CONSOLIDATED

HALF-YEAR REPORT 2023

On the frontpage:
Official opening of Klink Innovation Farm in Denmark

In April, Arla opened its first innovation farm in Denmark, run by farmer owner Torben Sønderby. The innovation farm will become part of Arla's network of innovation farms, which through innovation and education contribute to exploring and testing new methods within animal welfare, biodiversity and climate. It also serves as a hub for fostering strong partnerships and sustainability initiatives.

Arla is part of Denmark's Food Cluster, which is a unique environment where researchers, companies and public authorities meet, collaborate and create new ideas and breakthroughs. Through this partnership, Arla can develop and scale innovative green solutions for thousands of farmers in Denmark and the rest of the world – and ensure that Denmark remains a frontrunner when it comes to excellent food production.

Our consolidated half-year report is an interim account of the company's financial performance. It includes our condensed interim consolidated financial statements.
www.arla.com

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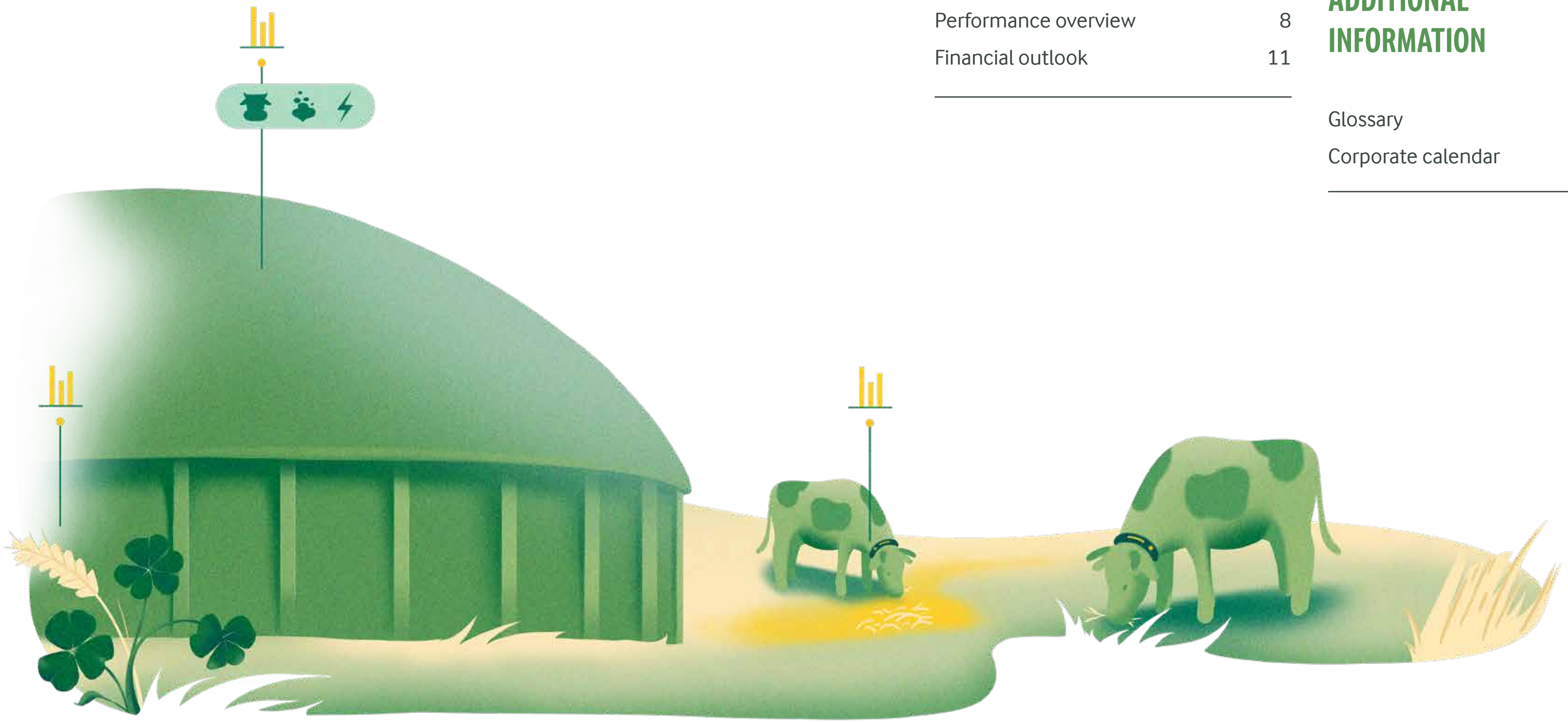

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FINDING THE RIGHT BALANCE IN A DOWNWARD MARKET

As expected, the powerful external dynamics continued to make their mark on the dairy industry in the first half of 2023. Due to the persistent inflationary pressure, consumers continued their shift from supermarkets to discount channels, particularly in Europe, and traded down or even out of certain dairy products.

The declining consumer spending combined with increasing global milk production pushed more milk volumes into the less profitable industry sales channels across the sector. Commodity prices drove down fast from an all-time high to seek a new market balance.

As anticipated, the market conditions put sales of our branded products under further pressure. However, during the decline we were able to protect our relative market shares against competitors. Relative to the downward development, we secured group earnings and a competitive milk price to our farmer owners, who experienced easing feed, fuel and fertiliser costs compared to 2022 levels, but were challenged by rising interest rates and growing labour costs.

Supplementary payment as planned

Our revenue of EUR 7,067 million was 10.7 per cent higher compared to the first half of 2022. Arla's average performance price remained much the same with only a slight decrease of 0.1 EUR-cent/kg to 49.7 EUR-cent/kg. Compared to the full year 2022, however, the performance price saw a decrease of 5.4 EUR-cent/kg.

Negative currency effects, particularly from the historically low SEK, challenged us further. As anticipated, our net profit of EUR 103 million ended below our full-year expectations at 1.5 per cent of revenue, down from 3.0 per cent last half-year.

Due to an unwavering focus in all markets on the extraordinary dynamics and Arla's general efficiency and robustness, we were able to soften the negative impact of the market dynamics and deliver a half-year supplementary payment to our owners of 1 EUR-cent/kg of milk for the half-year volumes as planned.

European retail hit hard

The general drop in dairy volumes sold in retail continued in the first half-year. From a high level, our strategic branded volume growth decreased, particularly in Europe, but also in International, leading to a total of -6.0 per cent[1]. During the decline, we were able to protect our relative market share against competitors.

Towards the end of the period, the decline started to soften across most markets. A few brands such as Starbucks™ and Puck® maintained solid volume growth, while our foodservice business returned to more normal growth levels compared to the extraordinary post-Covid growth last year. Despite the declining volumes, our strategic branded revenue grew by 6.9 per cent compared to the first half of last year due to year-on-year effects.

In Arla Foods Ingredients, the demand for specialised whey protein and lactose products remained solid, with whey powder market prices at a relatively high level. Our early life nutrition manufacturing business saw lower sales volumes due to the continued difficult market conditions in China.

A higher owner milk intake combined with the lower demand led to an increased share of milk solids sold through Global Industry Sales.

Launching the Sustainability Incentive

During the first half, Arla farmers familiarised themselves with our new science-based Sustainability Incentive model. By the very first deadline at the end of June, almost 7,300 or 94 per cent of our farmer owners had not only submitted their annual Climate Check data, but also uploaded almost 30,000 documents to our new IT tool to register additional climate and nature activities on the model's 19 levers. Of the 80 points available, the average score at go live was 48, exceeding our initial expectations.

Going forward, the incentive will be part of the monthly milk price payment. It is an important step towards linking on-farm economy and sustainability improvements and I am excited to see how it will drive further awareness and desire among our owners to accelerate their transition.

Outlook for the second half-year

For the remaining part of 2023, we anticipate that inflation and its influence on consumer patterns will likely persist, keeping volumes under pressure in most markets, even if we expect volume growth due to year-on-year effects. Though commodity markets were seeking for balance toward the end of the first half of 2023, the market is still volatile and market firmness will be uncertain for the rest of the year. In addition, the effect of the higher interest rates is expected to impact businesses, farmers and consumers.

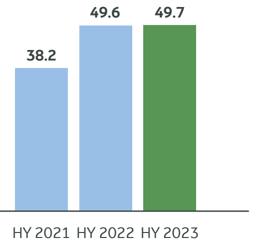
[1] Including our divested Russian business.

PEDER TUBORGH

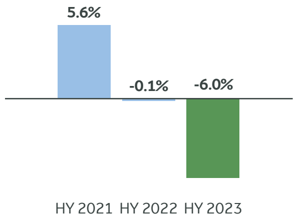
CEO of Arla

2023 HALF-YEAR AT A GLANCE

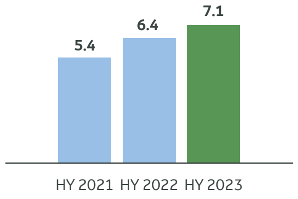
49.7
PERFORMANCE PRICE
EUR-CENT/KG



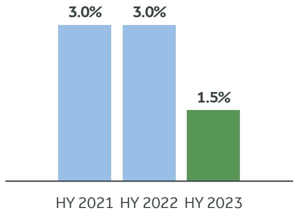
-6.0%
STRATEGIC BRANDED VOLUME DRIVEN REVENUE GROWTH[1]



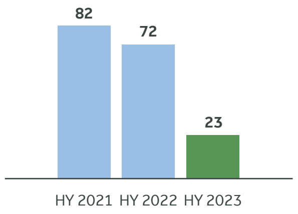
7.1
REVENUE
BILLION EUR



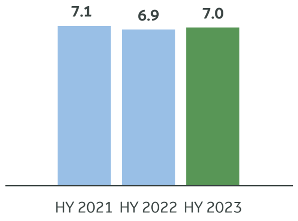
1.5%
PROFIT SHARE[2]
OF REVENUE



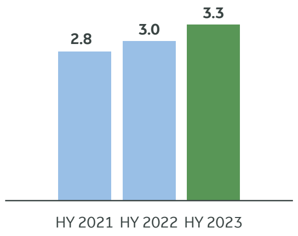
23
NET EFFICIENCIES[3]
MILLION EUR



7.0
MILK VOLUME[4]
BILLION KG



3.3
LEVERAGE



ARLA® PROTEIN

Natural, high in protein and low in sugar and fat, Arla® Protein appeals to all consumers living an active lifestyle. Arla® Protein continued its strong growth journey in the European market, and grew branded volumes by 51.6 per cent.

[1] Including a -0.9 impact from our Russian business which was divested in the first half of 2022.
[2] Based on profit allocated to owners of Arla Foods amba.
[3] Between 2021 and 2022, we altered the methods of creating efficiencies due to the start of our new strategy period. With the new strategy we launched our new efficiency programme, Fund our Future. The 2022 and 2023 figures are therefore not fully comparable with historic figures related to our previous efficiency programme, Calcium.
[4] Standard milk, 4.2 per cent fat and 3.4 per cent protein.

PERFORMANCE
REVIEW

ARLA®24
ARLA KO®

Arla®24 and Arla KO® farmers will be at the forefront of reducing carbon footprints and promoting sustainable farm practices, as climate criteria have now been added to the Arla®24 and Arla KO® concepts on top of high standards of animal welfare.

EXTERNAL MARKET OVERVIEW

THE FIRST HALF OF 2023 WAS DOMINATED BY CONTINUED INFLATIONARY PRESSURE, DECLINING DAIRY COMMODITY PRICES AND A SHIFT IN CONSUMER BEHAVIOURS TOWARDS DISCOUNT CHANNELS AND PRIVATE LABEL PRODUCTS.

Continued inflationary pressure

The inflationary pressure from 2022 continued into the first half of 2023. While energy prices declined as the uncertainty about energy shortage reduced, other production costs, such as ingredients and packaging, remained at a high level. At the same time, salaries increased significantly in Europe, partly due to labour scarcity. In 2023, average inflation in the euro area is projected at 5.5 per cent, down from 9.2 per cent in 2022[1]. Global inflation is projected to decline at a slower pace, settling at a high level of 6.8 per cent compared to 8.7 per cent in 2022[2].

Global economic slowdown

To soften inflation, central banks continued to raise interest rates in the first half of 2023. This contributed to a further slowdown in economic activity and the consumer purchasing power declining globally. Global GDP growth is projected at 3.0 per cent in 2023, down from 3.5 per cent in 2022. The euro area is projected to grow by 0.9 per cent in 2023 while developing countries have stronger growth projections of 4.0 per cent[2].

Pressure on retailers

Due to inflation and increasing cost of living, European consumers continued to buy less dairy products to cut costs, and the European dairy consumption in retail declined by 3.0 per cent. The butter, spreads and margarine (BSM) category declined by 4.0 per cent in retail as especially consumers in DE, NL and UK switched from butter to other alternatives, such as margarine.

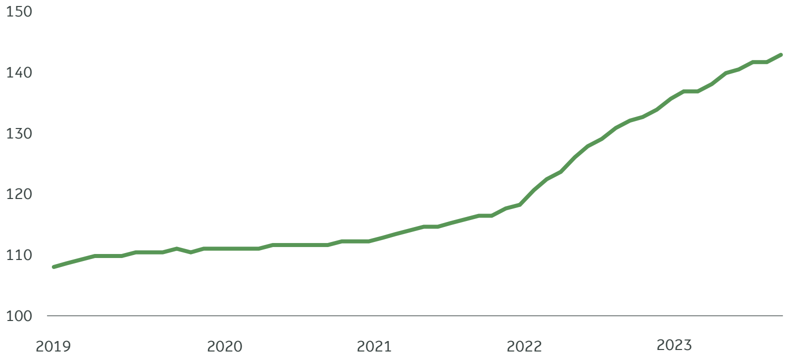
In response to the increasing cost pressure, European consumers also continued to trade down from branded to private label products and to seek value through promotions. This caused a shift towards discount channels to which supermarkets and e-commerce lost market shares. On top of this, the sales that retail gained from the struggling foodservice sector during the Covid-19 lockdowns were mostly lost again as consumption in restaurants, hotels and canteens began to return to pre-pandemic levels.

[1] Eurostat, June 2023.
[2] MF, World Economic Outlook, July 2023.

5.5%

Average inflation in the euro area in 2023
2022: 9.2%
Source: Eurostat, June 2023

European consumer prices
Consumer price index (CPI)



Source: OECD Stat

Supply-demand imbalances drove down commodity prices

As energy, feed and fertiliser prices started to decline from the fourth quarter of 2022, the pressure on farmers' margins from increasing costs eased. The global milk supply increased, driven by the US and Europe, offset by New Zealand. In Europe, the uplift in the milk production was primarily driven by Sweden and the UK, whereas Denmark and Germany remained at the same level as last year. The increased milk supply coupled with a lower demand for dairy products caused a steep decline in dairy commodity prices.

While the opposite situation with low supply and high demand drove up commodity prices over the course of 12 months in late 2021 and 2022, the drop happened over just six months in the fourth quarter of 2022 and early 2023. For example, in Europe, mozzarella prices decreased by 38 per cent and skimmed milk powder (SMP) prices by 29 per cent from October 2022 to February 2023.

Markets searching for balance

In the second quarter of 2023, dairy commodity prices started to level out and the market to search for balance. Consumer prices continued to increase in retail as the effect of decreasing commodity prices is expected to have a delayed effect in retail.

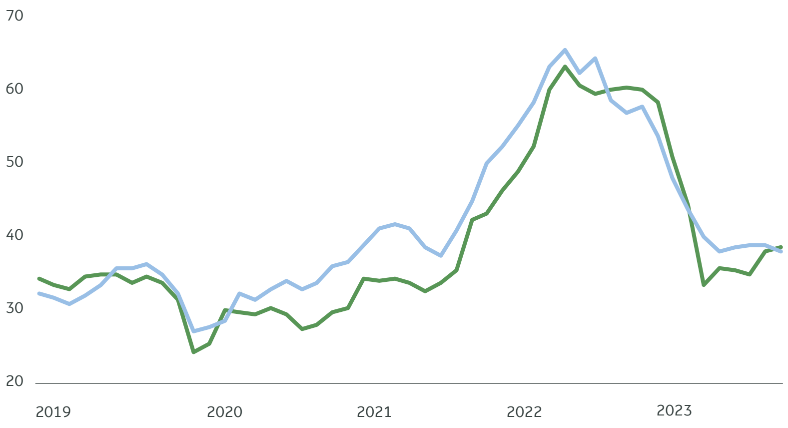
The consumer purchasing power increased in Europe, and dairy consumption started to restore after a steep decline in 2022. The European dairy consumption in retail declined by 3.0 per cent in the first half of 2023 compared to a decline of 4.8 per cent in the same period last year[1].

Challenging currency development

Currencies developed unfavourably during the first half of 2023. The SEK decreased by 7.5 per cent to a historical low compared to the same period last year due to low interest rates and political uncertainty, and the GBP decreased on average by 3.9 per cent. The USD increased by 1.0 per cent.

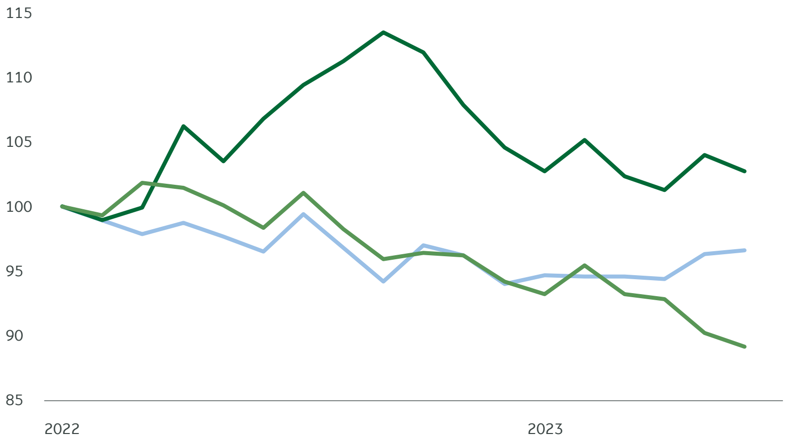
[1] NielsenIQ MAT w282023.

Dairy commodity prices
(EUR-cent/kg, milk utilisation equivalent)



Source: Global Dairy Trade — Mozzarella — Skimmed milk powder

Development in foreign exchange rates

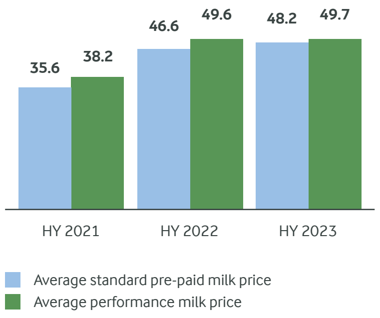


Source: Bloomberg — GBP/EUR — SEK/EUR — USD/EUR

PERFORMANCE OVERVIEW

AS ANTICIPATED, THE VOLATILE MARKET SITUATION IMPACTED ARLA'S PERFORMANCE IN THE FIRST HALF OF 2023, BUT WE MAINTAINED A STRONG FOCUS ON VALUE CREATION AND THE CONTINUED IMPLEMENTATION OF OUR SUSTAINABILITY STRATEGY.

OWNER MILK PRICE
EUR-CENT/KG

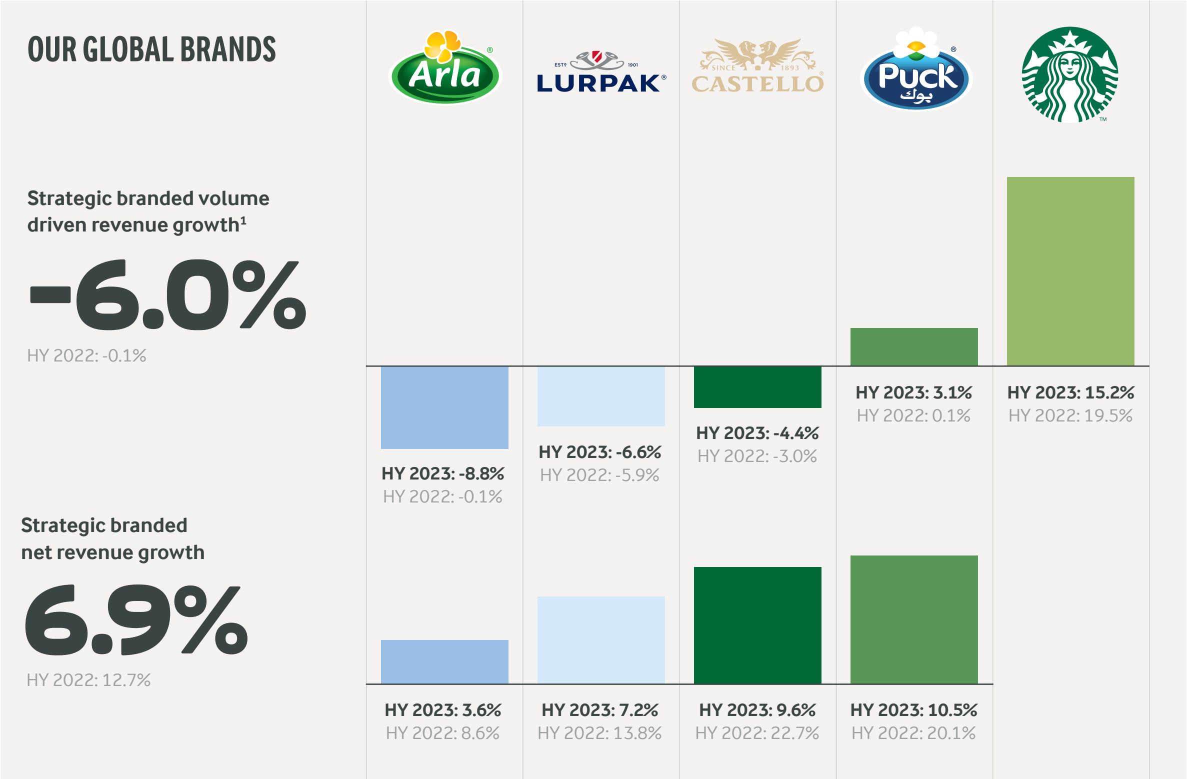


Milk price decrease driven by declining commodity prices

In the first half of 2023, Arla's average pre-paid milk price increased to 48.2 EUR-cent/kg compared to 46.6 EUR-cent/kg in the first half of 2022. Arla's pre-paid milk price increased significantly in the first half of 2022 and remained stable in the second half, but decreased again in the first half of 2023. Our performance price, which measures the value Arla adds to each kilo of our owner's milk, also remained on a par with the same period last year with a slight increase of 0.1 EUR-cent, but decreased by 5.4 EUR-cent/kg compared to the average performance price in 2022. These decreases were mainly driven by declining commodity prices in the first quarter and negative currency effects of particularly the SEK, partly offset by an intense focus on the external market dynamics and efficiencies delivered by Fund our Future.

Revenue growth driven by prices

In the first half of 2023, revenue increased by 10.7 per cent to EUR 7,067 million compared to EUR 6,382 million in the same period last year, primarily driven by earlier implemented price increases. Prices contributed positively to the revenue increase by EUR 700 million and volume and product mix changes contributed by EUR 133 million, while unfavourable currency developments impacted revenue negatively by EUR 148 million. The SEK weakened by 7.5 per cent and the GBP by 3.9 per cent.



Net profit below full-year outlook

In the first half of 2023, Arla achieved a net profit of EUR 103 million, or 1.5 per cent of revenue compared to 3.0 per cent in the same period last year. WLower global commodity prices and increased sales volumes in our commodity business put pressure on our profitability in the first half of 2023.

However, due to an unwavering focus in all markets on the extraordinary dynamics and Arla's general efficiency and robustness, we were able to soften the negative impact of the market dynamics and pay a competitive milk price in the first half-year and deliver a half-year supplementary payment to our owners of 1 EUR-cent per kilo milk as planned.

Branded volumes declining, but market shares maintained

Branded revenue grew by 6.9 per cent, driven by Lurpak® at 7.2 per cent and the Arla® brand at 3.6 per cent. As anticipated, our total strategic branded volume growth decreased by 6.0[1] per cent in the first half of 2023 compared to a decrease of 0.1 per cent in the first half of 2022. This was primarily due to decreasing volumes in Europe of 5.7 per cent and in International of 4.0 per cent, following the general market trend, as well as an increase in volumes sold by trading of 33.1 per cent.

In retail, branded volumes declined by 6.9 per cent, but a few brands maintained solid volume growth in the volatile market.

Our foodservice business returned to more normal growth levels, taking the volatile market circumstances into consideration, with branded volume growth of -1.8 per cent compared to 19.0 per cent in the first half of 2022 where the rebound effects of Covid-19 lock-downs triggered an extraordinarily high demand.

In the European zone, our strategic bets delivered strong volume growth, with the Starbucks™ business growing by 21.6 per cent and Arla® Protein by 51.6 per cent. In the International zone, the Starbucks™ business and Puck® both grew branded volumes by 3.3 per cent.

Towards the end of the half-year, the negative branded volume growth slowly started to soften across most markets.

[1] Including a -0.9 per cent impact from our Russian business which was divested in the first half of 2022.

EUROPE

Strategic branded volume driven revenue growth

-5.7%

HY 2022: -2.1%

Revenue growth

15.4%

HY 2022: 10.5%

In our European zone, revenue increased by 15.4 per cent to EUR 4,081 million compared to EUR 3,535 million in the same period last year. As expected revenue growth was mainly driven by price increases executed in the second half of 2022 in our retail and foodservice business feeding through to 2023. The higher price levels prompted consumers across all markets to continue to trade down to cheaper private label alternatives or even step out of the dairy category leading to a branded volume driven revenue decline of 5.7 per cent. However, we maintained our market shares on branded products as the decline was lost to private label. Our European foodservice business continued to build positive momentum, and revenue grew by 10.4 per cent.

INTERNATIONAL

Strategic branded volume driven revenue growth[1]

-4.0%

HY 2022: 3.8%

Revenue growth

3.6%

HY 2022: 18.3%

In our International zone, revenue increased by 3.6 per cent to EUR 1,243 million. Revenue growth was impacted positively by price increases executed during 2022, partly offset by an unfavourable development in main currencies of -3.7 per cent, as well as an underlying decline in branded volume driven revenue of 4.0[1] per cent due to lower demand. Volumes mainly declined in West Africa due to a challenging macro environment. In the Middle East, which comprises approximately 40 per cent of the total International business, we saw continued growth in revenue of 5.3 per cent. The strongest growth was seen in the Rest of World region, covering approximately 25 per cent of the International business, with an increase in revenue of 10.3 per cent.

ARLA FOODS INGREDIENTS

Growth of value-add segment

5.2%

HY 2022: 8.8%

Revenue growth

10.8%

HY 2022: 19.2%

In Arla Foods Ingredients, the demand for specialised whey protein and lactose products remained solid. The volatile market conditions and steeply declining commodity prices from October 2022 to February 2023 put pressure on margins, however whey powder market prices remained at a relatively high level. Revenue increased by 10.8 per cent to EUR 513 million compared to EUR 463 million in the same period last year. Value-added whey protein product volumes grew by 5.2 per cent. The total value-add share of 80.3 per cent fell from 81.8 per cent in the same period last year due to an increase in standard volumes.

The early life nutrition manufacturing business continued to be challenged by difficult market conditions in China, resulting in lower sales volumes in the first half of 2023.

GLOBAL INDUSTRY SALES

Milk solids sold through Global Industry Sales

28.7%

HY 2022: 21.6%

Revenue growth

6.1%

HY 2022: 41.8%

In the first half of 2023, the overall share of milk solids sold through Global Industry Sales business was 28.7 per cent compared to 21.6 per cent in the same period last year, while revenue[2] increased by 6.1 per cent to EUR 1,230 million.

Driven by higher milk intake from our farmer owners and lower retail demand in the European and International zones, volumes increased significantly by 33.1 per cent compared to the first half of 2022, with the highest increase seen in powder products. Compared to year-end 2022, volumes increased by 20.5 per cent. At the same time, dairy commodity prices declined from record heights and reached a level slightly higher than the long-term historical average by the end of the half-year.

[1] Excluding Russia. Branded revenue growth including Russia was -6.7 per cent.
[2] Revenue for Global Industry Sales, including Others.

Puck® is the number one spreadable cheese brand in MENA. In 2023, Puck delivered 3.3 per cent volume growth.

Fund our Future

Due to the challenging macro environment and rising inflation, our transformation and efficiency programme, Fund our Future, was essential in the first half of 2023 and delivered savings as expected of EUR 23 million. With a strong pipeline of initiatives to be launched in the second half of the year, we expect an uplift in efficiency deliveries for the full year.

Robust financial position

Arla remained in a robust financial position in a volatile market. Leverage landed at 3.3, compared to 3.0 in the same period last year, driven by an increase in net interesting-bearing debt and a lower EBITDA the past 12 months. We expect leverage to improve to 2.4-2.8. by year-end.

Our net interest-bearing debt increased to EUR 3,033 million compared to EUR 2,886 million in the first half of 2022. Long-term borrowings increased to EUR 2,794 million compared to EUR 2,140 million in the first half of last year. The average maturity of debt increased to 4.7 years compared to 4.4 years last year. Average interest costs, excluding pensions, were 3.6 per cent compared to 1.8 per cent in the same peiod last year.

Other comprehensive income amounted to EUR -155 million in the first half of 2023 compared to EUR 271 million in the same period last year. Value adjustments of hedge instruments related to future commodity and interest costs was the key driver of this change. This change also impacted the solvency ratio, which reduced to 34.5 per cent compared to 36.3 per cent in the first half of last year.

Cash flow from operating activities improved to EUR 392 million in the first half of 2023 compared to EUR -29 million in the same period last year due to improved cash flow from net working capital. Cash flow from investing activities amounted to EUR -210 million compared to EUR -176 million in the same period last year. Our main capital expenditures in the first half of 2023 were related to a capacity increase for milk-based beverages in Esbjerg, Denmark, milk and whey process upgrades in Götene, Sweden, and growth investments in Arla Foods Ingredients.

Please see notes section on page 17-29 for further details.

REWARDING ON-FARM CLIMATE AND SUSTAINABILITY ACTIONS

In 2022, Arla introduced a new sustainability incentive model to reward and motivate our farmer owners' implementation of on-farm climate and sustainability initiatives in order to reach our ambitious climate goals. The model is a data-driven and evidence-based point system, in which the farmers can collect points based on their activities on the model's 19 levers. These have been defined based on data collected through our Climate Checks on farms since 2019 and reflect where we have the biggest potential impact.

In January 2023, our farmer owners started submitting their data to the system, and data from 30 June 2023 showed that our farmer owners achieved on average 48 points out of 80 available, which exceeded Arla's initial expectations of 39 points. Climate Check data from 2022 showed that our farmer owners are working determinedly to reduce CO_2 emissions through initiatives such as optimising feeding and feed production, better utilisation and storage of manure, reducing energy consumption, switching to renewable electricity etc.

The 48 points mean that Arla will pay out an average of 1.44 EUR-cent/kg of milk to our farmer owners through the sustainability supplement on top of the 1 EUR-cent/kg of milk for submitting the Climate Check data required to achieve the sustainability incentive. The first payment will fall due in August 2023 based on data from 30 June, and going forward the incentive is paid out on a monthly basis and adjusted quarterly as our farmer owners will be able to continuously register new activities that may qualify for more points in the following quarter. Each year, following the annual Climate Check, the new data from here will also be part of an updated calculation of points.

FINANCIAL OUTLOOK

WHILE WE EXPECT INFLATION TO SOFTEN, COMMODITY MARKETS CONTINUE TO BE MARKED BY UNCERTAINTY IN THE NEXT HALF YEAR.

Continued uncertainty in the market

Inflation and its influence on consumers' buying patterns will likely persist in the second half of the year. Discount channels will continue to penetrate the market, and branded volumes will be under pressure. However, we expect an increase in the underlying category growth to contribute to branded growth slowly picking up again.

Commodity prices drove down fast from an all-time high to seek a new market balance in the first half of the year, however, the markets are still volatile and market firmness uncertain for the rest of the year.

Adjusting expectations for the second half

We have adjusted our full-year revenue expectations from EUR 13.6-14.2 billion to EUR 13.2-13.7 billion, primarily due to the effects of declining commodity prices and currency developments, and we expect to deliver a profit share within the range of 2.8-3.0 following the half-year net profit level.

We have updated our expectations for branded growth to -2.0 to -1.0 per cent, up from -3.5 to -1.5 per cent in February 2023, due to higher confidence in consumers returning to branded products in the second half of the year.

Moreover, we expect our efficiency programme, Fund our Future, to deliver savings of EUR 85-105 million, up from EUR 55-85 million driven by a firm efficiency pipeline for the second half of the year.

Our expectations for leverage are unchanged from what we communicated in February 2023.

	Results 2022	Outlook February 2023	Outlook update August 2023
STRATEGIC BRANDED VOLUME DRIVEN REVENUE GROWTH	-3.2%	-3.5 ~ -1.5	-2.0 ~ -1.0%
REVENUE BILLION EUR	13.8	13.6-14.2	13.2-13.7
PROFIT SHARE	2.8%	2.8-3.2%	2.8-3.0%
EFFICIENCIES MILLION EUR	101	55-85	85-105
LEVERAGE	3.0	2.4-2.8	2.4-2.8

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

DANO® SABI

In May, Arla opened its first innovation farm in Nigeria to help ensure access to affordable nutrition for future generations by supporting the development of the dairy industry and local food systems. The milk from the farm will be used in the production of local dairy products, such as our milk-based powder product Dano® Sabi.

INCOME STATEMENT

(EURm)	Note	H1 2023	H1 2022	Development	2022
Revenue	1.1	7,067	6,382	11%	13,793
Production costs	1.2	-5,857	-5,090	15%	-11,145
Gross profit		**1,210**	**1,292**	**-6%**	**2,648**
Sales and distribution costs	1.2	-857	-848	1%	-1,771
Administration costs	1.2	-219	-206	6%	-439
Other operating income		18	61	-70%	162
Other operating costs		-19	-74	-74%	-131
Share of results after tax in joint ventures and associates		28	27	4%	60
Earnings before interest and tax (EBIT)		**161**	**252**	**-36%**	**529**
Specification:					
EBITDA		399	485	-18%	1,001
Depreciation, amortisation and impairment losses		-238	-233	2%	-472
Earnings before interest and tax (EBIT)		**161**	**252**	**-36%**	**529**
Financial income		28	10	180%	37
Financial costs		-66	-32	106%	-117
Profit before tax		**123**	**230**	**-46%**	**449**
Tax		-12	-31	-61%	-49
Profit for the period		**111**	**199**	**-44%**	**400**
Allocated as follows:					
Arla Foods amba's share of profit for the period		103	192	-46%	382
Non-controlling interests		8	7	14%	18
Total		**111**	**199**	**-44%**	**400**

COMPREHENSIVE INCOME

(EURm)	Note	H1 2023	H1 2022	2022
Profit for the period		**111**	**199**	**400**
Other comprehensive income				
Items that will not be reclassified to the income statement:				
Remeasurements of defined benefit schemes		-9	47	-1
Tax on remeasurements of defined benefit schemes		2	-10	2
Items that may be reclassified subsequently to the income statement:				
Value adjustments of hedging instruments		-113	213	225
Fair value adjustment of certain financial assets		-3	-	-3
Adjustments related to foreign currency translation		-32	21	-48
Tax on items that may be reclassified to the income statement		-	-	-19
Other comprehensive income, net of tax		**-155**	**271**	**156**
Total comprehensive income		**-44**	**470**	**556**
Allocated as follows:				
Arla Foods amba's share		-52	463	538
Non-controlling interests		8	7	18
Total		**-44**	**470**	**556**

BALANCE SHEET

(EURm)	Note	H1 2023	H1 2022	Development	2022
Assets					
Non-current assets					
Intangible assets and goodwill	3.1	965	942	2%	954
Property, plant, equipment and right of use assets	3.1	3.029	3.036	0%	3.031
Investments in associates and joint ventures	3.1	541	572	-5%	565
Deferred tax		24	23	4%	22
Pension assets	4.1	14	90	-84%	16
Other non-current assets		24	29	-17%	23
Total non-current assets		**4.597**	**4.692**	**-2%**	**4.611**
Current assets					
Inventory	2.1	1.560	1.613	-3%	1.772
Trade receivables	2.1	1.140	1.153	-1%	1.267
Derivatives		132	271	-51%	239
Other receivables		336	362	-7%	319
Securities	4.1	429	437	-2%	432
Cash and cash equivalents	4.1	172	130	32%	106
Total current assets		**3.769**	**3.966**	**-5%**	**4.135**
Total assets		**8.366**	**8.658**	**-3%**	**8.746**

(EURm)	Note	H1 2023	H1 2022	Development	2022
Equity and liabilities					
Equity					
Common capital		2.190	2.236	-2%	2.150
Individual capital		513	510	1%	540
Other equity accounts		55	280	-80%	203
Supplementary payment to owners		64	63	2%	208
Attributable to the owners of Arla Foods amba		**2.822**	**3.089**	**-9%**	**3.101**
Non-controlling interests		65	58	12%	67
Total equity		**2.887**	**3.147**	**-8%**	**3.168**
Liabilities					
Non-current liabilities					
Pension liabilities	4.1	148	201	-26%	161
Provisions		30	27	11%	28
Deferred tax		74	80	-8%	86
Loans	4.1	2.793	2.140	31%	2.640
Total non-current liabilities		**3.045**	**2.448**	**24%**	**2.915**
Current liabilities					
Loans	4.1	679	1.097	-38%	709
Trade payables and other payables	2.1	1.334	1.541	-13%	1.597
Provisions		19	15	27%	20
Derivatives		95	80	19%	36
Other current liabilities		307	330	-7%	301
Total current liabilities		**2.434**	**3.063**	**-21%**	**2.663**
Total liabilities		**5.479**	**5.511**	**-1%**	**5.578**
Total equity and liabilities		**8.366**	**8.658**	**-3%**	**8.746**

EQUITY

	Common capital				Individual capital				Other equity accounts				Suppl. payment	Total equity		
(EURm)	Capital account	Reserve for special purposes	Unallocated profit for the period	Total	Contributed individual capital	Delivery-based owner certificates	Injected individual capital	Total	Reserve for value adjustment of hedging instruments	Reserve for fair value through OCI	Reserve for foreign exchange adjustments	Total	Total	Equity attributable to the owners of Arla Foods amba	Non-controlling interests	Total equity
Equity at 1 January 2023	**903**	**1,247**	**-**	**2,150**	**348**	**55**	**137**	**540**	**211**	**5**	**-13**	**203**	**208**	**3,101**	**67**	**3,168**
Profit for the period	**-**	**-**	**39**	**39**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**64**	**103**	**8**	**111**
Other comprehensive income	-7	-	-	-7	-	-	-	-	-113	-3	-32	-148	-	-155	-	-155
Total comprehensive income	**-7**	**-**	**39**	**32**	**-**	**-**	**-**	**-**	**-113**	**-3**	**-32**	**-148**	**64**	**-52**	**8**	**-44**
Transactions with owners	1	-	-	1	-16	-4	-5	-25	-	-	-	-	-	-24	-	-24
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-1	-1
Supplementary payment regarding 2022	-	-	-	-	-	-	-	-	-	-	-	-	-203	-203	-	-203
Foreign currency translation adjustments	7	-	-	7	-3	-1	2	-2	-	-	-	-	-5	-	-9	-9
Total transactions with owners	**8**	**-**	**-**	**8**	**-19**	**-5**	**-3**	**-27**	**-**	**-**	**-**	**-**	**-208**	**-227**	**-10**	**-237**
Equity at 30 June 2023	**904**	**1,247**	**39**	**2,190**	**329**	**50**	**134**	**513**	**98**	**2**	**-45**	**55**	**64**	**2,822**	**65**	**2,887**
Equity at 1 January 2022	**889**	**1,173**	**-**	**2,062**	**334**	**61**	**147**	**542**	**-14**	**8**	**52**	**46**	**207**	**2,857**	**53**	**2,910**
Profit for the period	**-**	**-**	**129**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**192**	**7**	**199**
Other comprehensive income	37	-	-	37	-	-	-	-	213	-	21	234	-	271	-	271
Total comprehensive income	**37**	**-**	**129**	**37**	**-**	**-**	**-**	**-**	**213**	**-**	**21**	**234**	**63**	**463**	**7**	**470**
Transactions with owners	2	-	-	2	-14	-4	-4	-22	-	-	-	-	-	-20	-	-20
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-3	-3
Supplementary payment regarding 2021	-	-	-	-	-	-	-	-	-	-	-	-	-211	-211	-	-211
Foreign currency translation adjustments	6	-	-	6	-6	-1	-3	-10	-	-	-	-	4	-	1	1
Total transactions with owners	**8**	**-**	**-**	**8**	**-20**	**-5**	**-7**	**-32**	**-**	**-**	**-**	**-**	**-207**	**-231**	**-2**	**-233**
Equity at 30 June 2022	**934**	**1,173**	**129**	**2,107**	**314**	**56**	**140**	**510**	**199**	**8**	**73**	**280**	**63**	**3,089**	**58**	**3,147**

CASH FLOW

(EURm)	Note	H1 2023	H1 2022	2022
EBITDA		399	485	1.001
Reversal of share of profit in joint ventures and associates		-28	-27	-60
Reversal of other operating items without cash impact		14	-26	21
Change in net working capital	2.1	46	-375	-707
Change in other receivables and other current liabilities		27	-34	11
Dividends received, joint ventures and associates		18	-	15
Interest paid		-71	-25	-67
Interest received		23	3	23
Taxes paid		-36	-30	-53
Cash flow from operating activities		**392**	**-29**	**184**
Investment in intangible assets	3.1	-31	-36	-92
Investment in property, plant and equipment	3.1	-181	-144	-373
Sale of property, plant and equipment	3.1	2	4	13
Operating investing activities		**-210**	**-176**	**-452**
Acquisition of financial assets		-6	-9	-16
Sale of financial assets		7	9	17
Sale of enterprises		3	-	8
Financial investing activities		**4**	**-**	**9**
Cash flow from investing activities		**-206**	**-176**	**-443**
Half-year supplementary payment		-	-	-61
Supplementary payment regarding the previous financial year		-203	-211	-211
Transactions with owners		-24	-22	-22
Transactions with non-controlling interests		-1	-3	-11
New loans obtained		517	248	1.310
Other changes in loans		-357	267	-643
Payment of lease debt		-36	-34	-71
Payment to pension plans		-11	-11	-22
Cash flow from financing activities		**-115**	**234**	**269**
Net cash flow		**71**	**29**	**10**

(EURm)	Note	H1 2023	H1 2022	2022
Cash and cash equivalents at 1 January		105	97	97
Net cash flow for the period		71	29	10
Exchange rate adjustment of cash funds		-4	4	-1
Cash and cash equivalents at 30 June		**172**	**130**	**106**
Free operating cash flow				
Cash flow from operating activities		392	-29	184
Cash flow from operating investing activities		-210	-176	-452
Free operating cash flow		**182**	**-205**	**-268**
Free cash flow				
Cash flow from operating activities		392	-29	184
Cash flow from investing activities		-206	-176	-443
Free cash flow		**186**	**-205**	**-259**

Financial comments

The positive cash flow from operating activities of EUR 392 million was the result of EBITDA of EUR 399 million and the release of cash tied up in working capital items of EUR 46 million, offset by higher interest costs.

In contrast, the first half of last year was an extraordinary period with significant extra cash being tied up in working capital positions driven by higher milk prices and inflation.

Cash flow from investing activities amounted to EUR -206 million compared to EUR -176 million in the same period last year.

Free cash flow for the half-year totalled EUR 186 million, representing an increase of EUR 391 million compared to the same period last year.

Cash flow from financing activities amounted to EUR -115 million compared to EUR 234 million last year. The decrease was the result of supplementary payments being consistent with last year, but less new loans compared to last year.

Cash and cash equivalents amounted to EUR 172 million compared to EUR 130 million at the end of the same period last year.

NOTES INTRODUCTION

Basis for preparation
The condensed interim consolidated financial statements are based on the group's monthly reporting procedures. Group entities are required to report using standard accounting principles in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS). General accounting principles and the applied accounting policies can be found in note 5.

Currency exposure
The group's financial position is significantly exposed to currencies, both due to transactions conducted in currencies other than the EUR and due to the translation of financial reporting from entities not part of the eurozone. The most significant exposure relates to financial reporting from entities operating in GBP and SEK, and to transactions relating to sales in USD or USD-related currencies.

Applying materiality
Our focus is to present information that is considered of material importance to our stakeholders in a simple and structured way.

Significant accounting estimates and assessments
Preparing the group's condensed interim consolidated financial statements requires management to apply accounting estimates and judgements that affect the recognition and measurement of the group's assets, liabilities, income and expenses. The estimates and judgements are based on historical experience and other factors.

By nature, these estimates are associated with uncertainty and unpredictability which can have a significant effect on the amounts recognised.

The most significant accounting estimates are addressed below.

Measurements of revenue and rebates
Revenue, net of rebates, is recognised when goods are transferred to customers. Estimates are applied when measuring the accruals for rebates and other sales incentives. In some customer relationships the final settlement of rebates depends on future volumes, prices and other incentives, which requires estimation based on historical experience and forecasted future sales.

Valuation of goodwill
Estimates are applied in assessing the value in use of goodwill. Goodwill is tested annually for impairment, and is not subject to amortisation. Assessing future cash flows and setting discount rates involves strategic ambitions and market data.

Valuation of inventory
Arla uses a standard cost model as proxy for actual costs. Estimates are applied on the historical cost price of milk, utilities and other production-related costs when assessing if standard costs approximate actual costs. Furthermore, assessment of net realisable values of certain parts of the inventory requires estimates and judgements. This applies especially to the quality and future market price of certain cheese categories with a long maturity time.

Valuation of pension plans
Judgements are applied when setting actuarial assumptions such as the discount rate, expected future salary increases, inflation and mortality. The actuarial assumptions vary from country to country, based on national economic and social conditions. They are set using available market data and compared to benchmarks to ensure consistency on an annual basis and in compliance with best practise.

The following sections provide additional disclosures supplementing the primary financial statements.

NOTE 1 REVENUE AND COSTS
Details on the group's performance and profitability.

Read more on page 18

NOTE 2 NET WORKING CAPITAL
Development and composition of the group's inventory and trade balances.

Read more on page 21

NOTE 3 CAPITAL EMPLOYED
Details on production capacity, intangible assets and financial investments.

Read more on page 22

NOTE 4 FUNDING
Details on funding of the group's activity.

Read more on page 23

NOTE 5 GENERAL ACCOUNTING PRINCIPLES
The group's general accounting principles condensed.

Read more on page 25

NOTE 1. REVENUE AND COSTS

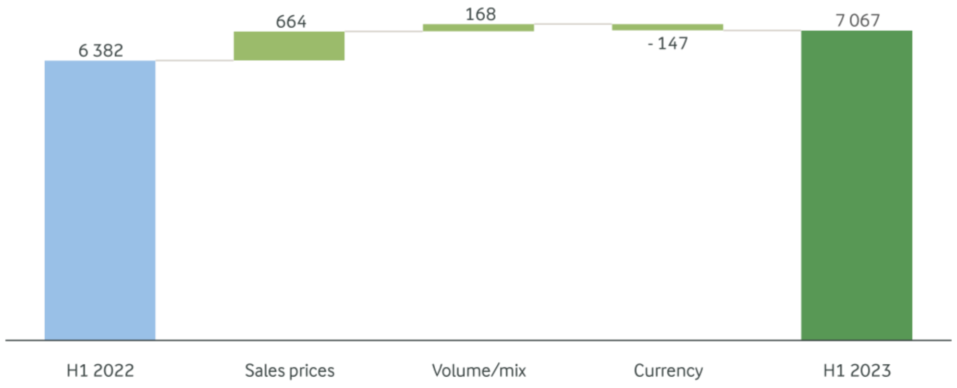
1.1 REVENUE

Financial comments

Revenue increased by 10.7 per cent to EUR 7,067 million compared to EUR 6,382 million in the first half of last year. Higher sales prices increased revenue by EUR 700 million, while volume/mix changes had a positive impact on revenue of EUR 133 million. Negative currency effects amounted to EUR 148 million due to weaker SEK and GBP against EUR.

Strategic branded revenue amounted to EUR 3,202 million compared to EUR 2,995 million in the same period last year. Strategic branded volume driven revenue growth was -6.0 per cent, heavily impacted by the inflationary environment. Read more about the performance of our brands and commercial segments in the performance review on page 8-9.

Development in revenue
(EURm)



Revenue split by brand

(EURm)	H1 2023	H1 2022
Arla	1,839	1,775
Lurpak	372	347
Puck	274	248
Castello	114	104
Milk based beverage	195	164
Other supported brands	408	357
Strategic branded revenue	**3,202**	**2,995**
Arla Foods Ingredients	513	460
Global Industry Sales, private label and other	3,352	2,927
Total	**7,067**	**6,382**

Revenue split by commercial segment

(EURm)	H1 2023	H1 2022*
Europe	4,081	3,535
International	1,243	1,226
Arla Foods Ingredients	513	463
Global Industry Sales and other sales	1,230	1,158
Total	**7,067**	**6,382**

**International 2022 includes EUR 26 million relating to Russia*

1.2 COSTS

Financial comments

Operational costs amounted to EUR 6,933 million compared to EUR 6,144 million in the first half of last year, representing an increase of 12.8 per cent. The increase was mainly driven by a higher average prepaid milk price to farmer owners and by inflation in production costs and other operational costs.

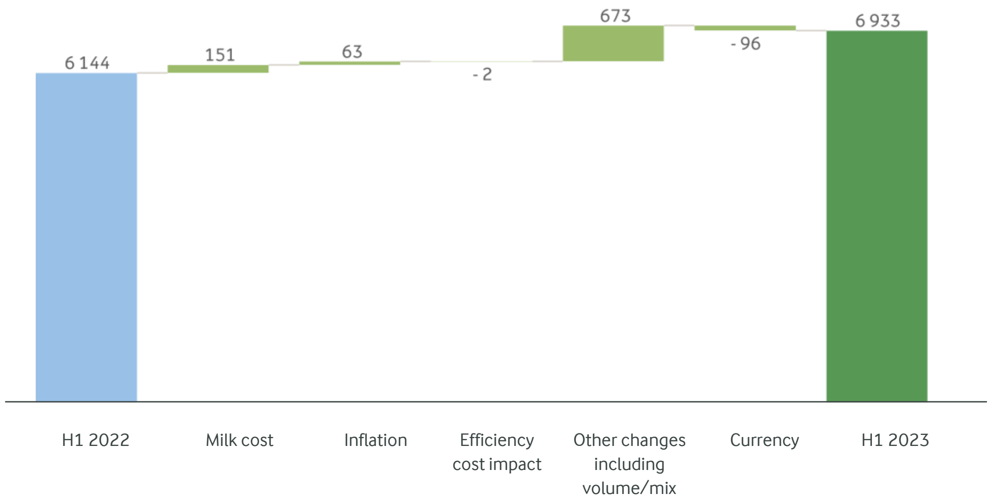
Production costs increased by14.8 per cent to EUR 5,844 million compared to EUR 5,090 million in the first half of last year. Excluding cost of raw milk, production costs including the effect of changed inventory values increased to EUR 2,440 million compared to EUR 1,837 million in the first half of last year, representing an increase of 32.8 per cent. The increase was driven by inflation leading to higher costs in other production materials such as packaging, consumables, utilities and energy, and by the effect of changed inventory values.

Sales and distribution costs increased by EUR 9 million, with transport costs being consistent with the first half of last year.

Staff costs increased by EUR 30 million to EUR 742 million due to regular salary adjustments across Arla.

Our transformation and efficiency programme, Fund our Future, achieved savings of EUR 23 million, of which EUR 2 million related to operational cost savings.

Development in operational costs
(EURm)



Operational costs split by function and type

(EURm)	H1 2023	H1 2022
Production costs	5,857	5,090
Sales and distribution costs	857	848
Administration costs	219	206
Total	**6,933**	**6,144**
Specification:		
Weighed-in raw milk	3,404	3,253
Other production materials*	1,520	963
Staff costs	742	712
Transport costs	403	403
Marketing costs	117	101
Depreciation, amortisation and impairment	238	233
Other costs**	509	479
Total	**6,933**	**6,144**
Average number of full-time employees	21,024	20,357

**Other production materials includes packaging, additives, consumables, variable energy and changes in inventory*
***Other costs mainly includes maintenance, utilities and IT*

Weighed-in raw milk	**H1 2023**		**H1 2022**	
	Mkg	EURm	Mkg.	EURm
Owner milk	6,662	3,204	6,461	3,006
Other milk	387	201	449	247
Total	**7,049**	**3,404**	**6,910**	**3,253**

1.3 KEY PERFORMANCE INDICATORS

Financial comments

The alternative performance measures disclosed below are key performance indicators for the group.

Performance price

Arla's performance price is a key measure of the overall performance, expressing the value added to each kilo of milk supplied by our farmer owners. The performance price is calculated as the standardised prepaid milk price, included in production costs, plus Arla Foods amba's share of profit for the period, divided by the weighed-in milk volume in the first half of 2023. The performance price was 49.7 EUR-cent/kg of owner milk compared to 49.6 EUR-cent/kg of owner milk in the first half of last year.

Strategic branded volume driven revenue growth

Volume driven revenue growth (VDRG) is defined as revenue growth derived from growth in volumes keeping prices constant. VDRG of strategic brands is an alternative performance measure applied to support and understand the non-price revenue growth and performance of our branded business. Strategic branded VDRG decreased by 6.0 per cent in the first half of 2023 compared to a decrease of 0.1 per cent in the first half of last year. The main reason for the decline is the shift in consumer trends following the inflationary environment.

Profit share

Arla's profit share is targeted at 2.8-3.2 per cent of revenue for the full year, calculated on the basis of the profit attributable to our farmer owners. In the first half of 2023, the profit share amounted to EUR 103 million compared to EUR 192 million in the first half of last year. This corresponds to 1.5 per cent of revenue. The profit distributable to farmer owners will be specified in the profit appropriation at year-end.

Performance price	H1 2023			H1 2022		
	EURm	Mkg.	EUR-cent/kg	EURm	Mkg.	EUR-cent/kg
Owner milk (Standard milk 4.2% fat, 3.4% protein)	3,204	6,662	48.2	3,006	6,461	46.6
Arla Foods amba's share of profit for the period	103		1.5	192		3.0
Total	**3,307**	**6,662**	**49.7**	**3,198**	**6,461**	**49.6**

Strategic branded volume driven revenue growth

(EURm)	H1 2023	H1 2022
Strategic branded revenue last half-year	2,995	2,657
Strategic branded VDRG	-177	-3
Price and exchange rate adjustments	384	341
Strategic branded revenue	**3,202**	**2,995**
Strategic branded volume driven revenue growth, %	**-6.0%**	**-0.1%**

The calculation of strategic branded VDRG is based on fixed exchange rates and is defined as volume growth of EUR -177 million divided by the net amount of strategic branded revenue last year of EUR 2,995 million and an exchange rate effect from average to fixed exchange rates of EUR -59 million.

Profit share

(EURm)	H1 2023	H1 2022
Revenue	7,067	6,382
Profit for the period	111	199
Profit relating to non-controlling interests	-8	-7
Profit attributable to farmer owners	**103**	**192**
Profit share	**1.5%**	**3.0%**

Profit share is calculated as EUR 103 million divided by EUR 7,067 million and amounted to 1.5 per cent in H1 2023.

NOTE 2. NET WORKING CAPITAL

2.1 NET WORKING CAPITAL

Net working capital

(EURm)	H1 2023	H1 2022
Inventory	1,560	1,613
Trade receivables	1,140	1,153
Trade payables and other payables	-1,334	-1,541
Net working capital	**1,366**	**1,225**

Inventory

(EURm)	H1 2023	H1 2022
Inventory before the write-downs	1,568	1,627
Write-downs	-8	-14
Total inventory	**1,560**	**1,613**
Raw materials and consumables	343	336
Work in progress	502	534
Finished goods and goods for resale	715	743
Total inventory	**1,560**	**1,613**

Financial comments

Net working capital increased by EUR 141 million to EUR 1,366 million, corresponding to an increase of 12 per cent compared to the carrying amount at 30 June 2022. The increase was mainly due to a reduction in trade payables.

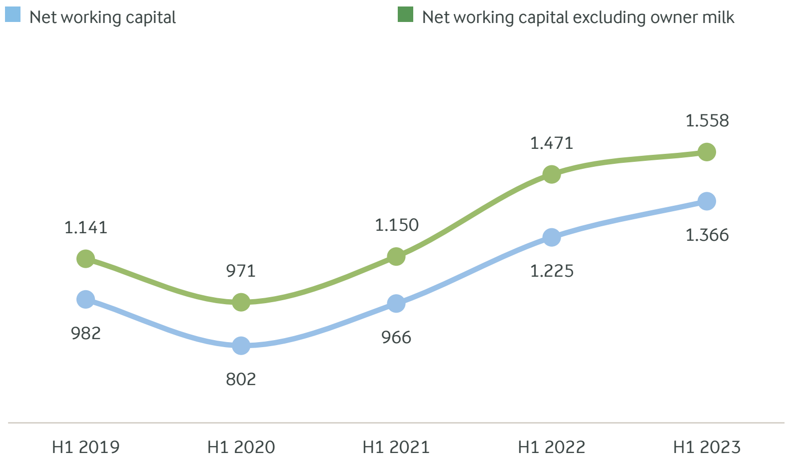
Inventory decreased by EUR 53 million to EUR 1,560 million, a decrease of 3 per cent. The decrease was a result of a lower milk price to our farmer owners in the second quarter of 2023 compared to the same period last year, partly offset by an increase in other production costs.

Trade receivables amounted to EUR 1,140 million compared to EUR 1,153 million at 30 June 2022. Underlying trade receivables increased by 4 per cent, offset by the use of our trade receivable financing programmes, compared to the first half year of 2022. Trade receivable finance programmes are an integral part of our liquidity management.

Trade payables and other payables decreased by EUR 207 million to EUR 1,334 million, a decrease of 13 per cent. The reduction was due to lower payables related to owner milk, commodities, including energy, and a lower level of trade payables in general at the end of the period compared to last year.

We continuously strive to optimise our net working capital positions through initiatives such as increased use of global procurement agreements, optimisation of inventory levels, improved payment terms as well as utilisation of financing programmes with customers and suppliers.

Development in net working capital
(EURm)



Trade receivables

(EURm)	H1 2023	H1 2022
Trade receivables before provision for expected losses	1,159	1,170
Provision for expected losses	-19	-17
Total trade receivables	**1,140**	**1,153**

NOTE 3. CAPITAL EMPLOYED

3.1 CAPITAL EMPLOYED

Intangible assets and goodwill

(EURm)	H1 2023	H1 2022
Goodwill	712	701
Licenses and trademarks	63	71
IT and other development projects	190	170
Carrying amount at 30 June	**965**	**942**

Property, plant and equipment including right of use assets

(EURm)	H1 2023	H1 2022
Land and buildings	1,148	1,147
Plant and machinery	1,280	1,340
Fixtures and fittings, tools and equipment	194	199
Assets in the course of construction	407	350
Carrying amount at 30 June	**3,029**	**3,036**
Right of use assets included in the carrying amount	211	224

Financial comments

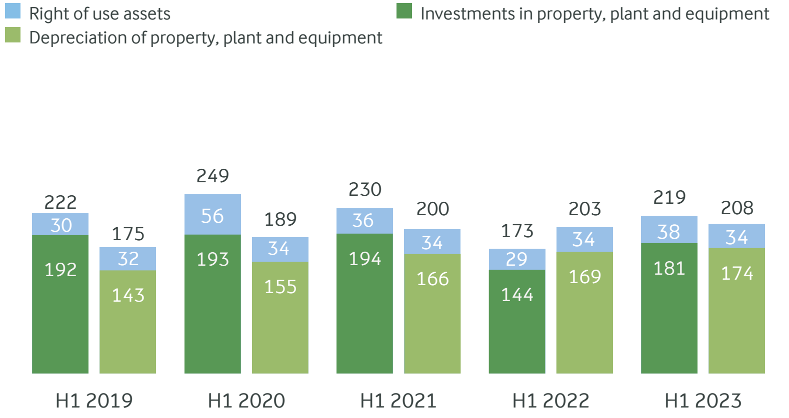
The carrying amount of non-current assets decreased to EUR 4,597 million compared to EUR 4,692 million at 30 June 2022.

Intangible assets and goodwill increased marginally to EUR 965 million compared to EUR 942 million at 30 June 2022. The increase was driven by IT and other development projects and exchange rate effects on goodwill.

The carrying amount of property, plant and equipment including right of use assets decreased by EUR 7 million to EUR 3,029 million. Investments including right of use assets in the first half-year amounted to EUR 219 million compared to 173 million in the same period last year. Major projects, such as a capacity increase for milk-based beverages in Esbjerg, Denmark, whey process upgrades in Götene, Sweden, and growth investments in Arla Foods Ingredients continued in H1 2023.

The recognised value of associates and joint ventures was EUR 541 million compared to EUR 572 million at 30 June 2022. It primarily consists of the carrying amounts of investments in COFCO Dairy Holding Ltd. (Mengniu) and LRF. The group's proportionate share of the net asset value of COFCO Dairy Holding Ltd. was EUR 430 million compared to EUR 458 million at 30 June 2022. The decrease was driven by received dividends and exchange rate effects. The carrying amount of the investment in COFCO Dairy Holding Ltd. includes goodwill amounting to EUR 154 million.

Investments and depreciation of property, plant, equipment and right of use assets
(EURm)



Associates and joint ventures

(EURm)	H1 2023	H1 2022
Value of associates and joint ventures		
Share of equity in COFCO Dairy Holdings Ltd. (Mengniu)	276	298
Goodwill in COFCO Dairy Holdings Ltd. (Mengniu)	154	160
Share of equity in immaterial associates	87	91
Recognised value of associates	**517**	**549**
Share of equity in immaterial joint ventures	24	23
Recognised value of associates and joint ventures	**541**	**572**

NOTE 4. FUNDING

4.1 FUNDING AND PENSIONS

Financial comments

The group's financial leverage was 3.3, representing an increase of 0.3 compared to the first half of last year. Net interest-bearing debt excluding pensions increased by EUR 200 million compared to the position at 30 June 2022. The increase was driven by new loans obtained and the issue of additional bonds totalling EUR 567 million partly offset by repayment of maturing loans and other cash movements.

Pension liabilities amounted to EUR 148 million compared to EUR 201 million at 30 June 2022. The position at 30 June 2023 excludes a UK pension net asset recognised separately and not included in the calculation of net interest-bearing debt and leverage. The UK pension net asset had a carrying amount of EUR 14 million compared to EUR 90 million at 30 June 2022. The past 12 months have seen a volatile environment for both pension assets and pension liabilities. We have seen decreasing pension liabilities largely attributable to increasing discount rates. Pension assets have also seen corresponding declines, largely due to the plan investment strategy of reducing risk through a liability hedge portfolio of assets and annuities.

The average maturity profile of debt increased slightly to 4.7 years compared to 4.4 years in the same period last year. The maturity profile is affected by a lapse of time, refinancing or obtaining of new committed facilities and the level of interest-bearing debt. Average interest costs, excluding pensions, were 3.6 per cent compared to 1.8 per cent in the first half of last year.

The liquidity reserves increased by EUR 329 million to EUR 1,123 million compared to the reserves at 30 June 2022. The liquidity reserves increased to secure liquidity during uncertain market conditions. Excluded from the liquidity reserves are cash and securities of EUR 58 million considered as restricted due to restrictions on transferability. At 30 June 2022, the amount was EUR 50 million.

3.3

Leverage

Half-year 2022: 3.0

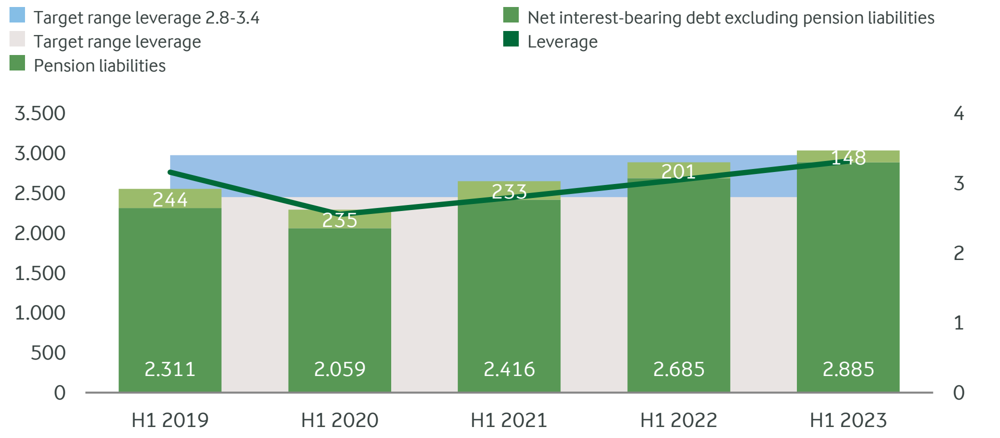
Net interest-bearing debt

(EURm)	H1 2023	H1 2022
Long-term borrowings	2,794	2,140
Short-term borrowings	696	1,117
Securities, cash and cash equivalents	-601	-567
Other interest-bearing assets	-4	-5
Net interest-bearing debt excluding pension liabilities	**2,885**	**2,685**
Pension liabilities	148	201
Net interest-bearing debt including pension liabilities	**3,033**	**2,886**

Liquidity reserves

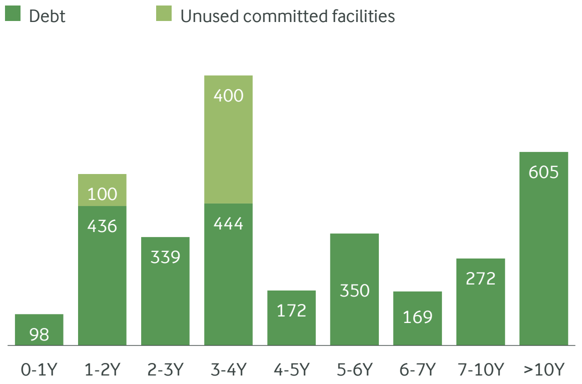
(EURm)	H1 2023	H1 2022
Cash and cash equivalents	172	130
Securities (free cash flow)	10	57
Unutilised committed loan facilities > 1 year	500	442
Other unutilised loan facilities	441	215
Total	**1,123**	**844**

Net interest-bearing debt
(EURm)

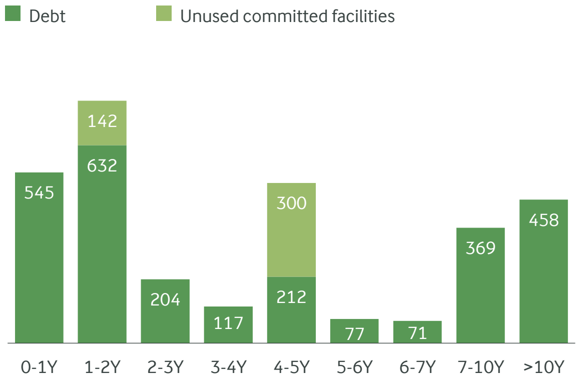


4.1 FUNDING AND PENSIONS (CONTINUED)

Maturity of net interest-bearing debt excluding pension liabilities at 30 June 2023
(EURm)



Maturity of net interest-bearing debt excluding pension liabilities at 30 June 2022
(EURm)



Exchange rates

	Closing rate			Average rate		
	H1 2023	H1 2022	Change	H1 2023	H1 2022	Change
EUR/GBP	0.861	0.861	0.0%	0.876	0.842	-3.9%
EUR/SEK	11.805	10.685	-9.5%	11.334	10.482	-7.5%
EUR/DKK	7.447	7.440	-0.1%	7.446	7.440	-0.1%
EUR/USD	1.086	1.044	-3.9%	1.081	1.092	1.0%
EUR/SAR	4.083	3.930	-3.8%	4.056	4.096	1.0%

Pension liabilities

(EURm)	H1 2023	H1 2022
Present value of funded liabilities	1,093	1,319
Fair value of plan assets	-963	-1,213
Deficit of funded plans	**130**	**106**
Present value of unfunded liabilities	4	5
Net pension liabilities recognised on the balance sheet	**134**	**111**
Presented as:		
Pension assets	-14	-90
Pension liabilities	148	201
Net pension liabilities	**134**	**111**

Assumptions for the actuarial calculations

%	H1 2023	H1 2022
Discount rate assumptions		
Discount rate, Sweden	4.1	3.5
Discount rate, UK	5.3	3.9
Inflation assumptions		
Inflation (CPI), Sweden	2.0	3.1
Inflation (CPI), UK	2.6	2.5
Mortality assumptions		
Life expectancy in years at age 65:		
Male in the UK	21.0	21.0
Female in the UK	23.0	23.0
Male in Sweden	22.0	22.0
Female in Sweden	24.0	24.0

NOTE 5. GENERAL ACCOUNTING PRINCIPLES

GENERAL ACCOUNTING PRINCIPLES

Basis for preparation

The condensed interim consolidated report is prepared according to the same accounting policies as applied in the consolidated annual report for 2022, and the group has implemented all new standards and interpretations effective in the EU from 1st January 2023, without any significant impact to the financial statements.

The condensed interim consolidated financial statements are prepared in million EUR with rounding.

Condensed interim consolidated financial statements

The consolidated financial statements are prepared as a compilation of the parent company's and the individual subsidiaries' financial statements in line with the group's accounting policies. Revenue, costs, assets and liabilities, along with items included in the equity of subsidiaries, are aggregated and presented on a line-by-line basis. Intercompany shareholdings, balances and transactions as well as unrealised income and expenses arising from intercompany transactions are eliminated.

The consolidated financial statements comprise Arla Foods amba (parent company) and the subsidiaries in which the parent company directly or indirectly holds more than 50 per cent of the voting rights, or otherwise maintains control to obtain benefits from its activities. Entities in which the group exercises joint control through a contractual arrangement are considered to be joint ventures. Entities in which the group exercises a significant but not a controlling influence are considered associates. A significant influence is typically obtained by holding or having at the group's disposal, directly or indirectly, more than 20 per cent, but less than 50 per cent, of the voting rights in an entity.

Unrealised gains arising from transactions with joint ventures and associates, i.e. profits from sales to joint ventures or associates, are eliminated against the carrying amount of the investment in proportion to the group's interest in the company. Unrealised losses are eliminated in the same manner, but only to the extent that there is no evidence of impairment.

The consolidated financial statements are prepared on a historical cost basis, except for certain items with alternative measurement bases, which are identified in these accounting policies. Some reclassifications have been carried out compared to previously. These, however, have no impact on the net profit or loss or equity.

Translation of transactions and monetary items in foreign currencies

For each reporting entity in the group, a functional currency is determined, being the currency used in the primary economic environment where the entity operates. Where a reporting entity has transactions in a foreign currency, it will record the transaction in its functional currency using the transaction date rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate applicable at the reporting date. Exchange rate differences are recognised in the income statement under financial items. Non-monetary items, for example property, plant and equipment, which are measured based on historical cost in a foreign currency, are translated into the functional currency upon initial recognition.

Translation of foreign operations

The assets and liabilities of consolidated entities, including the share of net assets and goodwill of joint ventures and associates with a functional currency other than EUR, are translated into EUR using the year-end exchange rate. The revenue, costs and share of the net profit or loss for the year are translated into EUR using the average monthly exchange rate if this does not differ materially from the transaction date rate. Exchange rate differences are recognised in other comprehensive income and accumulated in the translation reserve.

On partial divestment of associates and joint ventures, the relevant proportional amount of the cumulative foreign currency translation adjustment reserve is transferred to the net profit or loss for the year, along with any gains or losses related to the divestment. Any repayment of outstanding balances considered part of the net investment is not in itself considered to be a partial divestment of the subsidiary.

GLOSSARY

Arlagarden®
The name of our quality assurance programme.

CAPEX
An abbreviation of capital expenditure.

EBIT
An abbreviation of earnings before interest and tax, and a measure of earnings from ordinary operations.

EBITDA
An abbreviation of earnings before interest, tax, depreciation and amortisation from ordinary operations.

EBIT margin
Measures EBIT as a percentage of total revenue.

Equity ratio
The ratio of equity, excluding minority interests, to total assets, and is a measure of the financial strength of Arla.

Free cash flow
Cash flow from operating activities after deducting the cash flow from investing activities.

Leverage
The ratio of net interest-bearing debt inclusive of pension liabilities to EBITDA. It enables an evaluation of the ability to support future debt and obligations; the long-term target range for leverage is between 2.8 and 3.4.

MENA
An acronym referring to the Middle East and North Africa.

Milk volume
Total intake of raw milk in kg from owners and contractors measured in standard milk with 4.2 per cent fat and 3.4 per cent protein.

Net interest-bearing debt
Current and non-current interest-bearing liabilities less securities, cash and cash equivalents, and other interest-bearing assets.

Net interest-bearing debt inclusive of pension liabilities
Current and non-current interest-bearing liabilities less securities, cash and cash equivalents, and other interest-bearing assets plus pension liabilities.

Net working capital
The capital tied up in inventories, receivables and payables, including payables for owner milk.

Net working capital excluding owner milk
Capital tied up in inventories, receivables and payables, excluding payables for owner milk.

Other comprehensive income
Includes income, expenses, gains and losses that have yet to be realised and are excluded from net income in the income statement.

Performance price for Arla Foods
The prepaid milk price plus net profit divided by the total member milk volume intake. It measures value creation per kg of owner milk, including retained earnings and supplementary payments.

Prepaid milk price
The cash payment farmers receive per kg of milk delivered during the settlement period.

Profit margin
A measure of profitability. It is the amount by which revenue from sales exceeds costs in a business.

Profit share
The ratio of profit for the period allocated to owners of Arla Foods to total revenue.

Strategic brands
Products sold under branded products such as Arla®, Lurpak®, Castello® and Puck®.

Strategic branded volume driven revenue growth
Revenue growth associated with growth in volumes from strategic branded products while keeping prices constant.

Share of milk solids sold through Global Industry Sales
A measure of the total milk consumption for producing commodity products relative to the total milk consumption, i.e. based on volumes. Commodity products are sold with lower or no value added, typically via business-to-business sales for other companies to use in their production as well as via industry sales of cheese, butter or milk powder.

SMP
An abbreviation referring to skimmed milk powder.

Value-added segment
This comprises Arla Foods Ingredients products with special functionality and compounds compared to standard protein concentrates with a protein content of approximately 80 per cent.

Volume driven revenue growth
Revenue growth associated with growth in volumes while keeping prices constant.

WMP
An abbreviation referring to whole milk powder.

CORPORATE CALENDAR

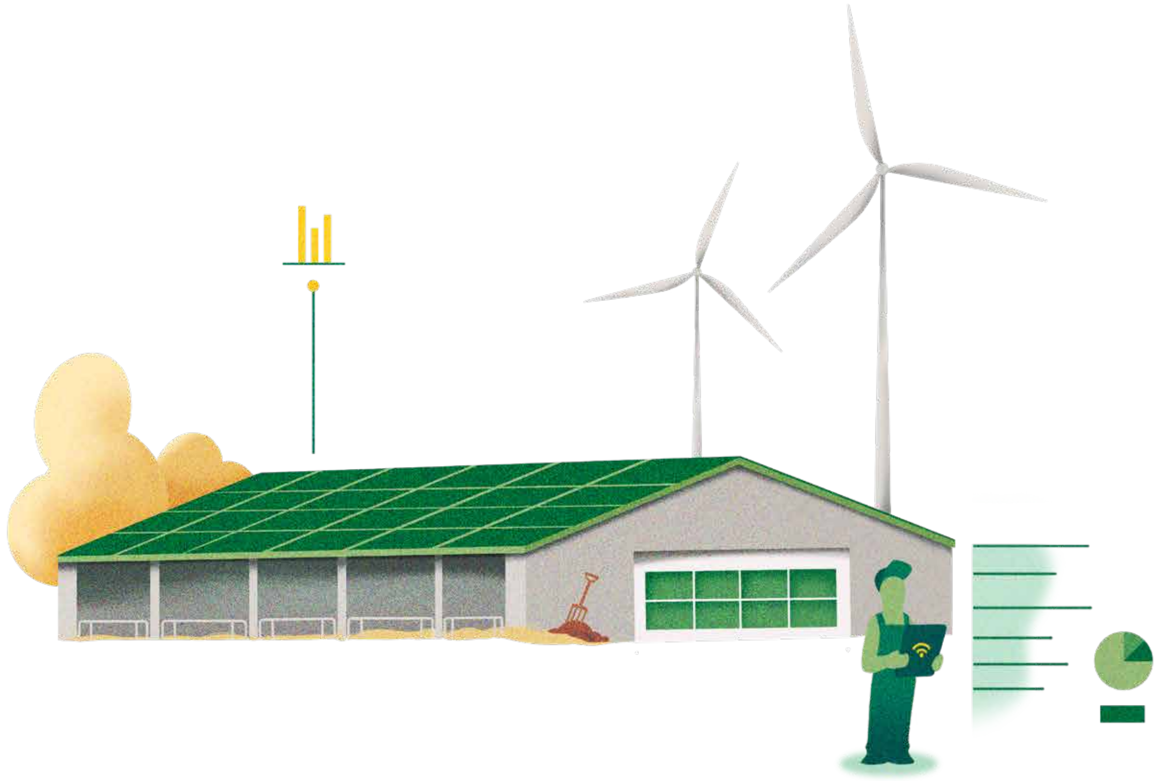
29 August 2023
Publication of the consolidated half-year results for 2023

4-5 October 2023
Meeting of the Board of Representatives

21 February 2024
Announcement of the 2023 results

28-29 February 2024
Meeting of the Board of Representatives

29 February 2024
Publication of the Annual Report 2023



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