



## Announcement to stock exchanges:

# Half year results 2024: Arla's robust first half of 2024 is paving the way for enhanced sustainability efforts

**Arla Foods' robust half-year performance in 2024 continues the positive momentum from late 2023, enabling a 5 EUR-cent/kg increase in milk prices compared to the second half of 2023, a half-year supplementary payment to farmer owners of 1 EUR-cent/kg milk and advancing sustainability initiatives through FarmAhead™ Technology.**

Arla Foods has delivered a robust half-year performance in 2024 where the positive trajectory from the later part of 2023 has continued. The performance has made it possible for Arla to increase the milk price by 5 EUR-cent/kg milk compared to the second half of 2023, and as expected, it is also possible to pay a half-year supplementary payment to farmer owners of 1 EUR-cent/kg milk based on the half-year volumes.

"We are satisfied that the momentum created by our farmer owners and employees in 2023 has continued into 2024, and today Arla is able to announce a robust half year result with a competitive milk price that paves the way for enhanced sustainability efforts going forward," says Peder Tuborgh, CEO, Arla Foods.

The rising milk price and the half-year supplementary payments are mainly driven by rising commodity prices, Arla's Fund Our Future transformation & efficiency programme and a return to branded volume growth.

Arla's strategic brands had a volume driven revenue growth of 4.1% in the first half of 2024 compared to a decrease of 6.0% the first half of 2023. The growth was spearheaded by the Lurpak®, Puck® and Arla® brands which respectively grew volumes by 7.9%, 4.4% and 3.8% in the first half of 2024.

The performance price for the first six months of 2024 was 47.5 EUR-cent/kg and the total Arla Group revenue ended at EUR 6.6 billion. In the first half of 2024, Arla achieved a net profit of EUR 167 million.

"We are very pleased to deliver a competitive milk price. At the same time, the return to branded growth happened with a higher magnitude than expected due to the strength of our brands and successful efforts to regain growth, so we are on a positive trajectory," says Torben Dahl Nyholm, CFO, Arla Foods.

### **Rise in sustainability initiatives on farms**

In the first half of 2024 Arla consolidated its various elements of sustainability work under the name FarmAhead™ Technology. It is Arla's ambition to reduce its emissions on farm by 30 % in 2030. Over the past 2 years, Arla has reduced nearly 1 million tons of CO<sub>2</sub>e.

An integral part of FarmAhead™ Technology is FarmAhead™ Incentive, Arla's groundbreaking point-based system, that rewards past and future climate and environmental sustainability activities on farm directly in the milk price. Each point that the farmer achieves will trigger 0,03 eurocent per kilo of milk they deliver to Arla. Activities with the biggest improvement potential trigger the most points, and a maximum of 80 points is currently available.

Since its activation in July 2023, Arla farmers have continued to increase the points average from 49 to 53 in the second quarter of 2024.



“With the competitive milk price and strong supplementary payment, our farmers are able to continue to invest in sustainability efforts on their farms. I am pleased that our farmer owners have implemented more emission-reducing actions and improved their performance,” says Peder Tuborgh, CEO, Arla Foods.

Linking Arlas owners’ actions with customer demands for dairy with lower carbon footprint, Arla has continued to build the commercial arm of FarmAhead™ by offering dairy with claimable CO<sub>2</sub>e reductions at a premium price. Last year, several UK customers joined a FarmAhead™ Customer Partnership and in June 2024, all of Arla’s Danish retail and foodservice customers joined.

### **Outlook for 2024**

Looking ahead into the second half of 2024, Arla anticipates the volatile market conditions driven by geopolitical tension and uncertainty to continue. However, the positive trend on consumer purchasing power from the first half of 2024 should prolong into the second half, especially in Europe as inflationary pressure continues to subside and wages increase. This is anticipated to translate into a continued upturn in the demand for dairy, although it is uncertain how consumers will react to the expected higher retail price levels following the commodity price increases. The uncertainty is also underlined by a lesser volume of available milk on a global level.

The performance price and revenue for the first half of 2024 is slightly lower than in the 2023 half year report. However, with the expectation that the strong market momentum from the first half of 2024 continues into the second half of 2024, Arla has adjusted its full-year expectations for revenue from EUR 13.2-13.7 billion to EUR 13.4-13.9 billion and still expects to deliver a profit within the range of 2.8-3.2% of Arla has also adjusted its full-year expectations for strategic branded volume-driven revenue growth from 1.0-3.0 % to 3.0-4.0 %.

Through Arla’s climate strategy, including the FarmAhead™ Incentive programme, Arla expects to keep the current pace in the efforts to reduce the company’s climate impact. Arla fully expects to reach the 2030 emission reduction targets – a 63% reduction in scope 1 and 2 emissions and a 30% reduction in scope 3 emissions per kg of milk and whey.

“We are proud that Arla Foods is performing well in a volatile global market. Customers around the world are demanding our products, we are ready to deliver, and we will continue to invest in the company's future”, says Peder Tuborgh.

## INCOME STATEMENT

(EUR million)	Note	H1 2024	H1 2023	Development	2023
Revenue	1.1	6,609	7,067	-6%	13,674
Production costs	1.2	-5,190	-5,857	-11%	-10,894
<b>Gross profit</b>		<b>1,419</b>	<b>1,210</b>	<b>17%</b>	<b>2,780</b>
Sales and distribution costs	1.2	-871	-857	2%	-1,764
Administration costs	1.2	-258	-219	18%	-459
Other operating income		19	46	-59%	113
Other operating costs		-68	-47	45%	-121
Share of results after tax in joint ventures and associates		25	28	-11%	51
<b>Earnings before interest and tax (EBIT)</b>		<b>266</b>	<b>161</b>	<b>65%</b>	<b>600</b>
<b>Specification:</b>					
EBITDA		512	399	28%	1,079
Depreciation, amortisation and impairment losses		-246	-238	3%	-479
<b>Earnings before interest and tax (EBIT)</b>		<b>266</b>	<b>161</b>	<b>65%</b>	<b>600</b>
Financial income		19	28	-32%	135
Financial costs		-89	-66	35%	-280
<b>Profit before tax</b>		<b>196</b>	<b>123</b>	<b>60%</b>	<b>455</b>
Tax		-23	-12	92%	-56
<b>Profit for the period</b>		<b>173</b>	<b>111</b>	<b>56%</b>	<b>399</b>
<b>Attributable to:</b>					
Arla Foods amba		167	103	62%	380
Non-controlling interests		6	8	-25%	19
<b>Total</b>		<b>173</b>	<b>111</b>	<b>56%</b>	<b>399</b>

## COMPREHENSIVE INCOME

(EUR million)	Note	H1 2024	H1 2023	2023
<b>Profit for the period</b>		<b>173</b>	<b>111</b>	<b>399</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to the income statement:</b>				
Remeasurements of defined benefit schemes		-10	-9	-19
Tax on remeasurements of defined benefit schemes		2	2	4
Fair value adjustments		-117	-	-3
<b>Items that may be reclassified subsequently to the income statement:</b>				
Value adjustments of hedging instruments		8	-113	-141
Fair value adjustments		-	-3	-2
Foreign currency translation		31	-32	-47
Tax on items that may be reclassified to the income statement		2	-	9
<b>Other comprehensive income, net of tax</b>		<b>-84</b>	<b>-155</b>	<b>-199</b>
<b>Total comprehensive income</b>		<b>89</b>	<b>-44</b>	<b>200</b>
<b>Attributable to:</b>				
Arla Foods amba		83	-52	181
Non-controlling interests		6	8	19
<b>Total</b>		<b>89</b>	<b>-44</b>	<b>200</b>

## BALANCE SHEET

(EUR million)	Note	H1 2024	H1 2023	Development	2023
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets and goodwill	3.1	1,028	965	7%	1,010
Property, plant and equipment and right of use assets	3.1	3,245	3,029	7%	3,149
Investments in associates and joint ventures	3.1	466	541	-14%	560
Deferred tax		23	24	-4%	23
Pension assets	4.1	21	14	50%	21
Other non-current assets		21	24	-13%	25
<b>Total non-current assets</b>		<b>4,804</b>	<b>4,597</b>	<b>5%</b>	<b>4,788</b>
<b>Current assets</b>					
Inventory	2.1	1,609	1,560	3%	1,384
Trade receivables	2.1	1,182	1,140	4%	1,145
Derivatives		105	132	-20%	132
Other receivables		322	336	-4%	309
Securities	4.1	591	429	38%	403
Cash and cash equivalents	4.1	115	172	-33%	138
<b>Total current assets</b>		<b>3,924</b>	<b>3,769</b>	<b>4%</b>	<b>3,511</b>
<b>Total assets</b>		<b>8,728</b>	<b>8,366</b>	<b>4%</b>	<b>8,299</b>

(EUR million)	Note	H1 2024	H1 2023	Development	2023
<b>Equity and liabilities</b>					
<b>Equity</b>					
Common capital		2,308	2,190	5%	2,211
Individual capital		528	513	3%	557
Other equity accounts		-65	55	-218%	13
Supplementary payment to owners		64	64	0%	207
<b>Equity, attributable to Arla Foods amba</b>		<b>2,835</b>	<b>2,822</b>	<b>0%</b>	<b>2,988</b>
Non-controlling interests		63	65	-3%	64
<b>Total equity</b>		<b>2,898</b>	<b>2,887</b>	<b>0%</b>	<b>3,052</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Pension liabilities	4.1	161	148	9%	167
Provisions		35	30	17%	31
Deferred tax		75	74	1%	83
Loans	4.1	2,630	2,793	-6%	2,369
<b>Total non-current liabilities</b>		<b>2,901</b>	<b>3,045</b>	<b>-5%</b>	<b>2,650</b>
<b>Current liabilities</b>					
Loans	4.1	1,199	679	77%	803
Trade payables and other payables	2.1	1,370	1,334	3%	1,425
Provisions		21	19	11%	20
Derivatives		37	95	-61%	43
Other current liabilities		302	307	-2%	306
<b>Total current liabilities</b>		<b>2,929</b>	<b>2,434</b>	<b>20%</b>	<b>2,597</b>
<b>Total liabilities</b>		<b>5,830</b>	<b>5,479</b>	<b>6%</b>	<b>5,247</b>
<b>Total equity and liabilities</b>		<b>8,728</b>	<b>8,366</b>	<b>4%</b>	<b>8,299</b>

## CASH FLOW

(EUR million)	Note	H1 2024	H1 2023	2023
EBITDA		512	399	1,079
Reversal of share of profit in joint ventures and associates		-25	-28	-51
Reversal of other operating items without cash impact		-19	14	-54
Change in net working capital	2.1	-298	46	320
Change in other receivables and other current liabilities		29	27	-23
Dividends received, joint ventures and associates		11	18	18
Interest paid		-87	-71	-145
Interest received		18	23	55
Taxes paid		-26	-36	-48
<b>Cash flow from operating activities</b>		<b>115</b>	<b>392</b>	<b>1,151</b>
Investment in intangible assets	3.1	-33	-31	-68
Investment in property, plant and equipment	3.1	-256	-181	-445
Sale of property, plant and equipment	3.1	2	2	6
<b>Operating investing activities</b>		<b>-287</b>	<b>-210</b>	<b>-507</b>
Acquisition of financial assets		-21	-6	-18
Sale of financial assets		39	7	29
Acquisition of enterprises		-26	-	-26
Sale of enterprises		-	3	3
<b>Financial investing activities</b>		<b>-8</b>	<b>4</b>	<b>-12</b>
<b>Cash flow from investing activities</b>		<b>-295</b>	<b>-206</b>	<b>-519</b>

### Financial comments

Cash flow from operating activities amounted to EUR 115 million (H1 2023: EUR 392 million). This was driven by a higher EBITDA, offset by an increased

working capital level driven by an increased value of inventory.

Cash flow from investing activities amounted to EUR -295 million (H1 2023: EUR -206 million), of which

investments in production facilities amounted to EUR 256 million (H1 2023: EUR 181 million).

Cash flow from financing activities amounted to EUR 156 million (H1 2023:

(EUR million)	Note	H1 2024	H1 2023	2023
Half-year supplementary payment		-	-	-63
Supplementary payment regarding the previous financial year		-209	-203	-201
Transactions with owners		-27	-24	-25
Transactions with non-controlling interests		-18	-1	-13
New loans obtained		234	517	777
Other changes in loans		222	-357	-967
Payment of lease debt		-35	-36	-78
Payment to pension plans		-11	-11	-22
<b>Cash flow from financing activities</b>		<b>156</b>	<b>-115</b>	<b>-592</b>
<b>Net cash flow</b>		<b>-24</b>	<b>71</b>	<b>40</b>
Cash and cash equivalents at 1 January		138	105	106
Net cash flow for the period		-24	71	40
Exchange rate adjustment of cash funds		1	-4	-8
<b>Cash and cash equivalents at 30 June</b>		<b>115</b>	<b>172</b>	<b>138</b>
Free operating cash flow				
Cash flow from operating activities		115	392	1,151
Cash flow from operating investing activities		-287	-210	-507
<b>Free operating cash flow</b>		<b>-172</b>	<b>182</b>	<b>644</b>
Free cash flow				
Cash flow from operating activities		115	392	1,151
Cash flow from investing activities		-295	-206	-519
<b>Free cash flow</b>		<b>-180</b>	<b>186</b>	<b>632</b>

EUR -115 million), driven by the supplementary payment and new loans obtained. Included in the financing activities was the net effect of new mortgage loans obtained, received securities and financing from additional repo-

arrangements. Cash and cash equivalents amounted to EUR 115 million (H1 2023: EUR 172 million).