



PRESS RELEASE

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Interim financial statement: Strategy delivers increased earnings

Arla is posting significant growth in earnings, revenue and profit for the first half of 2013. The effect of last year's mergers and acquisitions are beginning to be realised and the company has also capitalised on the upturn in the global market for dairy products.

For the first six months of the year, Arla generated revenue of DKK 35.7 billion (compared to DKK 29.9 billion for same period in 2012). The 19 per cent increase is being driven by organic growth in Arla's core and growth markets in addition to the effect of last year's mergers and acquisitions, for example, in the UK and Germany.

The milk price paid to Arla's owners was increased three times during the first half of the year, and a further increase is due in September. Arla's Performance Price for the first half year increased to DKK 2.87 per kg of cooperative owner milk (against DKK 2.64 per kg for the equivalent period in 2012). Net profit of DKK 1.048 billion for the first half of 2013 is double that delivered for the first half of 2012 and is in line with the group's determined aim that its profit is equivalent to three per cent of its revenue.

"Arla has delivered a strong performance in a global market which, generally, has been characterised by higher prices due to milk production being unable to match the growth in demand. We have strictly adhered to our corporate strategy both inside and outside Europe, and in the first half of 2013 this has enabled us to increase the milk price paid to our owners three times, which has increased earnings for farmers," says Peder Tuborgh, CEO of Arla Foods.

Benefits from mergers

Last year, Arla undertook two major mergers, resulting in it now being the largest dairy company in the UK and the third largest in Germany. The benefits of the two mergers are now beginning to show, including increased production efficiencies and enhanced product portfolios, both of which further strengthen Arla's position in Europe.

"The process of integrating the companies with which we have merged is progressing faster than expected, and the positive results that we intended are now beginning to be realised. In less than a year, we have succeeded in increasing the profitability of the additional billions of kilograms of milk that we are now processing as a result of the mergers, and this is strengthening the combined earnings from our core business in Europe," says Arla's CFO Frederik Lotz.

Growth markets unfolding

Arla's strategic growth areas are contributing an increasing share of the group's growth. The strategic growth areas are as follows:

- the markets in the Middle East and Africa, Russia and China
- the group's global sales of highly processed milk powder products to third-party manufacturers in the global dairy industry (TPM)
- the Arla Foods Ingredients business selling dairy-based food ingredients globally

Within these strategic growth areas Arla has grown sales by more than 20 per cent in the first half of 2013 (compared to the same period in 2012) to DKK 3.9 billion. In total, these growth areas now account for 11 per cent of consolidated revenue.

"We are seeing our business developing in our growth areas. We have achieved organic growth of 25 per cent in Russia and more than 15 per cent in the Middle East and Africa. In China, the development of a promising business continues with sales of products under the Arla brand and we have doubled sales of value-added child nutrition products and milk powder to the global dairy industry, in particular to China," says Frederik Lotz.

Costs curtailed

While realising growth in revenue and earnings, Arla is continuing to closely monitor the group's total costs. The efficiency measures introduced last year remain in place in order to maintain the company's competitive edge.

"Efficiency improvements are being delivered on schedule resulting in savings of about DKK 500 million in capacity costs on an annual basis. Given the strong growth realised this year, it is particularly important to keep a firm eye on costs, and I am therefore pleased that Arla's relative cost level for 2013 will be lower than in 2012. This plays an important role in our efforts to pay a competitive milk price to our owners," says Frederik Lotz.

Outlook for the whole of 2013

Arla expects to realise revenue of DKK 73 billion for the 12 months of 2013 and a Performance Price of just under DKK 3.00 per kg of cooperative member milk. The profit for the year is expected to be the planned three per cent of revenue, which will amount to DKK 2.2 billion.

"The global market for dairy products is more volatile than ever. Demand is increasing steadily, while milk production varies from season to season, creating frequent and considerable fluctuations in milk prices. We are focused in our efforts to ensure that earnings for owners are among the best in the market, and also expect the Arla earnings for the full year to improve further to just under DKK 3.00 per kg milk," says Frederik Lotz.

In Arla's newly published interim financial statements, you can read more about developments in the group's global business as well as a status update on Arla's corporate strategy 2017.

Access the full Half Year Report 2013 at Arla's investor site: www.arla.com/investors

Financial highlights – first half 2013 (*figures for first half of 2012 in brackets*)

Arla earnings:	DKK 2.87	(DKK 2.64)
Revenue:	DKK 35.7 billion	(DKK 29.9 billion)
Net profit:	DKK 1.048 billion	(DKK 513 million)
Organic growth:	3.2 per cent	(2.8 per cent)
Milk supplied by owners:	4.7 billion kg	(3.6 billion kg)