annual report 2009

This is Arla Foods' annual report for 2009. Visit www.arla.com/annualreport for further information about Arla and the year that has past.

Closer to Nature™

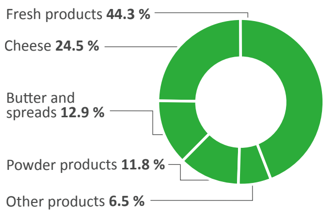
Financial highlights

Group

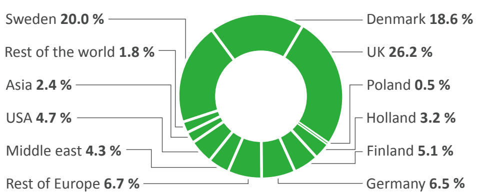
DKK million	2009	2008	2007	2006	01.10.2005[1)] 31.12.2005
Results					
Revenue	46,230	49,469	47,742	45,491	11,487
Of which outside DK/SE	28,374	29,766	29,339	27,393	6,955
% outside DK/SE	61%	60%	61%	60%	61%
Operating profit	1,412	1,149	1,520	1,161	113
Net financials	−232	−862	−562	−409	−124
Profit for the year	971	556	938	933	30
Supplementary payments	660	137	503	336	75
Consolidation:					
Reconsolidation according to Articles of Association	0	121	121	122	0
Transferred to capital account	123	0	0	0	0
Change in policy	–	0	0	91	−45
Delivery-based owner certificates	188	176	174	184	0
Strategy fund	0	122	140	200	–
Balance sheet					
Total assets	30,094	29,280	30,725	26,611	27,057
Fixed assets	16,782	15,205	17,473	15,762	15,682
Investment in property, plant and equipment	1,618	1,447	1,895	1,792	599
Current assets	13,312	14,075	13,252	10,849	11,124
Equity	8,281	7,797	8,145	7,971	7,411
Long-term liabilities and provisions	9,917	9,857	10,369	11,037	10,670
Short-term liabilities	11,768	11,482	12,064	7,541	8,834
Solvency (%)					
Equity	28%	27%	27%	30%	27%
Inflow of raw milk					
Total million kg milk weighed in by the Group	8,660	8,243	8,360	8,592	2,063
Members in Denmark	4,253	3,911	3,976	4,047	970
Members in Sweden	1,894	1,943	1,957	2,067	499
Other	2,513	2,389	2,427	2,478	594
Total members at 31 December					
In DK	3,838	3,906	4,170	4,591	4,987
In SE	3,787	4,090	4,352	4,817	5,288
Total	7,625	7,996	8,522	9,408	10,275
Arla earnings					
DKK per kg co-operative member milk	2.14	2.82	2.47	2.27	2.17
SEK per kg co-operative member milk	2.91	3.61	3.07	2.81	2.73
Employees					
Average number of full-time employees	16,231	16,233	16,559	17,933	19,356

1) From and including 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 period, therefore, only comprise three months.

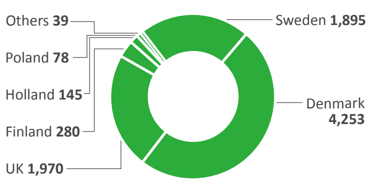
REVENUE per product category



REVENUE per market



INFLOW RAW MILK per country (million kg)



Annual report – in print and online

Arla Foods is one of the world's largest dairy companies. Our products are sold in more than 100 countries and we have 16,200 employees.

You can read more about the past year, our products and our work towards a sustainable future at www.arla.com.

This year we are publishing the general information (information that is not statutory) online only. There are nine chapters, covering topics such as our owners, Arla's strategy, employees and the environment at www.arla.com/annualreport.

MANAGEMENT'S REVIEW

STATEMENTS

THE CONSOLIDATED AND ANNUAL ACCOUNTS

OTHER INFORMATION

The following is a translation of a Danish original document. The original Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall be applicable.

This is Arla Foods

Farmer-owned cooperative

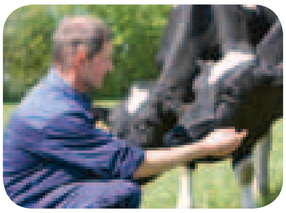
Arla is a cooperative that is owned by 3,838 Danish and 3,787 Swedish dairy farmers. Our milk suppliers in the UK are also part-owners of our UK business.

Milk quality

Our Arlagården quality programme includes extensive rules for milk quality, environmental consideration and animal welfare. If cows are treated well, everyone gains.

Organic farms

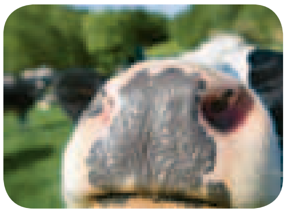
There are approximately 650 farms supplying us with organic milk (of which 326 in Sweden, 294 in Denmark and 24 in the UK). In Sweden, demand for organic products was greater than supply in 2009.

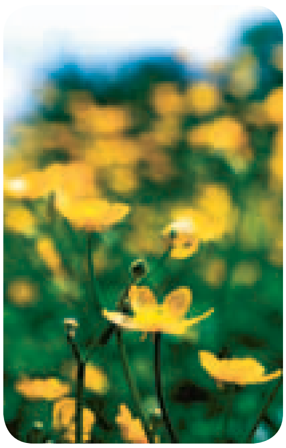


In 2009 Arla reported a turnover of DKK 46 billion and a profit of DKK 971 million.

Higher milk price towards the end of the year

The price we pay owners for their milk increased twice towards the end of the year. The reason for this was the positive development on the industrial market, which saw the prices for full-fat and skimmed milk powder, in particular, increasing over the final months of the year. 2009 was a tough year, during which we had to balance major internal savings with continued investments in key markets.





A greener Arla

We have set clear environmental and climate targets. Between 2005 and 2020, Arla's direct and indirect emissions of greenhouse gases will fall by 25 per cent in production, transport and packaging.

Our responsibility

Arla is part of the UN's Global Compact initiative and every year we report our progress in our work on sustainability issues. Arla's Code of Conduct and CSR report are published separately and are available on our website.

Largest in organic

We are proud to be the world's largest supplier of organic dairy products. Our range currently includes approximately 80 different products and we are promoting organic products among our customers and consumers.

Arla is owned by approximately 7,600 Swedish and Danish dairy farmers and has 16,200 employees worldwide.

Closer to Nature™

An increasing number of consumers want natural food. We think this is good because milk is one of most natural foods you can find. We work in many different ways to ensure that our products are as natural as possible.

Yoggi Yalla!®

In 2009 Arla launched the first dairy product to be carbon offset in Sweden. This is being carried out in partnership with the certification body Plan Vivo. In December, 350,000 trees had been planted in Mozambique as a result of this.

Global presence

Arla has production in 13 countries and sales offices in a further 20. Our core markets are Sweden, Denmark, Finland, the UK, Germany, the Netherlands and Poland.

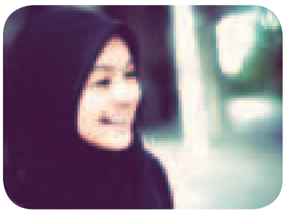
Arla has some of the world's best-known dairy brands: Arla®, Lurpak® and Castello®.

Milk price prioritised

Arla is continually affected by global supply and demand for raw milk. As a consequence of the recession we prioritised actions to deliver the highest possible milk price to our owners, instead of greater growth.

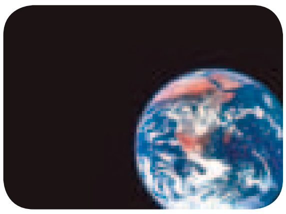
New dairy in the Netherlands

During the year we acquired a large Dutch dairy in Nijkerk, giving us access to a new market in northern Europe, where we are now one of the leading players in liquid milk.



Expansion in the UK

A project has begun that will see Arla build the world's largest and most technologically advanced dairy for liquid milk on the outskirts of London. It will also be the most efficient and environmentally-friendly dairy in the world.



7,600 farmers are strong together

THE CHAIRMAN'S REPORT

As Arla farmers we own one of the world's leading dairy companies. In 2009 we were not able to receive a sufficient price for our milk and this is something we need to address by continuing to develop.

Tough being a dairy farmer in 2009

We have to take a deep intake of breath before we look back at what life as an Arla farmer was like in 2009. Without doubt it was one of the toughest years ever for dairy farmers, with major financial challenges. The global recession led to a significant reduction in the milk price and unfortunately this crisis is going to continue for some time. As Arla operates in many different markets, we were able to adapt our activities to the conditions we experienced in 2009, but we need to strengthen the payment to our owners.

The most difficult task for the Board of Directors in 2009 was to explain that the company had to continue its expansive growth strategy, even during a year that was financially tough. Our ambition is for Arla to continue to be one of the leading dairy companies in the global market in the future and to do this we have to continue to invest. We want to develop, not disappear. A strong Arla, operating in several markets, will create the right conditions for Swedish and Danish milk production. In the global world in which we live, continued expansion is our solution to enable us to pay our dairy farmers a competitive price over a long period of time. We all agree that the price is too low at the moment; the only comforting thought is that we are all in this together.

Major savings for our activities

The global recession meant that at the beginning of 2009 we had to revise the budget that we had set out at the beginning of January 2009. We decided to implement the largest savings plan in our company's history to avoid unsustainable reductions in the milk price. Thanks to the support of our colleagues, we were able to save more than DKK 840 millions during 2009, equivalent to DKK 1 billion in a full year.

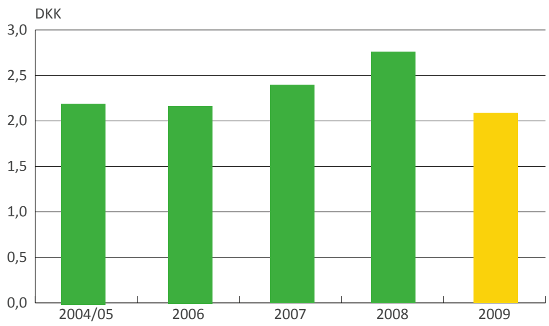
The weak position of the Swedish krona compared to the Danish kroner, resulting from instability on the financial markets, also led to us creating a new model for calculating the milk price in Swedish krona in order to compensate for the imbalance between the currencies. The new model takes currency changes into considerable more quickly.

Developments in communication

Following requests from our owners, the presentation of Arla's milk price composition was also revised and it now contains more detailed reporting, which will make it easier to compare our price with the prices of other dairies. Another prioritised area has been to strengthen communication with and between our members, which is why we set up the new website, the Owner Network.

Processing and inspiration. The right way to ensure growth and therefore the highest possible milk price is to process our members' milk and develop products that provide inspiration. Arla is prioritising three strategic brands: Lurpak®, for butter throughout the world, Castello® for speciality cheeses, and Arla® which covers the company and many other brands, including Arla Apetina® and Arla Ko®.

MILK PRICES



Milk price to the owners. The average price includes everything that Arla paid to the owners for their milk during the year, including supplementary payments.

Communication is very important in Arla, and I hope that I, along with the other members of the Board am able to meet as many members as possible in the coming year. Our democratic structure gives each member the opportunity to be represented and we have good two-way dialogue even though Arla is a large organisation.

Our goal is to have proud members

A key strength of our producer cooperative is the fact that all members have equal influence. However, last year was more turbulent than normal. One reason for this is probably the fact that we tried too hard to create a single culture in the company after the merger in 2000. We are now trying to correct this by highlighting the strengths of each country, and recognising that there are differences between Denmark and Sweden in terms of the company's history, product range and culture. In the future we want to highlight local features even further. I want all members to be proud of Arla. Arla farmers should not refer to the company as 'them' but as 'we' – Arla is a company that belongs to its members, and they form part of the company's image.

In Sweden, the number of members and the amount of milk being supplied to Arla is decreasing, while demand for milk-based products from consumers is increasing. This fall in numbers is unfortunate because we need to have as many dairy farmers with us as possible to continue to develop, particularly in Sweden. I hope that all Swedish farmers feel the same pride in their global Arla as they do in Swedish telecoms and lorry companies which have been so successful around the world.

Collaboration for profitability and growth

It is currently very difficult to predict what the milk price will be or how the market will develop over the next quarter or six months. My feeling is that 2010 will continue to be turbulent, as I am not convinced that the recession is over. However, I do feel optimistic about the long term.

Our collaboration with our UK and Finnish farmers developed well in 2009 and I can see many benefits in having better understanding among the milk farmers in markets that are important for Arla.

In the coming year the Board will discuss how Arla will be financed in the future to ensure that we can implement our growth strategy. Although this issue has been discussed in the past, it was sidelined during the global economic downturn. Of course it is difficult to talk about capital and major investments when we are all having a tough time on our farms, but I am very hopeful that we, the members of the Board, along with the Board of Representatives and our members, can find a solution to ensure that the company develops in a way that benefits us all.

Finally I would like to take this opportunity to thank all our members for their trust and openness during the year. If we continue to have an honest dialogue, I am sure that we, more than 7,600 farmers who own Arla, will be in the perfect position to ensure growth in our company and to receive a good price for our milk.

Ove Møberg, Chairman of the board

Solid position in a fast-moving market

THE CEO'S REPORT

Last year will be remembered as the year of the global recession and a very tough year for the whole dairy industry. However, I believe that we have come through these difficulties in a strong position. It is, nevertheless, disappointing that we were not able to offer our owners a higher milk price.

Lower milk price despite higher profit

Arla's earnings (payment to owners plus consolidation) amounted to DKK 2.14 in 2009, reflecting a very difficult year. The global market prices fell which led to pressure in our core markets. At the same time the exchange rates for the British pound, the US dollar and the Swedish krona fell against the Danish kroner. These factors plus declining demand in virtually all our markets led to Arla's turnover falling by DKK 3.2 billion compared to 2008.

Our response to this was to introduce a comprehensive savings programme totalling DKK 1 billion in April. By the end of 2009 the savings programme delivered more than DKK 840 million.

Although Arla's profit in 2009 was DKK 415 millions higher than the previous year, owners received a much lower price for the milk they delivered in 2009 than they did in the record year of 2008. In the fourth quarter Arla was able to increase the price to members by a total of DKK 0.20 per kilo of milk. This increase was possible due to the upturn on the global market and the effect of our ambitious savings programme.

Instability on the world market for raw milk

In recent years demand within the dairy industry for raw milk has become even more international and fast-moving. The price we are able to pay our owners for their milk is affected almost directly by prices on the global market. The market conditions in individual countries are also having a greater impact than in previous years.

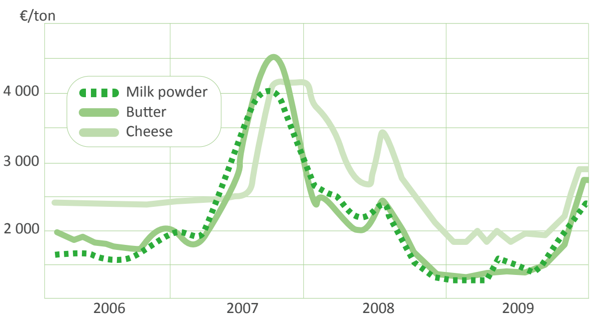
Since 2007, when there was a shortage of milk in the world, supply has been gradually increasing and in 2009 it was greater than demand. After the EU stopped its subsidies in 2008, we were immediately exposed to global fluctuations. Even the price that consumers pay in store is affected by global events. Dairy companies are also selling their products, mainly cheese, in several markets, which is putting added pressure on prices.

All dairy companies are now carefully following raw milk prices on the world market and market developments. Knowledge about the cost of producing dairy products around the world has also become more transparent. In addition, as we are competing for raw milk, security of supply is essential to enable us to continue developing Arla.

Our response must be to become better at interpreting market trends and acting on them. I think that we made the right tactical decisions in 2009, within an unstable market, while still maintaining focus on our long-term strategy.

New products and concepts. We are continually developing new, natural milk-based products and resource-efficient methods for production and packaging. We are prioritising the areas of health, taste and organic products.

COMMODITIES PRICE



Global markets. The price of commodities has become more volatile.

Strategy for continued growth

In the ambitious growth strategy, which we presented in 2008, we aim to significantly increase both sales and production of powdered whey protein. This strategy also

Transparent prices. Information about the cost of producing dairy products is now more transparent and dairy companies are following raw milk prices carefully. Competition for raw milk has also increased.

included the consolidation of our brands and developing our business activities in markets in which we are already strong. In 2009 we continued to work in line with our strategy, but due to the global recession and its effects, the dates for achieving some of our objectives were postponed. For example, the date for our turnover target of DKK 75 billion is now 2015.

Of the three cornerstones of our strategy – growth, development and streamlining – we placed particular focus on streamlining in 2009 to make sure that we were working as effectively as possible while still delivering profits. The structural changes we implemented affected a number of sites in 2009. For example, production at older sites transferred to more modern ones, while the production of certain products was consolidated among fewer sites.

In the coming year we will increase the pace of our growth and development, which is reflected in the investment budget that we have set for 2010. Our aim is to pay the highest possible milk price to our owners. Of course, we still need to monitor costs in order to be competitive, as the countries where we have most employees and suppliers incur greater costs than other markets.

Arla saves DKK 1 billion

There was a lot of pressure on Arla during 2009 due to the recession, prices falling on the global market, major fluctuations in the exchange rates and a rapidly increasing supply of raw milk. As we wanted to maintain our owners' milk price as long as possible, we initiated an extensive savings programme. Through a reduction in employees, decreasing our costs, finding more efficient working methods and postponing some activities, we succeeded in saving more than DKK 840 million during the year, compared to budget, and our goal is to save DKK 1 billion by April 2010. I am very impressed by how the organisation implemented this savings programme and delivered it in such a short period of time. This has been a contributing factor to us being able to achieve our budget.

Milk price – a disappointment

This year's main disappointment was the fact we were not able to deliver a higher milk price to our owners. Although we achieved better profitability throughout 2009 than the dairy companies we normally compare ourselves to, the payment to our owners was historically low. One reason for this is the imbalance in world markets for milk and the high price pressure in some of our markets.

Acquisition of a dairy in the Netherlands

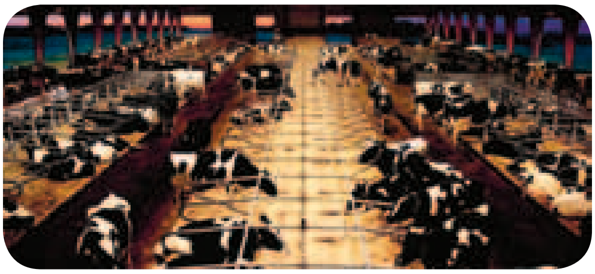
One very pleasing and important event that took place in 2009 was the acquisition of a large Dutch dairy in Nijkerk. This dairy produces a wide range of fresh dairy products for the Dutch market, which is now Arla's fifth largest core market. Approximately 300 employees are employed by the dairy, which processes 265 million kg of milk every year.

Major investments in the UK

Despite a turbulent 2009, we chose to invest in the markets in which we see major, future growth opportunities. We prioritised investments that were able to create the largest possible growth, but which would also give long-term savings. In the UK, we began the extension of Stourton dairy, which will deliver major production efficiencies. We are investing a total of DKK 500 million in Stourton and are also increasing our capacity at other dairies in the UK in order to maintain our position as one of the UK's leading dairy companies.

In November Arla became sole owner of the AFF P/S, which includes marketing products under the Anchor® brand in the UK.

Popular products. We have expanded our Danish Arla Kærgården® range with the additional of the natural, liquid cooking fat Steg og Bag. The popularity of Swedish Arla Bregott® is increasing due to the demand for full fat dairy products. Arla Buko® cream cheese is successful in countries such as Germany and is available in many different varieties. Arla also offers milk to people who are sensitive to lactose, such as Arla Lactofree® in the UK.



Historically low payment. The payment to members for their milk was historically low. This was due to the effects of the global recession, supply being greater than demand and weak exchange rates.

Another example is the new, billion litre dairy that is being planned for the outskirts London. This project has now started and we are currently finalising the land search. Detailed plans will be presented to Arla Foods amba board in mid-2010.

Investments were also made in Finland for new milk filling equipment and packaging facilities for cheese. In Denmark we invested in the Arinco milk powder plant in order to increase efficiency and reduce transport costs. We also gained 40 milk suppliers and a dairy business from dairy cooperative Hirtshals Andelsmejeriet in January 2009. In Argentina we invested in a new drying tower for whey protein.

Continued strong position on the dairy market

Part of Arla's strength lies in our wide range of products and our ability to sell our products in several different markets. We are a local employer and tailor our marketing activities to the countries in which we sell our products.

During the past year there has been an increase in competition among the retailers and the discount retail chains in particular have gained ground. However, we have succeeded in maintaining and, in some cases, increasing our positions for a number of our brands, which is an achievement given the difficult market situation.

The Danish and UK markets were strongly affected by the recession and in Denmark this put further pressure on prices in this market. Consumers are increasingly opting for both low-price and discounted products. However, we did gain several new contracts in the UK and won several awards including best own label and best branded dairy supplier.

In Sweden sales continued to grow despite the recession. A basic range of Arla products is now available throughout the country and we have national distribution arrangements with the main supermarket chains. Consumers tell us that they appreciate the wide range of products now available to them. Although brands such as Arla Ko® and Arla Bregott® performed well, Sweden still felt the pressure on prices.

In Sweden the Swedish Competition Authority began an investigation of Arla's market behaviour in order to establish whether Arla has acted in accordance with the conditions set out in the Swedish Competition Act. Arla is, of course, collaborating fully with this investigation, which is still at a relatively early stage. In our opinion we have followed the Competition Act.

Sales of our products are also increasing in Finland as well, including liquid milk. We gained several new customers and Arla fared better than the market as a whole.

Germany is one of the markets in which Arla performed the best during the year, with the Arla Buko® and Arla Kærgården® brands selling particularly well. In Poland we successfully launched Lurpak®. Sales and market share grew well in both these countries.

Russia is one of our growth markets and we are currently seeing strong, organic growth which we expect to continue in 2010. In the Middle East the market recovered well after declining in recent years. Volumes are up by 25 per cent due to the focus of the local business group. We were also able to regain market share in China, following the melamine issues in 2008

Investing in processing

Part of Arla's long-term strategy is to process as much raw milk as possible and to prioritise healthy, flavoursome products. We are and will continue to be the leader on the global market for powdered whey proteins and will reduce the proportion of milk processed into industrial products, such as milk powder and bulk butter. The best way of ensuring profitability in the long term and to enable us to withstand changes in the economic climate is to produce added value products. During the year our sites that produce milk powder and mozzarella operated at full capacity.

Increased recognition for Arla's products

During the year we continued our work to prioritise and consolidate the number of brands marketed under the Arla logo. This is a major strategic move that will affect our future marketing plans and new product development.

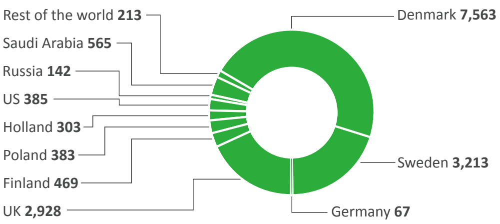
Employees show their support. Due to their efforts our employees are succeeding in adjusting the company to new ways of working despite fewer employees and resources. This demonstrates their competence and loyalty.

Arla® is used both to market the company and as a brand for all our products, except for Lurpak®, Castello®, low-price products and the supermarket chains' own brands. There are currently 75 brands under Arla and we will continue to consolidate these into fewer brands in 2010.

Lurpak®, our brand for butter and spreads, is already the number one butter and spreads brand in the UK and Greece and is distributed to most of Arla's markets. Castello® is our speciality cheese brand and more of Arla's speciality cheeses will be marketed under this brand in the future.

All our products and our new product development agenda are characterised by our promise to consumers – Closer to Nature™. We want to be the dairy company that best works in harmony with nature and retains natural principles throughout its supply chain.

EMPLOYEES PER COUNTRY



With people in many countries. Arla employed 16,231 all over the world in 2009.

Systematic environmental work

In 2009, the concept of 'climate impact' was written about more than ever before. This debate culminated in the UN's climate conference in Copenhagen in December, in which Arla took part by presenting a possible solution for the production of biogas.

Our work to reduce Arla's climate impact and energy consumption is an ongoing process. We are working towards a target that will see us reduce our direct and indirect emissions of greenhouse gases by 25 per cent in production, transport and packaging by 2020 from the level in 2005. In 2009 we took many important steps in this direction. An important area we are currently researching is how to minimise the environmental impact of dairy farms.

Focus on research

One way of increasing the value of our raw milk is to develop new products and concepts and ensure our production processes are as efficient as possible. This is why research and innovation are extremely important. We prioritise healthy products, products that offer taste inspiration and organic products.

In November we proudly opened the doors to our new application centre in Århus in Denmark, where customers are invited to test and develop our ingredients, for example whey proteins, for use in their own products.

Capital acquisition to enable us to grow

In addition to the challenges I have mentioned above, Arla's owners will also have to take a decision in the coming year on how the company will be financed. We need capital investment to secure our future and the work that our Board has already begun on capital acquisition is therefore extremely important.

Thank you to all our employees

Finally I would like to take this opportunity to thank all Arla employees for their commitment over the year, in particular for the work they carried out to enable us to save DKK 1 billion, and also the changes and reduced resources they had to adapt to in their everyday work. We also had a major reorganisation of our sales and marketing department, which is now dividing its focus between the global and local Arla more than previously.

It is both admirable and impressive that our employees have come to work every day and faced the challenges head on. This is an excellent demonstration of their skill and loyalty in a difficult time.

Peder Tuborgh, CEO

Statutory report on social responsibility

– ARLA'S WORK WITH CORPORATE SOCIAL RESPONSIBILITY (CSR)

Arla works to ensure that all its activities are carried out in a responsible and sustainable way. Although we have come a long way, there is more we can do. Our work on long-term sustainability is called "Our Responsibility".

Arla Foods' Code of Conduct

Policy for social responsibility

Arla's Code of Conduct for our work on ethical, social and environmental responsibility is set out in our publication *Our responsibility – Arla Foods' Code of Conduct*. This Code of Conduct supports us in our daily work when we need to take a position on certain issues, make decisions or face a dilemma.

Sustainability in practice

How Arla puts its policy for social responsibility into practice

Our objective is to accept extensive responsibility for sustainability within the framework of our core business. Sustainability is integral to all our activities and at all levels of our organisation. We have already made a lot of progress in some areas, for example in monitoring and limiting our environmental impact, improving purchasing procedures and carrying out action to improve the work environment. We also have very well-developed procedures for food safety and quality programmes that contain rules for work on the farms.

In addition to our core activities, we endeavour to involve ourselves in wider social issues that are relevant to our business activities. For example, we contribute to different research projects into food and health and take part in a number of projects that aim to encourage people to lead a healthy lifestyle.

In 2008, we started an aid project called Children for Life in the Dominican Republic with our local partners and the organisation SOS Children's Villages. It is a long-term project and its main objective is to help the children have a better future by providing food and supporting education. In 2009 the project expanded to Vietnam and we hope to start a similar project in Bangladesh in the near future.

Global Compact and Arla's CSR report

For two years, Arla has been linked to Global Compact, a United Nations initiative to promote ethical business practices. Our Code of Conduct complements the 10 basic principles of Global Compact. As a participant of Global Compact, we undertake to incorporate this initiative and its principles in our strategy and company culture – and to communicate this commitment to our employees, owners, suppliers, partners, customers and our surrounding world.

Our commitment to Global Compact also means that every year we have to report, in an open and honest way, on how we are adhering to our Code of Conduct. This report describes the progress we have made over the year and where we see opportunities for improvement. We have chosen to involve a lot of employees in our reporting work to make sure that our view on sustainability reflects all of the work carried out in Arla.

Since the beginning of 2009, we have been involved in the Global Compact's Nordic network that organises two conferences every year to discuss topical subjects and enables participants to exchange experiences.

In May 2009 we signed the Global Compact's Caring for Climate contract, which is a voluntary agreement for companies that want to actively contribute to action that improves our climate. Caring for Climate allows us to show our commitment to practical environmental improvements and our interest in increasing awareness of the climate issue in society.

Year's results in CSR and future plans

Achieved as a result of the company's work with social responsibility

During the year we involved more employees in the ideas behind our Code of Conduct and set out what this means for individuals. We will continue to do this in the coming years.

Here are examples of the major progress we made in this area in 2009: better risk analyses for food safety; a higher number of supplier inspections; new tools for dialogue with our owners in Denmark and Sweden; continued environmental and climate measures; as well as a reduction in the number of workplace accidents. We also presented a policy for our position on the use of palm oil as an ingredient and have procedures in place to distance ourselves from all kinds of bribes and improper payments. Responsibility for sustainability issues within top management was also developed and clarified.

In the coming year we will continue to work on our 11 Code of Conduct areas. We are, for example, going to continue our work to improve our work environment to reduce the number of accidents in the workplace. We will also work to gradually reduce our environmental impact and continue to improve our purchasing procedures and carry out more supplier inspections. We are also going to strengthen the dialogue we have with our owners to make sure we can further increase colloboration.

OUR RESPONSIBILITY

Arla Foods' Code of Conduct and the annual CSR report cover the following areas:

- Business principles
- Operational principles
- Food and health
- Environment and climate
- Agriculture
- Procurement
- Workplace
- Market conduct
- Community relations
- Human rights

GLOBAL COMPACT

The idea behind the UN's Global Compact initiative is to make companies aware of and actively responsibility for 10 internationally-recognised principles in four key areas:

- Human rights
- Labour law
- Environment
- Anti-corruption

These principles are based on the UN Declaration of Human Rights, ILO's fundamental conventions on human rights in working life, the Rio Declaration and the UN's Convention against Corruption. Global Compact was launched in conjunction with the World Economic Forum in Davos in 1999 when the UN Secretary General Kofi Annan urged the corporate world to adopt this initiative.

Read more about Our responsibility at www.arla.com

Financial review

General developments

To large extent, 2009 was characterised by the economic downturn which followed in the wake of the financial crisis of the autumn 2008. Earnings for the Arla Foods Group came under severe pressure as a consequence of lower prices for dairy products, low levels for the Group's primary export currencies and increased sourcing of raw milk without a corresponding rise in demand for added value dairy products.

Weighed in milk volumes amounted to 8,660 million kg for the year (8,243 million in 2008) of which co-operative members' milk accounts for DKK 6,147 million kg (5,854 million kg in 2008). The majority of non-co-operative member milk relates to the UK, Holland and Finland.

Company acquisitions

As at 1 January, 2009, Arla Foods acquired all operational activities from Hirtshals Andelsmejeri, and on 1 February, 2009, Arla Foods acquired the rest of Jo bolaget Fruktprodukter HB (now Rynkeby Foods HB) in Sweden.

On 4 May, 2009, Arla Foods acquired the dairy, Friesland Foods Fresh Nijkerk (now Arla Foods B.V.) in Holland from the newly merged FrieslandCampina. With effect from 1 April, 2009, Arla Foods acquired the remaining 60% share of the packaging company Danapak Flexibles A/S. On 19 November, 2009, Arla Foods acquired the New Zealand dairy group Fonterra's minority share of 25% in AFF P/S.

Group structure

The parent company, Arla Foods amba, has a branch in Sweden which is solely responsible for sourcing milk from Arla Foods amba's Swedish members. The milk is subsequently sold to Arla Foods AB. This construction ensures that Danish and Swedish co-operative members are paid under common guidelines. It also ensures influence in the election system – including election to the company's supreme body, the Board of Representatives, and the Board of Directors – in line with Arla Foods amba's Articles of Association. Arla Foods' dairy activities in Denmark, including fixed assets and employees, etc., primarily come under Arla Foods amba while all dairy activities in Sweden, apart from weigh-in from Swedish co-operative members, come under the subsidiary, Arla Foods AB.

Income statement

Profit for the year, supplementary payment and consolidation

Profit for the year came in at DKK 971 million against DKK 556 million in 2008. Arla Foods' earnings per kg milk weighed-in by co-operative members reached 214 Danish øre/291 Swedish öre against 282 Danish øre/361 Swedish öre in 2008.

Earnings were adversely affected by falling prices for dairy products throughout the financial year. In the last part of the year, global prices for bulk industrial products began to rise. In addition, the execution of the 2009 savings programme resulted in cost savings as well as the deferment or termination of planned investment projects.

The supplementary payment accounted for DKK 660 million as against DKK 137 million the previous year. Net consolidation is DKK 311 million. The consolidated amount is recognised in reserves in respect of delivery-based owner certificates at an amount of 3.1 Danish øre/4.1 Swedish ore (DKK 188 million) and 2.0 Danish øre/2.7 Swedish öre per kg milk weighed in by co-operative members (DKK 123 million) on the capital account.

Revenue

Revenue in 2009 totalled DKK 46,230 million against DKK 49,469 million in 2008 equating to a fall of 6.5%. Adjusted for the acquisition of companies through 2009 and the development in exchange rates (primarily SEK, GBP and USD), Group revenue fell by 4.1%.

Operating profit and EBITDA

Operating profit totalled DKK 1,412 million in 2009 against DKK 1,149 million in 2008. Operating profit was significantly affected by lower prices for dairy products, which are deemed to have impacted negatively on the result by approx. DKK 3.7 billion. Production costs include an on-account payment to co-operative members of DKK 12.2 billion against DKK 16.1 billion the previous year. Over the financial year, the on account price was reduced by 31 øre in January and later by 21 øre in April. In October, the on account price was increased by 10 øre and in December by another 10 øre.

Other operating income and expenses relate to items of a secondary nature, including revenue and costs in connection with the sale of surplus electricity from the condensation plants. In addition, non-recurring costs in connection with the closure and divestment of plants were incurred.

The Group's EBITDA, defined as earnings before interest, taxes, depreciation and amortisation, amounted to DKK 3,223 million in 2009 against DKK 2,964 in 2008.

Depreciation/amortisation and impairment and net financials

Depreciation/amortisation and impairment amount to DKK 1,811 million and are on a par with 2008.

Net financials amount to an expense of DKK 232 million against DKK 862 million in 2008. Net financials include the Group's net interest expenses, excluding interest relating to pensions, at DKK 330 million against DKK 560 million in 2008. The positive development in other net financials can largely be attributed to foreign exchange gains on liabilities and currency gains on securities whereas in 2008, there was a significant loss.

Tax
Expensed tax increased markedly which is primarily attributable to the improved results in the Group's foreign companies.

Balance sheet

Total assets
Total assets amounted to DKK 30,094 million at 31 December, 2009 against DKK 29,280 million at 31 December 2008. The increase of DKK 814 million includes a rise of almost DKK 850 million which can be attributed to exchange rate developments in GBP and SEK through the translation of foreign Group company balances to DKK.

Fixed assets
Intangible assets came in at DKK 4,728 million against DKK 4,030 million last year and consist, for the most part, of goodwill arising from the acquisition of Arla Foods UK, Tholstrup Cheese and Arla Ingman as well as IT development projects. The main part of the year's additional goodwill can be attributed to the acquisition of Fonterra's minority share of 25% in AFF P/S.

Property, plant and equipment represented DKK 10,743 million against DKK 9,838 million last year. The additions for the year of DKK 1,618 million primarily comprise investments in the existing dairy plants in the UK, Denmark, Sweden and Finland excluding the acquisition of buildings and plant through the acquisition of the dairy in Holland and Danapak Flexibles A/S.

Investments reached DKK 1,311 million against DKK 1,337 million last year.

Current assets
Inventories total DKK 3,614 million at December 31, 2009 against DKK 4,273 million last year. The fall can largely be attributed to markedly reduced volumes and lower value as a result of lower prices at the end of 2009 compared to 2008.

Receivables amount in total to DKK 4,981 million against DKK 5,602 million the previous year. The fall can primarily be attributed to reduced capital tie-up in receivables.

Securities and cash at bank and in hand together amount to DKK 4,717 million against DKK 4,200 million the previous year. This includes bonds pledged from purchase and resale transactions at DKK 3,139 million.

Equity
Equity at 31 December 2009 was DKK 8,281 million, representing a rise of DKK 484 million compared to 31 December 2008.

The share of the profits used for consolidation totals DKK 311 million. As a result of rising exchange rates for SEK and GBP compared to 31 December, 2008, the translation of net investments in foreign companies accounts for most of the positive exchange rate adjustment of DKK 179 million directly on the equity.

The equity ratio measured as equity in proportion to total assets rose to 28% as at 31 December 2008 against 27% last year.

Provisions
Pension commitments relate to the UK and Sweden (defined benefit schemes).

Net pension obligations in the UK and Sweden are recognised at DKK 1,670 million against DKK 1,719 million the previous year.

Other provisions total DKK 202 million at December 31, 2009 against DKK 173 million at December 31, 2008. These primarily concern insurance-related provisions.

Liabilities
Most of the Group's long-term liabilities are based on Danish mortgage loans with terms of up to 20 years with mortgages in the Group's plants in Denmark, Sweden and the UK. In addition, the Group has loans from other credit institutions as well as a subordinate bond loan of DKK 1 billion that expires in 2014. Arla Foods has an option to redeem the loan in 2011.

Cash flow (and investments)

Cash flow from operating activities totals DKK 3,402 million in 2009 against DKK 1,388 million in 2008. The improvement of DKK 2,014 million can primarily be attributed to reduced capital tie-up in the Group's net working capital through 2009 where capital tie-up in 2008 was significantly increased.

Cash flow for investing activities totals DKK – 2,392 million against DKK – 1,082 million in 2008. The year's investments in property, plant and equipment amount to DKK 1,618 million. In addition, DKK 729 million was invested in connection with the acquisition of enterprises.

Financial risks and management thereof

Group policy for financial risk management
As a result of Arla Foods' international activities, the Group's results and balance sheet are exposed to a number of financial risks. The overall objectives and policies of Arla Foods' financial risk management are laid down in the Group's finance policy, which is approved by the Board of Directors.

The Group's financial risks are monitored and managed centrally by Corporate Treasury in accordance with the finance policy which lays down the framework for the Group's foreign exchange, financing, interest, liquidity and credit risks and which financial instruments and counterparts the Group can use.

Currency risks
Foreign exchange risks are a significant factor for Arla Foods and, therefore, have a major impact on earnings and the balance sheet. Currency risks are, to a wide extent, hedged.

The majority of the Group's revenue as well as production and other operating expenses are incurred in GBP, SEK, DKK, EUR and USD. There is ongoing focus on ensuring that purchasing is undertaken in currencies that reduce the Group's overall currency exposure. In accordance with the finance policy, hedging of the expected currency flow may be undertaken for up to 15 months by way of forward exchange and option contracts. Of the Group's total revenue of DKK 46,230 million, approximately 81% was accounted for by currencies other than DKK, which is on a par with last year.

Currency hedging using financial instruments for sale and purchase in foreign currencies has resulted in a positive effect in the region of DKK 50 million in 2009 (negative effect of DKK 25 million in 2008). As at December 31, 2009, DKK 1 million (DKK 2 million at December 31, 2008) was taken directly to equity, equating to the market value of the hedging instruments used to hedge cash flow after the balance sheet date.

The Group is exposed to foreign exchange risks relating to the translation of investments in foreign subsidiaries. These currency risks are hedged on the basis of evaluations of individual companies. As at December 31, 2009, the currency-related translation risks on net investments in Sweden are partly hedged while Finland's are hedged by EUR loans. Other net investments are unhedged.

Financing and interest rate risks

The finance policy underpins the Group's objectives and strategies and one of the targets is to reduce the risk of refinancing. The Group's policy is to hold long-term debt with diversified maturity.

Long-term, fixed-interest rate loans represent the Group's most important source of financing. New loans are raised as floating-rate loans, and interest swaps and interest options are used for managing the interest rate risk, ensuring efficient interest rate management and a higher degree of flexibility.

As a consequence of the credit market squeeze and the adjustment to international standards, financial covenants have been accepted in new committed loan facilities. These financial covenants are measured on solvency and minimum equity as well as on EBITDA in relation to net interest and net interest bearing debt. As at 31 December, 2009, all financial covenants were complied with. To reduce interest expenses and achieve greater flexibility in liquidity management, the Group's bond portfolio is actively used as a financing source through sales and repurchase transactions.

At 31 December 2009, the total interest-bearing liabilities, including the Group's net pension commitments in the UK and Sweden amounted to DKK 15,235 million (DKK 15,641 million at December 31, 2008). The average term to maturity of long-term interest-bearing liabilities is approx. 5.4 years against approx. 5.9 years at 31 December, 2008. The Group's net interest-bearing liabilities, excluding pension commitments, totalled DKK 8,587 million at December 31, 2009 (DKK 9,373 million at December 31, 2008).

The Group's net interest-bearing debt excluding pension commitments

		Falls due (number of years after financial year)						
Equivalent value DKK million	Total	0–1	1–2	2–3	3–5	5–7	7–10	Over 10
DKK	6,213	105	48	32	1,185	243	860	3,740
EUR	1,180	108	561	12	132	364	3	0
GBP	–347	–386	0	19	20	0	0	0
SEK	1,144	875	253	16	0	0	0	0
Other	397	96	4	297	0	0	0	0
Total 2009	**8,587**	**798**	**866**	**376**	**1,337**	**607**	**863**	**3,740**
Total 2008	**9,373**	**1,629**	**252**	**1,114**	**82**	**1,551**	**678**	**4,067**

At the start of 2009, a large portion of the Group's debt was floating rate which, as a consequence of the fall in interest rates over the year, resulted in reduced interest expenses. With due regard to the Group's expansive strategy and the low interest rate levels in the second half of 2009, a significant part of the Group's financing was converted to fixed interest via interest rate hedging. The term of the interest hedging of the debt amounts to approx. three years against almost one year at the start of the year. The fair value of the hedging instruments entered into to hedge the Group's interest expenses amounts to DKK – 14 million at 31 December 2009 which is recognised directly in the equity (DKK – 28 million at 31 December 2008).

The Group's results are affected by interest rate developments. A change in interest rates of 1% point in the next financial year is deemed at 31 December 2009 to impact on the results by approx. DKK 65 million.

Liquidity risks

The Group manages its liquidity risk by ensuring the availability of sufficient operating liquidity and credit facilities for operations. Financing of company acquisitions and important investments are assessed separately.

To a significant extent, the management of day-to-day liquidity flow is conducted through the Group's financing company, Arla Foods Finance A/S, via cash pool arrangements with the Group's bankers. The companies with excess liquidity finance the companies with a liquidity deficit whereby individual companies and the Group as a whole achieve a better return. In Sweden, Arla Foods AB and Arla Foods amba have a joint Commercial Paper programme of SEK 2.5 billion, under which bonds can be issued with terms of up to one year. At 31 December, 2009, the CP programme was used to the sum of SEK 1,090 million equating to DKK 788 million.

As at 31 December 2009, the Group's liquidity reserve increased by DKK 1,014 million to DKK 6,084 million compared to 2008.

Liquidity reserve

DKK million	2009	2008
Cash at bank and in hand	1,397	739
Securities (free)	176	339
Undrawn commitments	1,191	0
Undrawn facilities	3,320	3,992
Total liquidity reserves at 31 December	**6,084**	**5,070**

The majority of the undrawn facilities are short-dated.

Credit risks

Arla Foods' trade receivables are not deemed to be exposed to any unusual risks. Bad debt losses on receivables are, despite the economic crisis, at the same modest level as in previous years. In order to minimise credit risk, credit management is continuously in focus in the Group's entities and the Group regularly credit rates its customers and co-operative partners.

On the backdrop of the credit crisis, credit insurance agencies have reduced the number and size of security commitments primarily in respect of southern and eastern Europe. As sales have been reassessed in the light hereof, the reduction has only resulted in a marginal increase in the Group's commercial credit risks.

Raw material risks

The supply of raw milk constitutes the Group's greatest raw material risk. Besides milk, the Group is exposed to a range of other raw material risks. The most important relates to energy where purchasing is hedged directly with the suppliers according to fixed price agreements or through derivatives. The purpose of hedging is to ensure price predictability.

Events after the balance sheet date

No events occurred after the close of the financial year that have any impact on the Annual Report for 2009.

Expected developments

In January 2010, Arla Foods' Board of Directors approved the Group's budget for 2010. The budget anticipates a 2-3 % growth in net revenue so that the Group's net revenue in 2010 is expected to amount to approx. DKK 47 billion. In addition, the budget also anticipates an increase in Arla earnings in 2010.

As part of the objective of realising the Arla Foods Group's growth targets for 2015, the 2010 budget contains the largest investment programme to date. For 2010, the Group's investment budget totals DKK 1,843 million, equating to almost 4% of the budgeted revenue.

Statement by the Board of Directors and Executive Board

The Board of Directors and Executive Board have today discussed and approved the annual report of Arla Foods amba for 2009.

The annual report has been prepared in accordance with the Danish Financial Statements Act and the company's Articles of Association. We are of the opinion that the consolidated accounts and the annual accounts give a true and fair view of the Group and company's assets, liabilities and financial position at 31 December 2009 and of the results of the Group and company's activities and consolidated cash flows for the financial year, 1 January–31 December 2009.

Moreover, in our view, the management report comprises a true and fair account of the development of the Group and company's financial position as a whole and a description of the key risks and uncertainties that the Group and company face.

We recommend that the annual report be submitted to the Board of Representatives for approval.

Aarhus, 23 February, 2010

Executive Board:

Peder Tuborgh *CEO*	Povl Krogsgaard *Vice CEO*	Andreas Lundby *Vice CEO*

Board of Directors:

Ove Møberg *Chairman*	Åke Hantoft *Vice Chairman*		
Leif Backstad	Bjarne Bundesen	Erik Karlsson	Gunnar Pleijert
Viggo Ø. Bloch	Leif Eriksson	Steen Nørgaard Madsen	Ingela Svensson
Steen Bolvig	Heléne Gunnarson	Torben Myrup	Pejter Søndergaard
Palle Borgström	Thomas Johansen	Jan Toft Nørgaard	Bent Juul Sørensen

Independent auditor's report

To the members of Arla Foods amba

We have audited the consolidated accounts and the annual accounts for Arla Foods amba for the financial year 1 January – 31 December 2009, pages 20-39. The consolidated accounts and the annual accounts comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the company as well as the consolidated cash flow. The consolidated accounts and the annual accounts have been prepared in accordance with the Danish Financial Statements Act.

As part of the audit, we have examined the management's review, which is prepared in accordance with the Danish Financial Statements Act, and have provided an opinion.

The Executive Board's and Board of Directors' responsibility for the annual report

The Executive Board and Board of Directors are responsible for the preparation and fair presentation of the consolidated accounts and annual accounts in accordance with the Danish Financial Statements Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated accounts and annual accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Moreover, the Executive Board and Board of Directors are responsible for preparing a management review that contains a true and fair account in accordance with the Danish Financial Statements Act.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated accounts and annual accounts based on our audit. We have conducted our audit in accordance with Danish Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the consolidated accounts and annual accounts do not contain material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts and annual accounts. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement in the consolidated accounts and annual accounts, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the consolidated accounts and annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board and Board of Directors as well as evaluating the overall presentation of the consolidated accounts and annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated accounts and annual accounts provide a true and fair view of the Group and company's assets, liabilities and financial position at 31 December 2009 and of the results of the Group and company's operations and consolidated cash flows for the financial year, 1 January–31 December 2009 in accordance with the Danish Financial Statements Act.

Opinion on the management review

In accordance with the Danish Financial Statements Act, we have examined the management's review. We have not undertaken further actions additional to the audit of the consolidated accounts and the annual accounts. On this basis, we are of the opinion that the information provided in the management review is in accordance with the consolidated accounts and the annual accounts.

Århus, 23 February, 2010

KPMG
Statsautoriseret Revisonsinteressentskab

Finn L, Meyer
State Authorised Public Accountant

KPMG AB, Sweden

Carl Lindgren
Authorised Public Accountant

Accounting policies

General information

The annual report of Arla Foods amba for 2009 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act. The annual report comprises the consolidated accounts for the Arla Foods Group and the annual accounts for the parent company.

The accounting policies, described below, are applied consistently during the financial year and for comparative figures.

The annual report is presented in Danish kroner, which is the functional currency of the parent company.

Basis for preparation

Income is recognised in the income statement as earned while costs incurred are recognised with the amounts relating to the financial year. Value adjustments concerning financial assets and liabilities are recognised in the income statement as financial income or financial costs.

Assets are recognised in the balance sheet when, as a result of a previous event, it is probable that future economic benefits will accrue to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when the Group, as a result of a previous event, has a legal or actual liability and an outflow of economic benefits is probable and when the liability can be reliably measured.

Initial recognition of assets and liabilities is made at cost. Assets and liabilities are subsequently measured as described below for each individual item.

In recognising and measuring assets and liabilities, any foreseeable risks and losses occurring prior to the presentation of the annual report that evidence conditions existing on the balance sheet date are taken into account.

Accounting estimates, assumptions and uncertainties

To determine the carrying amount of assets and liabilities, estimates are required of how future events will affect the value on the balance sheet date.

Estimates that are significant to the financial reporting are made in connection with the acquisition of companies, the determination of inventory, depreciation, amortisation and writedowns, pensions, provisions, contingent assets and contingent liabilities.

The estimates are based on assumptions that are deemed to be reliable but which are inherently uncertain.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Arla Foods amba, and subsidiaries in which Arla Foods amba directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates. The group chart appears on pages 38-39.

The consolidated financial statements are prepared by aggregating the parent company's and the individual subsidiaries' accounts compiled according to the Group's accounting policies. Intra-group income and expenses, shareholdings etc, intra-group balances and dividends and realised and unrealised gains on transactions between the consolidated companies are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share in the company. Unrealised losses are eliminated in the same way to the extent that no deterioration in value occurs.

The subsidiaries' accounting items are recognised 100% in the consolidated financial statements.

Business combinations

The operations of enterprises acquired and sold are included in the consolidated financial statements from the time of acquisition and for the part of the year in which the enterprises have been owned by the Arla Foods Group. Sold or divested companies are recognised in the consolidated income statement until the time of handing over. Comparative figures are not adjusted for newly acquired enterprises.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets, liabilities and contingent liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and stated plans to restructure the acquired enterprise. The tax effect of fair value adjustments is taken into account.

The cost price of an enterprise comprises the fair value of the agreed fee with the addition of costs that can be directly accounted for by the acquisition. If parts of the fee are conditional upon future events, such parts are recognised in the cost price to the extent that the events are likely and the payment can be reliably calculated.

Any positive excess of the cost of the acquired investment over the fair value of the assets and liabilities acquired (goodwill) is recognised as intangible assets. Where fair value adjustments of the assets and liabilities acquired result in a negative net asset value of the acquired enterprise, minority interests' share is included in the positive excess. Any positive excess is amortised in the income statement based on an individual assessment of the useful life, not exceeding 20 years.

Any negative excess (negative goodwill) representing an anticipated adverse development in the acquired enterprises is recognised as deferred income under liabilities and recognised in the income statement as the adverse development is realised.

Gains or losses on disposal, in whole or in part, of subsidiaries or associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and disposal costs.

Minority interests

Minority interests are initially measured at the proportional share of the acquired enterprise's identified assets, liabilities and contingent liabilities. The minority interests' proportional share of the subsidiaries' results and equity are recognised separately in the income statement and balance sheet.

Foreign currency translation

For each of the reporting companies in the group, a functional currency has been set. This functional currency is the currency used in the main financial environment in which the individual reporting company operates. Transactions in currencies other than the functional currency are transactions in foreign currency.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or the exchange rate recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

On recognition of enterprises with a functional currency other than DKK, the income statements are translated at average exchange rates per month to the extent that this does not give a significantly different picture than if the rate on the transaction day was applied. The balance sheet items are translated at the exchange rates at the balance sheet date.

On recognition of foreign associates, the share of profits is recognised at average exchange rates and the share of net asset value is recognised at the exchange rates at the balance sheet date.

Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange rate adjustments of outstandings with independent foreign subsidiaries where the outstandings are deemed to be part of the total investment in the company in question are taken directly to equity. Correspondingly, exchange rate adjustments on loans and derivatives that are entered into to hedge net investments in foreign companies are taken directly to equity to the extent they effectively secure the exchange rate risks on the net investment.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under other receivables and payables, respectively. Setting off of positive and negative values is exclusively carried out when the Group has the right and intention to settle several financial instruments net. The fair value is calculated on the basis of current market data and accepted valuation methods.

Fair value hedging

Changes in the fair value of derivative financial instruments designated as and meeting the criteria for hedging the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability as far as relates to the portion that is hedged.

Cash flow hedging

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flow are recognised directly in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

Hedging of net investments

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries and which effectively hedge against exchange rate changes in such enterprises are recognised directly in the equity under exchange rate adjustment.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Public subsidies

Public subsidies comprise subsidies and the financing of development projects as well as subsides for investments etc. If the subsidy is recognised then there is reasonable assurance that they will be received. Subsidies from the EU and other public authorities for investments in fixed assets and development projects recognised in the balance sheet, are deducted from the purchase price.

Subsidies granted for product development, etc. are entered as income under the item other operating income at the time they are received. Refundable subsidies are recognised as obligations until it is more than probable that the refunding conditions are met.

Segment information

Information on business segments and geographical markets is provided in so far as it relates to revenue apportionment. Segment information complies with the Group's accounting policies and internal financial controls.

Income statement

Revenue

Revenue is recognised in the income statement provided that transfer of risk to the buyer has taken place and comprises the year's invoiced sales less sales discounts. Any restitutions and production subsidies from the EU are included in revenue.

The revenue for Arla Foods amba also includes declared supplementary payments from other sales companies within the Arla Foods Group.

Production costs

Production costs include cost of sales, including purchases from Arla Foods' members as well as direct and indirect costs, including depreciation and impairment of plant, etc. and wages and salaries incurred to realise the revenue for the year. Purchases from members are recognised at on-account prices for the year and therefore do not include supplementary payments.

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns etc. during the year are recognised as sales and distribution costs. Also, costs relating to sales staff, write downs on trade receivables, sponsorship, advertising, exhibitions and depreciation and impairment are recognised as sales and distribution costs.

Administration and joint costs

Administration and joint costs comprise expenses incurred during the year for group management and administration, including expenses for administrative staff, office premises and office expenses and depreciation and impairment.

Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal of intangible assets and property, plant and equipment. Gains and losses are stated as the difference between the sales price less sales costs and the carrying amount at the time of sale.

Divestment of enterprises

Net book profits on the disposal of companies and activities are recognised in this item.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses and less declared supplementary payments.

The proportionate share of the results after tax of the associates is recognised in both the parent company and the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Interest income and expenses and exchange gains and losses etc. are recognised in the income statement at amounts relating to the financial year.

Furthermore, financial income and expenses comprise both realised and unrealised value adjustments of securities and foreign currency, the amortisation of financial assets and liabilities as well as the interest part of the financial leasing instalments. Moreover, realised and unrealised gains and losses relating to derivative financial instruments that cannot be classified as hedging contracts are recognised.

Tax

The taxable income of the companies is calculated in accordance with the national rules in force. Tax is computed based on either co-operative taxation or corporate taxation. The allocation of tax between the jointly taxed companies is according to the full absorption method.

Tax for the year comprises the year's current tax and the difference in deferred tax and is recognised in the income statement with the part that is attributable to the year's results and directly on the equity with the part that is attributable to items directly on the equity.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment.

Goodwill is initially recognised as stated under "Business combinations".

Product development projects qualifying for recognition in the balance sheet are measured at cost, including indirect costs incurred. Other development costs are recognised in the income statement as they arise.

For IT development projects, only external costs for the establishment of the Group's IT systems are recognised. Internal systems development costs are recognised in the income statement when they occur.

The intangible assets are amortised on a straight-line basis over their expected useful lives:

Goodwill	up to 20 years
Licences and trademarks, etc.	up to 20 years
Product development projects	3 years
IT development projects	5-8 years

Intangible assets are amortised from the date of acquisition or when the assets are taken into use.

Intangible assets are assessed regularly and are amortised at the recoverable amount (net realisation value), as long as the carrying value exceeds the expected future net income from the enterprise or activity to which the asset relates or to the fair value.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Property, plant and equipment are depreciated on a straight-line basis from the time of acquisition or commissioning based on an assessment of the useful life which is:

Office buildings	50 years
Production buildings	20-30 years
Plant and machinery	7-12 years
Fixtures and fittings, tools and equipment	3-7 years

Assets are written down to the recoverable amount (net realisation value) if this is lower than the carrying amount.

Assets in the course of construction, land and discontinued plants that are written down at the net realisation value are not depreciated.

Assets with a short useful life, minor acquisitions and minor costs of improvement that individually and together are insignificant are expensed in the year of acquisition.

Lease contracts regarding property, plant and equipment, where the Group holds all major risks and rewards incident to ownership (financial leasing), are measured at their initial recognition in the balance sheet at the lower of fair value or the present value of the future lease payments. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as the discount rate. Assets held under finance lease are hereafter treated as the Group's other property, plant and equipment.

Investments

Investments in subsidiaries and associates are measured according to the equity method.

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus non-depreciated positive or negative Group goodwill and unrealised intra-group profits and losses.

For those cooperative societies that form part of the Group, the ownership share, and thereby the share of the net asset value, has been calculated in accordance with the Articles of Association of the individual companies.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the Group's share at the negative net asset value if the amount owed is irrecoverable. If the negative net asset value exceeds the receivable, the remaining amount is recognised under provisions to the extent the Group has a legal or constructive obligation to cover the deficit of the enterprise.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Subordinate loans to subsidiaries are measured at the amortised cost price. Any exchange rate adjustments to the closing rate are carried to equity.

Other securities and investments etc. are measured at fair value at the balance sheet date.

Changes in the fair value are carried under financial income and expenses.

Inventories

Raw materials, consumables and goods for resale are measured at cost plus delivery costs. The cost of the milk included in inventories has been recognised at the settlement price, including expected supplementary payments to Arla Foods amba's members.

Work in progress and finished goods are measured at cost consisting of the cost of raw materials and consumables with the addition of processing costs and other costs directly or indirectly related to the individual goods. Indirect production overheads comprise indirect materials and wages and salaries as well as depreciation of production equipment.

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is determined taking into account marketability, obsolescence and development in expected sales price less completion costs and costs incurred to effectuate the sale.

Receivables

Receivables are measured at amortised cost less write-down for bad debt losses based on an individual assessment or receivables or at the portfolio level. Amortised cost corresponds in all material respects to nominal value.

Prepayments comprise costs incurred concerning subsequent financial years.

Securities

Securities are measured at the current market value at the balance sheet date.

Changes in the fair value are recognised in the income statement under financial income and expenses.

Liquid assets

Liquid assets in foreign currency are translated at the closing rate.

Provisions

Deferred tax

Deferred tax and the year's adjustment thereof is measured using the balance sheet liability method as the tax on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the enterprises within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

The change in deferred tax assets and tax liabilities as a consequence of the changes in the tax rates are recognised in the income statement.

Pensions:
The Group has entered into pension agreements with many of its employees.

The pension schemes comprise defined contribution schemes and defined benefit schemes.

As regards the defined contribution schemes, the Group currently pays fixed contributions to independent pension funds. The Group has no commitments of additional payments.

Defined benefit schemes are those for which the company is committed to pay a certain amount from the date of retirement, depending on the employee's length of service and final salary.

The commitment regarding defined benefit schemes is calculated annually by means of an actuarial computation based on the expected future development in interest rates, inflation and average life expectancy.

Costs in the income statement regarding defined benefit schemes are based on the above-mentioned actuarial calculations.

The actuarially calculated present value of defined benefit obligations less the market value of any assets related to the schemes are provided in the balance sheet under pension commitments.

If the actuarial assumptions change, gains and losses exceeding 10% of the present value of the pension commitments or 10% of the fair value of the plan assets will consequently only be recognised in the income statement over the average remaining service life of the employees covered by the pension scheme (the corridor method).

Other provisions
Provisions are recognised when the Group, as a result of an event occurring prior to or on the balance sheet date has a legal or actual liability and an outflow of economic benefits is probable to meet the liability.

Other provisions include insurance provisions and obligations in connection with business combinations, restructuring, loss-making contracts, guarantee commitments and lawsuits, etc. that are measured on the basis of the best estimate of the costs that, on the balance sheet date, are necessary to terminate the obligation.

Liabilities
Amounts owed to mortgage banks, credit institutions etc. as well as the subordinate bond loan are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at the capitalised value using the effective interest method.

Amounts owed to credit institutions etc. also include the capitalised residual obligation on financial leasing contracts. The interest portion of the leasing instalment is recognised over the term of the contract in the income statement.

Supplementary payment to co-operative members:
The supplementary payment to co-operative members is recognised as a liability with the share of the year's results that the Board of Directors recommends to the Board of Representatives be paid to co-operative members. The amount is recorded via profit appropriation.

Current tax liabilities
Current tax liabilities and current tax receivable are recognised in the balance sheet as computed tax on the year's taxable income adjusted for any tax relating to previous years' taxable income and for on account tax paid.

Other liabilities
Trade payables, amounts owed to subsidiaries and associates and other payables are measured at amortised cost – usually corresponding to the nominal value.

Deferred income
Deferred income, recognised under liabilities, comprises payments received concerning income in subsequent years as well as badwill. Deferred income is measured at amortised cost price, which usually equates to the nominal amount.

Cash flow statement
The consolidated cash flow statement is prepared in accordance with the indirect method on the basis of the consolidated results. A separate cash flow statement for the parent company has not been prepared.

The statement shows the cash flows divided into operating, investing and financing activities and how these cash flows have affected the Group's cash funds.

The cash flow from operating activities is calculated as the consolidated results adjusted for non-cash operating items such as depreciation and impairment, provisions and changes in the working capital.

The cash flow from investing activities comprises cash flows in connection with the purchase and sale of intangible assets and property, plant and equipment as well as investments. The effect on liquidity of the purchase and sale of companies is shown separately under Cash Flows from Investing Activities. In the Cash Flow Statement, cash flow relating to purchased companies from the time of acquisition and cash flow relating to sold companies is recognised until the point of sale.

The cash flow from financing activities comprises the raising and repayment of long-term and short-term debt to financial institutions, mortgage lenders, supplementary payments to co-operative members relating to the previous financial year and payments from equity.

The cash funds are made up of cash at bank and in hand and listed bonds which can readily be converted to cash at bank and in hand and where there is only an insignificant risk of value changes.

The cash flow statement cannot be derived solely from the consolidated financial statements.

Financial key figures
The solvency ratio is calculated as equity in relation to the overall balance sheet total.

Income statement

Parent company				Group	
2008	2009	DKK million	Not	2009	2008
28,706	24,012	**Revenue**	1	**46,230**	**49,469**
–25,688	–21,296	Production costs	2/3	–37,052	–40,868
3,018	**2,716**	**Gross profit**		**9,178**	**8,601**
–1,501	–1,388	Sales and distribution costs	2/3	–5,518	–5,449
–722	–655	Administration and joint costs	2/3/4	–2,237	–2,160
61	32	Other operating income		168	322
–121	–13	Other operating expenses		–179	–165
735	**692**	**Operating profit**		**1,412**	**1,149**
0	0	Gains from divestment of enterprises etc.		0	287
–220	173	Results in subsidiaries	9	–	–
–62	0	Results in associates	9	20	15
432	336	Financial income	5	267	205
–300	–193	Financial expenses	5	–499	–1,067
585	**1,008**	**Profit from ordinary activities before tax**		**1,200**	**589**
–29	–37	Tax	6	–229	–34
556	**971**	**Profit for the year**		**971**	**555**
–	–	Minority interests	10	0	1
556	**971**	**Arla Foods amba's share of results for the year**		**971**	**556**
		Proposed profit appropriation:			
137	**660**	**Supplementary payment to Arla Foods amba's co-operative members**		**660**	**137**
		To equity:			
121	–	Reconsolidation according to articles of association to capital account		–	121
0	123	Transferred to capital account		123	0
176	188	Delivery-based owner certificates		188	176
		Strategy Fund:			
262	0	Allocated to Strategy Fund		0	262
–140	0	Transferred from Strategy Fund		0	–140
122	0	Strategy Fund in total		0	122
419	**311**	**Transferred to equity, total**		**311**	**419**
556	**971**	**Apportioned profit, total**		**971**	**556**

Balance sheet

Parent company		Assets		Group	
Balance sheet at 31.12.08	Balance at 31.12.09	DKK million	Note	Balance at 31.12.09	Balance at 31.12.08
		Fixed assets			
		Intangible assets	7		
0	0	Licences and trademarks etc.		360	225
19	18	Goodwill		3,896	3,343
34	23	Product development		33	49
403	429	IT development		439	413
456	**470**	**Total intangible assets**		**4,728**	**4,030**
		Property, plant and equipment	8		
1,585	1,530	Land and buildings		4,583	4,401
2,353	2,436	Plant and machinery		4,972	4,383
84	80	Fixtures and fittings, tools and equipment		272	321
336	279	Assets in course of construction		916	733
4,358	**4,325**	**Total property, plant and equipment**		**10,743**	**9,838**
		Investments	9		
1,127	1,970	Investments in subsidiaries		–	–
4,121	5,231	Subordinate loan to subsidiaries		–	–
140	170	Investments in associates		585	546
–	–	Deferred tax assets		215	251
98	122	Other securities and investments etc.		511	540
5,486	**7,493**	**Total investments**		**1,311**	**1,337**
10,300	**12,288**	**Total fixed assets**		**16,782**	**15,205**
		Current assets			
		Inventories			
641	518	Raw materials and consumables		838	1 128
804	650	Work in progress		806	830
343	277	Finished goods and goods for resale		1,970	2,315
1,788	**1,445**	**Total inventories**		**3,614**	**4 273**
		Receivables			
1,105	1,050	Trade receivables		4,272	4,496
3,864	3,249	Amounts owed by subsidiaries		–	–
5	0	Amounts owed by associates		57	114
195	51	Other receivables		453	662
136	86	Prepayments		199	330
5,305	**4,436**	**Total receivables**		**4,981**	**5,602**
0	**387**	**Securities**		**3,320**	**3,461**
2	**5**	**Cash at bank and in hand**		**1,397**	**739**
7,095	**6,273**	**Total current assets**		**13,312**	**14,075**
17,395	**18,561**	**Total assets**		**30,094**	**29,280**

Parent company		Equity, minority interests and liabilities		Group	
Balance at 31.12.08	Balance at 31.12.09	DKK million	Note	Balance at 31.12.09	Balance at 31.12.08
		Equity			
6,241	6,575	Capital account		6,594	6,292
575	734	Delivery-based owner certificates		734	575
462	462	Strategy fund		462	462
500	500	Reserve fund B		500	500
19	10	Value adjustments of hedging instruments		-9	–32
7,797	**8,281**	**Total equity**		**8,281**	**7,797**
–	**–**	**Minority interests**	10	**128**	**144**
		Provisions			
0	0	Deferred tax	11	229	172
0	0	Pension commitments	12	1,670	1,719
14	1	Other provisions	13	202	173
14	**1**	**Total provisions**		**2,101**	**2,064**
		Liabilities			
		Long-term liabilities	14		
1,000	1,000	Subordinate bond loan		1,000	1,000
1,804	1,807	Mortgage credit institutions		5,074	5,018
977	643	Credit institutions etc.		1,742	1,775
3,781	**3,450**	**Total long-term liabilities**		**7,816**	**7,793**
		Short-term liabilities			
29	11	Short-term portion of long-term liabilities		36	44
398	1,220	Bank loans and overdrafts		5,713	6,085
137	660	Supplementary payments		660	137
1,586	1,222	Trade payables		2,840	3,143
2,943	2,854	Amounts owed to subsidiaries		–	–
14	5	Amounts owed to associates		15	45
1	8	Tax		104	6
680	835	Other payables		2,199	1,983
15	14	Deferred income		201	39
5,803	**6,829**	**Total short-term liabilities**		**11,768**	**11,482**
9,584	**10,279**	**Total liabilities**		**19,584**	**19,275**
17,395	**18,561**	**Total equity, minority interests and liabilities**		**30,094**	**29,280**
		Contingent liabilities, securities etc.	15		
		Related parties	16		
		Co-operative members' liability	17		

Statement of changes in equity

	Group					
DKK million	Balance at 01.01.09	Profit for the year	Exchange rate adjustments	Other adjustments	Payments for the year	Balance at 31.12.09
Capital account	6,292	123	181	–2	0	6,594
Delivery-based owner certificates	575	188	3[1)]	0	–32	734
Strategy fund	462	0	0	0	0	462
Reserve fund B	500	0	0	0	0	500
Value adjustments of hedging instruments	–32	0	–5	28	0	–9
Total equity	**7,797**	**311**	**179**	**26**	**–32**	**8,281**

	Parent company					
DKK million	Balance at 01.01.09	Profit for the year	Exchange rate adjustments	Other adjustments	Payments for the year	Balance at 31.12.09
Capital account	6,241	123	176	35	0	6,575
Delivery-based owner certificates	575	188	3[1)]	0	–32	734
Strategy fund	462	0	0	0	0	462
Reserve fund B	500	0	0	0	0	500
Value adjustments of hedging instruments	19	0	0	–9	0	10
Total equity	**7,797**	**311**	**179**	**26**	**–32**	**8,281**

[1)] Exchange rate adjustment at 31 December 2009 relating to the portion of delivery-based certificates registered in SEK totals DKK 3 million. The amount has been transferred from exchange rate adjustment under the capital account.

Capital account:
The capital account consists of the undistributed equity of the company.

Delivery-based owner certificates:
These were established in accordance with section 19, sub-section 1 (3) of the Articles of Association and accompanying regulations. Deposits on the certificates of each owner are payable on termination of membership of Arla Foods amba in accordance with the provisions of the regulations and subject to the approval of the Board of Representatives.

Strategy fund:
This was established in accordance with section 19, sub-section 1 (7) of the Articles of Association. The Board of Representatives may decide to use the strategy fund to offset significant and temporary negative liquidity effects arising on acquisitions and integration of large companies or strategic structural measures. Notwithstanding the above objective of the fund, the Board of Representatives may use any given year's payment to the fund after a period of five years including the year in which the contribution was made.

Changes to the strategy fund for the year:

Allocated / Used	2006	2007	2008	2009	Total
	200	184	262	0	646
2007	–44	0	0	0	–44
2008	–140	0	0	0	–140
2009	0	0	0	0	0
Balance	**16**	**184**	**262**	**0**	**462**

Reserve fund B:
Reserve fund B comprises the reserves set aside on the incorporation of the company and, following a proposal by the Board of Directors, the Board of Representatives can decide to use the fund to cover extraordinary losses or write-downs, but solely in respect of such activities of businesses that are not primarily based on the milk volumes sourced from co-operative members and only if such losses are not covered by other reserves under the equity.

Value adjustments of hedging instruments:
The item comprises the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows.

Net revaluation under the equity method:
Net revaluation under the equity method is negative.

No payments shall be made to members of Arla Foods amba which reduce the total of the company's capital account and any transfers from the annual profits appropriation to net revaluation under the equity method.

Cash flow statement

	Group	
DKK million	2009	2008
Cash flow from operating activities		
Profits for the year	971	556
Depreciation and impairment	1,811	1,815
Other operating items without cash impact	91	–38
Share of results in associates	–20	–15
Gains on disposals of enterprises and properties etc.	–8	–377
Change in deferred taxes	101	158
Change in inventories	743	–192
Change in receivables	931	392
Change in provisions	–147	–609
Change in trade payables and other payables etc.	–1,030	–249
Tax paid	–41	–53
Cash flow from operating activities	**3,402**	**1,388**
Cash flow from investing activities		
Investment in intangible fixed assets	–303	–290
Sale of intangible fixed assets	24	0
Investment in property, plant and equipment	–1,618	–1,447
Sale of property, plant and equipment	158	339
Investments, net	76	45
Purchase of enterprises [1]	–729	-181
Sale of enterprises[1]	0	452
Cash flow from investing activities	**–2,392**	**–1,082**
Cash flow from financing activities		
Supplementary payments regarding the previous financial year	–137	–503
Paid out from equity	–32	–121
Change in long-term liabilities	23	585
Change in short-term liabilities	–380	772
Cash flow from financing activities	**–526**	**733**
Change in cash funds and securities	**484**	**1,039**
Cash funds and securities at 1 January	4,200	3,177
Exchange rate adjustments of cash funds	33	–16
Cash funds and securities at 31 December	**4,717**	**4,200**

[1] The remaining 25% of AFF P/S, a dairy in Holland, the remaining 60% of Danapak Flexibles A/S, Jo bolaget Fruktprodukter HB (now Rynkeby Foods HB) and the dairy activities from Hirtshals Andelsmejeri were acquired in 2009. No enterprises were sold in 2009.

Notes

1 Revenue

DKK million	Group 2009	Group 2008
Consumer Nordic	19,353	20,912
Consumer UK	11,852	13,348
Consumer International	7,840	7,335
Global Ingredients	6,305	7,027
Other	880	847
Total revenue	**46,230**	**49,469**

Revenue is analysed by product lines and geographical markets and is disclosed in the financial highlights.

2 Staff costs

Parent company 2008	Parent company 2009	DKK million	Group 2009	Group 2008
–2,336	–2,343	Wages, salaries and remuneration	–5,488	–5,401
–175	–194	Pensions	–468	–404
–12	–14	Other social security costs	–437	–482
–2,523	**–2,551**	**Total staff costs**	**–6,393**	**–6,287**
		Staff costs relate to:		
–2,004	–2,029	Production costs	–3,709	–3,625
–219	–208	Sales and distribution costs	–1,867	–1,905
–300	–314	Administration and joint costs	–817	–757
–2,523	**–2,551**	**Total staff costs**	**–6,393**	**–6,287**
		Of which:		
–4	–3	Fees to the parent company's Board of Representatives	–3	–4
–5	–4	Fees to the parent company's Board of Directors	–5	–6
–17	–17	Fees to the parent company's Executive Management Board	–17	–17
5,813	**5,563**	**Average number of full-time employees**	**16,231**	**16,233**

3 Depreciation/amortisation and impairment

Parent company 2008	Parent company 2009	DKK million	Group 2009	Group 2008
–187	–176	Intangible assets	–463	–483
–601	–640	Property, plant and equipment	–1,348	–1,332
–788	**–816**	**Total depreciation/amortisation and impairment**	**–1,811**	**–1,815**
		Depreciation/amortisation and impairment relate to:		
–619	–624	Production costs	–1,247	–1,249
–29	–25	Sales and distribution costs	–139	–149
–140	–167	Administration and joint costs	–425	–417
–788	**–816**	**Total depreciation/amortisation and impairment**	**–1,811**	**–1,815**

The Group's writedowns for the year amount to DKK 16 million for intangible assets and DKK 47 million for property, plant and equipment.

4 Fees to the auditors appointed by the Board of Representatives

Parent company			Group	
2008	2009	DKK million	2009	2008
		KPMG:		
–3	–4	Statutory audit	–14	–13
–3	–2	Tax assistance	–4	–5
0	0	Other assurance statements	0	0
–2	–4	Other services	–5	–7
–8	**–10**	**Total**	**–23**	**–25**

Other services comprise, inter alia, fees relating to due diligence in connection with acquisitions.

5 Net financials

Parent company			Group	
2008	2009	DKK million	2009	2008
		Costs:		
–25	–8	For subsidiaries	–	–
–275	–185	Other financing expenses	–499	–1,067
–300	**–193**	**Total financial expenses**	**–499**	**–1,067**
		Income:		
407	294	From subsidiaries	–	–
25	42	Other financing income	267	205
432	**336**	**Total financial income**	**267**	**205**

6 Tax

Parent company			Group	
2008	2009	DKK million	2009	2008
–29	–37	Tax on taxable income for the year	–130	–62
0	0	Adjustment of deffered tax	–90	–1
0	0	Change in tax rate	0	7
0	0	Adjustment of tax from previous year	–9	22
–29	**–37**	**Total tax**	**–229**	**–34**

7 Intangible assets

Group

DKK million	Licences and trademarks etc.	Goodwill	Product development	IT development
Cost at 1 January 2009	353	4,292	142	1,170
Exchange rate adjustments	28	214	2	2
Additions	128	0	13	162
Additions, acquisition of enterprises	45	627	0	0
Disposals	–6	0	–46	–86
Cost at 31 December 2009	**548**	**5,133**	**111**	**1,248**
Amortisation and impairment 1 January 2009	–128	–949	–93	–757
Exchange rate adjustments	–15	–38	–1	–1
Depreciations and amortisation	–46	–234	–30	–137
Write-downs	0	–16	0	0
Amortisation and impairment on discontinued assets	1	0	46	86
Amortisation and impairment on 31 December 2009	**–188**	**–1,237**	**–78**	**–809**
Carrying amount at 31 December 2009	**360**	**3,896**	**33**	**439**

Parent company

DKK million	Licences and trademarks etc.	Goodwill	Product development	IT development
Cost at 1 January 2009	0	24	102	1,140
Additions	0	0	9	157
Additions, acquisition of enterprises	0	24	0	0
Disposals	0	0	–35	–86
Cost at 31 December 2009	**0**	**48**	**76**	**1,211**
Amortisation and impairment 1 January 2009	0	–5	–68	–737
Depreciation and amortisation	0	–9	–20	–131
Write-downs	0	–16	0	0
Amortisation and depreciation on discontinued assets	0	0	35	86
Amortisation and impairment at 31 December 2009	**0**	**–30**	**–53**	**–782**
Carrying amount at 31 December 2009	**0**	**18**	**23**	**429**

8 Property, plant and equipment

DKK million	Group Land and buildings	Plant and machinery	Fixtures and fittings, tools etc.	Assets in course of construction
Cost at 1 January 2009	5,880	9,904	1,132	733
Exchange rate adjustment	175	257	42	10
Additions	147	644	91	736
Additions, acquisition of enterprises	168	322	37	1
Transferred	88	436	40	–564
Disposals	–63	–678	–146	0
Cost at 31 December 2009	**6,395**	**10,885**	**1,196**	**916**
Depreciation and impairment 1 January, 2009	–1,479	–5,521	–811	0
Exchange rate adjustments	–35	–142	–31	0
Depreciation and amortisation	–299	–814	–188	0
Write-downs	–47	0	0	0
Depreciation and impairment on discontinued assets	48	564	106	0
Depreciation and impairment, 31 December 2009	**–1 812**	**–5,913**	**–924**	**0**
Carrying amount 31 December 2009	**4,583**	**4,972**	**272**	**916**
Of which assets are held under financial lease	**5**	**67**	**2**	**0**

DKK million	Parent company Land and buildings	Plant and machinery	Fixtures and fittings, tools etc.	Assets in course of construction
Cost, 1 January 2009	2,605	5,424	186	336
Additions	17	289	15	250
Additions, acquisition of enterprises	16	30	6	0
Transferred	61	231	15	–307
Disposals	0	–300	–28	0
Cost at 31 December 2009	**2,699**	**5,674**	**194**	**279**
Depreciation and impairment 1 January 2009	–1,020	–3,071	–102	0
Depreciation and amortisation	–149	–462	–29	0
Depreciation and impairment on discontinued assets	0	295	17	0
Depreciation and impairment, 31 December 2009	**–1,169**	**–3,238**	**–114**	**0**
Carrying amount 31 December 2009	**1,530**	**2,436**	**80**	**279**
Of which assets are held under financial lease	**112**	**93**	**8**	**0**

9 Investments

DKK million	Group: Investments in associates	Group: Deferred tax assets	Group: Other securities and investment etc.
Cost at 1 January 2009	636	812	637
Additions	29	3	365
Disposals	0	0	–411
Cost at 31 December 2009	**665**	**815**	**591**
Adjustments at 1 January 2009	–90	–561	–97
Dividends	–27	–	0
Results for the year	20	–56	45
Exchange rate adjustments	17	19	4
Transferred from deferred tax (liability)	–	0	–
Other adjustments	0	–2	–32
Adjustments 31 December 2009	**–80**	**–600**	**–80**
Carrying amount 31 December 2009	**585**	**215**	**511**

A deferred tax asset of DKK 92 million (DKK 110 million at 31 December 2008) has not been recognised as it is not expected to be utilised.

DKK million	Parent company: Investments in subsidiaries	Parent company: Subordinate loans to subsidiaries	Parent company: Investments in associates	Parent company: Deferred tax assets	Parent company: Other securities and investments
Cost at 1 January 2009	2,056	4,897	251	–	99
Additions	611	980	28	–	21
Disposals	0	–28	0	–	–13
Cost at 31 December 2009	**2,667**	**5,849**	**279**	**–**	**107**
Adjustments 1, January 2009	–929	–776	–111	–	–1
Results for the year	189	–	0	–	12
Goodwill amortisation	–9	–	0	–	0
Changes in intra-group profit on inventories etc.	–7	–	0	–	0
Exchange rate adjustments	–28	158	2	–	4
Other adjustments	87	0	0	–	0
Adjustments 31 December 2009	**–697**	**–618**	**–109**	**–**	**15**
Carrying amount of 31 December 2009	**1,970**	**5,231**	**170**	**–**	**122**

10 Minority interests

DKK million	Group: 2009	Group: 2008
Minority interests at 1 January	144	147
Share of results	0	–1
Additions and disposals, changes in ownership shares, etc.	–16	–2
Minority interest, 31 December	**128**	**144**

11 Deferred tax

Parent company			Group	
2008	2009	DKK million	2009	2008
0	0	Deferred tax 1 January	172	406
0	0	Exchange rate adjustments	6	–17
–	–	Disposal of enterprises	0	–3
0	0	Change in tax rate	0	–7
0	0	Transferred to deferred tax (asset)	0	–121
0	–	Acquisition of companies	5	0
0	0	Other changes during the year	46	–86
0	**0**	**Deferred tax 31 December**	**229**	**172**

Deferred tax primarily relates to property, plant and equipment in Sweden and Finland.

12 Pensions

The provision comprises defined benefit schemes in UK, Sweden and Holland. The defined benefit schemes ensure a pension to employees covered based on seniority and final salary.

The net pension commitment is recognised in the balance sheet as follows:	Group	
DKK million	31.12.09	31.12.08
Present value of defined benefit schemes	6,583	5,406
Market value of plan assets	–4,530	–3,711
Net pension commitments	2,053	1,695
Non-recognised actuarial gains/losses, net	–383	24
Net pension commitments recognised in balance sheet	**1,670**	**1,719**

Development in net pension commitment:

DKK million	2009	2008
Net pension commitment recognised in the balance sheet, 1 January	1,719	2,369
Exchange rate adjustments	125	–462
Expensed in the income statement, net	87	59
Group payments to plan assets	–261	–247
Net pension commitment recognised in the balance sheet, 31 December	**1,670**	**1,719**

The defined benefit schemes in the UK are administered by independent pension funds that invest the amounts paid to cover the commitments. The actuarial present value of the commitments (DKK 5,557 million at 31 December, 2009 against DKK 4,481 million at 31 December 2008) less the market value of the assets (DKK 4,530 million at 31 December 2009 against DKK 3,711 million at 31 December, 2008) amounts to DKK 1,027 million (DKK 770 million at 31 December, 2008).

Following the use of the corridor method, the actuarial loss of DKK 130 million (gains of DKK 241 million at 31 December 2008) has not increased the provision and consequently the net commitment totalled DKK 897 million (DKK 1,011 million at 31 December 2008).

The defined benefit schemes in Sweden are not covered by payments to pension funds.

The actuarial present value of the commitments totals DKK 1,026 million (DKK 925 million at 31 December, 2008). As the limit value of the corridor was exceeded at 1 January, 2009, DKK 8 million was expensed during the year. Following the use of the corridor method, the actuarial loss of DKK 253 million (DKK 217 million at 31 December, 2008) has not increased the provision, and the net commitment therefore totalled DKK 773 million at 31 December, 2009 (DKK 708 million at 31 December, 2008).

The defined benefit schemes in Holland solely comprise pension earned in the period 4 May to 13 December, 2009. The net commitment amounts to DKK 0 million as at 31 December, 2009.

12 Pensions (continued)

Pension assets relate to:

DKK million	Group %	31.12.09	%	31.12.08
Stocks	45	2,027	42	1,574
Bonds	37	1,656	37	1,364
Properties	9	421	10	350
Other assets	9	426	11	423
Pension assets	**100**	**4,530**	**100**	**3,711**

Return on pension assets:

DKK million	2009	2008
Expected return on plan assets	268	370
Actuarial gains/losses on plan assets for the year (Not recognised)	288	–1,288
Actual return on plan assets	**556**	**–918**

The Group expects to pay DKK 306 million to defined pension schemes in 2010.

Assumptions for the actuarial calculations at the balance sheet date are:

	31.12.09	31.12.08
Discounting rate	3.9–5.7%	4.0–6.2%
Future payroll increase	3.0–4.7%	3.5–4.2%
Expected average return on plan assets	6.6%	6.7%

When calculating actuarial commitments, conditions vary from country to country in line with local circumstances.
Expected return on plan assets is determined by external actuaries on the basis of the composition of the assets and general expectations of economic developments.

13 Other provisions

Parent company 2008	2009	DKK million	Group 2009	2008
50	14	Other provisions, 1 January	173	386
0	0	Exchange rate adjustments	2	–9
10	0	Provisions during the year	96	67
–46	–13	Used during the year	–69	–131
0	0	Reversed	0	–140
14	**1**	**Other provisions, 31 December**	**202**	**173**
31.12.08	31.12.09	DKK million	31.12.09	31.12.08
0	0	Insurance provisions	126	105
14	1	Other provisions	76	68
14	**1**	**Other provisions**	**202**	**173**

Other provisions relate to provisions for restructuring and lawsuits etc.

14 Long-term liabilities

Parent company			Group	
31.12.08	31.12.09	DKK million	31.12.09	31.12.08
		Long-term liabilities that fall due more than five years after the balance sheet date:		
1,000	0	Subordinate bond loan	0	1,000
1,751	1,669	Mortgage credit institutions, etc.	4,823	4,916
20	20	Credit institutions etc.	387	380
2,771	**1,689**	**Total long-term liabilities that fall due more than five years**	**5,210**	**6,296**

15 Contingent liabilities, security, etc.

Parent company			Group	
31.12.08	31.12.09	DKK million	31.12.09	31.12.08
6,118	6,702	Surety and guarantee obligations	178	461
81	79	Operating rent commitments	280	298
90	79	Operating lease commitments	644	572
565	190	Obligations relating to agreement on purchase of fixed assets	310	812
		To cover exchange and interest rate risks, the following forward contracts have been entered into:		
141	868	Forward contracts (buying) (nominal)	859	281
8,217	6,446	Forward contracts (selling) (nominal)	8,351	9,848
1,515	1,756	Interest swaps	5,373	2,514
0	378	Securities through sales and repurchase agreement	3,139	3,122
		The following assets are deposited as security for debt:		
118	118	Owners' mortgage in real estate	3,303	2,356
187	162	Book value of real estate	1,770	1,088

Lawsuits:
The group is party to a few lawsuits. The outcome of these cases is not expected to significantly affect the assessment of the financial position beyond what is stated in the balance sheet or disclosed in the annual report.

16 Related parties

Arla Foods amba has no related parties exercising control.

Related parties exercising significant influence comprise the Board of Representatives, the Board of Directors and the Executive Management Board.

In addition, subsidiaries and associates, c.f. group chart on pages 38-39, are related parties.

Members of the Board of Representatives and/or the Board of Directors are paid for milk supplies to Arla Foods amba on equal terms with other members of the company.

There have been no other transactions with related parties during the year, apart from intra-group transactions that have been eliminated in the consolidated financial statements.

Salaries and remuneration have been disclosed separately in the note 2 regarding staff costs.

17 Co-operative members' liability

No co-operative members are personally liable for the parent company's obligations.

Group chart

Subsidiaries

Ownership 100%

Arla Foods AB, Sweden

Arla Foods Holding A/S, Denmark

Arla Foods AS, Norway

Arla Foods Inc, Canada

Arla Foods S.r.l., Italy

Arla Foods Inc, USA

Arla Foods S.A.R.L., France

Arla Foods S.A., Spain

Arla Foods Hellas S.A., Greece

Arla Foods Ingredients amba, Denmark

Cocio Chokolademælk A/S, Denmark [2]

AFF P/S, Denmark

Arla Foods Sp, Z.o.o., Poland

Arla Foods SA, Poland

Arla Foods Financial Services Centre Sp, Z.o.o., Poland

Aktieselskabet J, Hansen, Denmark

Rasmus Hansen Eksport K/S, Denmark [3]

Danos Eksport K/S, Denmark [3]

Danland Foods Export K/S, Denmark [3]

Kohave Foods Eksport K/S, Denmark [3]

Chesco Cheese Eksport K/S, Denmark [3]

Rasmus Hansen Oversøisk K/S, Denmark [3]

DOFO Cheese Eksport K/S, Denmark [3]

Danske Landmænd Eksport K/S, Denmark [3]

Oerum Dairies Eksport K/S, Denmark [3]

Boel Foods Eksport K/S, Denmark [3]

Marygold Trading K/S, Denmark [3]

Enico Trading K/S, Denmark [3]

Ownership 99%

Andelssmør A.m.b.a., Denmark

Ownership 93%

Mejeriforeningen, Denmark

- L&L International (Sweden) AB, Sweden (100%)
- Arla Foods Russia Holding AB, Sweden (75%)
    - Arla Foods Artis Ltd, Russia (100%)
- Arla Ingman Oy AB, Finland (100%)
    - Ranuan Meijeri Oy, Finland (100%)
    - Kiteen Meijeri Oy, Finland (100%)
    - Halkivahan Meijeri Oy, Finland (100%)
    - Massby Facility & Services Oy, Finland (60%)
    - Jk Juusto Kaira Oy, Finland (58%)
- FRAS Integration AB, Sweden (69%)
- Rynkeby Foods HB, Sweden (100%)
- Rynkeby Foods Förvaltning AB, Sweden (100%)
- Arla Foods UK Holding Ltd, UK (33%) [1]

- Arla Foods International A/S, Denmark (100%)
    - Danya Foods Ltd, Saudi- Arabia (75%)
    - Arla Foods Holding NL B.V., The Netherlands (100%)
        - Arla Foods B.V., The Netherlands (100%)
    - Arla Foods UK Holding Ltd, UK (67%) [1]
        - Arla Foods UK plc, UK (94%) [1]
            - Arla Foods Finance Ltd, UK (100%)
            - Arla Foods Holdings Co. Ltd, UK (100%)
                - Arla Foods UK Services Ltd, UK (100%)
                    - Arla Foods Creamery Ltd, UK (100%)
                    - Claymore Dairies Ltd, UK (75%)
            - Arla Foods Ltd, UK (100%)
            - Arla Foods UK Property Co, Ltd, UK (100%)
- AF A/S, Denmark (100%)
    - Arla Foods Finance A/S, Denmark (100%)
        - Kingdom Food Products ApS, Denmark (100%)
        - Ejendomsanpartsselskabet St, Ravnsbjerg, Denmark (100%)
    - Rynkeby Foods A/S, Denmark (50%) [1]
    - Kinmaco ApS, Denmark (100%)
        - Arla Foods Energy A/S, Denmark (100%)
        - Rynkeby Foods A/S, Denmark (50%) [1]
    - Arla Insurance Company (Guernsey) Ltd, Guernsey (100%)
    - Arla Foods Trading A/S, Denmark (100%)
- Arla Foods Distribution A/S, Denmark (100%)
    - Danmark Protein A/S, Denmark (100%)
- Medlemsartikler ApS, Denmark (100%)
- Arla Foods Ingredients GmbH, Germany (100%)
- Fidan A/S, Denmark (100%)
    - Dairy Fruit A/S, Denmark (100%)
- Procudan A/S, Denmark (51%)
- Danapak Holding A/S, Denmark (100%)
    - Danapak A/S, Denmark (100%)
        - Danapak Flexibles A/S, Denmark (100%)
- Tholstrup International B.V., The Netherlands (100%)
    - Tholstrup Cheese Holding A/S, Denmark (100%)
        - Tholstrup Cheese A/S, Denmark (100%)
            - Arla Foods GmbH, Germany (100%)
            - Tholstrup Cheese USA Inc, USA (100%)
- Arla Kallassi Foods Lebanon S.A.L., Lebanon (50%)

- Arla Foods Ingredients Inc, USA (100%)
- Arla Foods Ingredients KK, Japan (100%)
- Arla Foods Ingredients AB, Sweden (100%)
- Arla Foods Ingredients S.A. de C.V., Mexico (100%)
- Arla Foods Ingredients Korea Co. Ltd, South Korea (70%)

Associates

Arla Foods Ingredients S.A., Argentina (owned via Arla Foods Ingredients amba, ownership share 50%)

Arla Foods Kuwait Company LLC, Kuwait (owned via Arla Foods Holding A/S, ownership share 49%)

Arla Foods Qatar WLL, Qatar (owned via Arla Foods Holding A/S, ownership share 40%)

Arla National Food Products LLC, United Arab Emirates (owned by Arla Foods amba, ownership share 40%)

Arla Foods UK Farmers JV Company Ltd, UK (owned via Arla Foods UK Holding Ltd., ownership share 50%) [4)]

Agri-Norcold A/S, Denmark (owned via Mejeriforeningen, ownership share 50%)

Al Berit Alban LLC, Bahrain (owned via Arla Foods Holding A/S, ownership share 25%)

Biolac GmbH & Co, KG, Germany (owned via Arla Foods Ingredients GmbH, owernship share 50%)

Dan Vigor Ltda, Brazil (owned via Arla Foods International A/S, ownership share 50%)

HB Grådö Produktion, Sweden (owned via Arla Foods AB, ownership share 50%)

K/S Danske Immobilien, Denmark (owned via Arla Foods Finance A/S, ownership share 35%)

Mengniu Arla (inner Mongolia) Dairy Products Co. Ltd, People's Republic of China (owned by Arla Foods amba, ownership share 49%)

Restaurangakadamien AB, Sweden (owned via Arla Foods AB, ownership 50%)

Svensk Mjölk Ekonomisk förening, Sweden (owned via Arla Foods amba, ownership share 42%)

1) The company appears elsewhere in the Group chart.
2) The company is owned equally by Arla Foods amba and Danmark Protein A/S.
3) These companies are owned equally by Arla Foods amba and Arla Foods Ingredients amba.
4) This company owns 6.3% of the shares in Arla Foods UK plc, UK.

The Group also owns a number of companies without commercial activities.

Board of Directors

ELECTED BY MEMBERS

The Board of Directors consists of 14 milk producers – eight Danes and six Swedes. In Denmark, the elected Chairman in each of the four regions automatically becomes a member of the board. The other four Danish members are elected by the Board of Representatives, Arla's top decision-making body. In Sweden an election committee proposes the candidates and all six members of the Board are elected by the Board of Representatives.

Ove Møberg
Chairman
Hejnsvig, Denmark.
Born 1948.
Board member since 1992.

Åke Hantoft
Vice Chairman
Laholm, Sweden.
Born 1952.
Board member since 1998.

Viggo Ø. Bloch
Varde, Denmark.
Born 1955.
Board member since 2003.

Erik Karlsson
Karlskoga, Sweden.
Born 1954.
Board member since 2005.

At the board of representatives meeting in March 2010, Erik Karlsson will resign from the board in order to develop his own dairy farm, including expanding his herd and farming more land.

Palle Borgström
Älvängen, Sweden.
Born 1960.
Board member since 2008.

Steen Nørgaard Madsen
Silkeborg, Denmark.
Born 1956.
Board member since 2005.

Heléne Gunnarson
Tvååker, Sweden.
Born 1969.
Board member since 2008.

Torben Myrup
Gundersted, Denmark.
Born 1956.
Board member since 2006.

Thomas Johansen
Egtved, Denmark.
Born 1959.
Board member since 2002.

Ingela Svensson
Gamleby, Sweden.
Born 1957.
Board member since 2007.

Jan Toft Nørgaard
Ribe, Denmark.
Born 1960.
Board member since 1998.

Pejter Søndergaard
Vestervig, Denmark.
Born 1947.
Board member since 2002.

Gunnar Pleijert
Mörlunda, Sweden.
Born 1949.
Board member since 2003.

Bent Juul Sørensen
Ærøskøbing, Denmark.
Born 1958.
Board member since 1998.

EMPLOYEE REPRESENTATIVES

There are four employee representatives on the Arla Board of Directors, two from Denmark and two from Sweden. Danish employees elect six people to the Board of Representatives. These six people later vote to choose which two of them will represent employees on the company's Board of Directors. In Sweden the employee representatives for both the Board of Representatives and the Board of Directors are chosen during a joint meeting for all union organisations. An election committee makes suggestions for eligible employee representatives.

Leif Backstad
Ekerö, Sweden.
Works at Lindhagensgatan, Stockholm.
Born 1947.
Board member since 2001.

Bjarne Bundesen
Christiansfeld, Denmark.
Works at Christiansfeld Mejeri Center.
Born 1958.
Board member since 2003.

Steen Bolvig
Holstebro, Denmark.
Works at the powder factory, Hoco.
Born 1956.
Board member since 2003.

Leif Eriksson
Lidköping, Sweden.
Works at Götene Mejeri.
Born 1951.
Board member since 1998.

Executive Management Group

CORPORATE CENTRE, EXECUTIVE MANAGEMENT BOARD

Povl Krogsgaard
Vice CEO

Peder Tuborgh
CEO

Andreas Lundby
Vice CEO

CORPORATE CENTRE AND GLOBAL BUSINESS SERVICES
Global matters that extend across the Arla organisation are handled by five corporate functions that are responsible for both long-term development and operational support.

- Corporate Affairs comprises communication and group development under the management of Peder Tuborgh.
- Corporate Supply Chain handles milk supply, contact with owners, technical issues, quality, environment, global procurement and investment under the management of Povl Krogsgaard.
- Corporate Commerce is responsible for group marketing and multi-disciplinary research and development under the management of Andreas Lundby.
- Corporate Human Resources handles employee training and organisational development issues for the whole group under the management of Ola Arvidsson.
- Corporate Finance & IT handles finance, IT and law under the management of Frederik Lotz.

BUSINESS GROUPS
In addition, Arla Foods has four business areas:

- Consumer Nordic
- Consumer UK
- Consumer International
- Global Ingredients

Frederik Lotz (from 1 January 2010)
Executive Vice President/CFO
CORPORATE FINANCE & IT

Ola Arvidsson
Executive Vice President
CORPORATE HUMAN RESOURCES

Hans-Åke Hammarström
Executive Vice President
CONSUMER NORDIC

Consumer Nordic is responsible for sales of cheese, butter and fresh products in Sweden, Denmark, Finland and Norway. Consumer Nordic also has overall responsibility for production, innovation and marketing in respect of fresh products.
Employees: 4,878
Turnover: 19.4 billion DKK

Peter Lauritzen
Executive Vice President
CONSUMER UK

Consumer UK comprises the subsidiary, Arla Foods UK plc, which produces milk, butter and cream in the UK. In addition to local production, Consumer UK handles exports from Denmark and Sweden to the UK.
Employees: 2,936
Turnover: 11.9 billion DKK

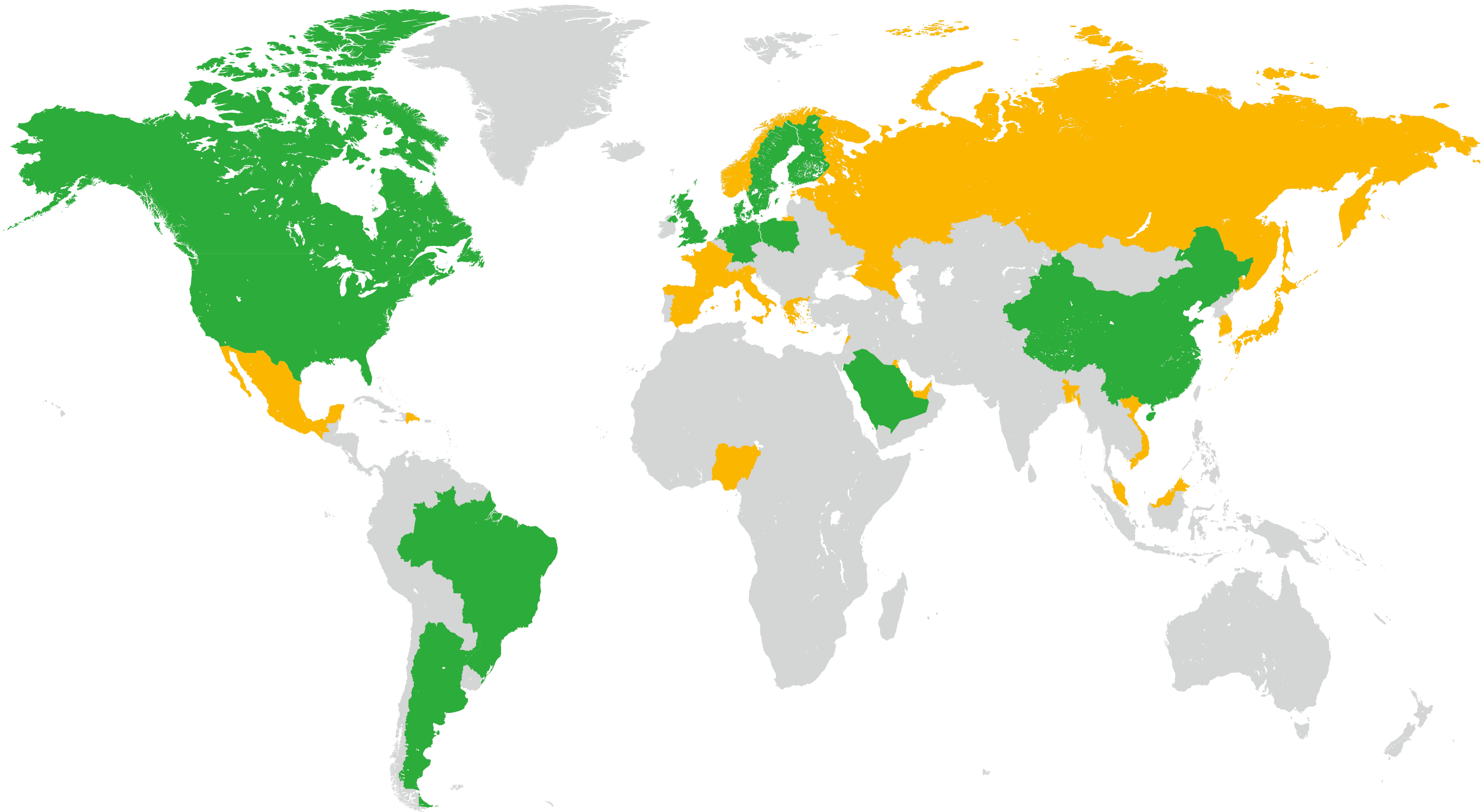
Tim Ørting Jørgensen
Executive Vice President
CONSUMER INTERNATIONAL

Consumer International has overall responsibility for production, innovation and marketing of cheese, butter and spreads within Arla Foods and for the sale of cheese, butter and spreads outside the Nordic region and the UK.
Employees: 5,680
Turnover: 7.8 billion DKK

Jais Valeur
Executive Vice President
GLOBAL INGREDIENTS

Global Ingredients is responsible for the production and sale of milk powder and milk-based ingredients products throughout the world.
Employees: 1,335
Turnover: 6.3 billion DKK

Leading dairy company with a local and global presence



PRODUCTION AND SALES
- Argentina
- Brazil
- Canada
- China
- Denmark
- Finland
- Germany
- Holland
- Poland
- Saudi Arabia
- Sweden
- United Kingdom
- United States

SALES OFFICES
- Bangladesh
- Dominican Republic
- Estonia
- France
- Greece
- Italy
- Japan
- Korea
- Kuwait
- Lebanon
- Malaysia
- Mexico
- Nigeria
- Norway
- Qatar
- Russia
- Singapore
- Spain
- United Arab Emirates
- Vietnam

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