



## INVESTOR ANNOUNCEMENT

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### **Arla creates a global organisation fit for the future**

**In December, Arla announced its Strategy 2020 setting out to grow its business in eight global dairy categories and six market regions as the company moves forward as one effective and unified company in a dramatically changing global dairy market.**

**Following this, Arla is today announcing the structural changes to its organisation that will enable the business to deliver its ambitions. This includes the formation of a new executive management team and the creation of a more efficient and globally focused structure which enables the markets to strengthen their commercial consumer focus.**

Arla's new organisation will also drive efficiencies through faster decision-making and execution in more globalised supporting functions such as supply chain, finance and HR and develop more collaborative ways of working and reducing duplication across countries.

As a result of these changes, Arla anticipates that 500 roles will disappear across its markets. Arla will be consulting with any potentially affected colleagues as soon as possible.

"Arla has grown its business significantly in recent years both organically and through mergers. However, as more milk is being produced globally, Europe is experiencing pressure on prices and very little growth, which means competition is fierce," says Arla CEO, Peder Tuborgh.

"In addition, consumer needs are becoming more diverse and our customers expect increasing levels of service. Therefore we need to be more agile and cost efficient to remain competitive. In order to remain at the very top of their preferred partners list it will be necessary to change the ways we work."

### **A new Executive Management Team**

The changes will commence at the top of Arla's organisation. Peder Tuborgh has assembled a new executive management team (EMT) which is built around specific functional areas and with commercial markets organised in two geographical areas; Europe and International. This new team will reduce from nine to seven members with responsibilities as follows:

- Peder Tuborgh, CEO and head of MMT (Milk, Members & Trading)
- Povl Krogsgaard, vice-CEO and head of Global Supply Chain
- Natalie Knight, CFO
- Ola Arvidsson, HR & Corporate Affairs
- Hanne Søndergaard, Marketing & Innovation
- Peter Giørtz-Carlsen, Europe
- Tim Ørting Jørgensen, International

**The main changes:**

- Marketing & Innovation is elevated to a place in the EMT to deliver global brand growth and category leadership;
- Two commercial areas in the EMT, Europe and International, leaving country managements with strengthened commercial focus on customers, consumers and categories;
- One global Supply Chain and one global milk pool;
- Streamlined organisational structure with resources prioritised to support 2020 strategy work streams;
- 500 of a total of 7,000 monthly-salary roles to be discontinued (hourly salary staff not affected by this particular change)

In the coming weeks, the EMT will work with their individual teams to agree how best to deliver the 2016 business plan and the 2020 strategy. Arla anticipates that any resulting changes in the organisation will be confirmed by April 1st.

The result will be that teams that sit in Arla's markets will fully focus on performance through the development of a more commercial approach with strong marketing support driven from a global category perspective.

One global Supply Chain organisation will be created, while functions like Finance and HR will be centralised further to strengthen execution of global decisions through a committed functional line organisation.

**From merger growth to organic growth**

The ambition is to increase the organic revenue growth rate from the 2 per cent that has been delivered over the last years to at least 4 per cent by 2020.

“This is a fundamental change for the company. For many years, Arla has grown mainly through cooperative mergers where the new milk already had a position in the market. Our continued success depends on our organisation's ability to increase the value and develop profitable positions for the growing milk volumes coming in now from our existing farmer-owners. We need to act local and think global and the new organisation reflects this,” says Peder Tuborgh.

**Reduction of roles**

The announced changes will ensure a simpler, more agile organisation. All functions will be affected by the new ways of working and it is anticipated that approximately 500 of the business' 7,000 monthly-salaried positions will no longer be required under the new structure. Hourly-salary jobs in production and transport are not affected by this particular change.

“To ensure that we are on top of our game and fit to take advantage of the opportunities in the changing global dairy market we need to make these changes. It’s crucial that we create the best value for our owners in the extremely tough conditions. Unfortunately as we become more efficient and reorganise our business, this will mean that we are proposing that a significant number of roles will disappear. Our priority right now is those colleagues that will potentially be affected and we will be consulting with them as soon as possible. We will be providing our full support to those affected during this process,” says Peder Tuborgh.

### **Leverage strengths across countries**

With the new structure, Arla can more effectively allocate its global pool of raw milk to pursue strategic opportunities that will deliver the greatest returns for our farmer-owners’ milk. Also, it can more effectively develop its global categories, build its global brands and launch new products across the regions. In addition, it can further develop efficiency and quality in Supply Chain as well as in support functions such as Finance and HR.

“As we have a huge task in 2016 to create profitable positions for extra 600 million kg milk and protect Arla’s performance, I expect that we will have our full organisation in place as soon as possible without losing speed in the process,” says Peder Tuborgh.

Arla’s Board of Directors have approved and supports the proposed changes.

“Together with the management, the Board of Directors has defined Arla’s strategy towards 2020. A natural next step is to re-structure the organisation to improve its ability to deliver organic growth,” says Chairman Åke Hantoft.

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