulted in strong growth in Lurpak® sales, which are now more than double the level of ten years ago. Today, Lurpak® Spreadable is the biggest brand within all yellow fats in the UK with Lurpak® Lighter Spreadable the fifth largest.
**Lurpak® also hit by the Middle East boycott in 2006**

Globally, sales of Lurpak® have risen by approx. 40 per cent since the launch of Lurpak® Spreadable and sales continue to rise in almost all markets. As well as in the UK and Denmark, Lurpak® has a very strong position in Greece and the Middle East.

2006, however, saw a slight fall in sales of Lurpak® owing to the boycott of Danish products in the Middle East. For several months, the product all but disappeared from stores and although the boycott was lifted in the spring of 2006, by the end of the year, Lurpak® had not fully recovered. Usually, Lurpak® has an average of 50 per cent of the Middle East market and all efforts are being made to regain this. Through a committed marketing effort, this goal should be reached in 2007.

**Other major events in the category**

In the summer of 2006, Arla Foods purchased Sweden’s strongest brand within spreadable products, BREGOTT®. Bregott® was launched in Sweden in 1969 under the slogan »The only spread that tastes like butter«. The brand was previously owned by several Swedish dairies and the industry organisation, Swedish Milk. The acquisition gives Arla Foods the opportunity to focus even more on the well-known brand. At the same time, Bregott® is a good platform from which to continue to develop the butter and spreads category in Arla Foods.

In April 2006, ARLA KÆRGÅRDEN® was launched in Germany supported by a huge advertising campaign. Spreadable products are a totally new concept for Germans who have been accustomed to butter and margarine. The launch has exceeded expectations – and by the end of 2006, more than 20 per cent of Germans had become acquainted with Arla Kærgården®. In 2007, Arla Foods is planning to further enhance awareness of the brand.

In the UK, Arla Foods is also responsible for butter and spreads under the ANCHOR® brand. In 2001, Arla Foods and New Zealand’s Fonterra, the owner of the Anchor® brand, signed an agreement under which Arla Foods packs, sells, distributes and markets a range of Fonterra’s retail products, including Anchor®. Since the agreement, the brand has advanced in the UK market, with the spreadable product ANCHOR® LIGHTER recently being launched in the UK.
MILK POWDER

Exported to 35 countries, including the Dominican Republic, Panama, Bangladesh, Yemen and China. Produced at the powder factories: VIMMERBY (Sweden), AKAFA and ARINCO (Denmark).

DANO® IN THE MIDDLE EAST

Arla Foods’ second largest brand within retail packed milk powder is Dano®, which is mainly sold in Middle Eastern markets.

CORE BUSINESS

Milk powder in consumer packs is a strategic core business for Arla Foods and the aim is to double volumes in 2010.

A brand with a long history

Milex® is Arla Foods’ global brand for retail packed milk powder. A long-standing Danish brand, the then MD Foods gained a share in it when in 1989, the company acquired a majority stake influence in the export company Milco.

Milex® has a particularly long history in Central America and the Caribbean where, in 2005, the brand celebrated its 50th anniversary in the Dominican Republic. Many mothers who give their children milk powder drank Milex® themselves when they were children. In 2006, the brand grew by 13 per cent in this market.

Milex® launched in China

Although the Dominican Republic continues to be Milex®’s largest market by far, in December 2006, the brand was launched under considerable media attention in China.

Arla Foods partners China’s largest dairy company, CHINA MENGNIU DAIRY COMPANY, with regard to local production of milk powder and the import and distribution of Scandinavian produced milk powder for the Chinese market with its 1.3 billion potential consumers.

In August 2006, the new, locally produced brand, Mengniu Arla, was launched in China. Later in the year, it was decided that the joint venture company, Mengniu Arla, would invest approx. DKK 225 million in further production capacity. The new factory will have a capacity of 30,000 tons and will become China’s largest and most advanced milk powder factory.

Milk powder for various target groups

Milex® is exported to 11 countries across the world and in 2006, the brand performed particularly well. Milex® is produced in several varieties which are adapted to the requirements of a number of target groups. Although the main target group is children, a fat-reduced variety appeals to adults over the age of 25.

New packing facility in Bangladesh

In addition to the launch in China, Milex® was successfully relaunched in Panama and a new packing facility was opened in Bangladesh. In 2007, Milex® will be launched in Vietnam.
ICE-CREAM, YOGHURT, CAKES, DIETARY PRODUCTS, SALAMI AND CREAM LIQUEUR are just some of the many different products with one thing in common: many of them contain milk protein from Arla Foods. While added value milk proteins from Arla Foods Ingredients are largely unknown by consumers, they are widely used by the international food industry.

Milk minerals for brittle bones
This applies to the powder product, Capolac®, which comprises a range of milk minerals. Capolac® is, for instance, used in fruit juice and chocolate to enhance the natural calcium content.

There is currently considerable focus on issues concerning calcium intake among the population in Asia. In many western countries, too, not least in Denmark and Sweden, problems relating to calcium deficiency, which can lead to osteoporosis, have recently been highlighted. The largest markets for Capolac® are Asia and Europe.

Lactose by-product
It was the German company, Kali-Chemie, that, in connection with its production of the milk sugar lactose, originally discovered the potential for extracting a by-product with a high content of milk calcium. In 1978, Kali-Chemie, in partnership with Mejeriselskabet Danmark (the forerunner of the Danish part of Arla Foods) established Danmark Protein A/S, which acquired the Capolac® brand. When, in 1994, MD Foods acquired all assets in the joint company, the Capolac® brand was included.

Egg substitute, stabilisers and dietary supplements
Capolac® products are, however, only one example of the numerous natural minerals and proteins contained in milk.

Using advanced technology, Arla Foods Ingredients extracts a wide range of highly specialised milk proteins and minerals from whey which, well into the 1970s, was regarded as a valueless waste product from cheese production. Milk proteins can, for instance, replace egg whites in the baking industry, be used in dietary supplements for under-nourished patients or act as stabilisers in fermented products – to name just a few uses.

Research and development within the area have high priority and development often takes place in partnership with individual customers.

Market leader in milk proteins
Arla Foods Ingredients, the world’s largest producer of added value milk proteins, saw strong growth in this area in 2006. The current challenge is to secure sufficient access to the raw material, whey, which is a pre-condition for continued growth.
Home Markets

**United Kingdom**
1. Claymore dairy
2. Lockerbie dairy
3. Appleby terminal
4. Northallerton dairy
5. Settle dairy
6. Manchester dairy
7. Stourton dairy
8. Leeds UK head office
9. Holme upon Spalding Moor terminal
10. Ashby de la Zouch dairy
11. Frame terminal
12. Oakthorpe dairy
13. Hatfield Peverel dairy
14. Sheffield Park terminal

**Denmark**
15. Hjørring dairy
16. Akafa, powder plant
17. Bislev dairy
18. Aars dairy
19. Hobra dairy center
20. Hoco, powder plant
21. Holstebro Cream Cheese
22. Holstebro dairy
23. Rødkærsbro dairy
24. Vrinners Cream Cheese
25. Brabrand dairy
26. Viba, Head Office
27. Arinco, powder plant
28. Nr. Vium dairy
29. Danmark Protein, powder plant
30. Trolhedeh dairy
31. Klovborg dairy
32. Tistrup dairy
33. Varde Butter dairy
34. Esbjerg dairy
35. Taulov dairy
36. Vejle Export terminal
37. Christiansfeld dairy centre
38. Hagelund dairy
39. Branderup dairy
40. Bov dairy
41. Birkum Cheese
42. Slagelse dairy centre
43. Ishøj Fresh Products terminal
44. Copenhagen, office
45. Skovlund, pasta
46. Gjesing dairy
47. Korsvej dairy,
cheese and pasta
48. Lillebælt dairy

**Sweden**
45. Halmstad terminal
46. Kvibille dairy
47. Falkenberg dairy
48. Karlskrona terminal
49. Kalmar dairy
50. Visby dairy and powder plant
51. Vimmerby, powder plant
52. Jonköping dairy
53. Göteborg dairy
54. Göteborg, member service
55. Alingsås dairy
56. Göte, butter and spreads,
cheese and powder plant
57. Skövde dairy
58. Linköping dairy
59. Örebro dairy
60. Eskilstuna terminal
61. Södertälje terminal
62. Ärsta terminal
63. Stockholm, Sweden office
64. Stockholm dairy
65. Västerås terminal
66. Uppsala terminal

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1) incl. terminal