

HALF YEAR REPORT

1 JANUARY
TO 30 JUNE
2011



CEO PEDER TUBORGH

ARLA FOODS IN THE FIRST HALF OF 2011

Arla's revenue increased in the first half of 2011 as a consequence of strong organic growth in the international markets, especially the Middle East and North Africa, Russia and the USA. In addition, Arla's merger with Hansa-Milch was an important breakthrough in the strategically important German market. During the period Arla has significantly improved the Arla earnings, primarily due to the rising prices on the global market. This made it possible to raise the milk prices to the owners quite considerably.



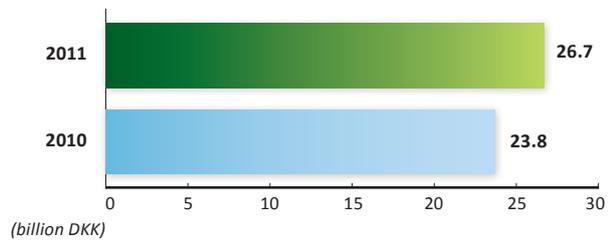
"The merger with the German dairy Hansa-Milch is an important breakthrough in a high-priority market."

PEDER TUBORGH, CEO

REVENUE

● Arla Foods' revenue rose by 12 per cent to DKK 26.7 billion (first half 2010: DKK 23.8 billion) driven primarily by price increases in most markets and product categories, based on the increases in world market prices for milk. Hansa-Milch is recognised as from 1 April and contributes approximately DKK 700 million. Revenue in the Middle East and North Africa (MENA) increased by 18 per cent, while Arla Foods Ingredients continues to present positive results, in line with Arla's Group strategy. Higher competition within cheese put the Nordic markets under pressure.

REVENUE FIRST HALF 2010 – FIRST HALF 2011

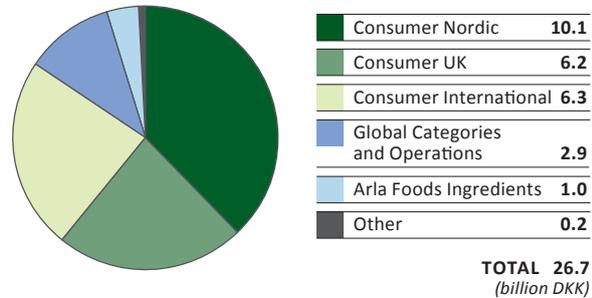


PROFIT

● The operating profit is DKK 608 million (first half 2010: DKK 987 million). Profit for the period is DKK 497 million (first half 2010: DKK 697 million).

● The world market prices for milk rose during the first half of the year, and Arla's milk price to its cooperative members increased as a consequence, resulting in Arla paying a total of DKK 1,2 billion more to the owners for their milk than in the first half of 2010.

REVENUE FIRST HALF 2011 PER BUSINESS GROUP

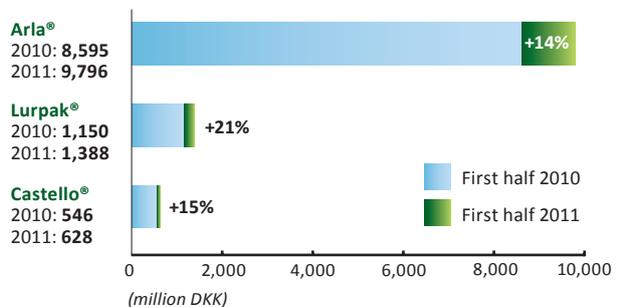


Arla earnings per kilo of milk are DKK 2,71, compared to DKK 2,37 in the first half of 2010, equivalent to an increase of 14 per cent. In the spring, Arla raised the price to the cooperative members on several occasions, and maintained the high price level over the summer. Combined with the revenue level, this led to Arla's result for the first half of 2011 being below the result for the same period of the previous year.

EXPECTATIONS FOR THE FULL YEAR

● For the full year 2011 the Board and Executive Management expect a significant increase in the Group's revenue and a net profit at the level of 2.5 per cent of revenue. These expectations are subject to substantial uncertainty however, due to the considerable global macroeconomic uncertainty and the recent trend for clearly falling international milk prices.

REVENUE BRANDS

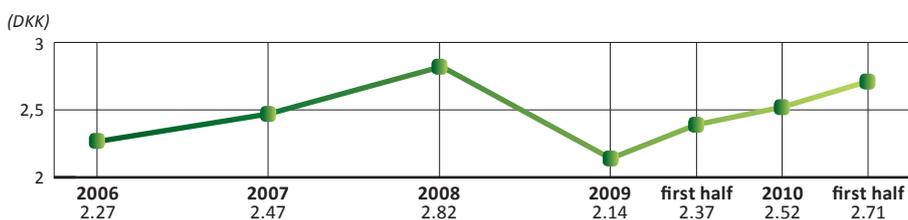


Revenue from products under Arla's three global brands expanded in the first half of the year.

FINANCIAL HIGHLIGHTS

ARLA GROUP, DKK MILLION	FIRST HALF 2011	FIRST HALF 2010	FULL YEAR 2010
Arla earnings			
DKK per kg of members' milk	2.71	2.37	2.52
SEK per kg of members' milk	3.69	3.27	3.49
EUR-cent per kg of members' milk	36.20	-	-
Key Figures			
Net revenue	26,663	23,754	49,030
Operating profit	608	987	1,684
Financial income and cost	-187	-164	-294
Profit	497	697	1,268
Total assets	32,492	30,603	30,097
Fixed assets	16,997	17,565	17,004
Investment in property, plant and equipment	833	719	1,613
Current assets	15,495	13,038	13,093
Equity	9,315	8,937	8,580
Long-term liabilities and provisions	10,699	9,939	9,341
Short-term liabilities	12,342	11,595	12,060
Cash flow from operating activities	28	391	2,552
Cash flow to investing activities	-913	-789	-1,626
Cash flow from financing activities	2,190	-1,136	-2,392
Free cash flow	-885	-398	926
Financial ratios			
Gearing	3.5	3.0	2.7
Interest cover	8.4	12.2	10.0
Solvency ratio	29%	29%	29%
Net interest-bearing debt including pensions	11,779	11,472	10,131

ARLA EARNINGS



Arla earnings are calculated as an average over the period. Full year covers twelve months, half year covers six months.
Arla earnings first half 2011:
 DKK 2.71, SEK 3.69 and EUR-cent 36.20.

ARLA EARNINGS – AN IMPORTANT FINANCIAL RATIO

- Arla Foods is a cooperative owned by Swedish, Danish and German farmers. The company was formed to ensure the processing, marketing and sale of the cooperative members' milk. Arla pays the cooperative members for the milk they deliver.
- Arla's goal is an annual profit of 2.5 per cent of revenue. Part of the profit for the year is consolidated in the

company, while the rest is paid out to the cooperative members. This is the additional payment for the milk delivered in the course of the year.

- The ongoing settlement to the cooperative members, supplementary payment and consolidation are together called the Arla earnings. This financial ratio expresses the value created for the cooperative members within Arla.

7,598

Swedish, Danish and German milk producers own Arla.

SIGNIFICANT EVENTS

Mergers

- On 2 March 2011 Arla Foods and the German dairy Hansa-Milch adopted a merger backdated to 1 January 2011. On 1 April 2011, the merger was approved by the European Competition Authorities. Hansa-Milch is recognised in Arla Foods' consolidated accounts as from 1 April 2011.
- At the end of May, Arla and the Swedish cooperative dairy Milko published their merger plans. The merger will be considered by Arla's Board of Representatives in October 2011, just as the merger must also be approved by the Swedish Competition Authorities.

Acquisitions

- In the first half of 2011 Arla Foods acquired the Swedish dairy company Boxholm Mejeri AB, which produces yellow speciality cheeses, and the Danish dairy Faurholt & Thrane, which, among other things, produces smoked cheese.
- In the spring, Arla Foods concluded an agreement to acquire the dairy facility in Sundsvall, Sweden, from Milko as of 1 July.

Structure

- In April, Arla's Board of Directors adopted a structure plan to rationalise the production of yellow sliced cheeses. This is an investment more than DKK 600 million. The plan includes a preliminary decision to close the Falkenberg Dairy in Sweden in 2013. On the other hand, the dairies in Nr. Vium and Taulov in Denmark will be strengthened.

Environment

- In May Arla launched its Environmental Strategy 2020, and for the first time milk production is part of Arla's environmental strategy. Arla also has clear targets for transport, production, packaging and food waste. The website www.arla.com presents the results of Arla's environmental initiatives and ambition to be Closer to Nature™.

Brands

- In several core markets Arla has undertaken a widescale relaunch of Castello®. House of Castello® is now the name of Arla's global brand for premium cheeses.



2015

One of the objectives of Arla's Group strategy is to double revenue from the whey and ingredients activities before 2015.

Whey cooperation

- At the beginning of the year Arla Foods and DMK (Deutsches Milchkontor) formed the joint venture company ArNoCo GmbH & Co. KG, to produce whey proteins for customers in the global food industry. One of the objectives of Arla's Group strategy is to double revenue from the whey and ingredients activities before 2015.



1.5

In June 2011, we issued bonds to a value of SEK 1.5 billion.

Capital

- Arla has taken several initiatives to ensure strong capital reserves for its future growth. In June 2011, Arla issued bonds to a value of SEK 1.5 billion. This financing is a supplement to other sources of financing, such as the owners' consolidation, augmented by interest-bearing contributed capital.

Hansa-Milch

- Based in a modern dairy in Upahl in northern Germany, Hansa-Milch produces fresh milk products under the brand Hansano®, as well as under private label. On the merger, Hansa-Milch's milk producers became co-owners of Arla Foods. On an annual basis, they contribute approximately 500 million kilos of milk, with revenue of approximately DKK 2.0 billion.

CONSOLIDATED RESULTS

REVENUE

● **Revenue is DKK 26,663 million**, compared to DKK 23,754 million for the first half of 2010, representing an increase by 12 per cent. Revenue, excluding acquisitions and currency effects, has risen by 7 per cent.

COSTS

● **Costs have increased**, primarily as a result of the significant increases in the milk price to Arla's cooperative members.

FINANCIAL INCOME AND COST

● **Financial items** have increased to financial expenses of DKK 187 million, which is related to the value adjustment of financial assets.

PROFIT

● **The profit for the period** is DKK 497 million, compared to DKK 697 million in the first half of 2010.

NET INTEREST-BEARING DEBT

● **Net interest-bearing debt** has increased by DKK 307 million compared to the first half of 2010, to DKK 11,779 million as of 30 June 2011, which is primarily related to the increase in working capital. Of the net interest-bearing debt, 83 per cent is long-term debt.

The financial gearing of 3.5 is higher than in 2010. The main reason is the lower profit in the company in the first half of 2011.

EQUITY

● **Equity is DKK 9,315 million** as of 30 June 2011, compared to DKK 8,937 million as of 30 June 2010. The

solvency ratio is 29 per cent as of 30 June 2011, which is at the same level as 2010.

EXCHANGE RATES

● **The stronger Swedish krone** against the Danish krone has a positive impact on revenue, while the decline in the US dollar and pound sterling exchange rates affects revenue negatively in relation to the first half of 2010. The depreciation of the US dollar and pound sterling also have a negative impact on the profit for the period.

EVENTS OCCURRING AFTER THE END OF THE PERIOD

● **In July, Arla made a purchase offer** to the southern German dairy company Allgäuland-Käsereien. The offer must now be considered by Allgäuland's milk producers, and the acquisition must be approved by the European Competition Authorities.

On 15 July 2011, Milko of Sweden agreed to a merger with Arla Foods, and the merger is now awaiting approval from the Swedish Competition Authorities. Arla's Board of Representatives will make the final decision considering the merger proposal in October 2011.

EXPECTATIONS FOR THE FULL YEAR 2011

● **Arla expects** significantly higher revenue for the full year 2011 compared to 2010, and a net profit at the level of 2.5 per cent of revenue.

The expectations are subject to substantial uncertainty, however, due to the considerable global macroeconomic uncertainty and the recent international trend for falling milk prices.

It will therefore be necessary to reduce the milk price to the cooperative members in September 2011.

608

The operating profit is DKK 608 million.

BUSINESS GROUP

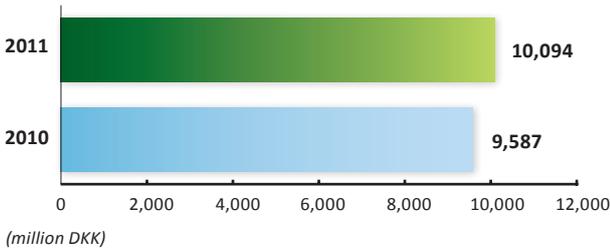
CONSUMER NORDIC

Consumer Nordic is responsible for the sale and marketing of fresh products, cheese and butter, as well as juice, in Sweden, Denmark, Finland and Norway, and for production and product development of Arla's fresh dairy products and juice in the Nordic region.



Hans-Åke Hammarström, Executive Vice President Consumer Nordic

REVENUE FIRST HALF



● Revenue rose by three per cent in the first half of 2011 against the first half of 2010. The increase in revenue is related to general price increases in the Nordic market. The milk market in Finland is still subject to rigorous competition, however, which also affects Arla's Finnish company Arla Ingman.

Overall, Consumer Nordic's sales volumes are two per cent below the first half of 2010. Denmark and Finland are at the level of the same period of the previous year. In Sweden there is generally significantly higher pressure on the retail market for dairy products, which Arla has also experienced, especially on cheese. Cheese sales have also declined in Denmark and Finland. On the other hand, sales of lactose-free products are rising, especially in Sweden.

INVESTMENTS

● Arla has acquired the dairy Boxholm Mejeri in Sweden, and the Danish dairy Faurholt & Thrane. Both dairies are known for production of speciality cheeses.

In the spring, Arla Foods concluded an agreement to acquire the dairy facility in Sundsvall, Sweden, from Milko as of 1 July.

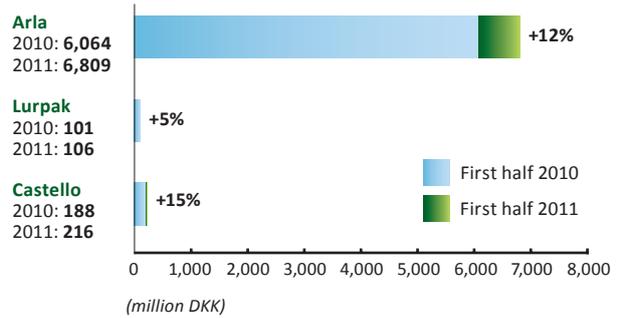
In Sweden, there are plans for a merger between Arla and Milko. Whether the merger will take place will be decided in autumn 2011.

STRUCTURE

● The capacity at Skövde Dairy in Sweden has increased by 30 per cent. This expansion has taken place in preparation for growth in the Swedish market, and in order to move the production of cottage cheese for the Finnish market from Finland to Sweden, hereby achieving significant production savings.

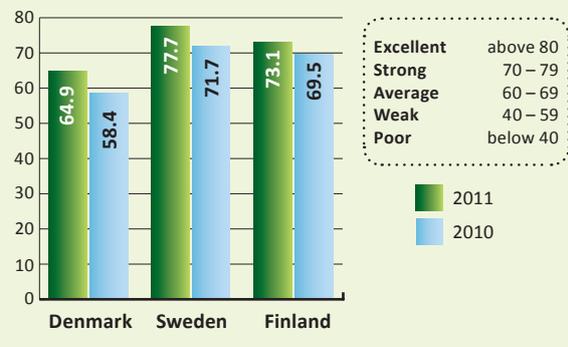
In Denmark, declining sales made it necessary for Arla to cease production at the dairy in Hirtshals.

REVENUE BRANDS

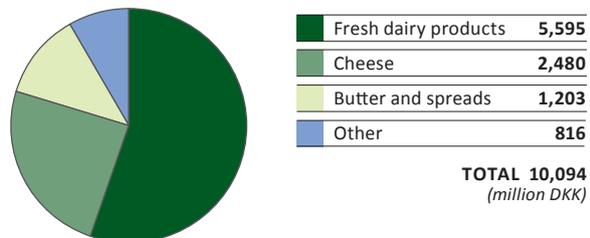


IMAGE

● A report from Reputation Institute in spring 2011 shows that Arla's image in the Nordic region has strengthened. The survey also shows that consumers acknowledge the relationship between Arla and the message Closer to Nature™, which is the foundation for Arla's products and mode of operation. Especially in Denmark, Arla's image has improved in the last five years.



REVENUE CATEGORIES



● Arla's revenue in the Nordic region is driven by fresh dairy products. In the first half of 2011 Arla was also affected by general pressure on sales of yellow cheese, especially in Sweden.

BUSINESS GROUP

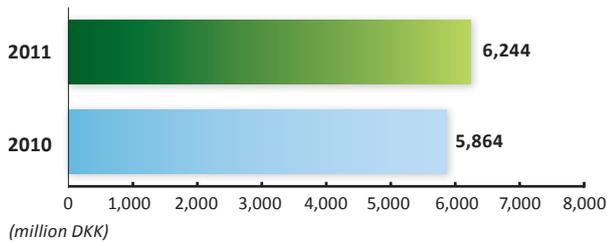
CONSUMER UK

Consumer UK cover's Arla's activities in the UK, where Arla produces its own fresh dairy products and butter, and also sells products from Arla's dairies in Denmark and Sweden.



Peter Lauritzen,
Executive Vice
President
Consumer UK

REVENUE FIRST HALF



● **Revenue rose by approximately six per cent** against the first half of 2010. The increase is related to general price rises, but also to higher sales of products under Arla's strongest brands Lurpak® (butter), Castello® (cheese), Anchor® (butter) and Cravendale® (milk).

CAPITAL

● **In the spring**, the milk producers in Arla Foods Milk Partnership (AFMP) decided to invest 0.5 pence per litre of milk supplied to Arla's UK company over the next 8–10 years. Investment will commence in January 2012. AFMP already currently owns 3.2 per cent of Arla Foods UK plc.

PRODUCT LAUNCHES

● **An innovative product** produced at Stourton dairy is cottage cheese. This production commenced following the technical assistance of experienced colleagues in Sweden. Arla has quickly achieved a market share of more than 50 per cent.

INVESTMENTS

● **Arla Foods** is part of the British joint venture Westbury Dairies, which produces skimmed milk powder and butter for the industrial market based on surplus milk. In the first half of 2011 Arla invested in the butter operation at the dairy which resulted in additional lines for the production of butter for the retail sector. The investment is wholly owned by Arla Foods. Production commenced in August 2011.

The latest expansion of Stourton dairy is complete, in addition to investments in increased UHT capacity at the Settle dairy.

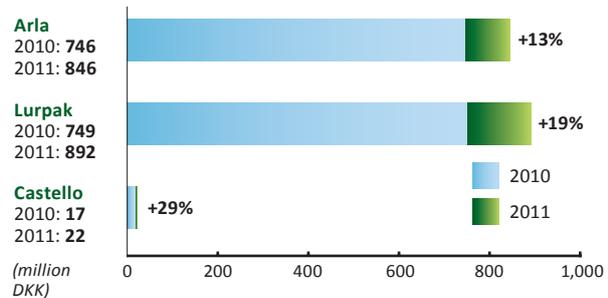
In May 2011 Arla submitted a formal planning application to the local planning authorities to build the world's largest fresh milk dairy, outside London. In keeping with Arla's Closer to Nature™ message, the goal is for the dairy to set new standards for areas such as zero waste to landfill.

CLOSER TO NATURE™

● **In the UK**, Arla's milk producers make a concerted effort to achieve environmental benefits on their own farms. In the spring, Arla held workshops for producers, which advised on how to reduce CO2 emissions on their own farms.

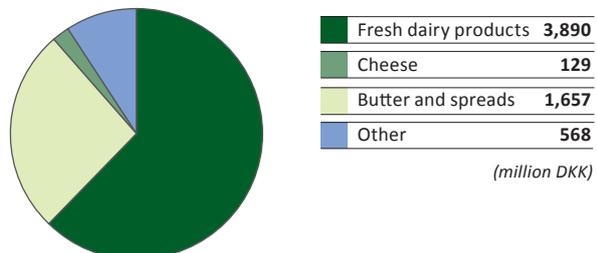
In order to spread the Closer to Nature™ message, Arla Foods UK has launched a major campaign that focuses on children. The Kids Closer to Nature programme was rolled out in the first half of 2011 and targeted children, as well as parents and teachers.

REVENUE BRANDS



● **Cravendale milk** is one of Arla Foods UK's success stories. The milk was launched in 1998 as a filtered milk product that, despite a shelf life of 28 days, retains the taste of fresh milk. In the first half of the year Cravendale has increased in volume terms, even though it is sold at a premium price.

REVENUE CATEGORIES



● **In the first half** of 2011 the UK showed sound growth, especially within fresh products, and butter and blended products also performed well.

BUSINESS GROUP

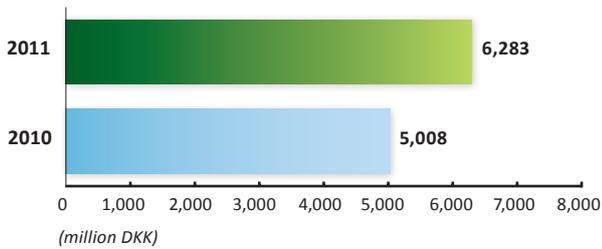
CONSUMER INTERNATIONAL

Consumer International undertakes Arla's sale and marketing of all consumer-related products on all international markets outside the Nordic region and the UK.



Tim Ørting Jørgensen,
Executive Vice President
Consumer International

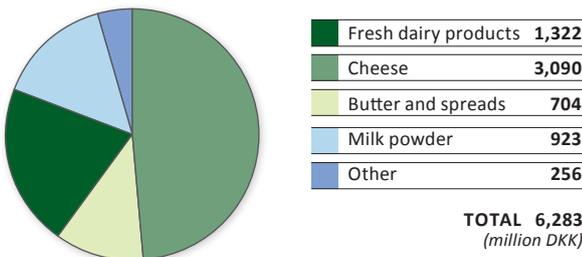
REVENUE FIRST HALF



● **Revenue rose by 26 per cent** in the first half of 2011 against the first half of 2010.

About half of the increase is due to the merger with the German dairy company Hansa-Milch, which is recognised in Arla's accounts from April 2011. Hansa-Milch mainly produces fresh milk products, and is therefore an important supplement to Arla's existing activities in Germany, which mainly comprise the sale of cheese (including Arla Buko®) and butter and spreads (primarily Arla Kærgården®), produced in Denmark. The German market is a key element of Arla's strategy. In July, Arla made an offer to purchase the southern German Allgäu dairy.

REVENUE CATEGORIES



● **Sales of yellow cheese** and cream cheese in particular rose in the first half of 2011 compared to the same period of the previous year. Lurpak® drives the growth within butter and spreads. For the fresh product range, the growth performers are markets in the Middle East and North Africa, as well as Germany and the Netherlands.



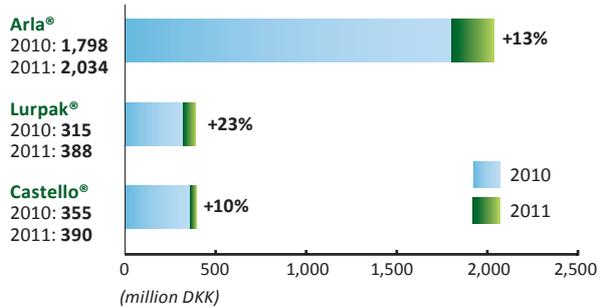
In the Middle East and North Africa, Puck® is one of the expanding Arla Foods brands.

MARKETS

● **Among Arla's growth markets**, Russia and the Middle East and North Africa (MENA) region present the strongest growth. In MENA, there is growth within all product categories, and the brands Dano® (milk powder) and Puck® (cream cheese/processed cheese) are expanding – in the case of the Puck® brand by 27 per cent.

In Russia, Arla is building its future platform, among other things, by investing in the sales organisation and marketing, and revenue growth of 36 per cent is a clear positive result.

REVENUE BRANDS



● **In the first half of 2011**, Consumer International provided organic growth of 11 per cent. The main factor behind this growth was increased revenue of Arla's branded products, which is fully in line with Arla's global strategy. Lurpak® revenue increased by 23 per cent, while Castello® achieved a revenue increase of 10 per cent compared to the first half of 2010. Revenue of Arla® brand products increased by 13 per cent.

PROGRESS FOR CONSUMER-PACKAGED MILK POWDER

● **Sales of consumer-packaged milk powder** performed well in the first half of the year. The markets in the Middle East, Africa and Bangladesh have driven this growth. In recent years Arla has focused on developing a range of products with a high nutritional value at a price that is affordable for consumers in the relevant area.

BUSINESS GROUP

GLOBAL CATEGORIES & OPERATIONS

Global Categories & Operations (GCO), among other things, holds responsibility for Arla's production of cheese and butter, and the two global brands Lurpak® and Castello®.



Jais Valeur, Executive vice president Global Categories & Operations

BRANDS

● In the first half of 2011 Castello® was re-launched with a new design, and with new TV commercials, under the House of Castello® name. The range of blue and cream cheeses has now been supplemented with two yellow cheeses produced in Sweden, and several speciality cheeses are being phased into the global brand.

For Lurpak®, global TV campaigns have been launched, and in the UK and Greece Arla has launched a new blended product with olive oil that gives the product a characteristic taste. The objective is to launch this product in several countries.



INNOVATION

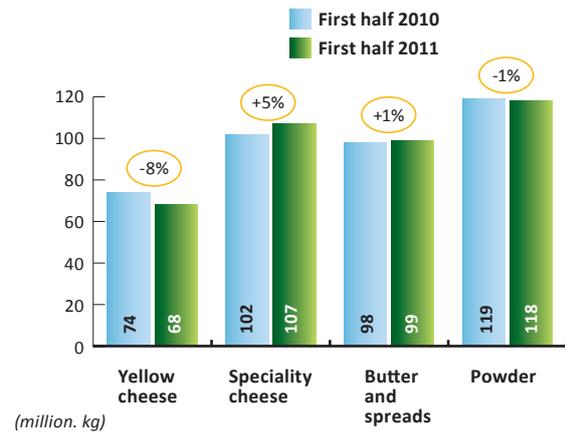
● Innovation is a focus area in Arla's Group strategy, and in the spring GCO re-structured the organisation to focus on innovation within butter and cheese. The objective is to create new growth through closer dialogue between Arla's researchers and our customers and consumers. There will also be stronger cooperation between Arla's product developers and marketing teams on developing new products.

At the beginning of the year Arla Foods established research cooperation with Denmark's two largest universities in Copenhagen and Aarhus respectively. Arla and the universities make researchers, technology and expertise available to each other in order to generate new knowledge within such areas as food safety, nutrition and health.

INVESTMENTS

● In April, Arla's Board of Directors decided to invest DKK 670 million in rationalisation of the production of yellow cheese, in order to bring production costs down to the level of competing dairies and thereby increase Arla's international competitiveness in this area. The decision has resulted in the expansion of the facilities in Nr. Vium and Taulov in Denmark, while the decision has been taken to close the Falkenberg Dairy in Sweden. Denmark's Klovborg and Hjørring dairies may also be closed.

PRODUCTION VOLUME, CATEGORIES



● The production of speciality cheeses (dessert cheese, blue cheese, mozzarella, white cheese, cream cheese and processed cheese) increased by 5 per cent against the first half of 2010, while yellow cheese saw a decline, primarily due to a decrease in private label cheese. In overall terms, the production of butter and blended products increased.

BUSINESS GROUP

ARLA FOODS INGREDIENTS

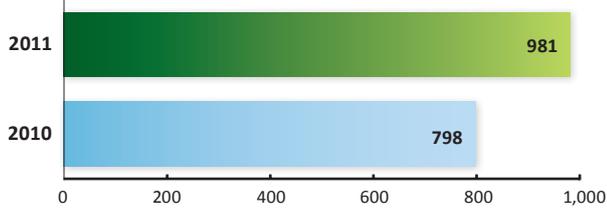
Arla Foods Ingredients (AFI) ensures efficient use of the whey that is a by-product of cheese production. AFI drives Arla's growth within the whey segment, and the company is one of the world's leading producers of highly refined whey proteins.

The ingredients produced, whey protein concentrates and permeate and lactose, are used in the nutrition, dairy, meat and ice cream industries, and for speciality foods.



Henrik Andersen,
CEO Arla Foods
Ingredients

REVENUE FIRST HALF



(million DKK)

● **AFI's revenue** increased by 23 per cent from the first half of 2010 to the first half of 2011. The increase in revenue is related primarily to the positive development in world market prices, and increased sales of highly processed products.

NEW COMPANY

● **As from 1 April 2011**, Arla's whey-related business has been hived off to the newly-established company, Arla Foods Ingredients Group P/S, in order to ensure the necessary growth and business focus. This is a significant element of Arla Foods' Group strategy. The new company is established with its own development department, production, application centres, marketing and sales, and joint venture collaboration.



Arla Foods is one of the world's leading producers of highly refined whey proteins for the food industry.

JOINT VENTURE WITH DMK

● **At the start of 2011**, AFI entered into a joint venture with Germany's largest dairy DMK to process whey. The joint venture ArNoCo GmbH & Co. KG entails investments totalling EUR 44 million in the expansion of two existing facilities to process more than 700,000 tonnes of whey. AFI is to market, sell and distribute the finished products to the global food industry.

AFI currently participates in collaboration and joint ventures to process whey into functional and nutritional milk proteins in Argentina, Germany, France, Norway and Sweden.

INVESTMENTS

● **Due to strongly expanding demand** for the highly-processed ingredients LACPRODAN ALPHA-10, Alpha-lactalbumin and LACPRODAN CGMP-20 caseinoglycomacropeptide, in recent years relatively high amounts have been invested in an expansion of the production facilities at Danmark Protein in Nr. Vium. These investments have continued in 2011 and over the next 3-4 years considerable sums are expected to be invested in this area.

LACPRODAN® ALPHA-10 Alpha-lactalbumin is primarily used in infant formula products, ensuring that the protein profile is as close as possible to the protein in breastmilk.

LACPRODAN® CGMP-20 CGMP is primarily used in the diet of people with Phenylketonuri (PKU). PKU entails hypersensitivity to a specific amino acid that is not present in the CGMP product.

OWNERSHIP

SETTLEMENT WITH THE COOPERATIVE MEMBERS

● **The average price paid on account** has risen from DKK 215,1/kg to DKK 255,8/kg. In the first half of the year DKK 1.2 billion more was paid out to the cooperative members than in the first half of 2010; equivalent to growth of 19 per cent in the milk settlement price. Therefore Arla's cooperative members' earnings increased significantly in the first part of 2011.

ARLA EARNINGS IN THE PERIOD

● **Arla earnings increased substantially.** In the first half of 2011 Arla earnings were DKK 2.71/kg, compared to DKK 2.37/kg in the first half of 2010, and DKK 2.52/kg for the full year 2010.

OWNER FINANCING

● **In March**, Arla's Board of Representatives adopted amendments to the Articles of Association in order to give Arla a new interest-bearing owner instrument called 'contributed capital'. According to Arla's consolidation policy, each year Arla's cooperative members consolidate 4.5 per cent of the Arla earnings, of which one third as contributed capital. Arla pays interest on the contributed

capital. When membership of Arla Foods ceases, the contributed capital is paid out to the cooperative member over a period of three years, if the Board of Representatives approves

The new owner instrument is part of the increased owner consolidation of Arla Foods adopted by the Board of Representatives in autumn 2010.



Arla train drivers in ecofriendly driving practices. It is part of Arla's Environmental Strategy to reduce fuel consumption for transport purposes, and to use sustainable biofuels. So far, this has yielded savings of 800,000 litres of diesel per year.

NEW BOARD MEMBERS

● **In May**, Åke Hantoft from Sweden became the new Chairman of the Board of Directors of Arla Foods, while Jan Toft Nørgaard from Denmark became the new Vice Chairman.



ÅKE HANTOFT



JAN TOFT NØRGAARD

GERMAN OWNERS

● **As a consequence of the merger with the German dairy Hansa-Milch**, as from April Arla's Board of Directors includes one German member, Uwe Krause, and the Board of Representatives includes five German members.



UWE KRAUSE

OWNER MILK INTAKE

HALF-YEAR	2011	2010
Owner milk Denmark	2,174	2,197
Owner milk Sweden	914	945
Owner milk Germany*	124	–
Total owner milk intake	3,212	3,142

*Arla only had an intake of milk in the second quarter. (million kg)

● **During the first half of the year**, the milk intake from the Danish and Swedish milk producers was 54 million kg lower than the first half of 2010. The decrease is related to a number of factors, including the general structural development in agriculture, which is reducing the number of milk producers, especially in Sweden. A number of Danish milk producers have also adjusted their livestock holdings in order to avoid exceeding their milk quotas.

2.71

In the first half of 2011 Arla earnings were DKK 2.71/kg.

INCOME STATEMENT

GROUP, DKK MILLION	HALF YEAR 2011	HALF YEAR 2010	FULL YEAR 2010
Revenue	26,663	23,754	49,030
Production costs	-21,903	-18,504	-39,154
Gross profit	4,760	5,250	9,876
Sales and distribution costs	-2,987	-3,140	-5,926
Administration and joint costs	-1,192	-1,129	-2,313
Other operating income	81	68	123
Other operating costs	-54	-62	-76
Operating profit	608	987	1,684
Results in associates	-8	6	23
Financial income	40	88	147
Financial costs	-227	-252	-441
Profit before tax	413	829	1,413
Tax	93	-125	-160
PROFIT FOR THE PERIOD	506	704	1,253
Minority interests	-9	-7	15
ARLA FOODS AMBA'S SHARE OF PROFIT FOR THE PERIOD	497	697	1,268

26.663
 mio. DKK is
 Arla's revenue
 in 1 half year
 2011.

BALANCE SHEET

GROUP, DKK MILLION	30 JUNE 2011	30 JUNE 2010	31 DEC 2010
ASSETS			
Fixed assets			
Intangible assets			
Licences and trademarks etc,	469	365	328
Goodwill	3,516	4,025	3,744
Product development	0	29	0
IT development	348	419	380
Total intangible assets	4,333	4,838	4,452
Property, plant and equipment			
Land and buildings	4,653	4,670	4,728
Plant and machinery	5,183	5,165	5,189
Fixtures and fittings, tools and equipment	600	270	649
Assets in course of construction	966	1,222	652
Total property, plant and equipment	11,402	11,327	11,218
Investments			
Investments in associates	575	622	634
Deferred tax assets	152	239	150
Other securities and investments, etc,	535	539	550
Total investments	1,262	1,400	1,334
Total fixed assets	16,997	17,565	17,004
Current assets			
Inventories			
Raw materials and consumables	1,338	1,725	1,281
Work in progress	609	342	530
Finished goods and goods for resale	2,990	2,243	2,574
Total inventories	4,937	4,310	4,385
Receivables			
Trade receivables	5,399	4,614	4,781
Amounts owed by associates	44	76	65
Other receivables	412	417	340
Prepayments	219	294	186
Total receivables	6,074	5,401	5,372
Securities	4,103	2,859	2,888
Cash at bank and in hand	381	468	448
Total current assets	15,495	13,038	13,093
ASSETS	32,492	30,603	30,097

DKK 3,975 million of securities and cash funds are elements of sale and repurchase agreements and therefore cannot be freely transacted by the company.

BALANCE SHEET

GROUP, DKK MILLION	30 JUNE 2011	30 JUNE 2010	31 DEC 2010
EQUITY, MINORITY INTERESTS AND LIABILITIES			
Equity			
Capital account	7,158	6,799	7,082
Delivery-based owner certificates	833	857	838
Contributed capital	342	0	231
Strategy fund	0	462	0
Reserve fund B	500	500	500
Value adjustments of hedging instruments	-15	-378	-71
Profit for the period	497	697	-
Total equity	9,315	8,937	8,580
Minority interests	166	132	116
Provisions			
Deferred tax	213	281	194
Pension commitments	1,408	1,703	1,584
Other provisions	211	220	204
Total provisions	1,832	2,204	1,982
Liabilities			
Long-term liabilities			
Subordinate bond loan	0	1,000	1,000
Issued bonds	1,214	0	0
Mortgage credit institutions	5,968	5,109	4,932
Credit institutions, etc	1,655	1,626	1,427
Total long-term liabilities	8,837	7,735	7,359
Short-term liabilities			
Short-term portion of long-term liabilities	160	21	104
Credit institutions, etc,	6,159	5,641	4,587
Supplementary payments	0	0	1,031
Trade payables	3,998	3,678	4,475
Amounts owed to associates	2	9	1
Tax	38	8	51
Other payables	1,839	2,073	1,630
Deferred income	146	165	181
Total short-term liabilities	12,342	11,595	12,060
Total liabilities	21,179	19,330	19,419
TOTAL EQUITY, MINORITY INTERESTS AND LIABILITIES	32,492	30,603	30,097

STATEMENT OF CHANGES IN EQUITY

GROUP, DKK MILLION	Balance at 1 jan 2011	Profit for the period	Exchange rate adjustments	Other adjustments	Additions and disposal	Balance at 30 jun 2011
Capital account	7,082	-	-138	0	214	7,158
Delivery-based owner certificates	838	-	-5	0	0	833
Contributed capital	231	-	8	0	103	342
Reserve fund B	500	-	0	0	0	500
Value adjustments of hedging instruments	-71	-	-	56	0	-15
Profit for the period	-	497	-	-	-	497
Total equity	8,580	497	-135	56	317	9,315

CASHFLOW STATEMENT

GROUP, DKK MILLION	HALF YEAR 2011	HALF YEAR 2010	FULL YEAR 2010
Cash flow from operating activities			
Profit for the period	497	697	1,268
Depreciation and impairment	989	952	2,059
Other operating items without cash impact	-86	41	-285
Share of results in associates	8	-6	-23
Change in deferred taxes	26	39	96
Change in inventories	-354	-696	-618
Change in receivables	-85	-420	-316
Change in provisions	-126	-176	-272
Change in trade payables and other payables etc,	-773	92	795
Tax paid	-68	-132	-152
Cash flow from operating activities	28	391	2,552
Cash flow to investing activities			
Investment in intangible fixed assets	-25	-25	-110
Investment in property, plant and equipment	-833	-719	-1,508
Sale of property, plant and equipment	66	0	3
Investments, etc.	5	-45	-11
Purchase of enterprises	-126	0	0
Cash flow to investing activities	-913	-789	-1,626
Cash flow from financing activities			
Supplementary payments regarding the previous financial year	-1,031	-660	-660
Paid out from equity regarding co-operative members who have terminated their contract	-54	0	-34
Change in non-current liabilities	1,572	-131	-102
Change in short-term liabilities	1,703	-345	-1,596
Cash flow from financing activities	2,190	-1,136	-2,392
Change in cash funds and securities	1,304	-1,534	-1,466
Cash funds and securities at opening value	2,508	3,889	3,889
Exchange rate adjustments of cash funds	-146	144	85
CASH FUNDS AT CLOSING VALUE	3,666	2,499	2,508

NOTES

1 Accounting policies

The half year report is presented in accordance with the same accounting policies as the annual report for 2010.

The definition of a parent/subsidiary relationship in the Danish Financial Statements Act has been amended. This means that a number of Arla's companies in the Middle East that were formerly classified as associated companies are now classified as subsidiaries and are therefore fully consolidated in the financial statements as from 1 January 2011.

The Group's pension commitments, which concern commitments to current and former employees, primarily in the UK and Sweden, are recognised at book value as of 30 June 2011. This is based on actuarial statements as of 31 December 2010, adjusted by contributions to the schemes, earnings in the first half of 2011, and exchange rate adjustments. No actuarial statement of the commitments as of 30 June 2011 has therefore been made.

As the Group applies the corridor method, any actuarial fluctuations in relation to the recognised commitment must only be stated in a note.

The half year report is not audited or reviewed by the company's auditors.

FINANCIAL RATIOS

Interest cover:

$\frac{\text{EBITDA (last 12 months)}}{\text{Net interest expenses (last 12 months)}}$

Gearing:

$\frac{\text{Net interest-bearing debt including pensions}}{\text{EBITDA (last 12 months)}}$

Solvency ratio:

$\frac{\text{Equity}}{\text{Total assets}}$

2 Net interest-bearing debt

DKK, MILLION

	30 JUNE 2011	30 JUNE 2010	31 DEC 2010
Other interest-bearing assets	-300	-301	-257
Short-term liabilities	6,319	5,662	4,691
Securities and cash funds	-4,485	-3,327	-3,336
Net short-term liabilities	1,534	2,034	1,098
Long-term liabilities	8,837	7,735	7,359
Net interest-bearing debt excluding pensions	10,371	9,769	8,457
Pensions	1,408	1,703	1,584
Net interest-bearing debt including pensions	11,779	11,472	10,041

DKK MILLION	TOTAL	2011 +2012	2013	2014	2015 -2016	2017 -2018	2019 -2020	>2021
Falling due in the period								
DKK	6,009	1	39	86	155	315	1,263	4,150
EUR	1,002	46	8	576	361	7	4	0
GBP	426	79	13	303	29	2	0	0
SEK	2,657	1,416	15	0	1,214	0	0	12
Other	277	-6	1	278	0	1	0	3
Total	10,371	1,536	76	1,243	1,759	325	1,267	4,165

NOTES

3 Liquidity reserves

DKK MILLION	30 JUNE 2011	30 JUNE 2010	31 DEC 2010
Cash funds	381	468	448
Securities (free cash flow)	9	11	123
Unutilised committed loan facilities	1,333	1,172	1,182
Unutilised other loan facilities	4,256	3,622	4,611
	5,979	5,273	6,364

4 Interest cover

DKK MILLION	30 JUNE 2011	30 JUNE 2010	31 DEC 2010
Profit before tax	413	829	1,413
Reversal of financial items	187	168	291
Reversal of depreciation/amortisation and impairment	989	952	2,039
EBITDA	1,589	1,949	3,743
INTEREST COVER	8,4	12,2	10,0

5 Exchange rates

EXCHANGE RATE DEVELOPMENT FOR SEK, GBP, EUR AND USD	EXCHANGE RATES AT THE BALANCE SHEET DATE			AVERAGE EXCHANGE RATES		
	30 june 2011	30 june 2010	31 dec 2010	Half year 2011	Half year 2010	Full year 2010
SEK	81,30	78,39	82,70	83,41	75,33	78,06
GBP	826,40	917,65	866,59	858,90	870,41	868,24
EUR	745,87	744,88	745,44	745,66	744,52	744,72
USD	516,07	609,77	561,33	531,68	564,39	562,28

The half year report is presented in Danish kroner. The income statement is translated at the average exchange rates for the reporting period. The balance sheet position is translated at the exchange rates as of the end of the reporting period.

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