



**Significant growth in First Half Year will be followed by downward global milk prices  
Arla showed strong performance in the first half of 2014 and delivered record earnings  
for its farmer owners. However, a significant negative development in the world market  
on price will force down the price paid to farmers for the remaining part of 2014.**

Arla Foods' revenue grew by 11 per cent to DKK 39.8 bn in the first half of 2014 (from 35.7 bn in first half year 2013) due to strong organic growth in growth and core markets and global price increases.

This meant that the farmer-owned dairy company delivered a record performance price of 3.30 DKK/kilo milk to farmers owners during the period compared to DKK 2.87 per kilo milk in first half 2013.

The trends in global raw milk price are pointing downwards fast and Arla has therefore lowered its expectations to the performance price for the full year that were in the range of DKK 3.25-3.35. However, expectations are that 2014 will be a better year than 2013 which already was a record year.

Frederik Lotz, CFO, Arla Foods said: "We are pleased to see that our strategy for creating more growth outside Europe is working and we have accelerated growth outside our European core markets. Our overall organic growth is satisfactory – we are however facing a difficult period and tough market challenges ahead".

### **Growth in and outside core markets**

During the first half year Arla secured significant sales increases in target growth markets. The Middle East and Africa grew by 17 per cent. Revenue was doubled in China and in Russia the market showed significant progress. However, Russia's import ban on foods from countries that imposed sanctions on it will be a challenge going forward.

Sales in Russia amount to approx. 1 per cent of Arla's total revenue.

### **Arla's brands show good performance**

Arla-owned brands such as Arla®, Lurpak® and Castello® have shown good growth. During the first half year of 2014 they grew in total of 7 per cent by revenue compared to same period last year.

Arla Foods' ingredients business plays an important part in its strategy of being the leading global player in milk proteins and sales of value added ingredients such as functional milk proteins grew by 8 per cent to DDK1.3 bn in first half year 2014 compared to same period last year. Arla Foods Ingredients' sales are expected to accelerate significantly in the coming year.

## Growing milk supply and full year expectations

Arla expects a full year revenue of 79 bn DKK, a net result of approx. DKK 2.3 bn and a performance price to its farmers above the 2013 level. This is below the previous year end expectations.

High milk prices have boosted a higher milk production and the world market supply has been at an all time high.

Arla Foods' CEO, Peder Tuborgh, said: "Arla has the right long-term strategy for meeting an increase in both raw milk supply and global demand for dairy products. Despite this, though, I believe that the market is looking at an 18 -24 month period of unpredictability and consequently prices are under severe strain.

Peder Tuborgh, continues:

"The increased milk volumes that we expected to see after the abolition of the milk quota system at the beginning of 2015, are already coming through, not just from Arla farmers but for those across the EU who are taking the opportunity to grow their business".

The extra milk is flowing into our production sites and putting us under positive pressure to deliver a long-term competitive milk price for growing volumes.

The current challenges must be seen in the perspective of a bigger and promising long-term outlook for dairy companies. The world's middle classes are growing, more consumers can afford dairy products, and they create a stable demand for healthy, nutritious and safe milk products".



## KEY FIGURES - HALF YEAR 2014

	2014	2013
Performance price (DKK)	3,30	2,87
Revenue (mia. DKK)	39,8	35,7
Half Year result (mio. DKK)	1.094	1.048
Organic Growth (%)	11,9	3,2
Weighed in cooperative owner's milk (mia. kg)	6,7	4,7