Arla

ANNUAL REPORT 2024

ON THE FRONTPAGE

JOHNNY NIELSEN

Near Slagelse, Denmark, Johnny Nielsen, one of Arla's farmer owners and the 7th generation on his family farm, can be seen working at Krogsagergaard. He takes care of 350 Holstein cows and 300 hectares of land, growing most of the crops. "We started with 20 cows and 30 hectares and that was already plenty," says his 80-year-old father, Jørgen, who is still very active on the farm.

After reading about the FarmAhead™ Customer Partnership and finding it interesting, Johnny decided to apply to join the feed efficiency project. He is already familiar with finding the right balance of different mixed feeds, identifying which groups of cows yield more milk and monitoring them daily. By joining the feed efficiency project, he will also be focusing on achieving an optimal milk-per-feed ratio while reducing feed waste, thereby making milk production more climate-efficient.

"With data and technology, we can improve our ways of working, so let us do that. We, dairy farmers, do adapt for improvement and we are open to change for the better. I would like to share that story to everyone," he says, a true testament to the balance between tradition and innovation.

Change for the better
Johnny grows most of his crops, including fodder beet, which is a valuable feed mixture ingredient that provides nutrients and energy to support milk production. "My father and I have different profiles, but that is a good thing. He gave me the freedom and space to improve the farm, which creates a great synergy between us," he adds.

ABOUT THIS REPORT

This comprehensive report offers an overview of Arla's financial results, sustainability performance and governance structure. It includes our externally audited consolidated financial statements and externally assured sustainability statements.

We are progressing towards aligning our reporting with the European Sustainability Reporting Standards (ESRS) and the EU Corporate Sustainability Reporting Directive (CSRD), with full adoption planned by 2025.

Sustainability statements

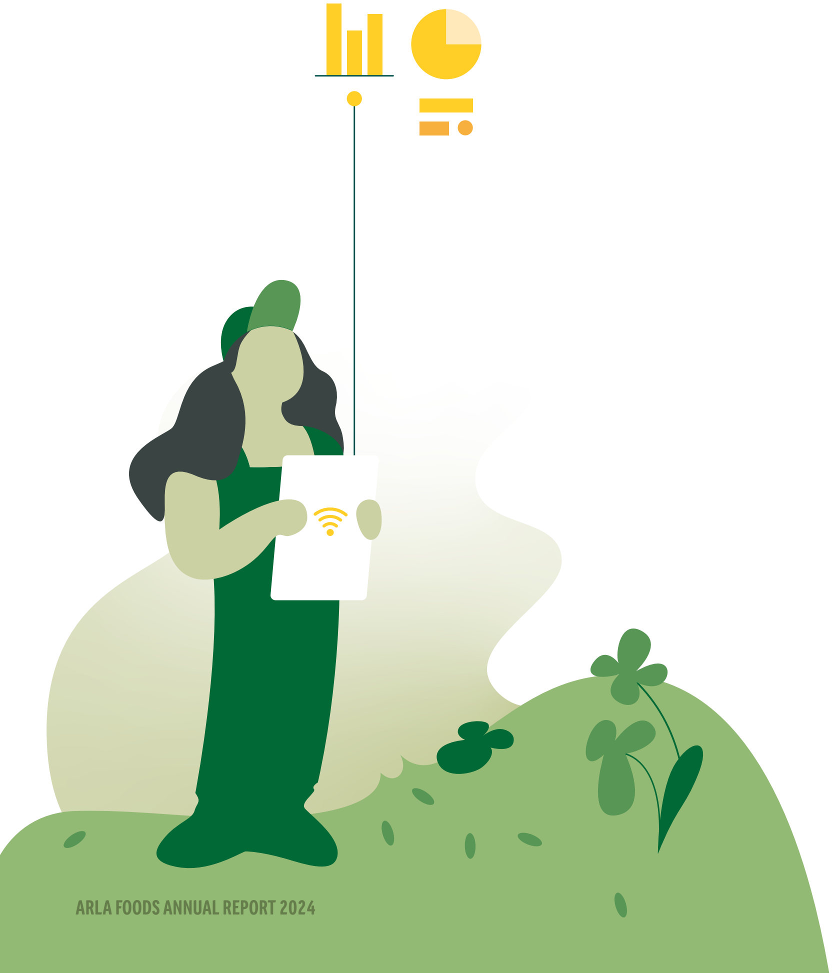
In the sustainability statements section, we present our double materiality assessment, highlighting the impacts, risks and opportunities of significant ESRS topics, including our progress in each key area.

The statements also cover the statutory reporting on Corporate Social Responsibility (CSR) in accordance with sections 99a and 99d of the Danish Financial Statements Act. See page 38 for more details.

Consolidated financial statements

In the consolidated financial statements section, we highlight the financial performance for the year and the financial position at year-end. This excludes the parent company's statements, which are filed with Danish authorities. The structure remains consistent with the previous year's annual report.

TABLE OF CONTENTS



I. MANAGEMENT REVIEW

INTRODUCTION

ABOUT ARLA

PERFORMANCE REVIEW

SUSTAINABILITY STATEMENTS

OUR GOVERNANCE

II. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

III. REPORTS AND OTHER DISCLOSURES

MANAGEMENT'S AND AUDITOR'S REPORTS

OTHER DISCLOSURES

INTRODUCTION

ARLA® SKYR

Arla® Skyr is one of our products renowned for its creaminess, high protein content and low fat content. Our products create value in 164 countries around the globe.

DELIVERING OUR MISSION AND DRIVING THE GREEN TRANSITION ON FARMS

For Arla, 2024 was a year of strong financial results as well as key progress on our sustainability journey – a testament to the dedication and skill of Arla's farmer owners, employees and management.

With increased revenue and brands returning to growth, we strengthened our competitive returns to our 7,624 farmer owners, while at the same time continued our science-based and data-driven approach to reducing our carbon footprint across our value chain, consolidating our position as an industry leader in driving the green transition for dairy.

Delivering on our mission

Our mission as a cooperative is to secure the highest value for our farmers' milk, and in 2024, we delivered a competitive performance price of 50.9 EUR-cent/kg of owner milk.

Based on Arla's results and strong financial position, the Board of Directors proposed a supplementary payment – later approved by the Board of Representatives – of EUR 292 million, which marked our highest supplementary payment ever. This corresponds to 2.2 EUR-cent/kg of milk and is above the level set in Arla's retainment policy for the third year in a row.

Arla's ability to consistently deliver competitive milk prices is crucial for our farmer owners. We have to maintain and develop financially healthy farms, while at the same time making investments in continued sustainability leadership with customers and adjustments to new legislations. Our milk price is a key measure of our strength and attractiveness as a cooperative at a time when competition for milk in Europe is increasing as the demand for dairy remains high.

Progressing on sustainability

In 2024, Arla and our farmer owners continued the ambitious efforts to drive sustainability improvements, and in 2024 further reduced CO_2e emissions on farms, showing the effectiveness of our approach and keeping Arla on track towards our long-term targets.

A key development in 2024 and an enabler for further improvements was consolidating our on-farm sustainability efforts in the FarmAhead™ framework, equipping our farmer owners with tools to measure and advance their sustainability transition.

Our well-established FarmAhead™ Check, introduced in 2020, provides farmers insights into their climate impact, while the Incentive rewards proactive measures directly through the individual milk price. The points-based FarmAhead™ Incentive continues to drive change, with the average number of points increasing from an average of 50 to 53 from the introduction in 2023 to 2024.

Most recently, with the introduction of the FarmAhead™ Customer Partnership, we have taken a significant step in our collaboration with our customers to drive further improvements in sustainability. The programme allows our customers access to primary data for their ESG reporting to achieve scope 3 emissions reduction targets and become partner on specific sustainability projects taking place on Arla farms, creating a strong link from farm to consumer and helping to offset the cost associated with transitioning to farming with a lower carbon footprint.

A strong outlook for our cooperative

Based on the significant milestones and results we achieved in 2024, we enter the second half of our Future 26 strategy with a well-defined direction and plan, a strong commercial and financial position and company and farmer owners determined to continue to lead the dairy industry in value creation and sustainability.

STRONG FINANCIAL PERFORMANCE AND SUSTAINABILITY LEADERSHIP

In 2024, we delivered a satisfying financial performance driven by strong brands and solid deliveries in our efficiency programme, while we at the same time advanced significantly in our sustainability leadership through FarmAhead™.

The high demand for dairy across the globe, and for our brands in particular, was the main driver for our highly competitive milk price through 2024 as well as our highest supplementary payment ever.

The growing revenue of EUR 13.8 billion demonstrated our strong market position and effective management of both prices and costs. We achieved a net profit of EUR 401 million or 2.9% of revenue, well within our target range.

The performance price increased to 50.9 EUR-cent/kg, marking the second-highest level in our history. Our efficiency programme exceeded expectations and achieved a net saving of EUR 131 million.

Strategic brands back in growth
As consumers across Europe regained purchasing power during 2024, we saw a resurgence in brand growth that exceeded our expectations. Lurpak®, Arla® and Puck® demonstrated solid volume growth rates, and despite challenges in the Middle East, Starbucks™ also achieved growth in 2024. Only Castello® saw a slight decline. Our strategic brands delivered a volume-driven revenue increase of 3.7%, compared to a decrease of 0.7% in 2023.

More than EUR 1 billion invested in our future
In total, we invested more than EUR 1 billion this year to secure future growth and ensure our competitiveness. One area is the specialised protein products for nutrition and sports purposes, a category that continued to grow in 2024. With Arla Foods Ingredients' acquisition of a whey nutrition business and its production facility in the UK from Volac International Limited, we have strengthened our position in this particular market, while simultaneously gaining a network of new suppliers and a significantly larger pool of raw materials to secure our supply chain.

Taking sustainability leadership with FarmAhead™
With the consolidation of our green transition initiatives on farm under the new FarmAhead™ brand as well as a very successful roll-out of the FarmAhead™ Customer Partnership, we advanced our leadership position in sustainability in the food sector. This year, our CO_2e emissions related to milk reduced by 3% compared to 2023, corresponding to 415 thousand tonnes.

FarmAhead™ Technology has been pivotal in achieving a significant cut in Arla's CO_2e emissions on farm. The FarmAhead™ Customer Partnership further strengthens these efforts by enabling customers to engage in climate reduction projects on farms, providing valuable data for ESG reporting and scope 3 climate targets. Partnerships with customers encompassing over 4 billion kg of milk by the end of 2024 mark a significant step in collaborative sustainability efforts, and we are confident in delivering our 2030 targets.

High levels of geopolitical turbulence continued
The high levels of geopolitical turbulence persisted in 2024, and preparedness plans for potential impacts of the global situation are increasingly in focus, also in our core markets.

In this situation, we should not underestimate the value of robust and stable food production. Due to our cooperative model with dairy farmers at the heart of our business, we are well positioned to provide nutritious quality food during times of disruption, while upholding the values of sustainability and community support. Our track record of navigating and adapting in times of change is strong.

PEDER TUBORGH
CEO of Arla

Outlook for 2025
Looking ahead to 2025, we anticipate a more challenging year, with branded growth potentially slowing down due to high dairy commodity price levels and continued market volatility. Higher prices would normally stimulate supply in the coming year, however, regulatory uncertainties may continue to influence farmers' appetite for new investments in core markets.

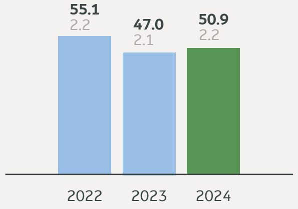
As we enter 2025, we acknowledge the challenges ahead but remain confident in our strategic direction and the resilience of our business. Responding to dynamics in the market, maintaining our focus on efficiencies and continuing our sustainability improvements will be key to navigating the uncertainties and delivering value as outlined in our Future 26 strategy.

2024 PERFORMANCE AT A GLANCE

F26 Competitiveness

50.9

PERFORMANCE PRICE
EUR-CENT/KG

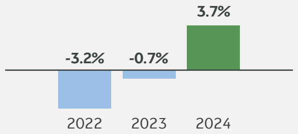


● Supplementary payment

F26 Value creation

3.7% ●

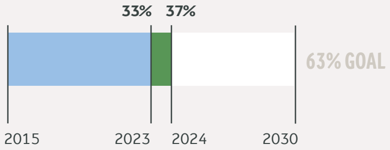
STRATEGIC BRANDED VOLUME DRIVEN REVENUE GROWTH



F26 Sustainability

4%p ●

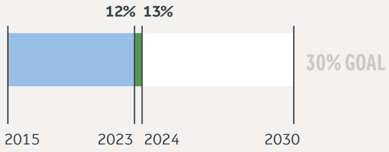
SCOPE 1+2 EMISSIONS
REDUCTION IN 2024



F26 Sustainability

1%p ●

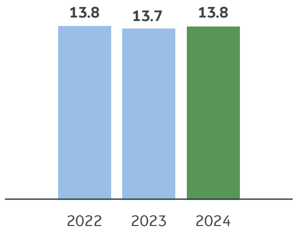
SCOPE 3 EMISSIONS PER KG OF MILK AND WHEY
REDUCTION IN 2024



F26
Read more about our Future 26 strategy on page 13.

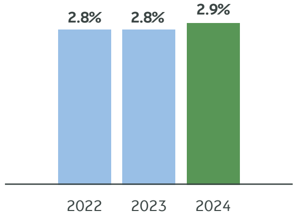
13.8 ●

REVENUE
EUR BILLION



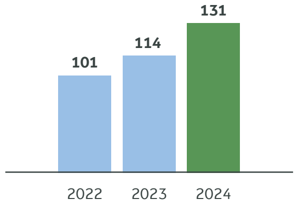
2.9% ●

PROFIT SHARE[1]
OF REVENUE



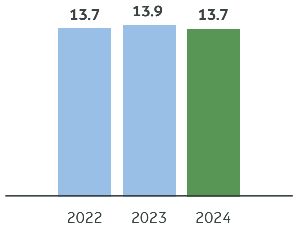
131 ●

NET EFFICIENCIES
EUR MILLION



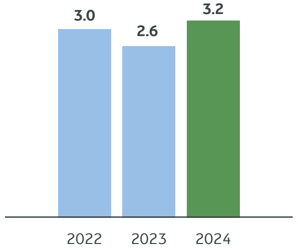
13.7

MILK VOLUME[2]
BILLION KG



3.2

LEVERAGE[3]



● Within guidance

[1] Based on profit allocated to owners of Arla Foods amba.
[2] Standardised milk: 4.2% fat, 3.4% protein. 2022 numbers are restated accordingly. The milk volume includes both owner milk and other milk.
[3] Leverage adjusted for the temporary effect of mergers & acquisitions (M&As) in the year was 2.9.

FIVE-YEAR OVERVIEW

Financial key figures

EUR million	**2024**	2023	2022	2021	2020
Performance price					
EUR-cent/kg owner milk	50.9	47.0	55.1	39.7	36.5
Income statement					
Revenue	13,770	13,674	13,793	11,202	10,644
EBITDA	1,109	1,079	1,001	948	909
EBIT	598	600	529	468	458
Net financials	-135	-145	-80	-61	-72
Profit of the year	417	399	400	346	352
Arla Foods amba's share of profit of the year	401	380	382	332	345
Profit appropriation for the year					
Individual capital	40	41	39	42	41
Common capital	69	69	74	83	81
Supplementary payment	292	270	269	207	223
Balance sheet					
Total assets	9,330	8,299	8,746	7,813	7,331
Investments in property, plant and equipment	557	445	373	452	478
Investments in right of use assets	132	88	56	69	102
Non-current assets	5,354	4,788	4,611	4,668	4,413
Current assets	3,976	3,511	4,135	3,145	2,918
Equity	3,138	3,052	3,168	2,910	2,639
Non-current liabilities	3,105	2,650	2,915	2,446	2,296
Current liabilities	3,087	2,597	2,663	2,457	2,396
Net interest-bearing debt including pension liabilities	3,533	2,850	2,986	2,466	2,427
Net working capital	1,519	1,104	1,442	810	679
Cash flows					
Cash flow from operating activities	652	1,151	184	780	731
Cash flow from investing activities	-887	-519	-443	-482	-488
Free cash flow	-235	632	-259	298	243
Cash flow from financing activities	186	-592	269	-330	-293

Financial key figures

EUR million	**2024**	2023	2022	2021	2020
Financial ratios					
Profit share[1]	2.9%	2.8%	2.8%	3.0%	3.2%
EBIT margin	4.3%	4.4%	3.8%	4.2%	4.3%
Leverage[2]	3.2	2.6	3.0	2.6	2.7
Interest cover	7.5	11.1	19.6	23.7	16.8
Equity ratio	33%	36%	35%	37%	35%
Inflow of standard milk (mkg)					
Inflow from owners in Denmark	5,279	5,277	5,185	5,185	5,224
Inflow from owners in the UK	3,449	3,412	3,360	3,345	3,320
Inflow from owners in Sweden	1,901	1,925	1,876	1,896	1,905
Inflow from owners in Germany	1,554	1,646	1,637	1,683	1,732
Inflow from owners in the Netherlands, Belgium and Luxembourg	790	798	757	749	742
Inflow from others	762	816	858	968	1,043
Total inflow of raw milk	13,735	13,874	13,673	13,826	13,966
Number of owners					
Owners in Sweden	1,938	1,996	2,108	2,236	2,374
Owners in Denmark	1,828	1,948	2,105	2,274	2,357
Owners in the Germany	1,218	1,329	1,429	1,497	1,576
Owners in the UK	1,919	1,981	2,053	2,127	2,241
Owners in the Netherlands, Belgium and Luxembourg	721	745	797	822	858
Total number of owners	7,624	7,999	8,492	8,956	9,406

1 Calculated as Arla Foods amba's share of profit for the year/revenue.
2 Leverage adjusted for the temporary effect of M&As in the year was 2.9.

Read more details in the Financial Statements section, starting from page 100 onwards.

FIVE-YEAR OVERVIEW

Sustainability key figures	Target	Target year	2024	2023	2022	2021	2020
Climate							
Scope 1+2 emission reductions compared to baseline year 2015	-63%	2030	**-37%**	-33%	-29%	-25%	-24%
Scope 3 emission reductions per kg of milk and whey compared to baseline year 2015	-30%	2030	**-13%**	-12%	-9%	-7%	-7%
Renewable electricity in Europe[1]	100%	2025	**75%**	69%	52%	39%	40%
Biodiversity and nature[1]							
Soy (ingredients) to be deforestation and conversion free (DCF)	100%	2025	**94%**	69%	-	-	-
Palm (ingredients) to be deforestation and conversion free (DCF)	100%	2025	**96%**	79%	-	-	-
Forest fibre (packaging and energy) to be deforestation and conversion free (DCF)	100%	2025	**96%**	96%	-	-	-
Soy (feed) to be deforestation and conversion free (DCF)	100%	2025	**48%**	27%	-	-	-
Palm (feed) to be deforestation and conversion free (DCF)[2]	100%	2028	**Not available**	**Not available**	-	-	-
Resource use and circularity							
Packaging designed for recycling (own brands)	100%	2025	**94%**	95%			
Virgin fossil-based plastic	0%	2030	**79%**	83%			
Food waste	50%	2030	**8%**	0%			
Employees and workers in the value chain							
Average number of full-time employees	-	-	**21,895**	21,307	20,907	20,617	20,020
Gender diversity in manangement (director +)	40%	2030	**31%**	29%	29%	27%	26%
Accidents per million working hours	0	Ongoing	**4.6**	5.5	4.4	4.3	5.2
Consumers – healthy and safe nutrition							
Low-income consumers reached in Bangladesh and Nigeria (million)	100	2030	**84**	97	87	86	76
Product recalls	0	Ongoing	**2**	1	1	0	1

[1] Target is set for the end of the year. Since the KPI is based on 12 months of data, target achievement will not be reflected in the 2025 annual report.
[2] Data is not made available from feed companies.

Read more details in the Sustainability Statements section, starting from page 31 onwards.

Renewable electricity in Europe
In 2024, 75% of our electricity in Europe came from renewable sources. From the end of 2025 onwards, we will rely solely on renewable sources.

2024 HIGHLIGHTS

AFI's growth journey
The growth is achieved through various actions, including an acquisition, investments and expert collaborations, further unlocking access to nutrition through whey.

F26 HALFWAY THERE

INVESTING IN ACQUISITIONS, NEW INNOVATIONS, FORMING BRAND PARTNERSHIPS AND LAUNCHING FARMAHEAD™ ARE SOME OF OUR KEY HIGHLIGHTS IN 2024, MOVING OUR FUTURE 26 STRATEGY FORWARD.

FARMAHEAD™: A DATA-DRIVEN PROGRAMME FOR SUSTAINABLE DAIRY

This year, we have consolidated our sustainability initiatives under the name FarmAhead™, highlighting our commitment to science-based farming.

FarmAhead™ Technology equips our farmer owners with tools to measure and advance their sustainability transition. With components like FarmAhead™ Check, Incentive and Innovation, farmers gain insights into their climate impact and are rewarded for proactive measures. The FarmAhead™ Customer Partnership allows customers to engage in sustainability projects on farms, providing them with access to primary data for their ESG reporting and achieving scope 3 emissions reduction targets. The programme already has agreements covering over 4 billion kg of milk.
Read more on page 44.

STRONGER THROUGH PARTNERSHIPS

A key action in the Scale to Grow pillar of our Future 26 strategy brought to life with the launch of Milka® chocolate milk in Germany, Austria and Poland with Mondelēz International and the introduction of the Galaxy® chocolate drink with Mars Inc. in MENA.

These collaborations meet the consumer demand for indulgent products while enhancing our market presence, providing access to globally relevant brands with a genuine role in the chocolate milk market.
Read more on MENA on page 27.

AFI'S SIGNIFICANT GROWTH JOURNEY

Arla Foods Ingredients (AFI) is on a growth journey with several strategic initiatives, including acquiring Volac's Whey Nutrition business to strengthen AFI's position in the health and performance sector. In addition, a major investment in specialised protein is set for commercialisation in early 2025, and construction of a new permeate dryer has begun in Argentina.
Read more on page 28.

ARLA® PROTEIN: ADVANCING IN VOLUME AND INNOVATION

Arla® Protein continued to excel with its high-protein, low-sugar and low-fat offerings. In 2024, it achieved 36.0% volume-driven revenue growth, capturing the attention of individuals leading active lifestyles.

This year, we introduced new options for consumers in Denmark, the UK and soon in the Netherlands, featuring grab-and-go high-protein meal replacement shakes.

ABOUT ARLA

ARLA® 24

Arla® 24 ensures milk reaches stores from farms within 24 hours. The two-heart label indicates our cows graze outdoors in summer and roam freely in barns during the winter.

BUSINESS MODEL

OUR MISSION IS TO SECURE THE HIGHEST VALUE FOR OUR FARMERS' MILK WHILE CREATING OPPORTUNITIES FOR THEIR GROWTH.

As a cooperative, our focus is on maximising the value from our milk. With our cooperative structure, this means that all profits generated from our products are distributed among the owners via the milk payment system. As the world's fourth-largest dairy producer by milk intake, and with a commitment to creating the future of dairy, our farmer owners are actively engaged in sustainability initiatives and invest in the business to drive growth and strive to ensure the welfare of future generations.

Sourcing raw materials

Farms and cows

Our cooperative consists of 7,624 farmer owners who oversee over 1.3 million cows. Their goal is to produce milk in a sustainable and profitable manner, ensuring the well-being of the cows and preserving the surrounding environment. Their sustainability actions are rewarded through the FarmAhead™ Incentive. More on page 44.

Other ingredients

In addition to milk, we source raw materials globally, including whey, soy, sugar, vegetable oil, fruits and various other ingredients for our products, alongside plastic and forest fibre for packaging. In 2024, we sourced 2.3 billion kg of external whey, 0.6 billion kg of other ingredients and 0.3 billion kg of packaging materials.

Milk collection

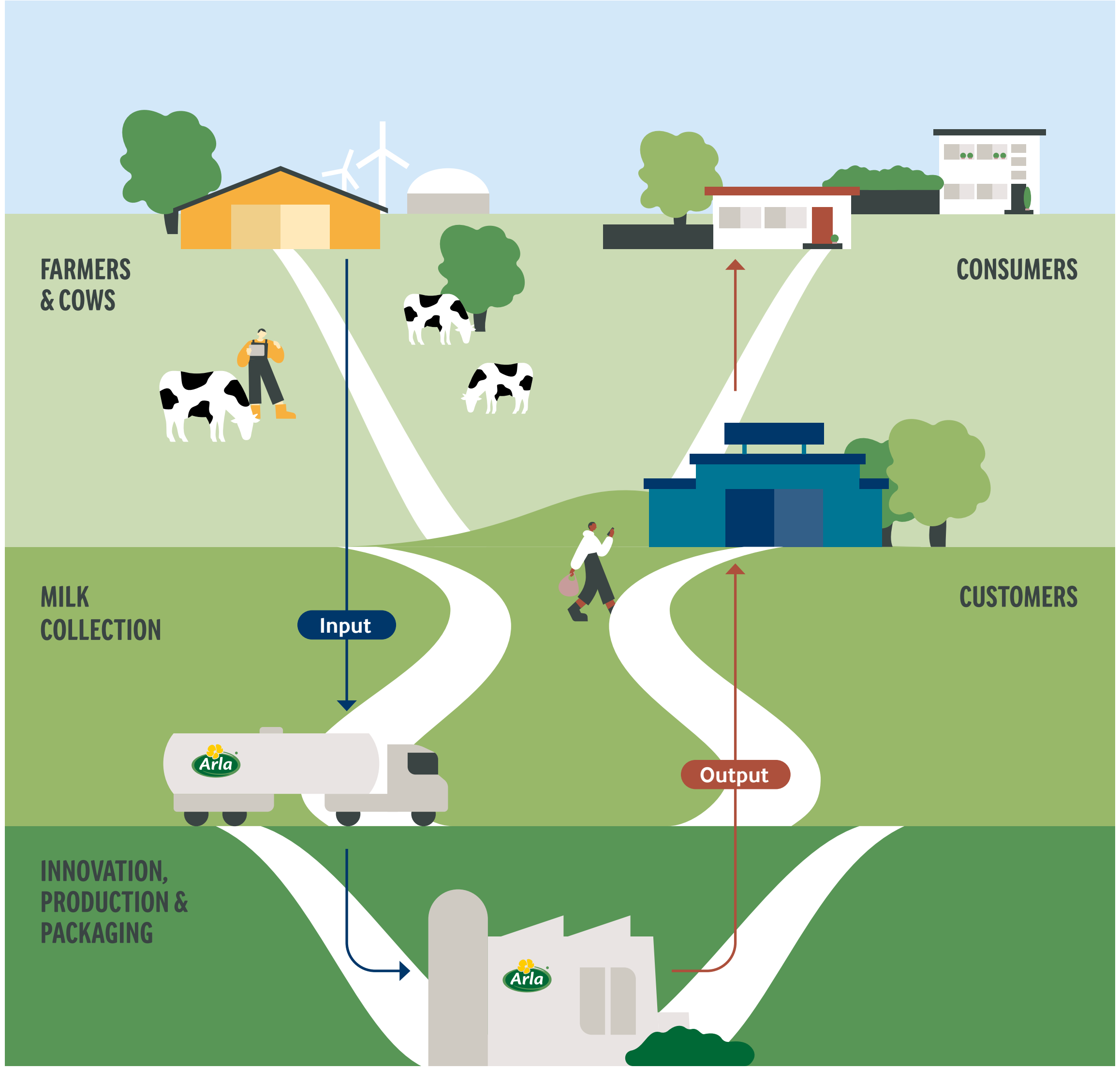
Annually, we gather about 13.7 billion kg of raw milk, primarily sourced from our owners in seven countries: Denmark, Sweden, the UK, Germany, Belgium, the Netherlands and Luxembourg.

Innovation, production and packaging

Reducing climate impact is as essential to us as creating products that support a nutritious and sustainable diet. Together with our 21,895 employees, we strive to create the future of dairy.

Innovation

Our commitment to innovation is key to creating products that are nutritious, healthy and natural. We enhance the value of our owners' milk through branding and marketing efforts.



Production and packaging

We operate 58 production and packaging sites, producing 6.4 billion kg of nutritious dairy products annually. Our facilities create jobs worldwide and we are committed to offering fair wages and benefits for all employees. More on page 45.

Customers

We supply our products worldwide, reaching 164 countries around the globe and serving a variety of clients such as supermarket chains, foodservice providers and business-to-business. Our success stems from our commitment to collaborative partnerships that provide consumer service with a mindful approach to reducing the environmental footprint of retail activities. More on page 23.

Consumers

Through our offerings, we provide the benefits of dairy to millions of individuals. Our approach focuses on innovative solutions, promoting positive food habits and ensuring affordable access to nutrition for low-income consumers. More on page 80.

FUTURE 26 STRATEGY: MIDWAY UPDATE

F26 HALFWAY THERE

AS WE CLOSED THE THIRD YEAR OF OUR FUTURE 26 STRATEGY, WE ARE FIRMLY ADVANCING IN CREATING A TRULY RELEVANT, RESILIENT AND SUSTAINABLE DAIRY COOPERATIVE, BRINGING OUR VISION TO LIFE.

A recap

In January 2022, we launched the Future 26 strategy driven by our vision, 'Creating the future of dairy to bring health and inspiration to the world, naturally'.

It was based on our understanding of the continued positive demand for dairy globally, while also recognising that consumer behaviours and preferences are rapidly changing. Influences such as sustainability, nutrition science and technology are shaping lifestyles, with dairy playing a crucial role in providing solutions.

Future 26: Midway update

More than halfway through our strategy period, we are well on our way to delivering progress across its four pillars: lead sustainable dairy, scale to grow, build growth platforms and collaborate for efficiencies. These achievements highlight the strength of Arla, driven by our culture, dedicated employees, innovative farmers and overall business performance.

Three years into the strategy period, we have faced several external challenges, including ongoing geopolitical uncertainties, market volatility and inflation.

Well underway with our strategy period
We maintained our competitiveness and expanded our brands, despite market volatility.

ARLA® LACTOFREE

Arla® LactoFREE offers a range of products that are full of dairy goodness, but contain none of the lactose. In 2024, it achieved 5.0% volume growth.

We remain on the right track and are making good progress, firmly moving our strategy forward. We have maintained our competitiveness by offering competitive milk prices to our farmers, expanding our brands and reducing CO_2e emissions in line with our science-based targets.

To secure future growth and ensure our competitiveness in the years to come, we made substantial investments this year, allocating more than EUR 1 billion across various areas, from intangibles, property, plant and equipment, including right-of-use assets and M&As.

We are now embarking on the remaining strategy period with confidence and an unwavering commitment to creating the future of dairy. Our foundation is solid, and our direction is well-defined with an increasing focus on value creation and sustainability within the dairy industry. More specifically, our main focus in the last two years of the strategy period will be to leverage and follow through on the many investments made in the first three years of the strategy.

More details on our Future 26 strategy progress can be found on the next page.

FUTURE 26 STRATEGY

F26

VISION Creating the future of dairy to bring health and inspiration to the world, naturally

STRATEGIC FOCUS

1. LEAD SUSTAINABLE DAIRY
2. SCALE TO GROW
3. BUILD GROWTH PLATFORMS
4. COLLABORATE FOR EFFICIENCIES

STRATEGY ASPIRATION A leader in value creation and sustainability

DIGITAL & INNOVATION AS ACCELERATORS

WIN WITH OUR OWNERS & PEOPLE

Peer group index
103-107
We aspire to have a competitive milk price compared to our peers.

Branded volume growth
1-4%
We aim to create brands and products that bring value to our costumers' life through health and nutrition.

CO_2e reduction
SCOPE 1+2: -63% | SCOPE 3: -30%
We are committed to the 1.5°C ambition and to becoming the most ambitious global dairy cooperative.

Investments
600-800 mEUR ANNUALLY
We invest to support owners and value creation.

Efficiencies
70-100 mEUR ANNUALLY
We fund our future by having an end-to-end focus on becoming both more efficient and more effective in the way we work.

1 LEAD SUSTAINABLE DAIRY

What we will do
- Our farmers will lead carbon reductions with efficient practices and new technologies
- Inspire healthier lives with more natural and affordable products
- Invest in energy optimisation and renewable electricity
- Move towards fully circular packaging by using less and better plastic and ensuring our packaging is recyclable
- Secure strong commercial value to make the journey financially sustainable for our owners

Midway achievements
- The FarmAhead™ Incentive increased from an average of 50 in 2023 to 53 in 2024, demonstrating our farmer owners' commitment to reducing carbon emissions on their farms
- Partnered with customers through the FarmAhead™ Customer Partnership with agreements covering 4 billion kg of milk
- Implemented a wide range of activities in the supply chain to reduce emissions, including solar panels, heat pumps and biogas trucks

Looking ahead
We are confident in achieving our 2030 targets and strengthening customer partnerships to continue CO_2e reduction across the value chain. We will further intensify our focus on providing more nutritious products to consumers

2 SCALE TO GROW

What we will do
- Scale and strengthen global brands by investing in loyalty and expanding consumer connections globally
- Accelerate growth by scaling positions with global competitive advantages
- Enhance core market success via strategic partnerships, category leadership and scaling distribution and sales channels
- Elevate AFI growth through innovation and strong partnerships

Midway achievements
- Delivered growth in our core markets with our strategic brands, including Arla® and Lurpak®
- Built more capacity with Arla® Protein and grew the milk-based beverages (MBB) business through partnerships
- Grew the AFI business by acquiring Volac Whey Nutrition business
- Invested in the expansion of Taw Valley Dairy in the UK, securing our position as the world's leading mozzarella producer

Looking ahead
We will ensure sufficient capacity and capability in innovation and investment to sustainably grow our categories and reach more consumers

3 BUILD GROWTH PLATFORMS

What we will do
- Build new positions in selected growth markets, focusing on brands and innovation
- Expand the Arla® Pro brand in restaurants and bakeries to accelerate global foodservice
- Boost e-commerce by partnering with top platforms and developing winning online capabilities

Midway achievements
- Accelerated our presence in e-commerce and expanded the foodservice business, particularly in mozzarella and bakery categories
- Achieved significant share gains in the Netherlands and improved profitability in Germany while delivering consistent results in SEA and Rest of World
- Progressed in certain growth markets such as Nigeria and Bangladesh, but did not fully meet expectations in categories like plant-based and early-life nutrition

Looking ahead
We will adjust operations in key markets as we navigate external volatility while maintaining a strong innovation pipeline to expand our offerings

4 COLLABORATE FOR EFFICIENCIES

What we will do
- Fund our future by improving efficiency and effectiveness in our operations
- Future-proof our supply chain by optimising production and delivery while reducing our carbon footprint
- Partner with customers to drive growth and excellence using commercial, agile operating models, digital tools and data

Midway achievements
- For the past three years, our net efficiencies have surpassed the expected EUR 70-100 million annually through various initiatives, including optimised logistics, recipes and packaging
- Built a robust pipeline for future efficiencies and integrated a culture of efficiency into our operations
- Strengthened our culture for driving the efficiencies agenda, making it an integral part of our ways of working

Looking ahead
Supported by digital innovation and transformation, we are continuing our efforts to improve efficiencies across the value chain

RISK MANAGEMENT

AS A GLOBAL DAIRY COMPANY COMMITTED TO SUSTAINABLE PRACTICES, WE ARE CONTINUOUSLY WORKING WITH OUR APPROACH TO RISK MANAGEMENT TO ENSURE STRATEGIC GROWTH, PROTECT OUR VALUE AND SUPPORT PROGRESS TOWARDS OUR GOALS.

Approach to risk management

Our approach focuses on identifying and reducing risks, as well as mitigating internal and external impacts. We also consider opportunities arising from these risks that could increase our value. Dedicated risk owners track trends that affect our future while pinpointing key risks. These risks are then appraised using a two-dimensional heat map, quantifying both their potential effect on operating profit and their probability of occurrence. Risks are assessed on a short (less than a year), medium (one to five years) and long (more than five years) term.

We continuously refine our approach to identifying, assessing, mitigating and managing risks. All business units across Arla submit risk summaries twice a year to ensure consistency in documentation and evaluation. This year, we enhanced the level of detail in these summaries, adding more qualitative assessments and actions taken to mitigate them. Consequently, our enterprise risk management framework now includes improved tools and processes for clearer communication and documentation.

Governance and oversight

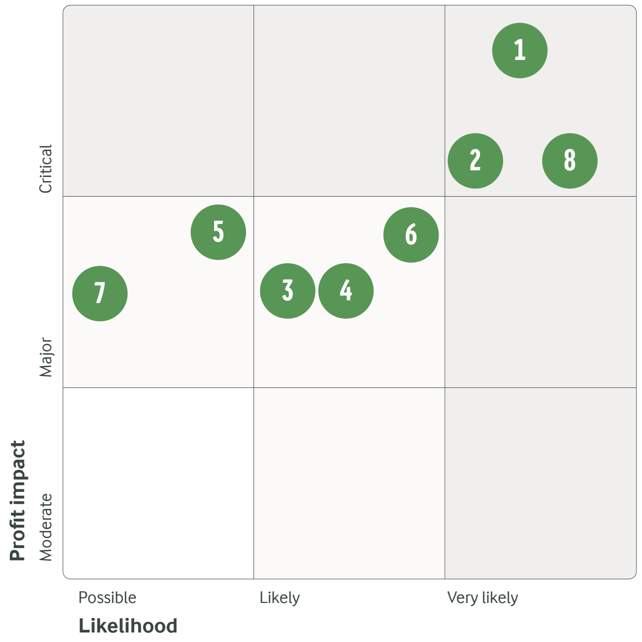
The Executive Management Team (EMT) and the Board of Directors (BoD) regularly assess the most significant risks. The BoD ensures that we have solid systems in place for risk management, compliance and internal controls. The EMT is responsible for overseeing risks, with a focus on mitigating and reducing them while also identifying any related opportunities. They review our risk map and discuss significant risks with the BoD. Together, the BoD and EMT work collaboratively to prevent, minimise and manage identified risks. The approach is flexible, allowing us to respond quickly to unexpected risks.

Risk description

Peripheral risks: These risks are outside of our management's direct control.

Market-specific risks: These risks are considered managed within the strategic and business planning process.

Arla-specific risks: These are risks that Arla can directly manage and mitigate. They serve as a starting point for the development of global policies and internal control procedures.



Peripheral risks	1.	Regulatory constraints and cow diseases impacting milk production
	2.	Geopolitical instability and economic turmoil
Market-specific risks	3.	Transformation of consumer behaviour
	4.	Loss of competitiveness in branded portfolio
	5.	Loss of international competitiveness due to increased production costs
Arla-specific risks	6.	IT disruptions, including major cyber attacks
	7.	Major product quality and safety issues
	8.	Currency volatility

Corporate risk management

UNDERSTAND

Identification
- Risk map
- Classification of risk types

Evaluation
- Estimates of likelihood
- Assessment of risk impact

Reporting
- Monthly risk reports
- Early-warning indicators
- Risk in value management

PLAN

Planning
- Risk in operative planning
- Risk in strategic planning
- Risk in investment valuation
- Risk-return portfolio management

ACT

Risk response
- Peripheral
- Market-specific
- Company-specific

Crisis management
- Contingency measures
- Business continuity measures
- Communication measures

Category		Risk description	Impact development	Timeframe	Potential impact	Mitigating actions
Peripheral risks	1 **Regulatory constraints and cow diseases impacting milk production** More about climate-related risks on page 51.	The EU's adoption of the Nature Restoration Law in 2024, along with discussions on further land use changes, may limit farming capabilities. Climate taxes such as the EU ETS and the Danish CO_2 tax could increase farmers' costs. Denmark also plans to implement stricter animal housing requirements. Additionally, diseases like bluetongue pose risks to livestock health and productivity.	Stable	Short and medium	· Higher production costs on farms · Lower milk volumes · Increased housing investment on farms · Reduced flexibility of operations	· Continuously implement on-farm activities to reduce CO_2e emissions · Incentivise farmers to lower their CO_2e emissions and minimise their impact on land use change · Actively reduce emissions in our own operations and remain alert to potential reductions in milk intake · We have various roles in addressing the impacts of disease and we will execute tasks according to our continuity plan to ensure resilience
	2 **Geopolitical instability and economic turmoil**	Vulnerability to global political and economic instability, including heightened trade barriers in regions such as China, MENA and West Africa.	Stable	Short	· Economic instability and recession could reduce the demand for dairy, affect exchange rates and increase commodity prices, impacting profitability · Political unrest or wars might disrupt the global food value chain, potentially leading to shortages of animal feed and disruptions in logistics networks. These disruptions could affect our milk volumes and profitability	· Balance our growth between higher-risk and lower-risk markets in our International segment · Increase the agility of our supply chain
Market-specific risks	3 **Transformation of consumer behaviour**	Consumer preferences in the food industry are always evolving. The increasing speed and unpredictability of these changes could pose a risk that significantly impacts our business.	Stable	Medium	· Loss of market share and sales volumes if our sustainable transformation does not match the speed of changing consumer trends	· Understand and closely track consumer needs · Provide a wide range of options to consumers who seek more sustainable meal choices · Ensure consumers understand the nutritional and health benefits of our products and brands
	4 **Loss of competitiveness in branded portfolio**	Due to the ongoing uncertainty of consumer spending power in some key markets, consumers might opt for more affordable alternatives.	Stable	Short	· Price pressure on our branded products could make our brands less competitive in the market · Our brands are at the core of our value generation model. Slow development in branded revenue will negatively impact profitability	· Keep our branded portfolio relevant and affordable for our consumers through innovation and strong sales execution
	5 **Loss of international competitiveness due to increased production costs**	Most of our dairies are based in Europe, where high production costs challenge the competitiveness of our products in international markets.	Stable	Short	· In our key growth market in the international region, we often compete with dairy companies based outside Europe. These companies have a competitive edge over us if the current level of input costs is maintained	· Maintain a cost-efficient supply chain to reduce dependence on our European sites and explore possibilities in production and sourcing for our international markets where we have strategic commercial interests
Arla-specific risks	6 **IT disruptions, including major cyber attacks**	Relying heavily on IT systems, combined with increasing crimeware attacks on manufacturers, poses a significant operational vulnerability.	Stable	Short	· Disruption of operations, and potential damage to our ability to manufacture, deliver and sell our products	· Strengthen our processes around IT operations and mitigate IT security vulnerabilities · Build security awareness and provide support to Arla colleagues through a Chief Information Security Officer (CISO)
	7 **Major product quality and safety issues**	Managing a complex and extensive value chain with diverse products may increase risks to maintaining product safety, accurate labelling and the health and safety of our employees.	Stable	Short	· Major product quality and/or food safety issues may lead to a loss of brand reputation and reduced trust in our products · Downgrade of products may lead to financial losses	· Constantly improve our quality and food safety management programmes · Prioritise food safety and compliance with health and safety regulations across our supply chain
	8 **Currency volatility**	Given that a significant portion of our revenue comes from currencies other than EUR or DKK, our primary financial risk arises from currency fluctuations in global markets.	Stable	Short	· Currency changes that increase sales prices in individual markets can affect our competitiveness and potentially impact revenue and profit · Purchasing owner milk and operating in countries outside the euro zone means that we expose our performance price, measured in EUR, to fluctuations in currencies such as GBP, USD, SEK, NGN, ARS and BDT	· A team dedicated to manage currency exposure · Reduce short-term exposure through hedging activities More about our currency risk in Note 4: Funding on page 131.

PERFORMANCE REVIEW

LURPAK®

Lurpak® saw strong volume-driven revenue growth of 5.6%. It recently launched its plant-based version in Denmark and the UK.

STRONG BRANDED GROWTH AND FINANCIAL PERFORMANCE

In 2024, we saw a return to branded volume-driven revenue growth as consumer purchasing power increased due to lower inflation and higher wages coupled with firm sales execution. The increased demand for dairy combined with a stagnant global milk supply sent commodity prices upwards. This in turn led to increasing retail and foodservice price points, especially in the second half of 2024.

During this volatility, we saw strong underlying business performance with a firm market share development for our brands due to branded volume-driven revenue growth of 3.7%. We had a robust financial position, with leverage on par with our goals and our efficiency programme, Fund our Future, delivered above the expected level. We invested a record high of more than EUR 1 billion in various areas to secure future growth and ensure our competitiveness in the years to come.

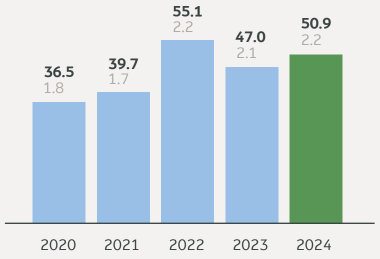
Building on our solid branded growth, successful efficiency agenda and increased commodity price levels, our total revenue reached EUR 13.8 billion. The strong profit enabled us to make the highest supplementary payment to our owners of 2.2 EUR-cent/kg, which is well above the 1.5 EUR-cent/kg of milk, as prescribed in our Retainment Policy.

The performance price increased by 8.3% compared to 2023, rising from 47.0 EUR-cent/kg to 50.9 EUR-cent/kg in 2024, marking the second-highest level in Arla's history.

This year, our scope 1 and 2 emissions decreased by 4 percentage points, achieving a total reduction of 37% compared to 2015. We have set ourselves apart by leveraging the FarmAhead™ framework for more emission-reducing actions on farms and improving our farmer owners' performance on key sustainability levers. As a result, these efforts have led to a 1 percentage point decrease in our total scope 3 emissions.

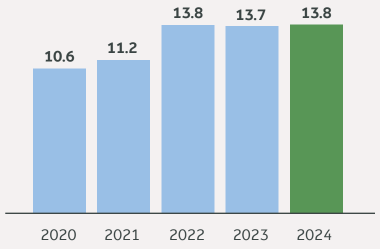
50.9

PERFORMANCE PRICE
EUR-CENT/KG



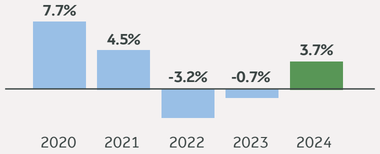
13.8

REVENUE
EUR BILLION



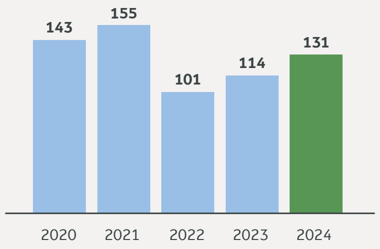
3.7%

STRATEGIC BRANDED VOLUME-DRIVEN REVENUE GROWTH



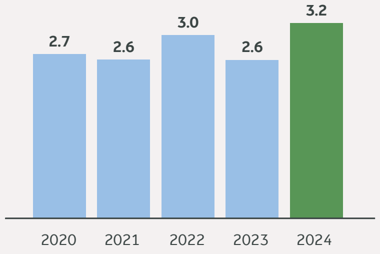
131

NET EFFICIENCIES
EUR MILLION



3.2

LEVERAGE[1]



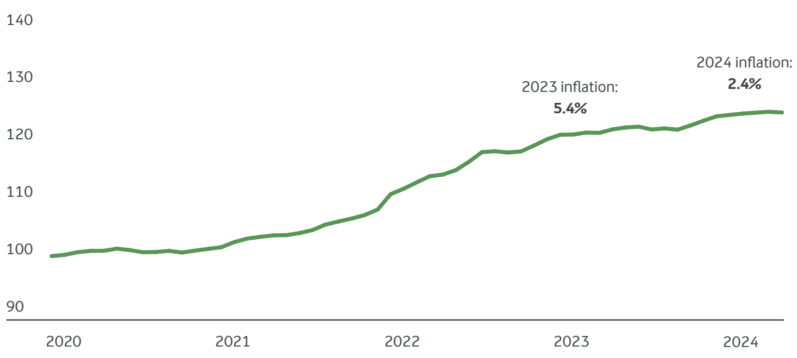
[1] Leverage adjusted for the temporary effect of M&As in the year was 2.9.

TORBEN DAHL NYHOLM
CFO of Arla

EXTERNAL MARKET OVERVIEW

2024 WAS CHARACTERISED BY CONTINUED GEOPOLITICAL TURBULENCE, AN UPTURN IN CONSUMER PURCHASING POWER AND INCREASING DAIRY COMMODITY PRICES.

European Harmonised Consumer Price Index
(Index, Jan. 2020 = 100)



Source: Eurostat

Inflation decreased in the EU
Average inflation in the EU was projected to decrease to 2.4% in 2024, down from 5.4% in 2023[1].

High levels of geopolitical turbulence continued

In 2024, the high levels of geopolitical turbulence from previous years persisted. Besides having dire humanitarian consequences, these developments also fuelled volatility and uncertainty in global markets, disrupted logistics and increased freight prices. The uncertainty was amplified by, among others, regulatory constraints from possible emission taxes in Europe.

Inflationary pressure continued to ease off

In 2024, we observed continued easing of inflation, driven by supply-side improvements following the elevated levels of inflationary pressure during the pandemic. It was mainly evident in ingredients and utilities, where we experienced deflation throughout 2024. This was particularly notable in the first half of the year, with signs of normalisation in the latter half. The deflation in ingredients and utilities was offset by inflation in business services and staff costs.

On average, inflation in the European Union (EU) was expected to decrease to 2.4% in 2024, down from 5.4% in 2023[1]. However, higher inflation levels are anticipated to persist outside Europe, especially in the Middle East and Africa, resulting in a global inflation

[1] Source: IMF, World Economic Outlook, October 2024

rate projected to remain at a higher level of 5.8% (2023: 6.7%)[1].

Gradual economic recovery in Europe

In 2024, Europe experienced an extension of the low economic growth from 2023, which also resulted from high interest rates applied by central banks to mitigate inflationary pressure and geopolitical uncertainty. However, a gradual recovery was expected, with growth of 0.8% in 2024 compared to 0.4% in 2023[1].

Developing countries were estimated to maintain a higher growth rate of 4.2% in 2024, slightly down from 4.4% in 2023[1], signalling continued dairy growth potential. A similar trend was observed in China and the USA, where growth in 2024 was estimated at 4.8% and 2.8%, respectively, compared to 5.3% and 2.9% in 2023[1]. This resulted in a balanced global GDP growth estimate of 3.2% for 2024 (2023: 3.3%)[1].

Increased dairy demand

As inflation and thereby living costs normalised alongside increasing wages, European consumers saw an improvement in purchasing power. This led to an increase in dairy consumption, resulting in 0.8% growth in European sales volumes during 2024. The cheese category was the main contributor, climbing by 1.5%, while the butter, spreads and margarine (BSM) category experienced a volume decline of 0.8% primarily due to higher consumer prices for BSM products caused by surging fat prices. We saw similar volume growth rates across brands and private label products, as brands returned to growth due to increased consumer purchasing power.

Dairy supply from farmers affected by uncertainties

Even though farmgate prices rose in 2024, the supply from farmers remained flat. This was partly due to unfavourable weather conditions, such as a wet spring in Northern Europe and the spread of bluetongue disease. Additionally, concerns over possible emission taxes and persistently high interest rates and feed costs might hinder farmers from investing more in milk production.

Upturn in dairy commodity prices

The increased dairy demand, improved consumer purchasing power and constrained dairy supply led to rising dairy commodity prices in 2024, particularly in the second half of the year.

The upturn in commodity prices was driven by increases in cheese, butter and cream prices, which resulted in fat prices increasing by 40% while protein prices remained stable (December 2023 to December 2024).

Higher farmgate milk prices

Driven by the dairy commodity price increase, farmgate milk prices rose during 2024. In the EU 27, average farmgate milk prices were projected to increase by 12.3% in 2024[2].

From an Arla point of view, total standardised milk supply decreased from 13.9 to 13.7 billion kg. The decrease came from owner milk, which was 0.7% lower while contract milk decreased by 6.6%. The minor volume reduction in owner milk was mainly driven by Germany.

Favourable impact from foreign exchange rate development

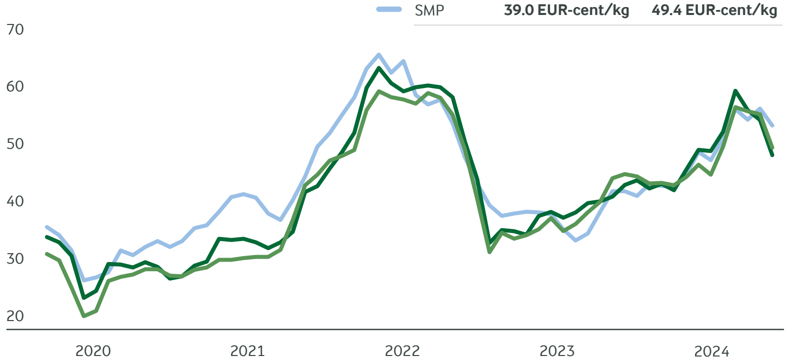
In 2024, we noted a favourable impact from foreign exchange rates on key currencies for Arla. On average, in 2024, GBP strengthened by 2.7% against EUR compared to 2023 and SEK rose by 0.3%, while USD was flat. However, this was offset by the adverse impact of devaluations in Bangladesh and Nigeria.

[1] Source: IMF, World Economic Outlook, October 2024
[2] Source: Milk Market Observatory

Commodity prices
EU-cent/kg, milk utilisation equivalent

Average prices

	2023:	2024:
Gouda	38.3 EUR-cent/kg	49.0 EUR-cent/kg
Mozarella	38.8 EUR-cent/kg	49.7 EUR-cent/kg
SMP	39.0 EUR-cent/kg	49.4 EUR-cent/kg

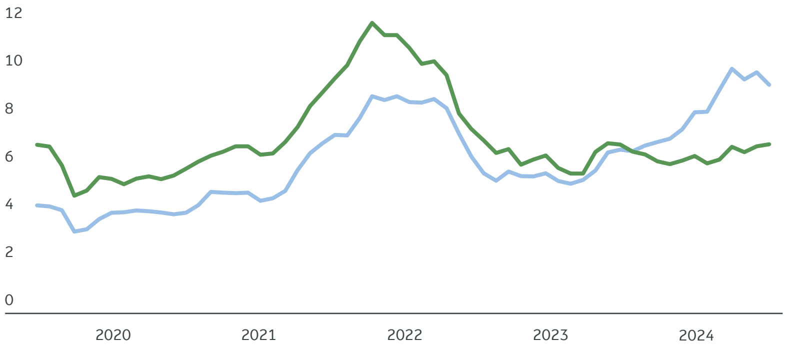


Source: GDT

Fat and protein commodity prices
(EUR/kg)

Average prices

	2023:	2024:
Protein	6.15 EUR/kg	6.21 EUR/kg
Fat	5.53 EUR/kg	7.96 EUR/kg

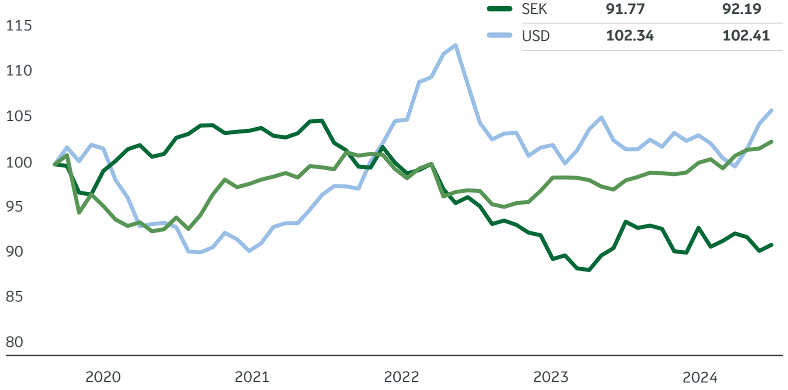


Source: ZMB

Development in foreign exchange rates

Average prices

	2023:	2024:
GBP	97.35	100.15
SEK	91.77	92.19
USD	102.34	102.41



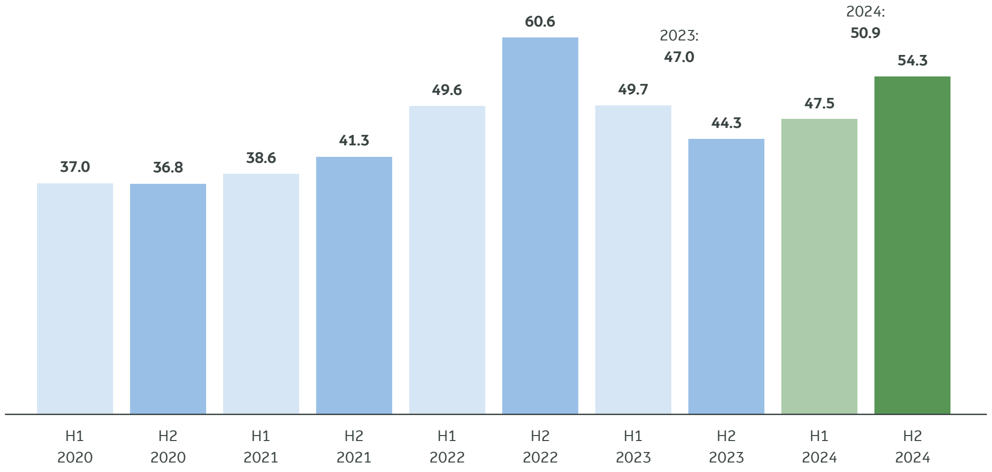
Source: Danmarks Nationalbank

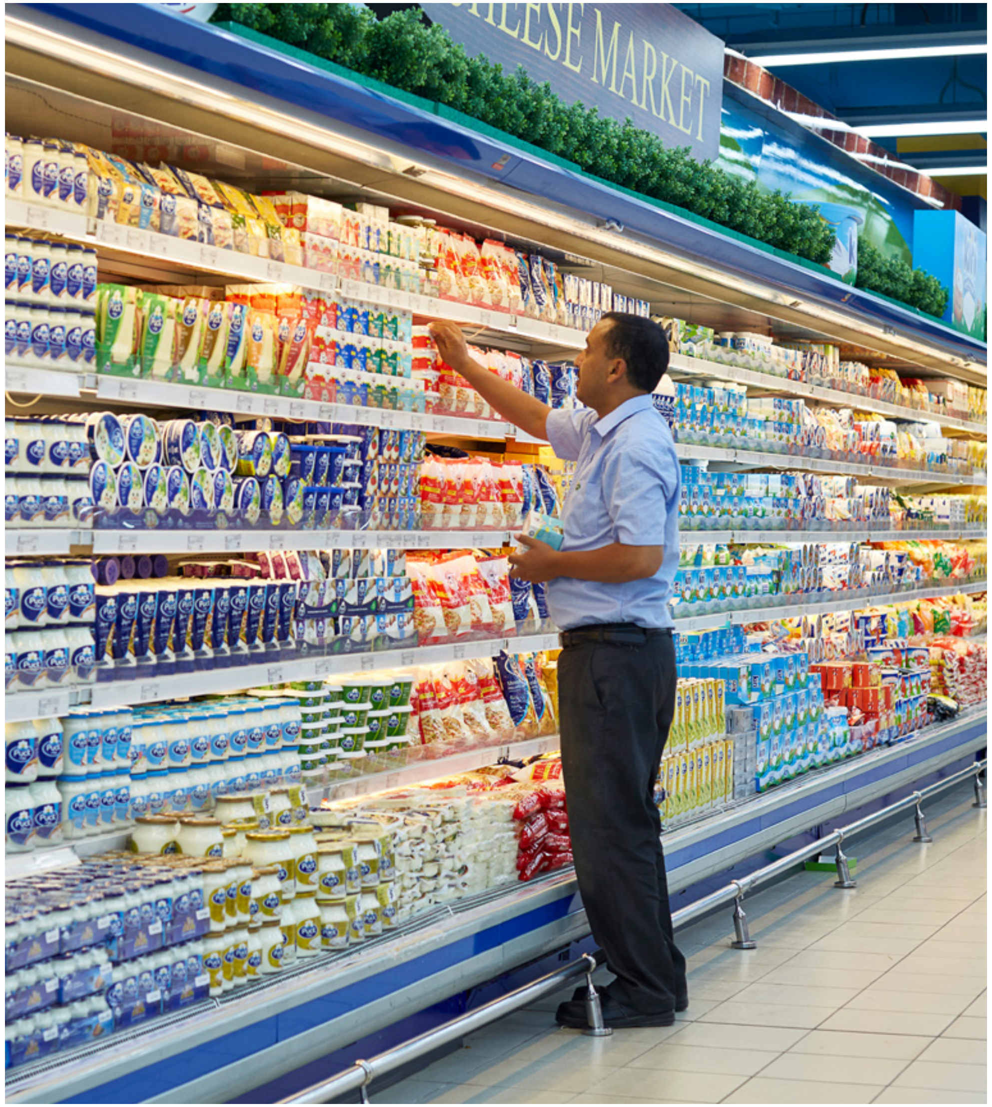
PERFORMANCE OVERVIEW

Strong growth in both retail and foodservice
Our branded volume-driven revenue in retail and foodservice grew by 3.4% and 7.5%, respectively.

IN A YEAR WITH VOLATILE MARKET CONDITIONS, WE DELIVERED STRONG FINANCIAL PERFORMANCE AND BRANDED GROWTH, WITH SIGNIFICANT RESULTS IN SUSTAINABILITY.

Performance price
EUR-cent/kg





Positive momentum in milk prices driven by increasing commodity prices

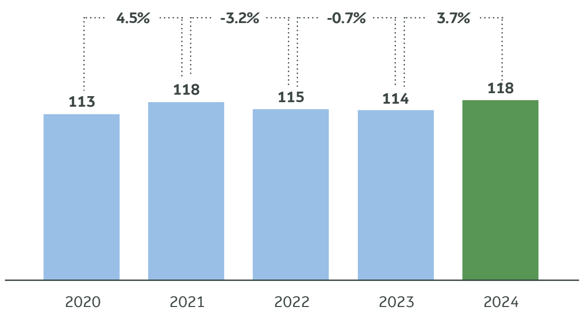
In 2024, Arla's average pre-paid milk price increased by 8.4% to 47.8 EUR-cent/kg, up from 44.1 EUR-cent/kg in 2023. The performance price, which indicates the added value Arla provides to each kilogramme of its owners' milk, increased by 8.3% to 50.9 EUR-cent/kg compared to 47.0 EUR-cent/kg in the previous year. This increase was mainly driven by rising dairy commodity price levels, especially in the second half of the year, as well as strong branded growth and a successful efficiency agenda.

Revenue increased by branded volumes and commodity prices

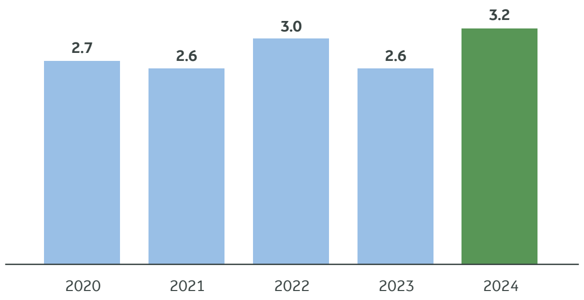
This year, Arla's revenue increased by 0.7% to EUR 13.8 billion, compared to EUR 13.7 billion in 2023. The increase was partially driven by the positive impact from branded retail and foodservice volumes as well as volumes in the ingredients business. As a result of the higher commercial volumes, less milk was available to Global Industry Sales (GIS), resulting in lower commodity volumes.

In terms of prices, we saw a positive impact on GIS from higher commodity prices, however, this was offset by commercial prices being at a lower average level year over year, partly due to high commercial prices at the start of 2023. Commercial prices tend to follow

F26 Strategic branded volume-driven revenue growth, indexed to 2018
%



Financial leverage development
Target range: 2.8-3.4



commodity prices, albeit with a delay due to their greater rigidity – a trend that persisted in 2024 and became particularly evident towards the end of the year.

Strong retail and foodservice branded volume-driven revenue growth
Increased consumer purchasing power in 2024 led to rising retail and foodservice demand. This, combined with firm sales execution and the strength of our brands, resulted in strong branded volume-driven revenue growth of 3.7%, with branded retail volumes growing by 3.4% and branded foodservice volumes by 7.5%. Market developments also drove commodity prices upwards, putting retail and foodservice margins under slight pressure in the second half of 2024.

The strength of our brands was evident in our market share development in 2024, where we saw an increase in our branded volume market share in the European retail market, particularly within the BSM category.

Larger Fund our Future savings than expected
Our Fund our Future transformation and efficiency programme exceeded expectations and achieved net savings of EUR 131 million. This was driven by numerous efficiency initiatives, such as logistics route efficiencies, recipe and assortment optimisations.

Progress in reducing our emissions
In 2024, we achieved a 4 percentage points reduction in scope 1 and 2 emissions, resulting in a 37% decrease from 2015 levels. This was accomplished through energy optimisations, district heating and heat pump investments and contributions from power purchase agreements.

Arla's farmer owners continued to reduce carbon emissions motivated by our FarmAhead™ Technology. This achievement led to a 1.4% reduction in emissions from our farmer owners' milk, resulting in a 1 percentage point decrease in scope 3 emissions per kg of milk and whey contributing to an overall 13% reduction since 2015.

The FarmAhead™ Incentive points increased from an average of 50 in 2023 to 53 in 2024, demonstrating that it is a valuable tool for reducing emissions on farms. We believe that FarmAhead™ helps us to continue our progress towards reaching our targets.

Our CO_2e emissions related to milk reduced by 3% compared to 2023, corresponding to 415 thousand tonnes. While reductions were evidently achieved by Arla farmers and in our operations, a substantial increase in the purchase of external whey for our growing ingredients business led to only a modest decrease in total emissions compared to 2023.

Net profit within target range
Arla's net profit in 2024 was EUR 401 million, or 2.9% of revenue, within the target range of 2.8-3.2%. Together with a solid financial position, this will allow us to pay out a supplementary payment to our owners of 2.2 EUR-cent/kg of milk.

Other comprehensive income
The negative income of EUR 11 million (2023: EUR -199 million) consisted of value adjustments of net assets measured in foreign currencies (translation effect) amounting to EUR 60 million and negative effects from value adjustments of defined pension schemes and hedge instruments amounting to EUR -33 million and EUR -27 million, respectively. Effects from associates and joint ventures amounted to net EUR -16 million.

Robust financial position
This year, we maintained our robust financial position in the volatile market. Our leverage ratio settled at 3.2 compared to 2.6 last year. The ratio was impacted by M&As, mainly the Volac Whey Nutrition business in AFI late in the year, which increased our net interest-bearing debt level. The reported leverage level was still safely within our target range of 2.8-3.4. Leverage adjusted for the temporary effect of M&As in the year was 2.9.

Reduction in operating cash flow
Cash flow from operating activities fell to EUR 652 million (2023: EUR 1,151 million). Higher price levels resulted in more funds being tied up in net working capital of EUR -379 million compared to a release of EUR 320 million last year. EBITDA landed at EUR 1,109 million compared to EUR 1,079 million in 2023.

Increased level of investments
We continued to invest in significant projects to support future growth within our strategic business areas. Our total investments for the year, including M&As, reached a record high of EUR 1,053 million. Investments in intangibles, property, plant and equipment, including right-of-use assets (excluding M&As), amounted to EUR 763 million compared to EUR 601 million in 2023.

Some of our major investments included enhancing butter capacity in Holstebro, Denmark and driving growth in AFI. Additionally, new projects, such as the introduction of mozzarella technology in Taw Valley, UK, were undertaken.

Investments related to M&As amounted to EUR 290 million, primarily due to the acquisition of the Volac Whey Nutrition business.

Higher net interest-bearing debt
Net interest-bearing debt, including pension liabilities, increased to EUR 3,533 million (2023: EUR 2,850 million), driven by more funds being tied up in net working capital positions and higher level of investments.

NEXT SECTION
Read more about our performance based on brands and markets on the following pages.

GLOBAL BRANDS

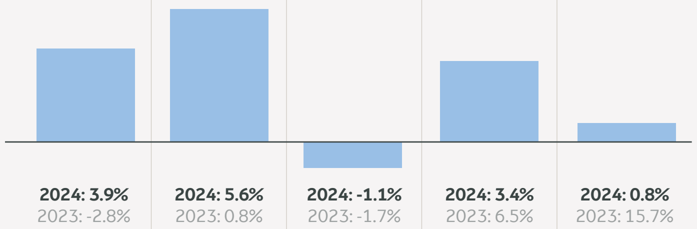
OUR STRATEGIC GLOBAL BRANDS ARE CENTRAL TO OUR BUSINESS, DRIVING THE MAJORITY OF VALUE CREATION FOR ARLA.

Our brands

F26 STRATEGIC BRANDED VOLUME-DRIVEN REVENUE GROWTH

3.7%

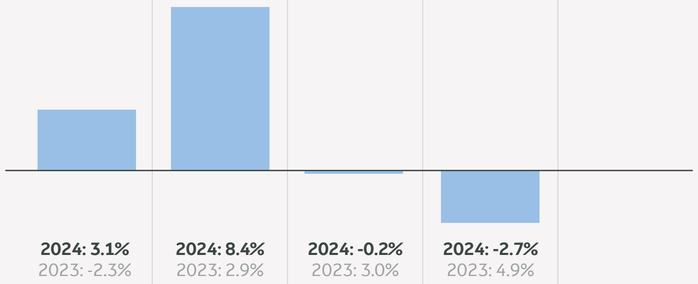
2023: -0.7%



F26 STRATEGIC BRANDED NET REVENUE GROWTH

3.1%

2023: 1.2%



In 2024, we experienced a return to branded growth with volume-driven revenue of 3.7% (2023: -0.7%) and a branded revenue increase of 3.1% to EUR 6,589 million (2023: EUR 6,375 million), which exceeded our expectations at the start of the year. This growth was driven by increased consumer purchasing power, strong sales execution and the strength of our brands, which pushed innovations catering to market demands. These factors resulted in a rise in our branded volume market share.

Arla® brand

Our Arla® brand with its various successful sub-brands covering multiple categories such as milk, yoghurt, cream, powder and cheese, achieved volume-driven revenue growth of 3.9% (2023: -2.8%). The volume increase was partly offset by a slightly lower price level, which resulted in a 3.1% revenue increase to EUR 3,737 million in 2024 (2023: EUR 3,618 million).

Some of our sub-brands experienced exceptional volume-driven revenue growth. The growth was in particular driven by Arla® Protein, which grew volumes by 36.0%, supported by the launch of the Food To Go concept, and our foodservice brand Arla® Pro experienced growth of 13.7%. From a market perspective, the branded volume-driven revenue growth was especially prominent in the Netherlands, Belgium and France cluster and the UK, with branded growth of 10.7% and 10.6%, respectively.

Lurpak®

Our Lurpak® brand achieved revenue growth of 8.4% to EUR 837 million (2023: EUR 772 million) with its volume-driven revenue increasing by 5.6% compared to 0.8% in 2023. This strong growth was a result of Lurpak® successfully capitalising on strategic initiatives and its brand strength. The European markets led this brand growth with volume-driven revenue of 6.7%, mainly driven by the UK and Denmark. Our international markets maintained steady volume-driven revenue growth of 3.7%, led by West Africa and the Rest of the World cluster. Growth in 2024 was also supported by the successful launch of Lurpak® Plant Based.

Castello®

Our speciality cheese brand, Castello®, saw a 1.1% decrease in its volume-driven revenue compared to 2023, which was offset by higher prices leading to a minor revenue decrease of 0.2% to EUR 245 million (2023: EUR 246 million). Our European markets saw a volume decrease of 3.1%, which, although a decline, is an improvement from last year (2023: -4.6%). In international markets, volumes increased by 0.4%, led by growth in SEA and the Rest of the World. The volume growth was mainly driven by the cream and processed cheese categories, but was constrained by decreases in the mould and yellow cheese categories, which faced an adverse volume impact from increased price competition in key markets.

Puck®

Overall, Puck®, our leading brand in MENA, grew with volume-driven revenue of 3.4%, with revenue decreasing by 2.7% to EUR 514 million (2023: EUR 526 million). The cooking portfolio saw strong growth in both volume and revenue, led by cooking creams and the cooking cheese portfolio. The decrease in revenue was mainly due to increased price competition in the processed cheese category.

Starbucks™

Our Starbucks™ ready-to-drink (RTD) coffee assortment, available in more than 50 countries across Europe, the Middle East and Africa, delivered 0.8% branded volume-driven growth. The volume-driven revenue growth was mainly due to our European business, which increased volumes by 2.8% due to enhancements in distribution and channel strategies, along with the successful introduction of Ready-To-Drink Protein Coffee in the UK. Our international markets experienced a decrease of 3.5% in their volume-driven revenue growth because of the negative impacts from the ongoing turmoil in the Middle East, however, partly offset by strong growth in the Rest of the World.

EUROPE

OUR EUROPEAN COMMERCIAL SEGMENT COVERS EIGHT COUNTRIES IN NORTHERN AND WESTERN EUROPE. IN THIS SEGMENT, WE OFFER BRANDS SUCH AS LURPAK®, ARLA® AND STARBUCKS™.

In 2024, revenue increased by 1.0% to EUR 8,066 million (2023: EUR 7,984 million). This was caused by branded volume-driven revenue growth of 4.1% due to strong branded positions and growth efforts as well as increased European consumer purchasing power, thanks to easing inflation and rising wages. The growth was partly offset by a reduction in private label volumes and changes in commercial prices, which followed commodity prices.

Our branded volume-driven revenue growth exceeded the general branded European retail category volume by 2.1%, particularly because the BSM category decreased by 1.1%, while Lurpak® increased retail volumes by 6.6%.

The growth was particularly strong in our UK business (7.6%) and our Netherlands, Belgium and France cluster (7.4%). It was also evident in our European foodservice business, which saw 7.6% branded volume-driven revenue growth across countries.

Several of our European brands performed well in their volume-driven revenue growth in 2024. This included Arla® Protein growing by 32.3%, Arla® Pro by 8.7% and Lurpak® by 6.7%. The growth was in part due to the successful launch of Arla® Protein in Sweden and Milka® chocolate milk in Germany.

In addition, over 4 billion kg of our farmer owners' milk in Europe is part of the FarmAhead™ Customer Partnership programme.

Solid performance in foodservice
Our European foodservice business experienced 7.6% branded volume-driven revenue growth.

ARLA® PRO

Our foodservice brand Arla® Pro continued to drive success with 8.7% branded volume-driven revenue growth in Europe, continuously meeting evolving foodservice market demands.

Strategic branded volume-driven revenue growth

4.1%

2023: -1.3%

Revenue
EUR million

8,066

2023: 7,984

Revenue growth

1.0%

2023: 2.7%

Share of total Arla revenue

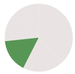
58.6%

2023: 58.4%

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
UK	-0.2% 2023: 2.4%	7.6% 2023: 2.2%	2024: EUR 3,055 million 2023: EUR 3,060 million

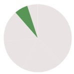
In total, our UK business saw a minor revenue decrease of 0.2% to EUR 3,055 million (2023: EUR 3,060 million). The minor decrease was a result of strong branded volume-driven revenue growth of 7.6% and a favourable currency effect from a strengthening GBP being offset by decreasing private label volumes as well as decreasing price levels. The volume-driven revenue growth was mainly driven by Arla® Protein, Arla® Pro and Lurpak® growing by 28.6%, 16.1% and 7.5%, respectively. The well-executed launch of Lurpak® Plant Based in the UK also contributed to the growth.

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
GERMANY	1.5% 2023: 4.6%	7.0% 2023: -5.4%	2024: EUR 1,272 million 2023: EUR 1,253 million



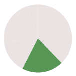
In Germany, we experienced a 2024 revenue increase of 1.5% to EUR 1,272 million (2023: EUR 1,253 million). Our volume-driven revenue increased by 7.0%, mainly driven by strong branded growth in our Arla® Skyr, Kærgården® and BUKO® brands which grew volumes by 26.3%, 16.3% and 12.4%, respectively. Furthermore, we had success with the launch of Milka® chocolate milk in Germany and expanded the BUKO® portfolio with cooking products.

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
THE NETHERLANDS, BELGIUM AND FRANCE	4.1% 2023: 10.3%	7.4% 2023: 6.9%	2024: EUR 509 million 2023: EUR 489 million



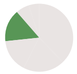
Our business in the Netherlands, Belgium and France achieved revenue growth of 4.1% to EUR 509 million (2023: EUR 489 million). Both the retail and foodservice businesses showed consistent branded volume-driven revenue growth across all three markets. Notably, our brands Melkunie® Breaker, Arla® Pro and Arla® LactoFREE delivered growth rates of 46.1%, 22.0% and 20.0%, respectively, leading to overall branded volume-driven revenue growth of 7.4%.

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
SWEDEN	3.6% 2023:-3.7%	2.0% 2023: -5.1%	2024: EUR 1,592 million 2023: EUR 1,536 million



Arla Sweden's revenue increased by 3.6% to EUR 1,592 million (2023: EUR 1,536 million) with strategic branded volume-driven revenue growth of 2.0%. Our Svenskt Smör®, Arla® Pro and Bregott® brands contributed to the growth with 14.4%, 7.0% and 6.9%, respectively. Additionally, Arla® Protein was successfully launched in 2024 in Sweden. The branded volume-driven revenue growth was adversely impacted by a general trend in Sweden of private labels taking market share from brands within the milk category.

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
DENMARK	-1.3% 2023:4.1%	0.5% 2023: -0.2%	2024: EUR 1,241 million 2023: EUR 1,258 million



Revenue in Denmark decreased by 1.3% to EUR 1,241 million (2023: EUR 1,258 million). Strategic branded volume-driven revenue increased by 0.5%, however, this was offset by decreasing private label volumes. Despite the stable overall growth, we particularly saw strong growth in some brands, such as Arla® Protein, Starbucks™ and Lurpak® which achieved volume-driven revenue growth of 24.2%, 5.2% and 3.2%, respectively.

Markets	Revenue growth	Strategic branded volume-driven revenue growth	Share of Europe revenue
FINLAND	2.4% 2023: 14.6%	6.9% 2023: -2.4%	2024: EUR 397 million 2023: EUR 388 million

Revenue growth of 2.4% to EUR 397 million (2023: EUR 388 million) was achieved in Finland due to branded volume-driven revenue growth of 6.9%, mainly driven by strong growth in the Arla® Protein, Arla Luonto+® and Arla® Apetina brands. Within foodservice, we also saw strong branded volume-driven revenue growth of 8.9% driven by successful efforts to attract new customers. In September 2024, Arla launched a nationwide marketing campaign focusing on the breakfast occasion and well-being for children.

INTERNATIONAL

OUR INTERNATIONAL SEGMENT COVERS APPROXIMATELY 140 COUNTRIES ACROSS SIX CONTINENTS. OUR KEY BRANDS INCLUDE PUCK®, ARLA® DANO®, LURPAK®, CASTELLO® AND STARBUCKS™.

Branded volume growth in international markets
Despite geopolitical turbulence and differences in milk prices, our branded portfolio achieved volume growth of 2.9%.

Our International segment saw a revenue decrease of 1.5% in 2024 to EUR 2,435 million (2023: EUR 2,471 million). This was driven by an unfavourable impact from currency developments, mainly due to devaluations in Nigeria and Bangladesh. The underlying revenue development excluding currency effects, was positive as commercial prices followed the upwards moving commodity prices in the year.

Our branded portfolio achieved volume-driven revenue growth of 2.9%. This growth was realised despite facing challenges such as price increases implemented to offset the effects of currency devaluations and escalating geopolitical turbulence in the Middle East, both of which reduced consumer demand. Additionally, milk price differences between Europe and Oceania remained high throughout 2024, putting pressure on our more commodity-driven positions.

At a regional level, we achieved branded volume-driven revenue growth across all regions except West Africa, which was significantly impacted by currency devaluation effects.

From a brand perspective, we saw stable volume-driven revenue growth across our brands with Starbucks™ seeing a volume decrease, which was driven by the turmoil in the Middle East. Our foodservice channel advanced further, achieving branded volume-driven growth of 7.3%.

PUCK® THICK CREAM

Puck® grew volumes by 3.4%. The growth in both volume and revenue was led by the cooking creams and cooking cheese portfolio.

Strategic branded volume-driven revenue growth

2.9%

2023: 1.9%

Revenue
EUR million

2,435

2023: 2,471[1]

Revenue growth

-1.5%

2023: 1.4%

Share of total Arla revenue

17.7%

2023: 18.1%

Regions

MIDDLE EAST AND NORTH AFRICA

Revenue growth
-2.4%
2023: 3.2%

Strategic branded volume-driven revenue growth
2.7%
2023: 4.2%

Share of International revenue

2024: EUR 972 million
2023: EUR 996 million

In MENA, revenue decreased by 2.4% to EUR 972 million (2023: EUR 996 million) due to lower price levels, however, it continued to achieve 2.7% branded volume-driven revenue growth. This was in particular driven by our foodservice segment and by our key brand in the region, Puck®, growing its cooking and mozzarella positions. The strong launch of Galaxy® chocolate milk in the region contributed to the volume-driven revenue growth. The high levels of geopolitical turbulence in the region had an adverse impact, especially on the Starbucks™ range.

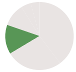
In MENA, Puck® launched the Puck® Reusability campaign, inspiring consumers to reuse their glass jars since the infrastructure for recyclability is lacking. The Puck® Selfless Shelves campaign empowered struggling Lebanese women to sell their handmade produce in reused jars in supermarkets, winning two Gold Effies and one Bronze Cannes Lion award.

Regions

NORTH AMERICA

Revenue growth
-0.2%
2023: -2.0%

Strategic branded volume-driven revenue growth
2.2%
2023: 0.3%

Share of International revenue

2024: EUR 339 million
2023: EUR 340 million

In 2024, we saw a stable revenue development, with a slight decrease of 0.2% to EUR 339 million (2023: EUR 340 million) in North America. On the volume side, North America achieved branded volume-driven revenue growth of 2.2%. This was due to growth of 2.6% in the USA driven by the Arla® brand and 1.9% in Canada mainly from our Tre Stelle® brand.

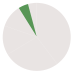
Arla Canada introduced the Bocconcini Water recovery project, focusing on saving water daily, improving pipe insulation to reduce carbon emissions and maintaining zero waste to landfill.

Regions

CHINA

Revenue growth
-20.1%
2023: 8.7%

Strategic branded volume-driven revenue growth
9.9%
2023: -20.7%

Share of International revenue

2024: EUR 114 million
2023: EUR 142 million

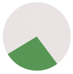
In 2024, we experienced a revenue decrease of 20.1% in China to EUR 114 million (2023: EUR 142 million) driven by decreased private label volumes, mainly in UHT milk, which faced pressure from prices in China and Oceania being significantly lower than European milk prices. Our branded volumes increased by 9.9% spearheaded by Baby&Me in the Early Life Nutrition segment which achieved volume-driven revenue growth of 25.8% as well as a very successful launch of our Cocio® chocolate milk brand in China in 2024.

Regions

REST OF THE WORLD

Revenue growth
8.0%
2023: 5.4%

Strategic branded volume-driven revenue growth
6.4%
2023: 3.2%

Share of International revenue

2024: EUR 649 million
2023: EUR 601 million

Our Rest of the World cluster covers over 80 different countries. The revenue in this cluster increased by 8.0% to EUR 649 million in 2024 (2023: EUR 601 million), largely due to volume-driven revenue growth of 6.4%. Growth was positive across our brands in the region spearheaded by our Arla® Protein brand, which increased its volume-driven revenue by 64.3%. Our Arla® Pro brand and Starbucks™ also achieved impressive volume-driven revenue growth rates of 19.5% and 11.3%, respectively, largely driven by strong growth of 34.4% in Poland.

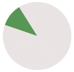
To promote healthy eating, we focused on breakfast to address the trend of skipping this meal. In Greece, we partnered with Sklavenitis and the Together for Children organisation to educate consumers and provide around 5,000 breakfasts in 2024, supporting children's healthy growth and learning.

Regions

SOUTH EAST ASIA

Revenue growth
-1.7%
2023: -1.1%

Strategic branded volume-driven revenue growth
1.7%
2023: 3.9%

Share of International revenue

2024: EUR 261 million
2023: EUR 266 million

In South East Asia, revenue experienced a decline of 1.7% to EUR 261 million in 2024 (2023: EUR 266 million), mainly due to the challenging macroeconomic situation in Bangladesh, where further currency devaluations occurred in 2024. We achieved a 1.7% increase in branded volume-driven revenue, as strong performance in the Philippines and Indonesia offset decreased volumes in Bangladesh. Foodservice remained a key driver in South East Asia, growing volumes by 18.0% with 26.6% volume-driven revenue growth in our Arla Pro® brand.

Late in 2024, we introduced UHT milk in Bangladesh to establish a further leg to the business there for the future. Also in Bangladesh, the Green Dairy Partnership was launched, aiming to cut emissions by 30% and increase dairy farm household incomes by 30% for 10,000 farmers in the southwest. In Indonesia, we continued to support the movement towards organic dairy through the partnership with Market Driven Organic Dairy Production. In both projects, we contributed our expertise on sustainable dairy value chains.

Regions

WEST AFRICA

Revenue growth
-21.5%
2023: -18.8%

Strategic branded volume-driven revenue growth
-19.1%
2023: -8.8%

Share of International revenue

2024: EUR 100 million
2023: EUR 127 million

Our 2024 revenue in West Africa decreased by 21.5% to EUR 100 million (2023: EUR 127 million), driven by continued currency devaluation in Nigeria. Branded volumes were negatively impacted by the price increases implemented to mitigate the currency devaluation effects. Thus, branded volume-driven revenue experienced a 19.1% decrease in growth, mostly affecting our Dano® brand, which saw a reduction of 22.2%.

In Nigeria, our local farm performed well with an increasing herd size and expected yield. We inaugurated a new yoghurt factory and held the Arla-Damau Open Day, where our stakeholders experienced our commitment to shaping the future of dairy. We also released a manual on best practices in sustainable dairy farming for dairy professionals to enhance farming practices.

ARLA FOODS INGREDIENTS

ARLA FOODS INGREDIENTS (AFI) IS A GLOBAL LEADER IN WHEY-BASED INGREDIENTS THAT ARE USED IN A WIDE RANGE OF CATEGORIES FROM CLINICAL AND SPORTS NUTRITION TO DAIRY, CONFECTIONARY AND BAKERY.

AFI's 2024 performance was driven by a continuous effort to produce new innovations and inspiring concepts, and despite market price volatility, our ingredients business maintained strong momentum during 2024.

2024 was a year characterised by high market prices across both commodities and value-add products, driven by strong demand for dairy proteins in general, and especially for specialised proteins like the AFI value-add whey and milk protein portfolio. This resulted in growth in the value-add segment of 2.5% (2023: 10.4%) and a revenue increase of 5.4% to EUR 1,015 million in 2024 (2023: EUR 963 million).

Implementation of our Future 26 strategy continued at full force. In late 2024, AFI acquired full ownership of Volac Whey Nutrition Limited, which produces products for the high-growth area of health and performance nutrition and offers opportunities for further valorisation. Additionally, a major investment in new capacities for our specialised proteins was finalised at Danmark Protein and is ready for commercialisation in early 2025. We also commenced construction of a new permeate dryer at our plant in Argentina.

To support continued growth in AFI's core ingredients business, a strategic decision was made to initiate a reprioritisation of efforts and production capacities at our Arinco site by discontinuing production of early life nutrition products, which will now be handled by a third party, and focusing on ingredients production. This transition will happen towards the beginning of 2026.

Strong demand for specialised protein
High market prices in 2024 were driven by strong demand for dairy proteins, including AFI's specialised whey protein.

ARLA® PROTEIN

Whey is a by-product of the cheese-making process and serves as a premium ingredient in nutritional and functional food applications, including in Arla® Protein shakes.

Growth of the value-add segment

2.5%

2023: 10.4%

Value-add share

80.1%

2023: 79.7%

Revenue
EUR million

1,015

2023: 963

Share of total Arla revenue

7.4%

2023: 7.0%

GLOBAL INDUSTRY SALES

Commodity prices increased in 2024
The increase was mainly driven by fat-heavy products, such as butter and yellow cheese.

THROUGH GIS, WE CONDUCT BUSINESS-TO-BUSINESS SALES OF CHEESE, POWDER AND BUTTER TO OTHER COMPANIES FOR USE AS INGREDIENTS IN THEIR PRODUCTION. THIS TRADING BUSINESS ALLOWS US TO BALANCE OUR MILK SUPPLY THROUGHOUT THE YEAR.

European and global dairy commodity market prices rose throughout 2024 due to high demand and a dairy supply that remained constrained, in part due to the outbreak of bluetongue disease in Central Europe, wet weather in Northern Europe and regulatory uncertainties. The commodity price increase was mainly driven by fat-heavy products such as butter and yellow cheese. Specifically for butter, there was a 40% increase between January and December 2024.

On the volume side, we saw a reduction in trading volumes due to higher retail volumes in our Europe and International segments and a decline in milk intake from our farmer owners. As a result, the overall share of milk solids sold through GIS decreased to 24.8% (2023: 27.4%). Despite the decreasing share of milk solids sold through GIS, we saw a stable overall revenue development of -0.1% due to the higher commodity price levels.

Share of milk solids sold through Global Industry Sales

24.8%

2023: 27.4%

Revenue
EUR million

2,254

2023: 2,256

Revenue growth

-0.1%

2023: -10.9%

Share of total Arla revenue

16.3%

2023: 16.5%

2025 OUTLOOK

WE EXPECT 2025 TO BE A YEAR WHEN BRANDED GROWTH SLOWS DOWN DUE TO HIGH DAIRY PRICE LEVELS AND VOLATILE MARKET CONDITIONS.

As we look ahead to 2025, we do not anticipate a decrease in market volatility, as geopolitical turbulence appears to be increasing. Navigating this will require careful strategic planning and adaptive measures.

We expect consumer purchasing power to remain favourable in 2025, following an increase in 2024 due to lower inflation and higher wages. However, we anticipate that dairy demand will be impacted by consumers' reactions to the higher dairy price levels.

There is also significant uncertainty about how global dairy supply will develop in 2025. The imbalance between supply and demand in 2024, is anticipated to adjust to the higher price levels, potentially increasing supply in 2025. Political uncertainty related to sustainability in core markets could however remain a limiting factor.

In addition, the high dairy price level is expected to drive revenue up, bringing our revenue expectation for next year to a range of EUR 14.5-15.3 billion. The acquisition of the Volac Whey business is expected to increase AFI revenue in the level of 20%.

Our profit share is anticipated to be within our target range of 2.8% to 3.2%. However, the high price level, combined with consumer uncertainty, is expected to put pressure on branded volume-driven revenue growth. Consequently, our expectation for branded volume-driven revenue growth in 2025 is around -2.0% to -1.0%. However, there is significant uncertainty about this range as it is subject to how the supply and demand of dairy affects price levels in 2025.

We expect to keep up our firm momentum from 2024 in our efficiency delivery due to a strong pipeline of activities to be implemented in 2025. We anticipate to deliver savings in the range of EUR 90-110 million.

Through our climate strategy, we aim to continuously reduce our climate impact. We expect to reach our 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. Furthermore, we foresee a strong scope 3 momentum in 2025 from the incentive point results of 2024.

	Outlook 2024[1]	Results 2024	Outlook 2025
F26 STRATEGIC BRANDED VOLUME-DRIVEN REVENUE GROWTH	3.0-4.0%	3.7%	-2.0~-1.0%
REVENUE EUR BILLION	13.4-13.9	13.8	14.5-15.3
PROFIT SHARE	2.8-3.2%	2.9%	2.8-3.2%
F26 EFFICIENCIES EUR MILLION	100-120	131	90-110
LEVERAGE	2.6-2.9	3.2[2]	2.8-3.2[3]
F26 SCOPE 1+2 EMISSIONS PERCENTAGE POINTS	REDUCTION	-4%P	CONTINUED REDUCTION
F26 SCOPE 3 EMISSIONS PERCENTAGE POINTS	REDUCTION	-1%P	CONTINUED REDUCTION

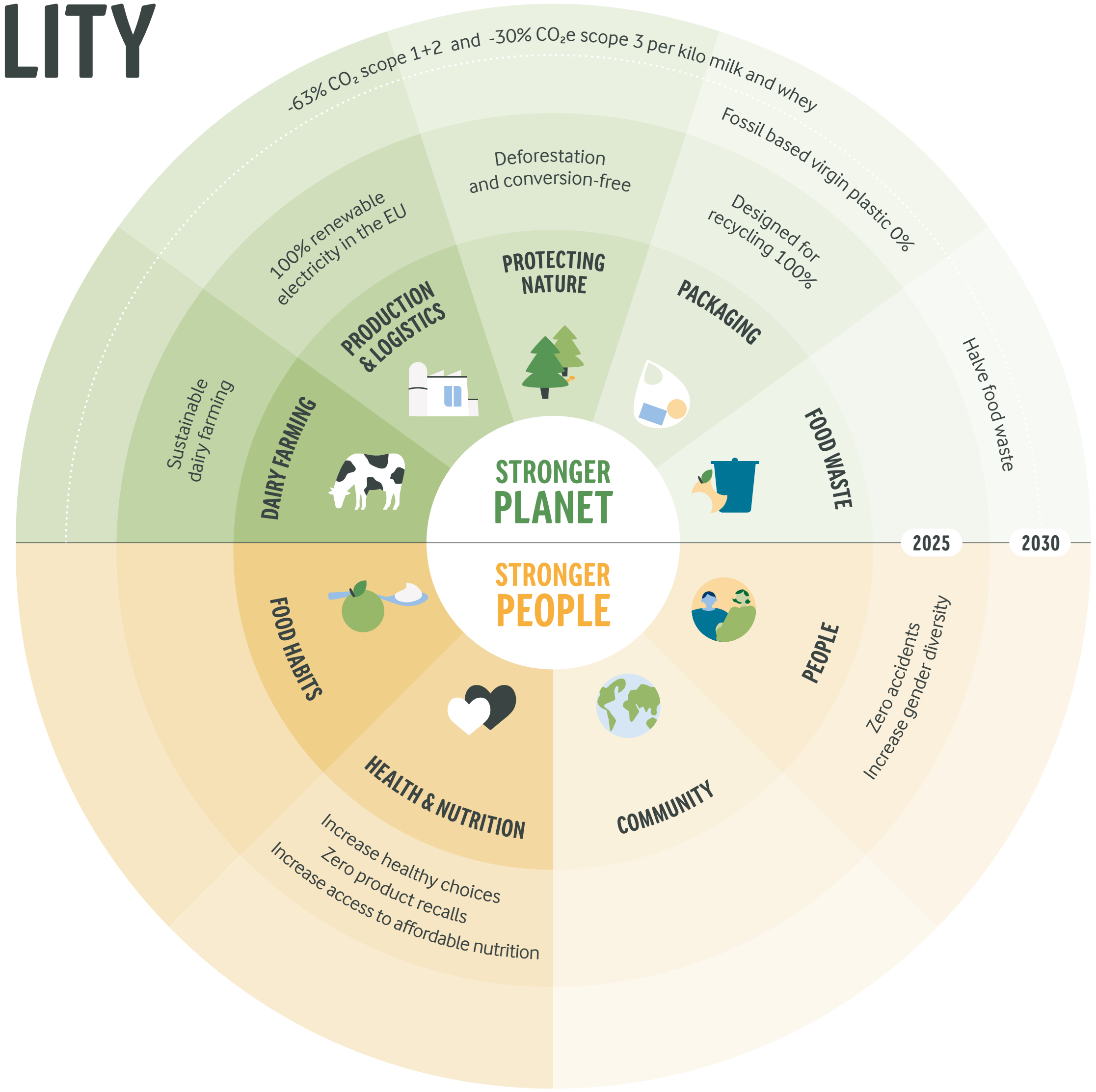
[1] As announced in the 2024 half-year report.
[2] Leverage adjusted for the temporary effect of M&As in the year was 2.9.
[3] Excluding in-year M&As.

SUSTAINABILITY STATEMENTS

CASTELLO® SPREADABLE CHEESE

This year, Castello® introduced a new series of high-quality spreadable cheeses: Castello® Fløjl and Castello® Gnist.

SUSTAINABILITY IN ARLA



WE ARE COMMITTED TO BUILDING A SUSTAINABLE FUTURE. OUR SUSTAINABILITY STRATEGY DRIVES OUR ACTIONS TOWARDS A STRONGER PLANET AND STRONGER PEOPLE.

Our vision is creating the future of dairy to bring health and inspiration to the the world, naturally.

Growing our business requires managing our environmental and social impacts. Our Future 26 strategy focuses on sustainable growth by reducing environmental impacts and creating value with our farmer owners.

Stronger planet

We believe in the importance of caring for the environment to ensure a healthier planet. We are committed to reducing our carbon footprint through sustainable dairy farming, aiming to leave farms in a better condition for future generations. Our efforts focus on preserving ecosystems, promoting biodiversity, minimising emissions and responsible resource use. We emphasise circularity and renewable energy to minimise impacts and prioritise reducing food waste.

Stronger people

As the interest in food with health benefits grows, we expect more people to include our products in their daily diets. Leveraging our global market position and extensive customer relationships, we aim to promote healthier lives worldwide with nutritious, natural and affordable products.

Developing the strategy

Arla's unique democratic setup makes it possible to formulate and execute strategies together with our farmer owners.

In developing the overall group strategy 'Future 26' and the underlying sustainability strategy 'Stronger Planet, Stronger People', we collaborated closely with our farmer owners, placing strong emphasis on pursuing sustainability-related opportunities while addressing and mitigating associated risks. Find more on risks and opportunities on pages 34-36, and additional information on the strategy development process on page 37.

Governing sustainability

As a dairy cooperative committed to defining the future of dairy, sustainability is integrated into each part of our business.

BoD responsibilities
The BoD works alongside the EMT on setting goals and managing sustainability matters. All members of the BoD are involved in strategic sustainability issues, from discussions to decision-making. They receive regular updates on significant topics such as environmental impact and food safety.

In 2024, the BoD engaged in discussions on several sustainability-focused topics, such as climate, biodiversity, health and safety, and employee remuneration.

EMT responsibilities
In the EMT, the overall responsibility for leading sustainability efforts lies with the CEO. The CASO makes sure our sustainability strategy is put into action. The functional heads are responsible for meeting sustainability goals in their areas and making sure we follow the plan. As such all material impacts, risks and opportunities are addressed by the EMT functional heads as part of their responsibilities. Find more information on our governance framework and our management on pages 91-92.

Competencies of the BoD
Assessing sustainability competencies is essential when evaluating our BoD candidates. On average, our BoD members comprehend the full spectrum of Arla's value chain impacts and the complexities influencing the strategy, such as regulations and market forces. This entails grasping the connection between Arla's strategy and contributing to new views on specific sustainability impacts, opportunities, risks and frameworks like the Science Based Targets initiative, including a focus on carbon reduction initiatives on farms, which is a critical aspect of our scope 3 impact.

Diversity of the BoD
In Arla, we recognise that it is the varied perspectives, innovative ideas and rich experiences that drive our success. Such diversity is also important across the BoD.

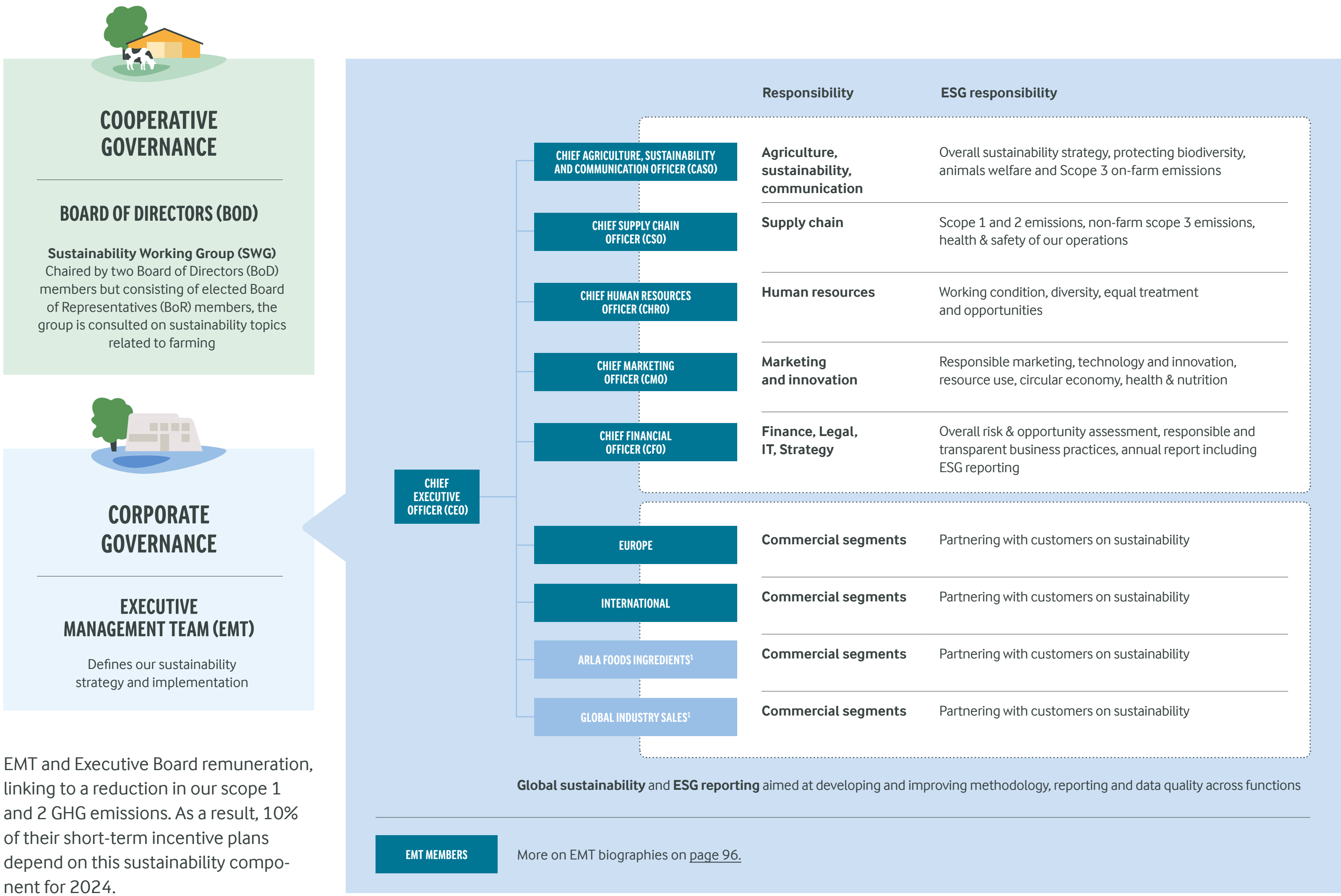
As an example, the Chair emphasised diversity and inclusion considerations in the presentations to the BoR, which elects our BoD, prior to the May election period in 2024. Our goal is to achieve 30% representation of women on the BoD by 2026, and we are currently at 25%.

Sustainability remuneration

We design our remuneration framework to support business success in the immediate future as well as long term.

In alignment with our 2030 corporate targets we added a fifth component to the remuneration policies of the Short-Term Incentive (STI) scheme in 2023, which is also included in the the

SUSTAINABILITY GOVERNANCE IN ARLA



[1] Have direct report line to the CEO.

EMT and Executive Board remuneration, linking to a reduction in our scope 1 and 2 GHG emissions. As a result, 10% of their short-term incentive plans depend on this sustainability component for 2024.

MATERIALITY ASSESSMENT

WE USE A DOUBLE MATERIALITY ASSESSMENT TO GAIN AN UNDERSTANDING OF OUR MOST MATERIAL IMPACTS ON PEOPLE AND THE ENVIRONMENT AS WELL AS ON BUSINESS RISKS AND OPPORTUNITIES ARISING FROM SUSTAINABILITY MATTERS.

A double materiality assessment is a strategic and comprehensive approach to evaluating a company's impacts, risks and opportunities related to sustainability. As a result of the double materiality assessment we conducted in 2023, all topics stemming from the European Sustainability Reporting Standards (ESRS) were determined to be material, except for three. The materiality threshold was set at an average score above three on a one-to-five scale, which we consider conservative and allows us to prioritise the most strategic matters. The topic names listed are aligned with the ESRS.

Although water, pollution and affected communities fell below our threshold for material topics following the methodology for our assessment, we recognise our existing water and pollution footprint as well as our impact on communities. Both pollution and water usage are pressures that drive biodiversity loss. Our approach to working with biodiversity focuses on indirect biodiversity stewardship by addressing the key pressures on biodiversity. Therefore, we have included disclosures on our key water and pollution impacts and, where applicable, metrics that are relevant to our stakeholders in the biodiversity chapter.

Impacts, risks and opportunities related to animal welfare and food safety are considered entity-specific for Arla, while the remaining impacts, risks and opportunities are covered by ESRS Disclosure Requirements.

In 2024, we revised our assessment to specify the difference between our potential and actual impacts and linked it to our risks and opportunities. However, we did not conduct a full new assessment, as there were no significant changes to the business or business environment.

Find our material impacts, risks and opportunities with a further explanation on pages 35-37 and descriptive information in the topic specific chapters.

Material matters (threshold 3+)

- AW Animal welfare
- E1 Climate change
- E4 Biodiversity and nature
- E5 Resource use and circular economy
- S1 Own workforce
- S2 Workers in the value chain
- S4 Consumers and end-users
- G1 Business conduct

Not material matters

- E2 Pollution
- E3 Water and marine resources
- S3 Affected communities

Names of the matters aligned with the name of the standard in the European Sustainability Reporting Standards (ESRS)

E4 Impact materiality Financial materiality

Read more on page 53-60.

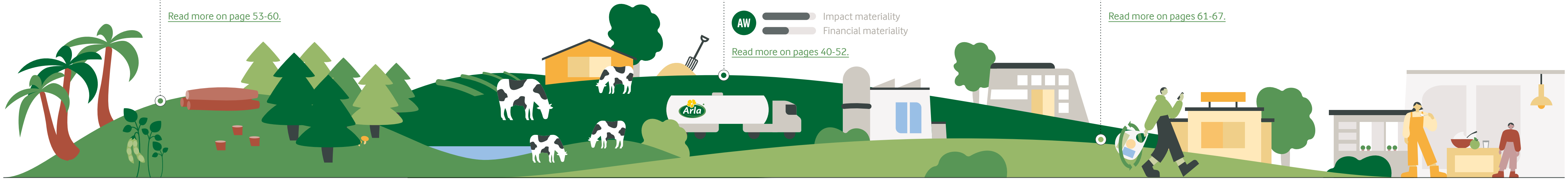
E1 Impact materiality Financial materiality

AW Impact materiality Financial materiality

Read more on pages 40-52.

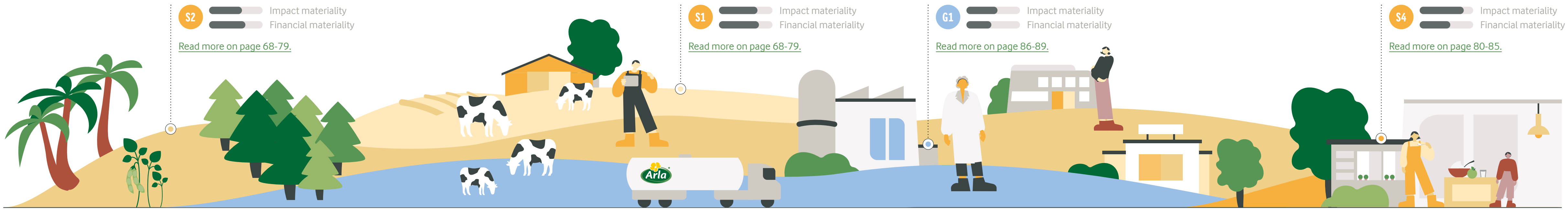
E5 Impact materiality Financial materiality

Read more on pages 61-67.



	Sub topic	Impact	Type	Value chain	⊖ Risks / ⊕ Opportunities
E1 Climate change	**Energy**	Energy usage in own production and transport	ANI	Own operations	
	Climate change mitigation	Scope 3 GHG emissions from the supply chain (especially methane from farms)	ANI	Farm	⊖ Regulation to reduce emissions in the dairy sector ⊖ Brand value if consumers turn away from dairy due to climate impact ⊕ Leveraging climate data to access financing
		Scope 1 + 2 GHG emissions from production and logistics	ANI	Own operations	
	Climate change adaptation			Farm	⊖ Physical climate risk on farm
AW Animal welfare	**Animal welfare**	Impact on animal health and welfare	PNI	Farm	
E4 Biodiversity and ecosystems	**Direct impact drivers of biodiversity loss**	Pollution of water and air	ANI	Farm	⊖ Stricter regulation on biodiversity and land use ⊖ Brand value of consumers turning away due to negative impact ⊕ Brand value due to consumers choosing Arla due to biodiversity efforts
		Biodiversity loss due to climate impact	ANI	Farm, own operations	
		Impact on soil quality due to agricultural activities	ANI	Farm	
		Water scarcity due to use of water	ANI	Own operations	
		Biodiversity, natural capital and carbon loss due to land use change	ANI	Farm, own operations	
		Land occupation for agriculture	ANI	Farm	
	Impacts and dependencies on ecosystem services			Farm	⊖ Increase cost of feed due to climate change and failing ecosystems
E5 Resource use and circular economy	**Waste**	Generating food waste	ANI	Farm, own operations, consumer	
		Generating solid waste, especially negative impact from landfill and microplastics	ANI	Own operations	
	Resource inflow	Depletion of non-renewable resources	ANI	Value chain	
				Farm	⊖ Increase cost of feed due to climate change and failing ecosystems ⊖ Land for agriculture becoming more scarce and valuable
	Resource outflow	Generating non-recyclable packaging	ANI	Consumer	⊖ Brand value if consumers turn away from dairy due to non-circular packaging

ANI Actual Negative Impact PNI Potential Negative Impact PPI Potential Positive Impact API Actual Positive Impact



	Sub topic	Impact	Type	Value chain	Risks / Opportunities
S1 Own workforce	**Working conditions**	Fair and good working conditions	API	Own operations	⊖ Not being able to recruit or retain talent ⊕ Creating a loyal workforce ⊕ Creating a skilled and diverse workforce
		Healthy and safe working environment	PNI	Own operations	
	Equal treatment and opportunities for all	Potential risk of discrimination and harassment	PNI	Own operations	
		Training and skills development	PPI	Own operations	
	Other work-related rights	Labour rights in locations outside of the EU	PNI	Own operations	
S2 Workers in the value chain	**Working conditions**	Potential risk of inadequate working conditions	PNI	Farm and other suppliers	⊖ Brand value if consumers turn away from brand due to negative stories
	Health and safety	Healthy and safe working environment	PNI	Farm and other suppliers	
	Equal treatment and opportunities for all	Risk of violence or harassment	PNI	Farm and other suppliers	
	Other work-related rights	Human rights, specific operations and geographical areas at risk of child and forced labour	PNI	Farm and other suppliers	
S4 Consumers and end-users	**Personal safety of consumers and/or end-users**	Food safety	PNI	Consumer	
		Healthy nutrition for consumers	API	Consumer	
		Nutrition to vulnerable consumers (e.g babies and malnourished children)	API	Consumer	
G1 Business conduct	**Political engagement**			Own operations	⊖ Accusations of unethical conduct or lobbying
	Corporate culture			Own operations	⊖ The risk of being perceived as engaging in greenwashing (EU)

ANI Actual Negative Impact · PNI Potential Negative Impact · PPI Potential Positive Impact · API Actual Positive Impact

Process and metrics

MATERIALITY ASSESSMENT

The process of our double materiality assessment followed the requirements of the European Sustainability Reporting Standards (ESRS 1 and 2). Below, we outline how material impacts, risks and opportunities were identified and assessed.

Stakeholder and proxy identification
The insights of key stakeholders were used to identify and assess sustainability impacts, risks and opportunities. We identified stakeholders affected by Arla's activities and those using the annual report information. Key stakeholders include:

- Our farmer owners
- Nature
- Customers
- Consumers
- Affected communities
- Workforce
- NGOs
- Financial institutions
- The media and governments.

Input was collected from all stakeholder groups. When direct access was not possible, proxies were chosen based on their role, expertise, relation to stakeholders and societal position. Some stakeholders were represented through research papers, such as consumer opinions assessed via surveys and discussions with relevant management team members. Proxies' views were supported by due diligence on human rights, risk assessments, environmental impact research and measured data, including current and historic climate impact.

Assessing impacts, risks and opportunities related to sustainability matters
Sustainability matters included in the double materiality assessment were mainly identified based on the list of topics presented in ESRS 1. Using stakeholder input, we found positive and negative impacts, risks and opportunities. Arla's direct and business-related impacts were included in the assessment, covering the entire value chain, with many impacts at the farm level. The geographical scope matches Arla's operational and sourcing regions.

After identifying them, proxies scored the severity of impacts, taking their scope, scale and irremediability into consideration. Risks and opportunities were scored based on their likelihood of materialising and their potential financial impact on Arla. Due to the lack of quantifiable thresholds, qualitative thresholds for a financial impact assessment were used. This assessment is separate from Arla's Enterprise Risk Management (ERM) process, but in 2024, the ERM process was improved to better cover sustainability risks and align with the Corporate Sustainability Reporting Directive (CSRD). Future ERM results are expected to inform updates to the double materiality assessment.

Materiality was determined by averaging impact scores and separately averaging risks and opportunities. If a topic had both a risk and an opportunity, only the higher score was considered to give it more weight.

External validation of impact, risk and opportunity assessment
A draft materiality matrix was created based on internal proxies' assessments. This draft was validated by external experts from NGOs, financial institutions and universities, representing stakeholder groups.

We have a governance process for regular reviews and updates of assessments, primarily managed by the ESG Reporting function. The final assessment results are presented to the EMT for information, and the BoD approved the double materiality assessment together with the annual report.

DEVELOPING THE STRATEGY

During the process of developing our Future 26 strategy and sustainability strategy, our EMT and BoD ensured that the opinions and concerns of key stakeholders were considered. The farmer owners are involved in reviewing our strategy through various meetings and forums.

As part of the strategy development, the EMT has established and approved company-wide targets that address material sustainability topics. Progress towards our climate targets is reported on a monthly basis to both the EMT and the BoD. Additionally, the functional heads provide regular updates on other sustainability targets.

Additionally, the results of the materiality assessment are considered during the strategy update process. Sustainability impacts, risks and opportunities are also evaluated as part of major transactions, resulting from comprehensive due diligence activities.

Our global policies are applicable to entities under the direct or indirect control of Arla, including relevant workers, contractors and subcontractors.

STAKEHOLDER ENGAGEMENT

We engage with our stakeholders directly and indirectly through various channels, teams and proxies or credible third parties on a global and local level to understand their concerns and expectations.

- Farmer owners. The views of our farmer owners are represented by the BoR where sustainability topics are discussed. Key topics for our farmer owners are risks arising from impacts on climate and biodiversity.
- NGOs. We collaborate with local NGOs, universities and external experts to better understand our impact on nature, climate and communities in various countries.
- Customers. Our commercial teams and sustainability managers regularly communicate with customers about sustainability, ensuring we understand their needs. This year, a key focus was the FarmAhead™ Partnership, aimed at creating a programme for emission reductions that aligns with both Arla's goals and our customers' objectives.
- Consumers. Understanding consumer feedback is central to our activities, informing our commercial functions and strategies.
- Employees and value chain workers. We engage with our own employees through daily interactions between managers and employees, dialogue with worker representatives and unions and our annual barometer survey. For our employees it is important that Arla provides a good and safe working environment. We engage with both our own workforce and workers in the value chain on human and labour rights issues through our human rights due diligence process, which includes direct interviews.
- Financial institutions. Dialogue with financial institutions on sustainability impacts is part of the process for securing financing. This year, we discussed the implications of transitioning to a low-carbon economy and outlined our climate transition plans.
- Government. Numerous sustainability-related regulations affecting the dairy industry are discussed on an EU level and in individual countries. Through bilateral engagement with local, national and international industry associations, we can support industry growth and address challenges.

The views and interests of our stakeholders, gathered from the ongoing engagement, serve as input for our sustainability initiatives, projects and procedures as well as for due diligence and materiality assessments.

DUE DILIGENCE

The table below illustrates where we provide information about the due diligence process in our sustainability statements.

For us, due diligence involves the identification, assessment and resolution of both actual and potential social and environmental impacts associated with business operations, supply chain and investments. The main objective is to ensure the protection and respect of human rights, labour rights and the environment. It includes implementing policies and targets, conducting risk assessments and comprehensive evaluations, adopting appropriate measures to prevent and address adverse impacts as well as providing suitable remedies. Read more about the core elements of our due diligence process on the pages outlined in the table.

Core elements of due diligence	Sections in sustainability statements	Page
a) Embedding due diligence in governance, strategy and business model	Business model Sustainability governance and strategy Employees and workers in the value chain	12 32-33 73,78
b) Engaging with affected stakeholders in all key steps of the due diligence	Sustainability governance and strategy Employees and workers in the value chain	37 73-74
c) Identifying and assessing adverse impacts	Materiality assessment Climate change and animal welfare Employees and workers in the value chain	34-36 51-52 73-75
d) Taking actions to address those adverse impacts	Climate change and animal welfare Biodiversity and nature Resource use and circularity Employees and workers in the value chain	41-46 56-58 63-64 71-75
e) Tracking the effectiveness of these efforts and communicating	Climate change and animal welfare Biodiversity and nature Resource use and circularity Employees and workers in the value chain	48-49 59 65 75, 77-78

GENERAL ACCOUNTING POLICIES

The sustainability statements on pages 31-89 encompass Arla's reporting on Environmental, Social and Governance (ESG) matters. Starting from 2025 onwards, Arla will be obliged to adhere to the European Sustainability Reporting Standards (ESRS) as per the new EU Corporate Sustainability Reporting Directive (CSRD), which came into effect in early 2023. However, to ensure better alignment with the requirements, we proactively revised the report structure and content. For a detailed overview of all the ESRS disclosure requirements addressed in the report, please refer to page 39.

Other reporting standards
The sustainability statements include statutory reporting on Corporate Social Responsibility (CSR) in accordance with section 99a of the Danish Financial Statements Act. Read more on page 11 (business model), pages 51-52 (climate-related risks) and page 38 (policies, actions, management systems, key ESG figures and expectations for the future). Our statutory statement on section 99d regarding data ethics can be found on page 99.

We disclose our climate-related risks and opportunities according to the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations in the climate change and animal welfare chapter on pages 51-52.

An overview of progress towards the UN Sustainable Development Goals is included on page 168.

Basis for preparation
Arla's sustainability statements are developed using regular monthly and annual reporting procedures. The sustainability statements are prepared on a consolidated basis following the financial control approach and the same financial year as the consolidated financial statements, unless otherwise specified in the definition and uncertainty sections for specific KPIs. No information is omitted due to intellectual property, innovation or ongoing negotiations. Entities such as joint ventures and associates, where Arla does not hold a controlling influence, are excluded. For a list of subsidiaries, please refer to the group chart in the most recent consolidated annual report. For our definitions of applied time horizons, please refer to pages 37 and 51 specifically for climate-related risks.

We obtain reasonable assurance over the following key sustainability metrics: energy and climate-related metrics, food safety, animal welfare, accidents and certain employee-related metrics. We obtained limited assurance over the remaining disclosure of the sustainability statements.

Reporting scope
Arla's environmental KPIs cover all production and logistics sites. However, in accordance with Arla's consolidation methodology only entities acquired more than six months prior to year-end are consolidated into the reporting. In 2024, this entailed excluding environmental impacts from the purchased powder tower in Götene, Sweden, and the acquisition of the Whey Nutrition business and production facility in the UK from Volac International Limited. Social KPIs cover all production and logistics sites as well as office data unless specified otherwise. Arla reports ESG data for value chain activities with significant sustainability impacts, risks or opportunities, including on-farm activities, purchased whey, ingredients, packaging, waste handling and transport. Details on specific value chain activities are provided with each KPI.

All revenue, EUR 13.8 billion, comes from the food and beverage manufacturing sector, with value chain impacts linked to agriculture and farming. This means that all our revenue stems from high climate impact sectors.

Uncertainties and estimates
We prioritise the use of primary measured data in our reporting, sourcing information on our operations from meter readings or invoices, direct data from our suppliers and specific emission factors. In certain cases, we may rely on estimates or extrapolations for specific ESG KPIs, these are clearly outlined in relation to the accounting practices of the corresponding KPI. To minimise uncertainty in our metrics, we focus on collecting data supported by evidence. Any measurement uncertainties associated with specific metrics are also detailed in relation to the accounting practices of the corresponding KPI.

Metrics further along the value chain have higher error risks. Therefore, we have implemented the necessary controls to mitigate this. An example is the emissions reporting process for farms on page 49.

At the current stage, Arla does not report quantitative forward-looking data outside of risk classifications. This information is considered to be uncertain.

Restatement principles
Arla's Restatement Policy guides the adjustment of baselines and historical figures. Updated in 2024, it covers all ESG KPIs and provides guidelines for reporting restatements. Restatements may occur due to data errors, calculation mistakes or methodology updates, such as changes in emission factor sources.

Restatements are made if changes exceed a set significance threshold. Arla assesses annually whether changes meet this threshold, with each ESG KPI having a specific threshold based on materiality. For instance, GHG emissions metrics require a 2% impact on baseline emissions for restatement. When restating, Arla discloses previous figures, differences and reasons for changes alongside updated figures.

Implementation
The Finance function is responsible for implementing the policy and ensuring its annual review in conjunction with the update of the ESG Accounting Manual. During the annual review, the team establishes restatement thresholds for new ESG KPIs and reviews the thresholds for existing ones.

ESG reporting risk management
Inadequate ESG disclosure can harm our reputation and stakeholder trust, so managing ESG information quality and accuracy is crucial.

The responsibility for comprehending risks and uncertainties associated with externally reported ESG KPIs lies with the Finance function responsible for ESG reporting. An internal ESG Accounting Manual governs reporting processes and controls. When a new ESG KPI is set, uncertainties are assessed, and specific controls ensure data quality. Key environmental data controls are stored in our internal control system.

Our risk mitigation prioritisation considers the materiality of KPIs including their significance to stakeholder decision-making, relevance to management, financial impact, linkage to strategic targets and target stringency. Additionally, identified risks and uncertainties in data play a crucial role. Annually, internal and external observations about data quality are incorporated into an action plan for improving reporting processes and controlling. Auditor observations are shared with the BoD as part of the group audit findings. Ongoing communication is conducted with individuals responsible for each KPI, including discussions about risks and additional control needs.

ESG reporting is part of Arla's risk-based compliance review for all reporting processes, though it was not selected for examination in 2024. Compliance review results are reported to the EMT and BoD.

Targets and progress

GENDER DIVERSITY BOARD OF DIRECTORS

BoD diversity development
Gender diversity on the BoD is important to ensure that both genders are represented at a high level, and to bring a variety of perspectives to the business. Ensuring gender diversity on the BoD is also a legal requirement in Denmark. The current BoD consists of 19 members, including 14 farmer owners, three employee representatives and two external members.

Only members elected by the BoR at the general assembly count in the BoD's gender diversity figure. The members elected by the BoR are the 14 owner representatives and two external members. Four of these 16 BoR-elected board members are women, reflecting a ratio of women to total in 2024 of 25% women and 75% men. We are targeting a share of 30% women on our BoD compared to total by 2026.

According to CSRD, we also need to report the women to men-ratio, which in 2024 was 33%.

Gender diversity on the Board of Directors

	2024	2023	2022	2021	2020
Share of women on the Board of Directors	25%	25%	25%	13%	13%

Board meeting attendance

	2024	2023	2022	2021	2020
Number of meetings	12	12	12	12	10
Attendance	97%	99%	98%	98%	99%

ACCOUNTING POLICIES
The gender diversity ratio is calculated as the share of women on the BoD as at 31 December compared to the total number of members, including only members elected by the general meeting. It excludes employee representatives and advisors to the BoD.

BOARD MEETING ATTENDANCE

Meeting attendance development
Attendance at the board meetings by the members of the BoD ensures that all Arla owners and employees are represented when important strategic decisions are made. Arla's board members are dedicated, and as a general rule the board members attend all meetings unless they are prevented from doing so. In 2024, there were 11 ordinary board meetings and one extraordinary meeting. The board attendance decreased slightly from last year. Information on board members can be found on pages 93-94.

ACCOUNTING POLICIES
The board meeting attendance ratio is calculated as the sum of regular board meetings attended per board member divided by the total possible attendance.

The current BoD consists of 14 owners, three employee representatives and two external members. When calculating board meeting attendance, all 19 board members are included.

DISCLOSURE REQUIREMENTS TABLE OF CONTENTS

Starting from 2025 onwards, Arla will be obliged to adhere to the European Sustainability Reporting Standards (ESRS) as per the new EU Corporate Sustainability Reporting Directive (CSRD), which came into effect in early 2023.

The table on the right shows our progress towards compliance with the CSRD requirements and where to find them in this report. We are not compliant yet with CSRD, but are working towards it and will be the report covering the year 2025 when we are required to fully comply with the reporting standards.

Progress towards compliance with CSRD requirements:

- Under materiality threshold
- Internal work initiated
- Moderate progress
- Advanced progress

CLIMATE CHANGE AND ANIMAL WELFARE

Impacts

ARLA'S IMPACTS

ANI	Actual Negative Impact
PNI	Potential Negative Impact
PPI	Potential Positive Impact
API	Actual Positive Impact

ANI

SCOPE 3 GHG EMISSIONS

97%	**Total scope 3 emissions**
79%	Farms
12%	Externally sourced whey
1%	Waste and other
3%	Packaging
2%	Transport (upstream)

PNI

IMPACT ON ANIMAL HEALTH AND WELFARE

ANI

ENERGY USAGE

ANI

SCOPE 1+2 GHG EMISSIONS

3%	**Total scope 1+2 emissions**
2%	Scope 1 – transport (own fleet) and production
1%	Scope 2 – purchased energy

Policies

Environmental Policy & Green Ambition 2050

Animal Welfare Whitepaper

CONTINUED FOCUS ON CLIMATE

Impact, risk and opportunities

Climate change influences our business, supply chain and ecosystems

As a dairy company we contribute to greenhouse gas emissions through our scope 3 emissions, including methane from cow digestion, and through scope 1 and 2 emissions from fossil fuel use in production and logistics. At the same time, we rely on good climate conditions for feed cultivation and healthy dairy herds. Therefore, we have a need and responsibility to lead the transition to a low-carbon economy.

We identified different impacts, risks and opportunities through our double materiality assessment related to climate and energy, primarily stemming from our upstream activities on dairy farms.

Until our energy transformation is complete, we rely on fossil fuels for transport, processing and agricultural machinery. Reducing fossil fuel dependency is in our interest.

Climate change poses risks to Arla, such as regulatory pressures and shifts in consumer preferences, which could affect profitability and brand value. Physical risks like floods and droughts also potentially threaten our farms.

We see an opportunity to lead the transition to a low-carbon economy by actively reducing our carbon footprint.

We have been collecting climate data at the farm level for years and by leveraging this data to access financing and identify potential reduction levers to enable our farmer owners to transform their farming practices sustainably, we plan to accelerate our emission reduction efforts. More details on this topic on page 44.

Strategy

Science-based climate strategy

Addressing climate change and aligning our targets with the Paris Agreement's goals is our top priority.

As one of the largest dairy companies globally, Arla possesses the size, strength and influence to lead in sustainability and environmental protection. We recognise our responsibility, aiming to achieve carbon net zero across our value chain by 2050 and committing to setting a science-based net-zero target.

We are currently reviewing our scope 3 target to align with the newly published Forest, Land and Agriculture Guidance from the Science Based Targets initiative. Once approved, this will be included in our external reporting.

Data is key to reducing our carbon footprint. As scientific advancements continue, we strive to utilise the best available data, technology and methodologies. Updates in methodologies and data sources are reflected in our reported figures, and we obtain reasonable assurance regarding our scope 1, 2 and 3 greenhouse gas emissions. For both of our emission targets we have built detailed roadmaps, detailing specific reduction levers, their impact and individual contributions to achieving the target. These roadmaps include assumptions of future effects of product volumes and mixes as well as expected developments in raw milk intake.

Our climate change mitigation targets and strategy have been approved by the BoD.

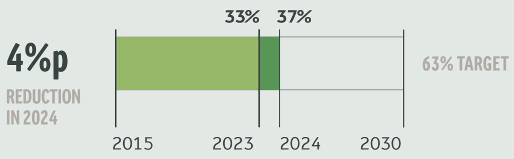
Targets and ambitions

ARLA'S AMBITION

SCOPE 1+2 EMISSION REDUCTIONS

Direct greenhouse gas emissions (scope 1) and emissions related to purchased energy (scope 2) should be reduced by 63% in absolute terms.

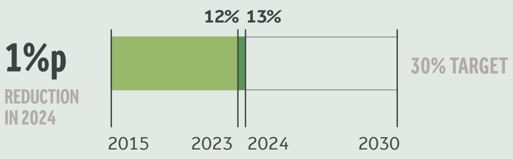
Read more on page 45.



SCOPE 3 EMISSION REDUCTIONS PER KG OF MILK AND WHEY

Our scope 3 science-based target is mainly related to reducing the carbon footprint at farm level by 30% per kg of standardised milk and whey.

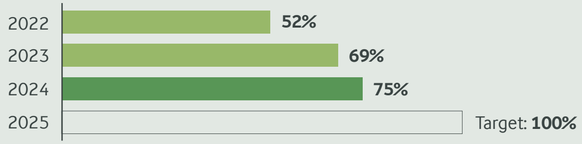
Read more on page 43.



RENEWABLE ELECTRICITY BY 2025[1]

Switching from fossil to renewable energy is an important lever to fulfil our scope 1 and 2 reduction ambition. Our key focus is to secure renewable electricity for all our sites in Europe.

Read more on page 45.



[1] Target is set for the end of the year. Since the KPI is based on 12 months of data, target achievement will not be reflected in the 2025 annual report.

Our CO_2e reduction journey

Our targets and transition plan for 2030 will guide us toward achieving our ambitions to reduce scope 1 and 2 emissions by 63% in absolute terms and scope 3 emissions by 30% per kg of milk or whey compared to our baseline year.

In 2024, we achieved a reduction of our scope 1 and 2 emissions by 4 percentage points, leading to a total reduction of 37% from our 2015 baseline. This progress was driven by a combination of energy optimisations, such as behavioural changes and investments in more energy-efficient equipment. Key contributions included the switch to district heating at one of our Swedish sites and the full-year impact of the district heating change in Taulov in 2023. Additionally, investments in heat pumps and an e-boiler at several Danish sites, along with power purchase agreements and renewable electricity certificates, played a role in achieving the reduction.

The FarmAhead™ Technology and the commitment of our farmers led to a 1 percentage point decrease in scope 3 emissions per kg of milk and whey. This contributed to an overall reduction of 13% from the 2015 baseline value of 1.29 kg CO_2e per kg of milk and whey. Emissions specifically from Arla's owners amounted to 1.06 kg CO_2e per kg of owner milk, corresponding to an additional decrease of 1.4 percentage points in 2024. Reductions, achieved in nearly all owner countries, are driven by increased use of renewable electricity, utilisation of biogas and improvements in the big five efficiency levers. With the support of our FarmAhead™ Technology, Arla farmer owners succesfully continued to reduce carbon emissions in 2024 despite challenges from weather and uncertainties around future legislation.

Absolute emissions related to milk decreased by 3% compared to 2023, totaling 415 thousand tonnes of CO_2e. This reduction was primarily due to efforts on farms and also influenced by decreased milk volumes from owner and contract farmers. A substantial increase in the purchase of external whey for our growing ingredients business led to only a modest decrease in total emissions compared to 2023. Overall, in 2024, total emissions saw a slight decrease of 91 thousand tonnes CO_2e compared to 2023. Since our baseline year in 2015, emissions have been reduced by over 2.6 million tonnes.

On-farm activities resulted in reductions of 1.2 million tonnes CO_2e over the past three years, regardless of volume changes, and we are confident that we will reach our target through FarmAhead™ (find details on page 44). In 2024, the average number of points achieved increased to 53 from 50 in 2023. The points rose from 49 in the programme's first quarter (Q3 2023) to 54 in Q4 2024. For an average Arla farm with an annual milk production of 1.6 million kg, this translates to approximately EUR 41 thousand per year. In total, EUR 337 million were paid out through the FarmAhead™ Incentive, including an additional 1 EUR-cent/kg of milk for submitting FarmAhead™ Check data.

Packaging emissions was unchanged, while scope 3 transport emissions increased partly due to growing sales in our international markets. Scope 3 emissions accounted for 97% of Arla's total carbon footprint in 2024.

With the reductions achieved in 2024, we are on track to meet our 2030 targets and are confident that our climate strategy, including the FarmAhead™ Incentive model, will support our goals.

CO_2e emission development 2015-2024
Thousand tonnes (mkg)

CO_2e emissions development 2023-2024[1]

Thousand tonnes (mkg)	2024	2023	Development
CO_2e scope 1+2	**618**	**660**	**-6%**
CO_2e scope 3:			
Milk	14,781	15,196	-3%
Externally sourced whey	2,323	1,987	17%
Other including packaging and sourced transport	988	958	3%
CO_2e scope 3	**18,092**	**18,141**	**0%**
Total CO_2e	**18,710**	**18,801**	**0%**

[1] Find more details on page 48.

Actions and resources

SUSTAINABLE DAIRY FARMING

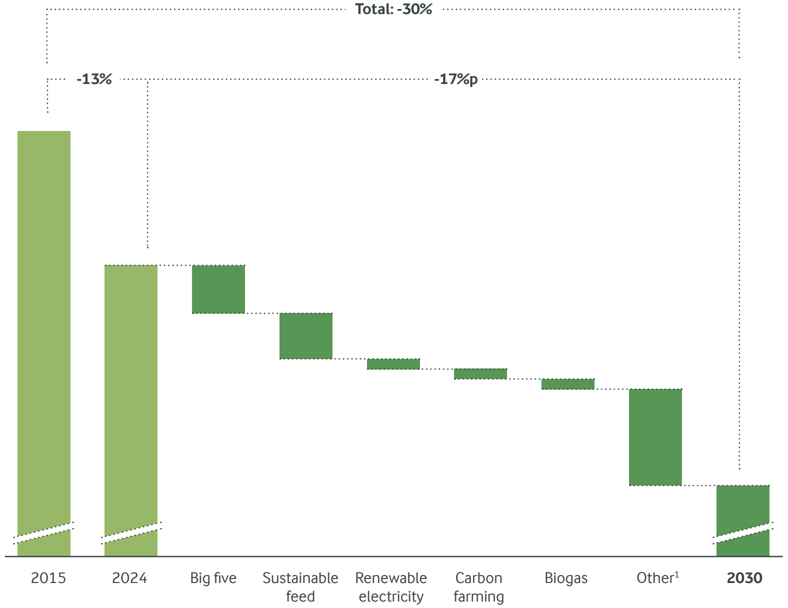
Reducing emissions on farm
This year, our farmer owners cut 1 more percentage point off scope 3 emissions per kg of milk and whey.

DAIRY IS A NUTRIENT-DENSE FOOD, BUT IT ALSO COMES WITH A CARBON FOOTPRINT. TO ACCELERATE CO_2E REDUCTIONS, WE CREATED THE FARM AHEAD ™ PROGRAMME.

We constantly strive to reduce our farm emissions to decrease our environmental impact through different levers, such as the Big 5, sustainable feed, renewable electricity or biogas. Other reduction levers include breeding, green fertiliser, feed additives and biochar.

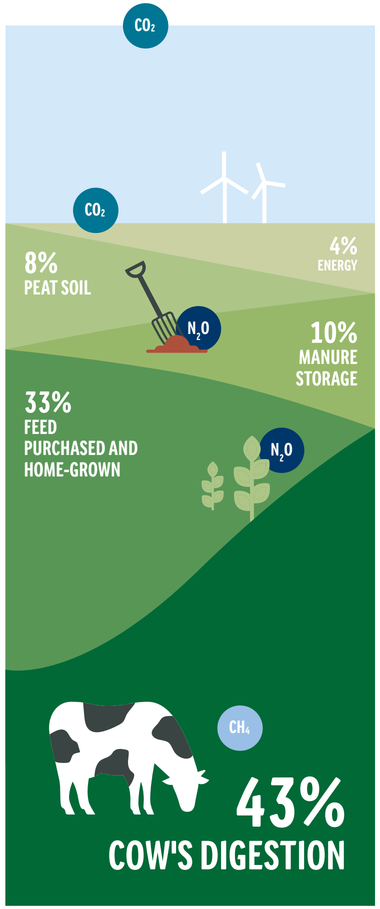
Our journey towards 2030 and net zero by 2050 is not linear, it fluctuates as reflected in our year-over-year results. Increasing droughts and unpredictable weather due to climate change, along with economic uncertainty and potential legislation, can affect our reduction pace and farm investments. Despite these external challenges, our farmer owners adapt and learn continuously.

Scope 3 emissions reduction
per kg of milk and whey



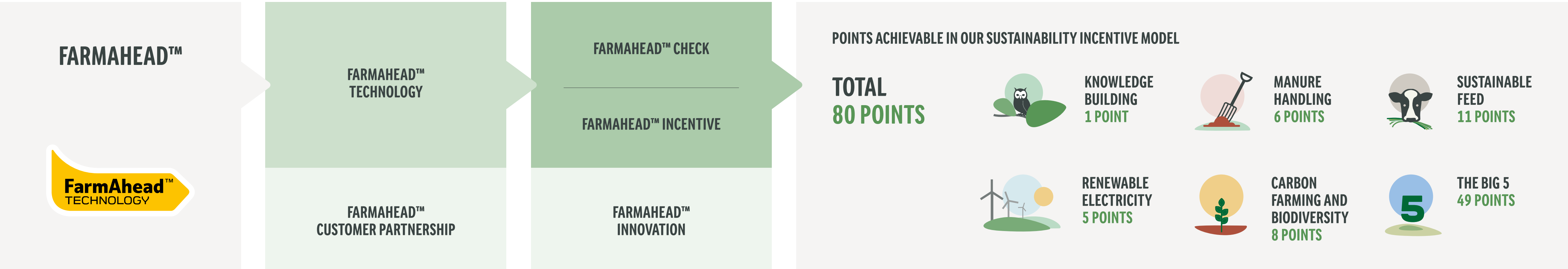
[1] "Other" includes among others breeding, green fertiliser, feed additives and biochar.

Where our emissions came from on a farm in 2024



Other emissions, 2%, include capital goods and destruction of animal remains.

FarmAhead™ Technology: A data-driven toolbox for facilitating sustainability transitions on farms



Taking steps today for tomorrow with FarmAhead™
We are committed to producing high-quality dairy products while prioritising the well-being of our animals and the land we depend on. We have developed FarmAhead™ Technology, a toolbox of data-driven and science-based technologies consisting of the FarmAhead™ Check, the FarmAhead™ Incentive, FarmAhead™ Innovation and the FarmAhead™ Customer Partnership. It is designed to enable our farmer owners to measure, understand and advance their individual sustainability transitions on the farm. Through this initiative, which builds on the former Arla Sustainability Incentive model and the Arla Climate Check, our farmer owners are rewarded for implementing sustainable practices on their farms.

FarmAhead™ Check: Measuring the carbon footprint on the farm
Reducing farm emissions requires knowledge. The FarmAhead™ Check is a tool that collects data to understand farm emissions better, covering 99% of our milk pool. The farmer owners provide over 200 data points by answering questions, which are then verified by a third-party advisor and stored in a comprehensive dataset. This offers valuable insights into dairy farming practices across seven Northern European countries, supporting our farmer owners in their sustainability efforts and sharing learnings with industry stakeholders, policymakers and researchers. Submitting the FarmAhead™ Check is rewarded with an additional 1 EUR-cent/kg of milk.

FarmAhead™ Incentive: Rewarding farmers for sustainability activities
We recognise and reward our farmer owners for their efforts to reduce the carbon footprint of their milk and to protect biodiversity. Through our FarmAhead™ Incentive model, farmer owners can earn up to 80 points across 19 categories on their activities to reduce climate impacts such as efficient cow feeding, effective manure handling and the use of renewable electricity. Each point triggers a 0.03 EUR-cent/kg increase in payment for the delivered milk. Activities with the highest potential for CO_2e reductions earn the most points. As the sustainability agenda and science matures, we will add more options to the model.

We have allocated up to EUR 500 million annually to reward our farmer owners for their sustainability actions and encourage them to utilise the FarmAhead™ Technology toolbox to further increase climate- and nature-improving activities.

FarmAhead™ Innovation: Exploring new approaches to sustainability
To ensure that FarmAhead™ Technology remains at the forefront of sustainable dairy farming, we explore cutting-edge research and development to further reduce emissions on farm and protect biodiversity. Our projects include, among others, a four-year regenerative farming pilot in collaboration with FAI Farms. It involves Arla farmer owners from various European countries and aims to explore regenerative farming methods in a structured manner. Such projects demonstrate our dedication to finding sustainable solutions for the dairy industry.

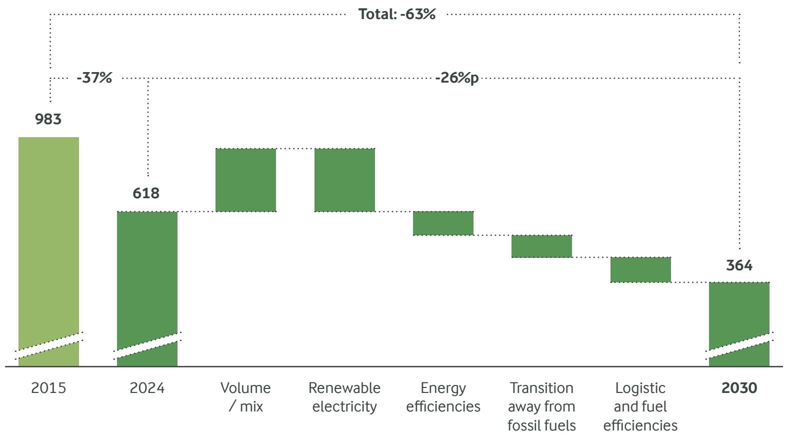
FarmAhead™ Customer Partnership: Collaborating with customers for a sustainable future
Through the FarmAhead™ Customer Partnership, our customers can join climate reduction and nature-improving projects on our owners' farms. Through this partnership, they contribute to decreasing emissions by investing in reduction activities on farm, which in turn helps them reduce emissions in their own value chain. Initially launched in the UK, the programme already has agreements covering over 4 billion kg of milk. Participants gain a closer link to Arla's farmer owners through research projects, access to accurate on-farm data and associated claimable emission reductions. Those are based on the farm data from the FarmAhead™ Check and FarmAhead™ Incentive, and include customised reports for ESG reporting with product-specific carbon footprints.

SUSTAINABLE PRODUCTION AND LOGISTICS

More renewable electricity
In 2024, we signed five power purchase agreements in the UK, Denmark and Germany.

OUR LONG-TERM AMBITION FOR OUR DAIRY PRODUCTION SITES AND LOGISTICS NETWORKS IS TO ACHIEVE CARBON NET ZERO OPERATIONS BY 2050. TO ACCOMPLISH THIS, OUR STRATEGY FOCUSES ON THREE CORE ELEMENTS: UTILISING RENEWABLE ELECTRICITY, ENHANCING ENERGY EFFIECIENCY AND TRANSITIONING AWAY FROM FOSSIL FUELS IN BOTH PRODUCTION AND LOGISTICS OPERATIONS.

Scope 1+2 reductions
Mkg/thousand tonnes



Our long-term plans to shift from fossil fuels to renewables remain on track. Initiatives like energy optimisation and electrification, along with the use of renewable electricity and the transition to alternative sources of thermal energy, are key drivers of this transition. We have not identified any specific assets or business activities that are incompatible with a transition to a low-carbon economy.

More renewable electricity

Renewable electricity is a vital component in achieving our emission reduction targets. In 2024, 75% of our electricity consumption in Europe originated from renewable sources. From the end of 2025 and beyond, we will exclusively rely on electricity generated from renewable sources in Europe. For more detailed information, please refer to pages 49-50.

To secure more renewable electricity, we are actively supporting the development of new solar and wind farms as a buyer of that electricity. In addition to ten already signed power purchase agreements in Denmark, Sweden, the UK and Germany, we successfully signed five more in the UK, Denmark and Germany in 2024, demonstrating our commitment to reducing our carbon footprint and transitioning to a more sustainable energy future.

4

PERCENTAGE POINTS

Scope 1+2 CO_2e reductions since 2023
F26 Strategic ambition: We aim for a 63% reduction in scope 1+2 emissions by 2030 compared to 2015.

Energy efficiency

To reduce our dependency on fossil-based energy sources, we are taking different actions, such as UV water treatment. At Rødkærsbro Dairy in Denmark, a UV-treatment solution has replaced the previous natural gas heating method to decontaminate the

ARLA® ORGANIC

In organic milk production, cows are fed a 100% organic diet and allowed to roam on lush green fields during the grazing season.

Transition away from fossil fuels
in 2024, Sweden has received 16 new biogas and 15 electric trucks, while the UK added 12 biogas trucks.

cooling water in the cheese production. This solution helps prevent the growth of bacteria and minimises the site's energy use by switching to only using electricity, saving around 800 tonnes of CO_2 per year.

In 2024, we maintained our focus on identifying areas for improvement within our production sites and logistics centres. Through a screening and assessment led by our suppliers, we pinpointed three key areas for action: Enhancing cooling systems efficiency by evaluating set points and identifying solutions to optimise energy usage, exploring the adoption of more energy-efficient milk agitators or optimising their running speed and operational times to minimise energy consumption and conducting a secondary phase of insulation implementation, extending to both cold and hot pipes and equipment to reduce energy losses.

Transition away from fossil fuels

We believe in the necessity of transitioning away from fossil fuels. Our vision for the future energy supply is to embrace a range of renewable sources. This ensures resilience, cost competitiveness and aligns with the availability of renewable energy sources. As part of our sustainability strategy, we made investments in alternative solutions that align with our vision for a sustainable future. To move towards this target, Vimmerby Dairy's heat supplier has phased out the last fossil energy source, making it another Arla production site in Sweden that uses 100% renewable energy, while Akafa Dairy in Denmark installed a high temperature heat pump in 2024. By utilising waste heat from one of their spray dry towers and by producing ice water, 67 tonnes of CO_2 can be saved annually.

Logistics and fuel efficiency

Logistics and fuel efficiency remain a key focus area for us. Over the past years, we have equipped Arla's own and leased truck fleet with an eco-driving system, providing drivers with feedback on their economic performance. We anticipate that the system will reduce overall fuel consumption.

In addition, we have further expanded our electric and biogas-driven vehicle fleet in the UK, Finland and Sweden. In 2024, Sweden received 16 new biogas trucks and 15 electric trucks, while the UK added 12 biogas trucks. We also remain committed to creating opportunities for Arla farmer owners to utilise their cow manure for biogas production, further contributing to our sustainability efforts.

Where our emissions came from (scope 1+2) in 2024

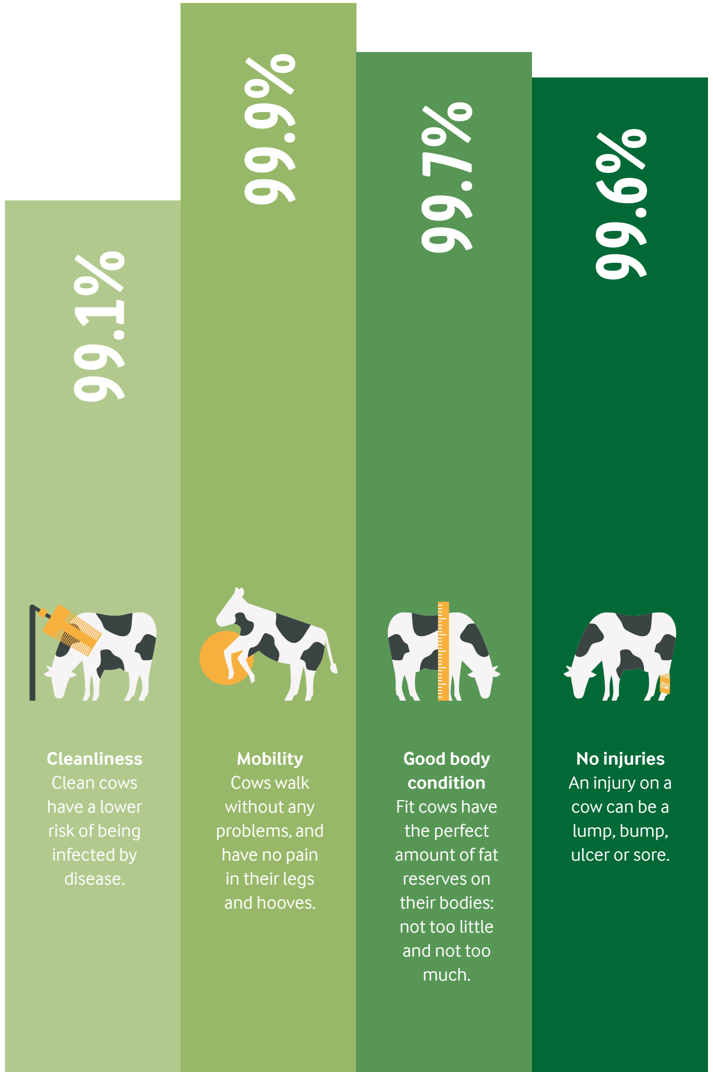
ANIMAL WELFARE

WE CONSIDER MILK AS OUR ESSENTIAL RAW MATERIAL. THEREFORE, IT IS OUR AIM TO ENSURE RESPONSIBLE PRODUCTION WITH A FOCUS ON THE WELL-BEING OF COWS, THE DAIRY HERD AND THE ENVIRONMENT.

Impact, risk and opportunities

We can directly influence animal welfare
As a producer of dairy products and a cooperative of dairy farmers, we are highly dependent on our cows being able to produce milk. Additionally, we can potentially have a negative impact on the cow herds' well-being, depending on how they are treated. Therefore, we identified 'animal welfare' as an entity-specific topic for Arla in our double materiality assessment (see pages 34-35).

SHARE OF FARMER OWNERS WITH NO MAJOR ANIMAL WELFARE ISSUES IN 2024



Our farmer owners are dedicated to ensuring the health and happiness of their herds, investing time and resources to maintain high animal welfare standards.

Ensuring animal welfare through our Arlagården® programme
In 2003, we introduced the Arlagården® farm quality assurance programme to strengthen our commitment to animal welfare. Over the years, we have continuously updated and adapted Arlagården® to meet the evolving expectations of our customers and consumers as well as the changing conditions on the farm. To prioritise animal welfare, Arlagården® requires Arla farmer owners to regularly submit a comprehensive report on the health status of their herds. Farmer owners undergo external animal welfare audits at least every three years. Additional audits are conducted if any indications of welfare breaches arise.

We aim for no major findings. To estimate cow well-being, we use four science-based indicators on the most common dairy cattle issues. Even if we are satisfied with our results, we constantly strive to strengthen our requirements. The data shows the share of audited farmer owners without major issues within each welfare indicator in 2024.

The specific Arlagården® requirements are communicated to each new farmer owner joining Arla. Read more about the audit on page 50.

Enhancing animal robustness
In our FarmAhead™ Check and Incentive (see page 44), animal robustness is a significant lever. Therefore, we initiated a pilot project in 2022 involving 18 farms where farmer owners, with the support of veterinarians, focused on preventing common cow diseases and animal accidents. On average, the project resulted in a decrease in mortality of 21% from summer 2022 to summer 2024. To expand on the knowledge gained from the pilot, we organised a series of workshops across our seven owner countries in 2024 to disseminate the insights and findings. In comparison to 2023, the payments to farmer owners specifically for their efforts in improving animal robustness were stable, leading to a total disbursement of EUR 9 million in 2024. This payout corresponds to an average of 2 points in the FarmAhead™ Incentive.

Currently, many Arla cows wear collars or other measuring tools that collect various data, monitoring activity levels and patterns. This valuable information provides insights into the health of individual cows, enabling farmer owners to respond promptly if any issues arise. Ultimately, this technology empowers them to prioritise the well-being of their cows.

Stating our commitment to animal welfare
In 2024, Arla released a white paper on animal welfare. This paper, which serves as a policy, states that the requirements set out in Arlagården® must be adhered to by all of our farmer owners and states our commitment to only using antibiotics when needed.

It elaborates on our stakeholder engagement with employees, external assessors and our farmer owners on animal welfare through training and development. As a democratic business, elected farmer representatives on the Preparatory Working Group regularly meet five to six times annually to review Arla's animal welfare requirements and proposed developments to ensure Arlagården® remains relevant and progressive. The white paper will be updated accordingly with more KPIs on an annual basis and is publicly available on our homepage.

Progress towards targets

GREENHOUSE GAS EMISSIONS (CO_2E)

We rely on the latest scientific methodology and understanding of our ecosystem to ensure our goals are robust, actionable and in line with the planet's needs. Read about emission reductions for 2024 on page 42.

ACCOUNTING POLICIES

Greenhouse gases are gases that contribute to the warming of the climate by absorbing infrared radiation. Besides the widely known carbon dioxide (CO_2), there are two other major greenhouse gases associated with dairy production: Methane (CH_4) from digestion and manure storage and nitrous oxide (N_2O) from fertiliser and manure usage. In order to calculate Arla's total greenhouse gas emissions (carbon footprint), different greenhouse gas emissions are converted into carbon dioxide equivalents (CO_2e). The conversion of different gases reflects their global warming potential.

The potency of the different gases is taken into consideration according to the following calculations (based on the IPCC Fifth Assessment Report, Climate Change 2013):

1 kg of carbon dioxide (CO_2) = 1 kg of CO_2e
1 kg of methane (CH_4) = 28 kg of CO_2e
1 kg of nitrous oxide (N_2O) = 265 kg of CO_2e

Emission targets and reporting
Emission reduction progress is tracked through annual reporting on greenhouse gas emissions. The scope of the targets is the same as the scope of the reported emissions. Emissions are categorised into three scopes according where they appear across the value chain, and what control the company has over them. Arla follows the methodology of the Greenhouse Gas Protocol Corporate Standard (GHG Protocol).

We acknowledge the significance of addressing locked-in emissions as we work towards our carbon reduction targets. Locked-in emissions refer to the cumulative scope 1 and 2 emissions until the target year.

Arla has two emission reduction targets. The scope 1 and 2 target intends to reduce 63% of absolute emissions by 2030 and is modelled using the 'Absolute Contraction' approach. The target is aligned with limiting global warming to 1.5°C. The scope 3 target intends to reduce 30% of emissions intensity by 2030. The goal is modelled using the 2% physical intensity approach and follows the sectoral decarbonisation approach for agricultural commodities developed by Ecofys for the SBTi. The target is aligned with the well below 2°C temperature rise. Both targets are validated by SBTi.

The baseline year for Arla's science-based targets is 2015. No significant changes have occurred in operational boundaries that have not been corrected towards the baseline. Thus, no restatements took place in 2024 following the guidelines of Arla's Restatement Policy, please see description on page 38.

Arla does not purchase carbon credits and in line with Arla's science-based targets, the group does not reduce its CO_2e emissions with carbon credits. Additionally, Arla does not make carbon neutrality claims for commercial use dependant on carbon credits.

Scope 1 – All direct emissions
Scope 1 emissions relate to activities under the group's control. This includes transport using Arla's vehicles and direct emissions from our production facilities. Of the total scope 1 emissions, 32% were covered by the EU emission trading scheme in 2024.

Scope 2 – Indirect emissions
Scope 2 emissions relate to the indirect emissions caused by Arla's energy purchases, i.e. electricity or heat. Arla reports in accordance with the market-based methodology. The market-based allocation approach reflects the use of contractual instruments such as power purchase agreements and certificates purchased by Arla, which may differ from the average electricity and other energy sources generated in a specific country. This gives Arla the opportunity to purchase electricity and other contractual instruments which emit less greenhouse gases than the country average. In accordance with the GHG Protocol, Arla discloses scope 2 emissions according to both the market- and location-based method.

Out of the renewable electricity, heat, steam and cooling, 0.5% is self-generated and 99.5% is accounted for through contractual instruments. Of these 46% is from bundled renewable energy instruments such as power purchase agreements and 54% from unbundled instruments.

Scope 3 – Other indirect emissions
Scope 3 emissions relate to emissions from sources that Arla does not directly own or control. They cover emissions from purchased goods and services (e.g. raw milk purchased from owners and contract farmers, whey, packaging and transport services purchased from suppliers), but also waste processing from production sites.

Emissions from whey relate to externally purchased whey for Arla Foods Ingredients. The whey included is standardised and recalculated based on the milk solid content to consider the difference in quality and fractions purchased by Arla. The emission factor related to externally purchased whey remained at 1.0 kg of CO_2e per kg of whey, a conservative estimate (Flysjö, 2012) that is less precise than using a country-specific factor.

Arla collects data from transport and packaging suppliers covering a minimum of 95% of the spend. Based on the collected data, results are scaled up to cover 100%. For transport and production, emission factors are updated annually and based on Defra 2024 and Ecoivent 3.10. However, the emission factors for packaging still reference Ecoinvent 3.9.1. In the latest database, the methodology for calculating plastic emission factors has undergone significant changes. Therefore, Arla is currently exploring how to implement these new emission factors and adjust historical data to enable year-over-year comparisons.

Scope 3 – Emissions on farm
Scope 3 emissions from raw milk are calculated in accordance with the International Dairy Federation's guidelines for the carbon footprint of dairy products (IDF 2015). The tool used for calculating the carbon footprint of milk is based on an attributional life-cycle assessment (LCA) that has been developed during the last decade in collaboration with 2.-0 LCA consultants, a Danish consultancy firm formed by academics. A detailed methodology is available in Schmidt and Dalgaard (2021) on 2.-0 LCA consultants' website. Farm-level emission factors are sourced from 2.-0 LCA consultants.

Greenhouse gas emissions progress

Thousand tonnes (mkg)	**2024**	2023	2022	2021	2020
CO_2e scope 1+2 market-based	618	660	695	733	751
CO_2e reduction scope 1+2 (baseline: 2015)	**37%**	**33%**	**29%**	**25%**	**24%**
CO_2e scope 3 from owners per kg of owner milk (kg) [2]	1.06	1.08	1.12	1.15	1.15
CO_2e scope 3 per kg of milk and whey (kg)	1.12	1.14	1.18	1.20	1.21
CO_2e reduction scope 3 per kg of milk and whey (baseline: 2015)[1]	**13%**	**12%**	**9%**	**7%**	**7%**

[1] The calculation of CO_2e emissions in 2015 was based on national statistical data, the best available source at that time. In 2016, we started to do climate measurements on Arla farms and gradually replaced the national statistical data with Arla-specific data in the CO_2e calculation model. Read more on pages 48-49.
[2] The figure is Arla Foods' average CO_2e per kg of owner milk. Arla has developed sourcing regions (and category/product) specific carbon footprints for customers in our FarmAhead™ Customer Partnership to use in their carbon emissions reporting. It would be incorrect to use the Arla Foods average CO_2e per kg of owner milk for carbon emissions reporting as it considers only emissions on farm level and not cradle-to-gate life-cycle emissions.

Greenhouse gas emissions (scope 1, 2, 3)

Thousand tonnes (mkg)	**2024**	2023[3,4]	2022	2021	2020
Production	404	426	399	368	381
Transport	78	82	78	79	93
CO_2e scope 1	**482**	**508**	**477**	**447**	**474**
CO_2e scope 2 – market-based	**136**	**152**	**218**	**286**	**277**
Milk	14,781	15,196	15,571	16,386	16,645
Externally sourced whey	2,323	1,987	1,859	1,751	1,133
Packaging	455	459	444	417	396
Purchased goods and services (category 1)	17,559	17,642	17,874	18,554	18,174
Fuel and energy-related activities (category 3)	160	159	177	125	120
Upstream transport and distribution (category 4)	365	331	346	347	306
Waste generated in operations (category 5)	8	9	10	24	25
CO_2e scope 3[2]	**18,092**	**18,141**	**18,407**	**19,050**	**18,625**
Total CO_2e	**18,710**	**18,801**	**19,102**	**19,783**	**19,376**
CO_2e scope 2 – location-based	168	192	165	243	237
Total CO_2e – location-based	18,742	18,841	19,049	19,740	19,336

[3] Scope 3 emissions from categories 2, 6, 7, 8, 9, 13 and 14 are individually less than 0.5% and not included in the emission figures. Categories 10, 11 and 12 have minor impacts above 0.5%. Arla will not report voluntarily in 2023, but is improving data quality for future reporting. Category 15 has around a 5% impact, data is being analysed for future reporting.
[4] Biogenic emissions and removals not included in the table totalled 402 thousand tonnes of CO_2e from scope 1, 147 thousand tonnes from scope 2 (location-based), 96 thousand tonnes from scope 2 (market-based) and 41 thousand tonnes from scope 3, specifically related to upstream transport. In 2023, Arla reported only scope 1 biogenic emissions. A calculation error for compressed biogas led to an understated figure being reported for 2023.

GREENHOUSE GAS EMISSIONS (CO_2e) CONTINUED

For non-owner milk, emission factors remain unchanged from 2015 levels, calculated by multiplying milk volume by national inventory-based emission factors. and not Arla-specific data. The calculations are based on an earlier version of the farm tool following IDF 2010 (Dalgaard R, Schmidt J, Cenian K, 2016).

Emissions from raw milk include both on- and off-farm activities, linked to cow digestion, feed production and purchase, manure storage, energy use, capital goods and peat soils. Feed-related emissions involve fertiliser for home-grown and purchased feed as well as feed transport. Manure storage can result in methane and nitrous oxide emissions. The amount of emissions varies depending on how manure is covered, and whether it is used for biogas production. Peat soils are wetland with a high CO_2e content. When soils are drained and used in crop production, CO_2 and N_2O are released.

The emission figure for raw milk in this report is a weighted average of CO_2e per kg of milk, calculated based on climate data from farms where the data has been validated by external climate experts, multiplied by the fat and protein-adjusted milk intake. Farm data validated by external climate experts is statistically representative of all Arla farms.

UNCERTAINTIES AND ESTIMATES

Scope 1 and 2
The baseline values for scope 1 and 2 emissions are not weather adjusted but still considered representative as the energy concerns are mainly related to production and thus do not fluctuate due to temperature anomalies such as building heating needs.

Scope 3
In 2024, 96% of Arla's active farmer owners, covering 99% of Arla's owner milk volume, submitted a detailed FarmAhead™ Check questionnaire. Their responses were validated by external climate experts.

Farmer owners complete the FarmAhead™ Check annually using data from their latest financial year. This varies from farm to farm, some have financial years running from January to December, while others run from for example July to June. Therefore, the figures presented are not necessarily based on farm data covering the same period. The majority of data, 63%, relates to the period 1 January 2022 to 31 December 2023, while 10% relates to earlier periods.

An uncertainty analysis was carried out to understand the biggest areas of uncertainty related to self-reported farm emission data. The analysis was centred around four key levers: herd, feed, crops and manure handling, and addressed the parameters with the highest impact on emissions on farm. The analysis concluded that results on individual farms could be misstated by a maximum of 10-12%, but only if the farmer owner had a starting point of high emissions and claimed to change from no biogas treatment to full biogas treatment of slurry.

Arla has a robust control process in place to reduce uncertainties and improve data quality. The control process is twofold, including the validation process of the external climate experts and an internal control performed by Arla to catch statistical outliers or abnormalities in data. All outliers are flagged and need to be investigated before the result of the FarmAhead™ Check is available. Numbers are only released for reporting after thorough investigation.

Smaller farms and farmer owners using extensive grazing systems do not always measure the amount of feed that the cows eat or the dry matter content of the grass on the fields. To enable these farmer owners to report, the system contains a model which calculates feed consumption based on herd size and milk yield.

Reporting on peat soils is a developing field and still subject to higher uncertainty than other areas. Due to their relatively high climate impact, uncertainties related to peat soils could have a significant impact on the total reported greenhouse gas figure. The risk of errors is minimised by external climate experts validating the data supported by detective analytical controls.

The methodology used to calculate emissions on farm develops over time. Currently, factors that potentially could lower total net emissions, such as carbon sequestration on farm and direct land use change, are not included. IDF 2015 suggests that direct land use change should be included in the calculations.

The baseline year for our scope 3 science-based target is 2015. To calculate the baseline as well as follow up on the reduction target, the type of data used was differed. For the 2015 baseline, national statistical data for 2012 was used, which was the best available data at the time. From 2016, national statistics were gradually replaced by data from climate measurements at Arla farms. The change happened for Denmark, the UK and Sweden in 2016, Germany in 2019 and for the rest of the owner countries in 2020. The reporting year 2020 was the first time when most Arla farms were included. The farm-specific data is always one to two years behind, which is why the 2024 reporting was based on farm data from primarily 2023.

To calculate emissions from packaging and transport as well as packaging volumes, Arla gathers data directly from suppliers. Each quarter, Arla sends its suppliers detailed requests to provide the necessary data, accompanied by a manual on how to complete the related documentation. Manual data entries from different sources are a risk to data quality. The information is also subject to a higher level of measurement uncertainty, as the ability to control the quality of the data is limited. Controlling is conducted by comparing data received between periods and with procurement data.

ENERGY CONSUMPTION AND MIX

The renewable electricity share increased to 75% in 2024 compared to 69% last year. The increase was a result of new power purchase agreements and investments in on-site solar plants. To a smaller degree this was also a result of the purchase of renewable electricity certificates. Read more about the accounting treatment of power purchase agreements on page 48.

ACCOUNTING POLICIES

Energy used at Arla's production sites and warehouses originates from different sources, including biogas, biomass, natural gas, district heating and grid electricity.

GHG intensity per net revenue[1]

Thousand tonnes of CO_2e per million EUR	**2024**	2023	2022	2021	2020
Total GHG emissions (location-based) per net revenue (thousand tCO_2e/mEUR)	**1,36**	**1.38**	**1.38**	**1.76**	**1.82**
Total GHG emissions (market-based) per net revenue (thousand tCO_2e/mEUR)	**1.36**	**1.37**	**1.38**	**1.77**	**1.82**

[1]Net revenue corresponds to revenue in the financial statements, Note 1.1 (page 112), excluding revenue from the M&A of a whey business, UK.

Energy consumption

(thousand MWh)	**2024**	2023	2022	2021	2020
Coal and coal products	-	-	-	-	-
Crude oil and petroleum products	346	349	454	346	462
Natural gas	1.944	1,906	1,738	1,723	1,695
Other fossil sources	0	0	0	0	0
Purchased or acquired electricity, heat, steam or cooling from fossil sources	246	302	420	488	465
Total energy consumption from fossil sources	**2,536**	**2,557**	**2,612**	**2,557**	**2,622**
Total energy consumption from nuclear sources	**31**	**45**	**97**	**185**	**185**
Renewable sources, including biomass, biofuels, biogas, hydrogen from renewable sources etc.	483	545	554	598	614
Purchased or acquired electricity, heat, steam and cooling from renewable sources	1073	974	796	611	531
Self-generated non-fuel renewable energy	5	4	2	0	0
Total energy consumption from renewable sources[2]	**1,561**	**1,523**	**1,352**	**1,209**	**1,145**
Total energy consumption	**4,128**	**4,125**	**4,061**	**3,951**	**3,952**
Renewable sources' share of total energy consumption (%)	**38%**	**37%**	**33%**	**31%**	**29%**

[2] Target is set for the end of the year, but since the KPI is based on 12 months of data, target achievement won't be reflected in the 2025 annual report

Electricity from renewable sources includes certificates related to self-produced electricity from biogas, solar, electricity certificates purchased from farmer owners and open market certificates. Arla follows market-based accounting and accounts for the purchase of green electricity by contractual agreement, i.e. certificates.

Energy data is registered monthly and primarily based on invoice information and automated meter readings at each site, and therefore there is little uncertainty associated with these figures.

Renewable energy share
To calculate the share of renewables, renewable energy use is divided by the group's total energy use. Arla does not account for energy losses, therefore all energy purchased is included in the figures. The energy sold was not deducted in the calculation of the renewable energy share.

Renewable electricity share
The renewable electricity share is calculated as the share of consumed electricity, both purchased and self-produced, that originates from renewable energy sources or renewable electricity certificates. The renewable electricity share follows the RE100 guidelines. Some Arla sites produce and sell excess electricity. The electricity sold was deducted from the calculation of the renewable electricity share. Renewable electricity in the grid mix not covered by contractual instruments is not counted as renewable.

ANIMAL WELFARE

Animal welfare development
Animal welfare is a key priority for Arla's farmer owners, and for Arla as a company. Animal welfare KPIs include somatic cell count, which is a good indicator of disease and stress in cows, and four indicators associated with the physical well-being of cows.

Animal welfare is audited at least once every three years for each farm by a world-leading quality assurance and audit firm, SGS, specialising in animal welfare. In 2024, the percentage of audited farms was 34%, corresponding to 2,610 audited farmer owners. The results of the audit can trigger a follow-up audit or activity, depending on its outcome. In case of severe issues or repeated animal welfare breaches, Arla suspends milk collection from the non-compliant farm, and, in extreme cases, terminates its membership. During 2020, the audit process was upgraded and harmonised across all owner countries to ensure that auditors follow the same procedures and standards everywhere. Therefore, only 2021-2024 data is reported.

The average somatic cell count across Arla geographies decreased slightly to 183 thousand cells/ml in 2024 (2023: 184).

ACCOUNTING POLICIES

Somatic cell count (average):
Somatic cells in milk are primarily white blood cells. An elevated level of somatic cells can indicate inflammation (mastitis) of the cow's udder, which causes the animal pain and stress and also lowers milk quality. Arla monitors the somatic cell count (SCC) by analysing milk at bulk tank level each time milk is collected from the farms. Levels are continuously reported to safeguard milk quality. The figure reported is a weighted average of Arla's entire milk intake in a given year. The SCC count is received from several laboratories across owner countries. A SCC above 300 reduces the milk price to the farmer owner, while a supplement is given for a SCC below 300.

Audit on farms and animal-based indicators
Animal welfare on Arla farms is audited, covering herd health, well-being, feeding and housing, based on WelfareQuality® criteria. Audits evaluate four animal-based indicators: body condition, mobility, cleanliness and injuries. These indicators were developed based on scientific research on the most common dairy cattle issues. Audits include routine audits (performed at least every three years), spot checks, start-up visits, attention and special attention audits. Audited farmer owners are those who received at least one audit in the reporting year.

Animal-based indicators evaluated by auditors
The KPIs show the share of audited farmer owners with no major issues in each category. During audits, the auditor assesses the cattle on the farm, and identifies whether there are any welfare concerns. If concerns are identified, the cattle are scored according to Arla's welfare indicators. The auditor scores the cows on the four core welfare indicators on a scale of 0-2, where 0 means no issues identified, 1 means minor issues and 2 means major issues. The results are reported to Arla. Major welfare incidents are reported if over 5% of cows are too thin, over 25% too dirty, over 15% lame or over 10% injured.

UNCERTAINTIES AND ESTIMATES

Farms are audited every three years, so year-over-year comparisons may vary since different farms are audited each year.

Policies and other

Environmental Policy & Green Ambition 2050
Our sustainability strategy is supported by our Environmental Policy and Arla's Green Ambition 2050. Together, these guiding policies address critical environmental issues. In 2024, we updated our Environmental and Energy Management Policy to encompass a broader range of Arla's activities and environmental topics, renaming it to the Environmental Policy.

These policies apply to Arla's direct operations, and we encourage all partners in our value chain to adopt the same principles, as outlined in our Supplier Code of Conduct. For our farmer owners, climate and nature requirements are outlined in our Arlagården® Quality Management programme.

Our Green Ambition 2050 is available on our website, and the updated Environmental Policy is available to all Arla employees on our intranet and to externals upon request.

The production of dairy products is not among the sectors excluded from the EU Paris-aligned benchmarks.

Better climate
Arla is dedicated to reducing environmental impacts and combating climate change through sustainable practices across our value chain. We focus on reducing GHG emissions, enhancing energy efficiency and transitioning to renewables. Our policies on climate adaptation focus on supporting our farmer owners in their efforts to facilitate the adaptation to effects of climate change by building resilient food cycles. Achieving these goals requires strong partnerships throughout and beyond our value chain, leveraging cooperative efforts with researchers, suppliers and customers to advance sustainable dairy.

Policy governance
The Chief Agriculture and Sustainability Officer (CASO) and Executive Vice President, Supply Chain are responsible for approving the Environmental Policy, while the Global Director of Environment, Health and Safety is responsible for its bi-annual updates. Arla's Green Ambition 2050 is anchored under the CASO, who oversees and coordinates the implementation of Arla's sustainability strategy.

Animal Welfare White Paper
The Arlagården® programme, the Code of Conduct and Green Ambition 2050 underline our commitment to animal welfare. In 2024, Arla released a white paper on animal welfare, publicly describing our commitment on the topic.

Currently, our key focus areas are responsible antibiotic use, comfortable housing, cow and calf connection, reducing close confinement and reducing the climate impact on farm. Arla recognises cattle as sentient beings and has a dedicated global function that works with local employees to ensure animal welfare compliance and drive improvements. Arla prioritises training and development for employees and external auditors involved in animal welfare. Training includes topics such as cow signals, animal-based indicators and animal welfare requirements. External auditors undergo training, calibration and annual alignment. Arla also leverages the knowledge of animal welfare experts to improve standards on farms and encourages farmer owners to implement tether-free systems and provide enrichment tools for animals.

Energy intensity based on net revenue[1]

(thousand MWh)	2024	2023	2022	2021	2020
Energy intensity (total energy consumption per net revenue)[2]	**300**	**302**	**294**	**353**	**371**

[1] Net revenue corresponds to revenue in the financial statements, Note 1.1 (page 112), excluding revenue from the M&A of a whey business, UK.
[2] From activities in high climate impact sector. We operate in the high climate impact sector 'Manufacture of dairy products'.

Electricity consumption in Europe

(thousand MWh)	2024	2023	2022	2021	2020
Non-renewable sources	269	329	500	628	621
Renewable sources	808	730	551	401	412
Total electricity consumed	**1,077**	**1,059**	**1,051**	**1,029**	**1,033**
Renewable electricity share	**75%**	**69%**	**52%**	**39%**	**40%**

Animal welfare indicators

	2024	2023	2022	2021	2020
Somatic cell count (thousand cells/ml)	183	184	184	191	194
Share of audited farmer owners with no major cleanliness issues	99.1%	99.1%	98.6%	98.4%	
Share of audited farmer owners with no major mobility issues	99.9%	99.8%	99.8%	99.5%	-
Share of audited farmer owners with no major injury issues	99.6%	99.7%	100.0%	100.0%	-
Share of audited farmer owners with no major issues related to body condition	99.7%	99.9%	99.9%	99.8%	-

Policy governance
Overall responsibility for animal welfare sits within the Animal Welfare function led by the Milk Quality and Arlagården® Director, reporting to our Agricultural and Sustainability Vice President, who reports directly to our Executive Vice President, CASO. Elected farmer representatives meet regularly to review Arla's animal welfare requirements and developments.

EU Taxonomy
The EU Taxonomy Regulation (EU) 2020/852 aims to increase transparency and alignment across companies and sectors and provides a scientific definition of what is 'sustainable'. It sets reporting obligations for businesses, reporting on EU taxonomy eligible and aligned revenue, OpEx and CapEx, with eligibility referring to inclusion in the EU Taxonomy Regulation and alignment referring to fulfilling specific technical criteria.

Revenue
Currently, the food and beverage manufacturing industry is not included in the EU Taxonomy, resulting in 0% eligible revenue for Arla.

CapEx and OpEx
The analysis of OpEx and CapEx has been initiated, however, we do not plan to pre-implement the elements before 2025 when reporting will become mandatory as part of the EU's Corporate Sustainability Reporting Directive.

Minimum safeguards
Minimum safeguards require companies to meet specific social standards in addition to technical environmental criteria to align with the EU Taxonomy. This includes adherence to labour laws, human rights conventions and anti-corruption measures to ensure sustainability and social responsibility. The framework references international labour laws, such as the ILO's core conventions, covering rights like the abolition of child labour, elimination of forced labour, non-discrimination and freedom of association. It also aligns with human rights conventions like the Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights. While documenting compliance has been started, the information will be disclosed once mandatory in 2025.

POLICIES AND OTHER CONTINUED

Climate impact of our investments
In Arla, we essentially use a carbon pricing scheme to incorporate the carbon impact into investment decisions for every investment above EUR 500,000. By calculating the carbon footprint of the potential investment, we can assess whether the investment aligns with our climate trajectory as planned. Furthermore, by demonstrating the carbon impact to the investment board, the goal is to make investments with a positive carbon impact more attractive. Our current carbon price is EUR 90 per tonne of CO_2e. This carbon price is updated once a year as the weighted average of the one-year average EU Emissions Trading System (ETS) price and the one-year average weighted Guarantee of Origin (GoO) certificate price. The chosen sources are relevant to Arla as they align with the regulations that our largest sites must adhere to, and they represent the indirect emission reduction instrument costs utilised by Arla. Our carbon pricing scheme adheres to our internal standards and is not aligned with the screening criteria in the EU Taxonomy.

The carbon price we use is considered a shadow price. It is not only utilised to assess investments but is also employed by our operations for modelling business cases and serves as a benchmark for on-costs in various projects with emission reduction potential, such as fuel type changes in logistics.

The calculation of the carbon footprint assessment covers all scope 1, 2 and 3 emissions associated with the assessed investments. In 2024, 42% of our investment spending was subject to the carbon pricing assessment.

Furthermore, alongside the carbon price, Arla has an internal classification system for sustainability-related investments. Specific funds are earmarked for these investments, and the system serves the purpose of effectively tracking and incentivising continued investment with sustainability gains.

Today, Arla does not use carbon prices in the preparation of the financial statements.

Risk and opportunities

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Identifying and assessing Arla's key climate-related risks and opportunities is a prerequisite for successfully executing our climate strategy.

We assess climate risks using a scenario analysis, involving the EMT and BoD. This assessment follows the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The results feed into the double materiality assessment process (see pages 34-37).

The climate-related risk assessment for the consolidated financial statements uses the same risks and scenario analysis as the sustainability statements. For more information, see the introduction to the notes on page 109.

Transitional climate risks
When assessing transitional climate-related risks, in line with ESRS E1 requirements, we take into consideration a strict regulatory scenario adhering to the 1.5°C global warming target of the UN Paris Agreement. Under such a scenario, we assume the strictest possible regulatory environment in Europe where our core business is located. This means, for example, high taxation on CO_2e emissions, stringent nature conservation laws that prohibit certain uses of land or agricultural activities and mandatory climate or nutrition labelling on food products.

The time horizon for transitional risks is defined until the end of our current strategy period (2026). As the national and EU level regulatory environment is expected to change dynamically, the assessment of the likelihood and potential financial impact of transitional risks and opportunities in the medium and long term is too uncertain to create value for Arla's climate planning. Therefore, such an assessment was not conducted. The transitional risks were assessed based on the likelihood, magnitude and duration of specific transition events.

The transitional risk assessment takes into consideration our dependencies. In Arla, we are working towards transitioning from fossil energy to renewables. However, at present we are still dependent on fossil-based energy related to our production and packaging materials. We further depend on our farmer owners' milk production.

The transition risk assessment is updated bi-annually.

Physical climate risks
For physical climate-related risks, we considered multiple climate scenarios defined as Shared Socioeconomic Pathways (SSPs), combined with the Representative Concentration Pathways (RCPs) scenarios developed by the IPCC; SSP1 (RCP 2.6), SSP2 (RCP 4.5) and SSP5 (RCP 8.5). The fourth available scenario SSP3 (RCP 7.0) was not used as the climate conditions by 2050 are similar to SSP2. In alignment with ESRS E1, in this report we present the results of the worst case SSP5 scenario where the climate would warm by 2°C by 2050. The analysis, conducted based on the latest scientific evidence and methodologies (see Guzman-Luna et al. 2021), focused on how a certain level of climate warming would impact the dairy sector in our seven milk-producing countries in Europe. The assessment was conducted at the level of biogeographical regions.

The time horizon chosen for the physical risk assessment is 2050, which is considered to be a long-term period. This selection is based on the understanding that by 2050, the impacts of climate change are expected to become more pronounced and have a more significant effect. Climate science in general focuses on climate change's impact on the environment by 2050 and beyond, therefore assessing the short-term (until 2026) and medium-term (until 2035) impacts on dairy production in Europe would lack the necessary scientific evidence. Thus, we decided to focus on the long-term impacts of climate change.

Milk is our most important raw material, and within our value chain, dairy farming is most vulnerable to negative impacts from climate change, whereas our production is more resilient to such changes. Thus, currently, we have not conducted a comprehensive assessment of the physical climate risks related to our own operations. Our focus has been primarily on understanding the impact of physical climate risks on our key raw materials as this is known to have a larger impact.

Physical hazards for the dairy farms were identified based on a literature review, and it was concluded that water stress, floods, crop pest, climate variability, cow heat stress and cow diseases are the major physical hazards that will cause biophysical impacts on dairy farms, leading to raw milk losses, crop losses and changes in dairy farm performance.

The physical risk assessment is updated when scientific evidence suggests that our results would differ.

Uncertainties and limitations
Due to uncertainty following future legislation, Arla has not been able to conduct a quantitative assessment of the potential financial impacts of climate-related risks and opportunities, and uses a qualitative scale of moderate to critical to illustrate the expected profit impact. Qualitative thresholds used for climate-related risk and opportunity assessments are not the same thresholds as the ones used in the global risk assessment presented on pages 15-16.

	Risk description	Financial impact	Likelihood	Category	Potential impact	Mitigating actions
Regulations to reduce emissions in production and logistics	The EU decided to expand ETS to cover fuel combustion from buildings and road transport. The EU has discussed the development of an agricultural ETS targeted at processing.	↑	↑		· Increased production and logistics costs in countries with CO_2e regulations, such as a CO_2e tax.	· We are constantly lowering our CO_2 emissions in our production. Our science-based target is to lower scope 1 and 2 emissions by 63% by 2030. · We are also aiming at running our European operations solely on green electricity by the end of 2025.
Negative impact from regulation to reduce emissions from agricultural activities	The Danish Tripartite agreement on a new carbon tax on methane and nitrous oxide emissions from agriculture has been finalised.	↓	↑		· Our farmer owners will encounter higher production costs, and with decreased land available for dairy farming, milk volumes may decline, leading to raw material sourcing challenges.	· Reducing emissions on farm is part of our business strategy. Farmer owners continuously work on reducing emissions and are rewarded for their climate actions through our FarmAhead™ Incentive model.
Land use regulation	EU level proposals on land use and land use change are being discussed. EU's Nature Restauration Law adopted in 2024, aiming at restoring 20% of land and sea by 2030. The Danish Tripartite agreement on land use changes finalised.	→	↑	Transitional risk (regulatory)	· These regulations would mean less land for producing feed for cows, which could lead to herd size and milk volumes dropping. · Reducing livestock numbers would also negatively affect milk volumes.	· To understand the potential impact of such regulation better, and to provide our farmer owners with solutions, we collect data in the FarmAhead™ Check and analyse the results. Arla has also set a deforestation- and conversion-free commitment.
Animal welfare regulations	Animal welfare is linked to the emission intensity of animal-based products. Consequently, countries like Denmark plan to implement stricter regulation on animal housing from 2034.	→	→		· Stricter EU-wide legislation would impact our farmer owners in terms of increased investment levels.	· Arla farmer owners in general are forerunners in good animal welfare through their extensive work with Arlagården® over the past 20 years.
Sustainability claims and origin product labelling	Governments and the EU are increasingly considering the introduction of mandatory sustainability-related labelling for claims and origin.	→	→		· Mandatory origin labelling will increase the complexity of our operations and reduce our efficiency as we collect milk from seven European countries. · Unintentional misrepresentations in sustainability-related claims could pose a reputational risk to our brands.	· We are working on establishing methodologies, processes and systems to calculate the environmental footprint of products. · We are also exploring possibilities to scale our current capacities in separating different types of milk in order to comply with potential origin labelling legislations.
Extreme weather events	Heat waves, draughts, floods and other extreme weather events are becoming more and more common due to climate change. New animal diseases and pests are also a consequence of climate change that the agricultural sector has to face.	→	→	Physical risk	· Extreme weather events could have an adverse effect on crop yield, and disrupt operations or the distribution infrastructure. · Heat waves are especially detrimental to the cows' productivity, and could affect milk volumes.	· Our core milk production countries are relatively resilient to extreme weather events, however, we are, together with our farmer owners, working on better understanding and mitigating the impact of changing weather conditions.

BIODIVERSITY AND NATURE

Impacts

ARLA'S IMPACTS

ANI Actual Negative Impact
PNI Potential Negative Impact
PPI Potential Positive Impact
API Actual Positive Impact

ANI **BIODIVERSITY LOSS DUE TO CLIMATE IMPACT**

ANI **BIODIVERSITY LOSS DUE TO LAND USE CHANGE**

ANI **WATER SCARCITY**

ANI **POLLUTION OF WATER AND AIR**

ANI **LAND OCCUPATION**

ANI **SOIL QUALITY**

Policies

- Responsible Sourcing Policy for Palm
- Responsible Sourcing Policy for Soy
- Responsible Sourcing Policy for Forest Fibre
- Code of Conduct for Suppliers and Business Partners
- Environmental Policy & Green Ambition 2050

BIODIVERSITY AND NATURE IN FOCUS

Impact, risk and opportunities

We depend on biodiversity and healthy ecosystems

For Arla, biodiversity refers to the variety of plants, animals and microorganisms near our sites, on dairy farms and throughout our value chain. We depend on it and the broader nature scope for many business aspects, particularly for sustaining the ecosystems that provide our raw materials. Therefore, healthy and resilient biodiversity is the goal of our holistic focus on nature and sustainability.

In our double materiality assessment (see pages 34-37), we have identified actual negative impacts along with risks and opportunities regarding biodiversity. The majority of impacts derive from the upstream activities in our value chain, such as sourcing raw milk, contributing to biodiversity loss through methane and ammonia emissions, pollution from nitrogen phosphorus, and land degradation or conversion.

Agricultural activities can further degrade soil quality and organic carbon levels, contributing to land degradation and further carbon emissions. Additionally, land use for agriculture restricts land from being utilised for biodiversity-enhancing purposes.

Water scarcity and global biodiversity loss due to land use changes, such as deforestation for agriculture, are additional concerns. While no impacts on threatened species by our production sites have been identified, there are risks of increased raw material costs and regulatory changes. Additionally, failing to address our biodiversity impact could reduce our brand value.

Conversely, by leading in our biodiversity and nature initiatives, we have the opportunity to enhance our brand value.

Strategy

Biodiversity and nature strategy

Milk and dairy products have been essential to our diets for thousands of years. To stay relevant in healthy diets, dairy production must align with nature.

Arla's approach to defining the most meaningful future actions towards biodiversity is to focus on the holistic landscape of nature. This includes climate, air, soil, habitats and water, but more specifically, indirect biodiversity stewardship by working on the key pressures on biodiversity that are most relevant to Arla: Climate change, pollution, resource exploitation and habitat loss.

We encourage our farmer owners to adopt practices that reduce emissions, boost carbon sequestration and promote nature-friendly farming methods, including optimising fertiliser use, sourcing deforestation-free soy and implementing soil health measures like grazing and perennial crops. We support ecosystems like grasslands and peatlands to create a resilient agricultural landscape and responsibly source ingredients from afar. Therefore, Arla is committed to ensuring that our direct and indirect use of primary risk commodities (palm, soy and forest fibre) is deforestation- and conversion-free by the end of 2025. The commitment covers the palm, soy and fibre that we source as well as soy and palm embedded in animal feed used on farms.

Producing dairy can impact nature if not managed well. We recognise our dependence on environmental cycles and diverse species for essential resources. Therefore, we launched our Green Ambition framework in 2019 with three focus areas: Better Climate, Clean Water & Air and More Nature. We have set Science Based Target initiative (SBTi) climate targets, developed roadmaps and created the FarmAhead™

Targets and ambitions

ARLA'S AMBITION

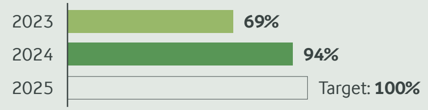
Deforestation- and conversion-free

Deforestation is defined as the loss of natural forest as a result of conversion to agriculture or other non-forest land use, conversion to a plantation or severe or sustained degradation.

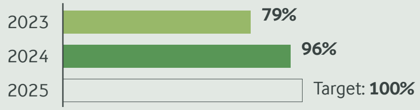
Conversion is defined as the change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure or function.

Read more on page 56.

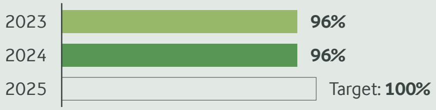
SOY, DIRECT (INGREDIENTS)[1]



PALM, DIRECT (INGREDIENTS)[1]



FORREST FIBRE (PACKAGING AND ENERGY)[1]



[1] Target is set for the end of the year, but since the KPI is based on 12 months of data, target achievement won't be reflected in the 2025 annual report.

Technology and FarmAhead™ Incentive (see page 44), which incentivises actions on farm to primarily drive carbon reductions, but also to support biodiversity through improvements in soil, water, and air quality.

Data is crucial for our sustainability transition. In 2023, we expanded our focus to include overall impacts on nature, using science-based methodologies to analyse our value chain (both direct operations and upstream) to set meaningful targets related to our nature impact.

The knowledge and science behind measuring nature impact are still developing, making this area complex. Therefore, our current focus is to establish a solid approach and data foundation before implementing concrete targets and activities, with a goal of having these targets in place by 2025. When assessing our biggest biodiversity impacts and how to set related targets and actions, we have engaged with local NGOs and universities to incorporate local knowledge.

Recognising our impacts
We recognise our dependencies and impacts on nature and biodiversity through our Green Ambition framework.

SOY, INDIRECT (FEED)[2]

Indirect – 2023	27%
Indirect – 2024	48%
Indirect – 2025	Target: **100%**

PALM, INDIRECT (FEED)[1,2]

Indirect – 2023	**Not available**
Indirect – 2024	**Not available**
Indirect – 2028	Target: **100%**

[1] Deforestation free palm data is not made available from feed companies.
[2] Target is set for the end of the year. Since the KPI is based on 12 months of data, target achievement will not be reflected in the 2025 annual report.

Actions and resources

DEFORESTATION- AND CONVERSION-FREE

WE STRIVE TO ACHIEVE DEFORESTATION- AND CONVERSION-FREE SOURCING, FOCUSING ON SUSTAINABLE PRACTICES ACROSS THE SUPPLY CHAIN AND INCENTIVISING FARMER OWNERS TO REDUCE SOY-LINKED LAND CONVERSION.

Deforestation- and conversion-free sourcing commitment

Habitat loss and destruction from agricultural expansion is a global crisis that we prioritise through careful action and collaboration along the value chain. Land conversion directly alters ecosystems and habitats, while also indirectly contributing to climate change.

We are committed to ensuring that our direct and indirect use of primary risk commodities (palm, soy and forest fibre) is deforestation- and conversion-free by the end of 2025 by investing in both internal and external resources. Internally, a matrix of different people across multiple functions allocate time to activities such as the FarmAhead™ Incentive on soy, regulations, policy and research, while externally, we employ consultancy experts to assist with the overall strategy for the commitment. The commitment covers the palm, soy and fibre that Arla sources as well as soy and palm embedded in animal feed used on Arla farms. Read more on page 59.

Following the announced postponement of the EUDR in December 2024, Arla is currently assessing new market challenges for deforestation-free commodities, and any perceived barriers towards our commitment.

Advocating for transparency

Over the past year, we have reached out to suppliers, traders and manufacturers to understand their unique challenges with deforestation and work towards joint solutions. We actively participate in industry initiatives and platforms focused on palm, soy and fibre and engage with other dairy companies to collectively achieve our goals and scale impact.

Deforestation- and conversion-free sourcing
We are committed to ensuring that our direct and indirect use of primary risk commodities (palm, soy and forest fibre) is deforestation- and conversion-free by the end of 2025.

SUSTAINABLE FEED
11 POINTS

In the FarmAhead™ Incentive model, a total of 11 points are available for action on sustainable feed. This equals 0.33 EUR-cent/kg of milk paid out to Arla farmer owners who source for deforestation-free soy.

We have established sourcing policies for relevant commodities to comply with our deforestation- and conversion-free commitment.

Spotlight on soy

Soy used in cattle feed poses a challenge to dairy due to its importance as a protein source and the lack of viable alternatives. We believe a multipronged approach is essential to transition away from soy-linked land conversion. Through the FarmAhead™ Incentive, we encourage our farmer owners to adopt one of three approaches to soy under the Sustainable Feed Lever:

1. Use less soy in feed
2. Use no soy in feed, or
3. Use deforestation-free soy.

Farmer owners earn points based on these options (full points for no soy or deforestation-free soy, fewer points for reducing soy). For deforestation-free soy, farmer owners submit documentation from feed suppliers, which Arla validates directly. This system is crucial for advancing Arla's deforestation- and conversion-free commitment by facilitating soy documentation and mapping beyond farmer owners. In 2024, the average score related to soy in the FarmAhead™ Incentive model was 10 points, resulting in farmer owners receiving a payout of EUR 41 million.

TOWARDS MORE NATURE

WE ARE AWARE OF OUR IMPACTS ON BIODIVERSITY. TO MITIGATE NEGATIVE IMPACTS, WE TAKE ACTIONS ACROSS THE BUSINESS TO UNDERSTAND THEM BETTER AND FIND NEW WAYS OF SHAPING A DAIRY INDUSTRY THAT SUPPORTS BIODIVERSITY AND ECOSYSTEMS.

MELKUNIE®

In early 2025, Melkunie® will begin its transition to the independent Beter voor Natuur & Boer certification, initially focusing on milk, buttermilk and yoghurt. The certification aims to enhance the sustainability of agricultural practices in the Netherlands, with criteria from animal welfare to increased biodiversity.

Finland Swallow Project
Through this project, we build nests to help endangered bird species find a home across 34 dairy farms in Finland.

Investigating innovative land use through our Innovation Farm Network

Arla collaborates with farms to accelerate agricultural progress and support our farmer owners in shaping the future of dairy. We have established a network of innovation farms in the UK, Denmark, Sweden and Germany, bringing dairy industry partners together to find solutions for sustainability and carbon neutrality. Through these actions, we highlight on-farm activities and demonstrate how we drive the sustainable dairy agenda today and in the future. Nature and biodiversity are key topics among the innovation farms. In Sweden, we have initiated a project to restore natural grasslands, promote on-farm biodiversity and explore water management solutions.

Supporting endangered species through the Finland Swallow Project

In Finland, together with Arand BirdLife, we help endangered house martins and vulnerable barn swallows nest on dairy farms. Over the last 20 years, swallow numbers have collapsed in Finland, primarily due to the changes in their breeding possibilities and food availability, worsened by a decrease in livestock farms. Dairy farms offer swallows good living conditions. Launched in spring 2023, the project currently involves 34 dairy farms across Finland. The farms have committed to actions such as building artificial nests and monitoring, while BirdLife experts visit to advise and evaluate the swallow situation. By summer 2024, swallows were nesting on nearly all participating farms, with up to 40 nests on one individual farm.

Collaborating with key players in the industry through the Future Fit Dairy Initiative
Demonstrating the importance of industry alignment, Arla continues its engagement with the Future Fit Dairy Initiative (FFDI). This is a collaboration between large European dairy companies that aims to create a framework that measures outcomes, identifies barriers for farmer owners and enables a sustainable future through regenerative agriculture. Based on the SAI Platform's 'Regenerating Together' framework, FFDI is adapting it for dairy in North Western Europe and implementing it across several countries.

The five FFDI members represent different parts of the dairy value chain and are committed to supporting farmer owners in transitioning to a future fit dairy sector.

To evaluate FFDI and other regenerative practices, Arla is testing the approach on 24 conventional and organic pilot farms across five countries.

Facilitating research with the Naturtjek project in Denmark
Arla Denmark, together with the independent research company SEGES Innovation, launched the Naturtjek (meaning Nature Check) project, which involves comprehensively mapping on-farm nature areas across all organic farms supplying Arla in Denmark. The project uses data from Denmark's 'Environmental Portal', a web portal that contains information about nature and the environment in Denmark, and is a collaborative effort between the Ministry of Environment and Gender Equality, municipalities and local regions. After mapping and identifying 7 to 10 areas with the highest nature quality and potential for conservation and/or enhancement, SEGES works together with the farmer owners to create prioritised lists of areas where they can focus their nature conservation efforts to enhance biodiversity on their farms.

Incentivising practices that support biodiversity
Cows are ecosystem engineers that transform grass, uncultivable land and food by-products into valuable food. Their grazing promotes carbon sequestration and fertilises the land with manure. The slight disturbance of soil by their hooves enhances root growth, water infiltration and nutrient cycling, benefiting plant health and diversity.

Grazing cows maintain Europe's grasslands, creating diverse habitats by browsing tall grasses and shrubs.

This supports a variety of native plants and fosters biodiversity, as seen in the insects, birds and small mammals thriving alongside them. Therefore, we incentivise grazing through our FarmAhead™ Incentive.

CARBON FARMING AND BIODIVERSITY 8 POINTS

In Arla's FarmAhead™ Incentive model, a total of 8 points are available for actions on carbon farming and biodiversity. This equals 0.24 EUR-cent/kg of milk paid out to Arla farmer owners.

Enhancing biodiversity through collaboration
Arla partners with different relevant stakeholders to promote regenerative agriculture and engage farmer owners in sustainable practices.

Progress towards targets

DEFORESTATION- AND CONVERSION-FREE SOURCING

Arla aims to avoid negative biodiversity impacts by targeting primary risk commodities (palm, soy and forest fibre) to be deforestation-free and conversion-free (DCF) by the end of 2025. This covers direct and indirect soy and palm in products and feed as well as forest fibre used in packaging and energy. For palm in feed, the target for eliminating other conversion (excluding deforestation) extends to the end of 2028 due to high uncertainty in the availability of appropriate documentation. Arla reported on its DCF target for the first time in 2023, which is considered the baseline year. In 2023, we combined direct and indirect purchases in our report. However, in 2024, these volumes are reported separately, and the split was also applied retroactively to the 2023 data.

In 2024, 94% of soy, 96% of palm and 96% of forest fibre directly purchased by Arla's supply chains achieved DCF status. This marks an expected increase from 69% for soy and 79% for palm oil, as Arla has focused its efforts on purchasing more DCF products. The level for forest fibre was already high and remained the same as in 2023.

For indirectly purchased feed, 48% of soy and 0% of palm achieved DCF status. Soy in feed comprises 99.5% of the total volumes in Arla's supply chain, while palm in feed comprises 48%. The proportion of indirect DCF soy increased by 21% from 2023, primarily due to increased sourcing of DCF soy in Denmark. We observed an increase in certified and organic soy as well as soy with low-risk origin, particularly due to the increased availability of DCF soy from the USA. The amount of verified soy decreased due to a lack of transparency in verification processes, resulting in a larger share of soy being reported based on available country-of-origin information. For palm in feed, data on deforestation fand conversion is not made available from feed companies, thus marked "Not available" in the table.

ACCOUNTING POLICIES

Deforestation is defined as the loss of natural forest as a result of conversion to agriculture or other non-forest land use, conversion to a plantation or severe or sustained degradation. Conversion is the change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure or function. Natural ecosystems include, for example, grasslands, wetlands or peatlands. Arla uses the definitions of the Accountability Framework Initiative which is recommended by the Science Based Targets initiative (SBTi).

Commitment scope

Arla focuses on the most relevant risk commodities to make the greatest impact: Palm, soy and forest fibre, as these have the highest priority for deforestation- and conversion-free targets within the value chain.

Soy in feed and ingredients includes all soy-based products and derivatives, including soy meal, cake, hulls and soy oil. Palm in feed and ingredients includes all palm-based products and derivatives, including palm oil, palm kernel and other derivatives. Soy and palm products used in milk replacers are not included. Forest fibre includes all wood and forest fibre-based materials that Arla purchases for packaging components, energy production and office material.

All Arla's own operations are in scope for the commitment on ingredients and forest fibre, including manufacturing of third-party or licensed products at Arla sites. The commitment on indirect purchase of feed includes all Arla owner farms and non-owner milk.

All companies/partners/traders (referred to as suppliers), both direct and indirect, are included in Arla's DCF commitment. Direct suppliers include those from where Arla sources ingredients and forest fibre for our operations, whereas indirect suppliers include upstream third-party suppliers as well as parties supplying feed products to farms from where Arla sources milk. The latest cut-off date at the group level is 31 December 2020 (after which deforestation or conversion renders a given area or production unit non-compliant with DCF commitments). This is in line with the European Union Deforestation Regulation (EUDR). Some commodities may be subject to earlier cut-off dates depending on the sourcing region, national legislation or certifications. These are outlined in our Responsible Sourcing Policies for Palm, Soy and Forest Fibre.

Definition of DCF

Following guidance by the Accountability Framework Initiative, Arla considers soy, palm and forest fibre as deforestation- and conversion-free when they are physically segregated and certified or verified as DCF, organically produced (for soy) or originate from areas that are not high-risk according to the World Wildlife Fund (WWF) (Deforestation Fronts 2021). This means that Arla reports only segregated chain of custody models as DCF. Chain of custody models where there is no physical segregation, such as book and claim (soy or palm credits) or mass balance, do not qualify. Arla only accepts certification bodies that have high enough standards that meet deforestation- and conversion-free criteria from the SBTi and the Accountability Framework Initiative: RTRS, ProTerra, Europe Soya and Donau Soja for soy, RSPO and ISCC Plus for palm products, and FSC, PEFC and SFI for forest fibre when controlled wood is sourced from low-risk areas. Organic soy ingredients or in feed on organic farms are considered as DCF due to the low-risk origins of organic soy supply chains. Although credits/book and claim models do not count towards DCF claims, Arla purchases RTRS and RSPO credits to cover volumes of soy and palm with an unknown risk of deforestation and conversion.

No biodiversity offsets are used in relation to the deforestation- and conversion-free target.

Feed

Volumes of soy and palm used in feed are collected in the FarmAhead™ Check and relate to the farmer owners' use of feed during their 2023 financial year. Arla's DCF commitment scope also includes contract milk (non-farmer owner milk), however, associated feed volume data is not collected directly. Instead, volumes of soy and palm for non-owner milk are estimated by the volumes of fat and protein-corrected milk (FPCM) solids using a feed conversion factor based on average FarmAhead™ Check data for each market, or industry averages for other markets supplying Arla milk.

Deforestation- and conversion-free (direct purchase of ingredients)[1]

	2024			2023		
	Direct soy	Direct palm	Direct forest fibre	Direct soy	Direct palm	Direct forest fibre
Volumes (tonnes)[2]	916	37,071	152,430	695	40,033	198,812
Certified, segregated	855	35,540	139,135	-	31,715	189,322
Verified	-	-	-	477	-	-
Low-risk origin	6	-	7,325	-	-	1,509
Organic[3]	-	-	-	-	-	-
Proportion that is DCF %	**94%**	**96%**	**96%**	**69%**	**79%**	**96%**
Proportion non-DCF	55	1,531	5,969	218	8,318	7,981

Deforestation- and conversion-free (indirect purchase of feed)[1]

	2024		2023	
	Indirect soy	Indirect palm[4]	Indirect soy	Indirect palm[4]
Volumes (tonnes)[2]	183,212	34,545	178,060	34,223
Certified, segregated	10,136	71	7,355	Not available
Verified	914	Not available	6,813	Not available
Low-risk origin	66,663	Not available	29,022	Not available
Organic[3]	10,388	Not available	5,462	Not available
Proportion that is DCF %	**48%**	**0%**	**27%**	**0%**
Proportion non-DCF	95,111	34,474	129,407	34,223

[1] Target is set for the end of the year, but since the KPI is based on 12 months of data, target achievement won't be reflected in the 2025 annual report
[2] Data on volumes and DCF relating to ingredients and fibre covers the 2024 calendar year, while the data related to feed covers the 2023 calendar year.
[3] Organic certification as a criteria of deforestation- and conversion-free only applied to soy.
[4] Deforestation free palm data is not made available from feed companies.

To determine the proportion of DCF soy and palm in feed in each market, Arla collects aggregated industry information for each market, as it is not currently possible to trace feed purchased on farms back to the supplier company and beyond. Therefore, for soy in feed, 2023 data is sourced from:

- Denmark: Dansk Korn og Foder (DAKOFO)
- Sweden: Foder och Spannmål
- Germany: The Ministry of Agriculture (Bundesanstalt für Landwirtschaft und Ernährung)
- Belgium: Belgian Feed Association (BFA)
- Netherlands: UN Comtrade
- UK: The UK Soy Manifesto

These industry factors are applied to the physical volumes of soy used in each market as well as estimated volumes associated with non-owner milk. No industry data for soy is included for Luxemburg, the Netherlands and Belgium.

Ingredients and forest fibre

Volumes of soy, palm and forest fibre sourced directly by Arla reflect consumption during the 2024 financial year, and are collected during the year in Arla's internal procurement systems. Arla determines the level of DCF for these commodities through a combination of supplier surveys and direct requests for documentation of origin and/or certification. For fibre used in packaging, the suppliers relevant for DCF reporting represent at least 95% of fibre-related packaging spend. Volumes from non-respondent suppliers are considered to have an 'unknown' risk of deforestation. Forest fibre volumes embedded in office material are only collected from Arla's main offices (Viby, Leeds, Stockholm).

Cocoa

Cocoa is outside the reporting scope of Arla's deforestation- and conversion-free commitment, however, our policy is to use 100% UTZ/Rainforest

DEFORESTATION AND CONVERSION-FREE SOURCING CONTINUED

Alliance-certified cocoa for our branded products, and we continue to comply with this goal. Cocoa will be reconsidered during the coming year to potentially be included in Arla's DCF ambition.

UNCERTAINTIES AND ESTIMATES

Volumes collected in the FarmAhead™ Check during 2024 relate to the farmer owners' use of feed during their 2023 financial year, which varies from farm to farm. Volumes of soy and palm from the small number of farmer owners who do not submit data to FarmAhead™ Check are not considered in reporting towards this commitment.

Reporting on the level of deforestation- and conversion-free supply chains for commodities is a developing field and is subject to a degree of uncertainty. Arla is making progress to improve the transparency of supply chains, for example through the FarmAhead™ Incentive. However, this year industry average data on the level of DCF soy and palm in feed is still used. This will likely generate conservative estimations of soy and palm proportions that achieve DCF, since industry data includes all streams of the commodities without differentiating between GM (genetically modified)/non-GM soy, which will have varying contributions to deforestation and conversion. We expect the industry average information to give a fair view as Arla has such a large market share in the countries where we operate. However, we plan to move towards using information directly from suppliers gathered through our FarmAhead™ Check as soon as we deem data quality to be adequate.

There are several exclusions from the scope of Arla's deforestation- and conversion-free commitment and reporting on feed. These exclusions include embedded soy and palm associated with externally sourced whey or milk powder, as the related feed is several steps back in the supply chain and there is currently little to no data available. In addition, soy and palm products used in milk replacers are not included, as milk replacers are not considered within the context of feed. For ingredients and forest fibre, the key exclusion is Arla products produced at the site of third-party companies, which are not included due to the unavailability of data.

To determine the level of DCF achievement for forest fibre, Arla relies on certification information submitted from suppliers of such materials. There is limited ability for Arla to verify such data. Forest fibre volumes from third-party manufacturing are not included.

WATER WITHDRAWAL

In 2024, water withdrawal rose by 4.6% compared to the previous year. This change is attributed to the full-year impact of acquiring MV Ingredients Ltd., UK in 2023, and a shift in production towards more water-intensive products, such as extended shelf-life milk.

ACCOUNTING POLICIES

Water withdrawal covers all water withdrawn to be used at production sites, warehouses and logistics terminals. Water withdrawal encompasses two main sources: water purchased from external suppliers and water obtained from internal boreholes. The external water category includes water purchased from external suppliers before undergoing internal treatment. Internal borehole water refers to water sourced from on-site boreholes and is measured prior to undergoing any internal treatment processes.

UNCERTAINTIES AND ESTIMATES

Our water consumption data is collected through monthly manual input from our sites. For externally purchased water, we cross-reference the data with supplier records to ensure accuracy. As for internal borehole water, we retrieve the data from manual meter readings. To minimise the risk of manual errors, we have implemented a comprehensive internal validation process at both site level and centrally. This thorough validation process ensures the reliability and accuracy of the reported data.

Policies and other

Our ambitions on biodiversity and the ecosystem are enforced by our Environmental Policy and our Green Ambition 2050 and especially our Responsible Sourcing Policies. These support us in reaching our DCF 2025 target and in addressing our impacts and risks related to nature.

Environmental Policy & Green Ambition 2050
Improve biodiversity and ecosystems
We acknowledge that the decline in biodiversity poses a threat to our future well-being and risks irreversible consequences for our planet. Agricultural activities can negatively affect local biodiversity in numerous ways. Thus, our policy addresses biodiversity impacts deriving from our own operations and our value chain.

Arla is dedicated to integrating biodiversity and nature-related considerations into our operations and upstream value chain. We strive to promote sustainable sourcing and minimise our ecological footprint, particularly around our production sites in biodiversity-sensitive areas. To this end, we take active measures to prevent pollution at our facilities and engage in partnerships and collaborations to raise biodiversity awareness and contribute to the preservation and restoration of ecosystems.

We recognise the interdependence between our milk sourcing and ecosystem services, and we are committed to enhancing and protecting these services for the benefit of both nature and society. We support our farmer owners in their efforts to protect the environment and minimise adverse impacts on biodiversity and nature. This includes reducing climate impact, implementing regenerative land-use practices, reducing freshwater use, minimising pollution and actively monitoring and mitigating impacts on species and ecosystems. Furthermore, we support our owners in utilising their farm resources efficiently to decrease their environmental impact. This is facilitated through initiatives such as sustainability incentives, innovation farms and educational events.

We aim to foster a biodiverse and accessible agricultural landscape through strong partnerships.

1.4 Water withdrawal

thousand m³	2024	2023	2022	2021	2020
Water purchased externally	11,582	11,107	10,935	11,057	10,918
Water from internal boreholes	8,137	7,754	7,829	7,803	7,745
Total	**19,719**	**18,861**	**18,764**	**18,860**	**18,663**

We work together with researchers and scientists as well as suppliers and customers to find new technologies and solutions to lead the future of sustainable dairy.

Clean air and water
Our goal is to keep nitrogen and phosphorus cycles in balance and secure high groundwater and air quality. We will reach this by protecting regional water sources, reducing the need for external water use and reducing emissions across the whole value chain. Circular economy principles are our guidelines, when it comes to our water use and the carbon, nitrogen and phosphorus cycles.

Social consequences of environmental impacts
We are dedicated to addressing and mitigating the social consequences of adverse environmental impacts, ensuring the well-being and welfare of affected communities.

Policy governance
Please see the description in the climate chapter on page 50 for policy governance.

Responsible Sourcing Policies
Globally, land use change such as large-scale deforestation and conversion of natural ecosystems is driving biodiversity loss, natural capital depletion, carbon loss and impacting soil quality. Arla has a Responsible Sourcing Policy covering both our direct and indirect purchases of palm, soy and forest fibre. These policies are externally available on our website.

Responsible Sourcing Policies for Palm
Irresponsible production of palm products can cause substantial harm to the environment and society. We are committed to transparent, responsible and sustainable palm sourcing.

Specifically, we commit to deforestation- and conversion-free palm. We further commit to no burning of forests, and no infringements of the rights of workers, indigenous people and vulnerable communities. We expect our direct and indirect suppliers to respect our no deforestation and no conversion commitment on palm in the supply chain.

With regard to monitoring of our procurement of palm, we follow our Responsible Sourcing Guidelines.

Responsible Sourcing Policy for Soy
Irresponsible production of soy can cause substantial harm to the environment and climate. Soy embedded in feed represents the majority of the total soy in our supply chain. We in Arla are therefore committed to transparent, responsible and high-quality soy sourcing.

Specifically, we commit to deforestation- and conversion-free soy. We further commit to no infringements of the rights of workers, indigenous people and vulnerable communities.

This policy covers all indirect soy embedded in feed used by farmers who supply Arla as well as ingredients that contain soy that Arla purchases directly.

We expect our direct and indirect suppliers to respect our no deforestation and no conversion commitment on soy in the supply chain.

With regard to monitoring our procurement of soy ingredients and feed, we follow our Responsible Sourcing Guidelines.

Responsible Sourcing Policy for Forest Fibre
Forest fibre plays an important part in our production chain. We in Arla are therefore committed to sustainable, transparent and responsible sourcing of virgin forest fibre in our packaging materials, in energy production at sites and for other purposes.

Specifically, we commit to no deforestation, conversion or degradation of natural forests, no development of high conservation value areas, no infringements of the rights of workers, indigenous people and vulnerable communities, and no conversion of natural forests into forest plantations or any other land use.

This policy covers all forest fibre used in all entities, operations and geographies under our management control.

With regard to monitoring of our procurement of fibre-based products, we follow our Responsible Sourcing Guidelines.

Policy governance
The overall responsibility for deforestation- and conversion-free related topics lies with the Sustainability function.

Dairy Sustainability Framework
Arla contributes to global collaboration groups for dairy, including the International Dairy Federation (IDF), Global Dairy Platform (GDP) and Sustainable Dairy Partnership (SDP). As part of Arla's promotion and use of the SDP, we acknowledge the 11 criteria of the Dairy Sustainability Framework (DSF) and commit to addressing materially relevant criteria throughout our supply chain.

RESOURCE USE AND CIRCULARITY

Impacts

ARLA'S IMPACTS

ANI
DEPLETION OF NON-RENEWABLE RESOURCES

ANI
GENERATING FOOD WASTE

ANI
GENERATING SOLID WASTE

ANI
NON-RECYCLABLE PACKAGING

- ANI Actual Negative Impact
- PNI Potential Negative Impact
- PPI Potential Positive Impact
- API Actual Positive Impact

Policies

Environmental Policy & Green Ambition 2050

Responsible Sourcing Policy for Forest Fibre

WORKING TOWARDS MORE CIRCULARITY

Impact, risk and opportunities

We can create a circular economy by impacting our resource use
As a producer of food and beverages that require packaging to protect the food and minimise food waste, we recognise our influence on resource use and waste generation. Through our double materiality assessment (see pages 34-37), we identified impacts from our activities and risks related to our transition to a circular economy.

Food waste is a challenge throughout our value chain, as well as our impact on solid waste that occurs at our production facilities. By tackling waste generation in our value chain, we can minimise our impact and contribute positively to the circular economy.

Our operations depend on renewable and fossil resources as well as on a reliable supply chain and access to fertile land. However, we face risks like increased feed costs and ecosystem degradation due to climate change, alongside the growing scarcity of agricultural land.

Another challenge is that not all of our packaging is recyclable in all markets, risking reducing our brand value as consumers may turn away.

To minimise or avoid those impacts and risks, we are committed to advancing towards fully circular packaging, improving resource efficiency, prioritising renewable resources and reducing food and solid waste across our value chain.

For more information on our sustainable resource use and waste minimisation policies, please refer to page 67.

Strategy

Circularity approach

In alignment with the waste hierarchy (see page 64), we strive to optimise our waste management.

Towards fully circular packaging
'Towards fully circular packaging' reflects our commitment to utilising resources effectively to minimise our climate and environmental impact. This ambition encompasses enhancing the recyclability of our packaging and decreasing the reliance on virgin fossil-based plastic.

We utilise over 300 thousand tonnes of packaging materials annually. Our packaging solutions must ensure the safety and quality of food products while maintaining the lowest possible environmental footprint and minimising food waste.

The design of packaging is complex due to strict legal requirements concerning food safety and hygiene. Additionally, it must protect our products during distribution, both in stores and at home. It is also crucial for ensuring global access to our nutritious offerings. We supply our products worldwide, reaching 164 countries, each with varying collection and recycling systems, and in some markets, certain materials are not yet recyclable.

Food waste and waste management
Arla aims to support the UN Sustainable Development Goal (SDG) of halving food waste by 2030. In our dairies, we continually optimise production processes to minimise food waste through advanced technology and close collaboration with customers and suppliers. We seek to either sell surplus food as animal feed, use it in biogas plants for energy production or donate it to charitable causes.

Our waste reduction efforts extend beyond food waste to include solid waste, such as packaging materials. We consistently work towards enhancing production efficiency and waste management practices to reduce waste throughout the production and transport processes, while also collaborating with waste management suppliers to improve handling.

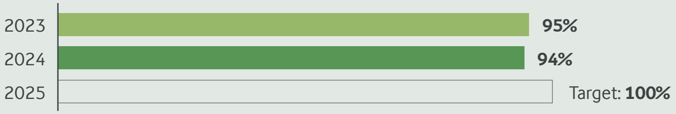
Targets and ambitions

ARLA'S AMBITION

RECYCLABILITY OF PACKAGING

Our ambition is that 100% of the packaging used for Arla's own brands is designed for recycling by 2025.

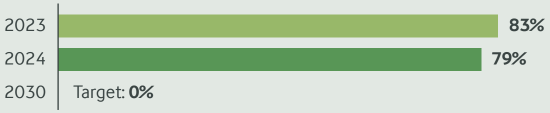
Read more on page 63.



VIRGIN FOSSIL-BASED PLASTIC

Our ambition is to not use virgin fossil-based plastic in packaging used for Arla's own brands by 2030.

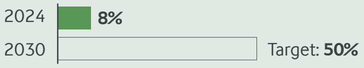
Read more on page 63.



FOOD WASTE

Our ambition is to reduce our own food waste by 50% by 2030 compared to our baseline year 2023.

Read more on page 64.



Actions and resources

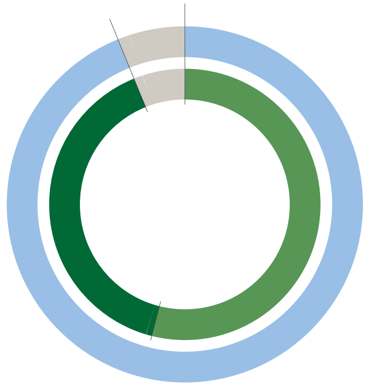
SUSTAINABLE PACKAGING

IN ARLA, WE PRIORITISE RENEWABLE AND RECYCLED MATERIALS TO REDUCE VIRGIN FOSSIL-BASED PLASTIC. WE FOCUS ON DESIGNING RECYCLABLE PACKAGING AND STRIVE TO REDUCE NEGATIVE IMPACTS THROUGH TRANSPARENT PACKAGING DATA.

Reducing plastic, improving plastic

Virgin plastic derived from fossilised materials like crude oil is known as virgin fossil-based plastic. To minimise its use, we prioritise reducing plastic and utilising recycled plastic as well as renewable materials such as paper and cardboard.

Recyclability – own brands



- 94% Designed for recycling
- 54% Recyclable in market where sold
- 40% Designed for recycling, but not in market where sold
- 6% Not recyclable

We have set a voluntary target on not using any virgin fossil-based plastic in packaging for our own brands by 2030. We measured the amount of non-virgin fossil-based plastic used in our branded packaging throughout 2024 and were able to reduce it by 4 percentage points compared to the previous year.

With further efforts, such as focusing on switching to recycled PET or fibre-based cups for yoghurts, sour creams and desserts we expect a continuous decrease of virgin fossil plastic usage for our products. Although we have made progress on key branded products since setting the target in 2020, global challenges with the availability of alternative materials and the slower-than-expected development of new technologies have resulted in slower progress than anticipated.

Working towards 100% recyclability

Arla's goal is to achieve 100% recyclability across its operations. As an initial step, our target for 2025 is to ensure that all packaging used for Arla's own brands is designed for recycling. This objective is in line with our Green Ambition 2050 and our Environmental Policy.

Considering the various conditions, particularly in our international markets, we assess our progress towards packaging recyclability based on two criteria:

1. *Designed for recycling*
   This criterion ensures that a packaging or specific material component can be recycled in at least one of Arla's European core markets.
2. *Recyclable in the market where sold*
   This ensures that a packaging or specific material component can be recycled in the market where the product is sold. More details can be found on page 65.

By leveraging our packaging material data, we can effectively measure recyclability. Additionally, we use this data transparency to prioritise initiatives that enhance recyclability based on either of the mentioned criteria.

In Arla, we aim to adhere to commonly acknowledged references for our targets. Regarding recyclability, under the Packaging and Packaging Waste Regulation (PPWR), 'Design for Recycling' legislation is currently being agreed and will be applicable across the entire EU from 2030. Once this is further developed, Arla will establish a revised target and methodology aligned with the principles of the PPWR.

Recyclable/ Recycle-ready cheese foils
For our Lactofree mature cheddar, our launch of a new foil has been recognised as recyclable by the biggest recyclability labelling scheme in the UK (OPRL). We continue to make changes to our cheese packaging in order to further increase recyclability in the future.

Reducing our virgin fossil plastic footprint
Arla is replacing virgin fossil plastic with alternatives. In the UK, Cravendale bottles switched to recycled PET, saving 900 tonnes of virgin fossil-based plastic annually. In Europe, hybrid cups are being converted to recycled plastic. In Sweden, cooking products moved to fibre-based cups, saving 30 tonnes annually.

Removable sleeves to boost plastic bottle recyclability
Adding a zipper for sleeve removal on PET bottles improves recyclability by letting consumers separate the sleeve, increasing recycling chances. This design prevents heavy ink sleeves from disrupting the PET recycling process, enhancing recycling quality and efficiency.

REDUCING FOOD WASTE

FOOD WASTE IS OFTEN THOUGHT OF AS FINISHED PRODUCTS THAT WERE DISCARDED INSTEAD OF CONSUMED. FOR US, THE MAJORITY OF OUR FOOD WASTE IS DERIVED FROM EITHER CLEANING OF OUR PROCESSING EQUIPMENT TO ENSURE THE HIGHEST POSSIBLE QUALITY OR SIDE STREAMS THAT WE ARE CURRENTLY NOT ABLE TO UTILISE.

In 2024, we conducted an investigation to determine the most suitable approach to updating our food waste target, considering conversion into milk equivalents. Due to the inability to reconcile the historical figures with the new methodology, we made the decision to change our baseline year to 2023. This adjustment allows us to utilise the first full year of data using the updated methodology. Consequently, our voluntary goal of achieving a 50% reduction by 2030 becomes highly ambitious, as we are unable to account for all reductions achieved during our Calcium programme run from 2018 til 2020.

Preventing food waste

Arla's main objective when it comes to food waste is prevention. We continuously strive to find ways to reduce it within our own productions through optimising the processes, innovations or utilising the waste streams. Where food waste cannot be prevented, we aim to redirect it to animal feed.

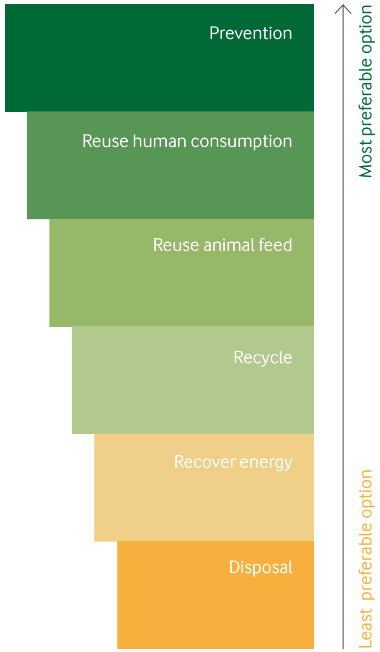
Optimising processes through use of sensors in our productions

In 2024, we made progress in reducing food waste through the implementation of inline sensors at 10 production sites. These sensors are designed to measure the composition of the liquid flowing through the pipes, distinguishing between water, a mixture of water and milk/food waste and pure milk/food waste. The success of this initiative has led to plans for expanding the installation of sensors to all Arla sites to track and reduce the food waste via effluent streams.

Pride in every drop of milk
The initiative in the supply chain focuses on celebrating success and recognising the passion and effort behind the products we have today.

By combining the data collected from the inline sensors with production line information, we monitor and take proactive measures to reduce food waste during the production process at these sites. This integrated approach allows for better control and management of food waste, leading to more efficient production practices.

Waste management hierarchy



The waste management hierarchy indicates an order of preference for actions to reduce and manage waste. Food waste is defined as anything not used for either human or animal consumption.

Over a period from 2022 to 2024, these sites have achieved a remarkable reduction of chemical oxygen demand (COD) of 10%. This reduction in COD is equivalent to a reduction of food waste of 355 tonnes, highlighting the significant progress made in minimising waste and promoting sustainability within Arla's operations.

Overall, the investment in inline sensors and the integration of data from these sensors with production line information have proven to be effective tools in monitoring and reducing food waste, contributing to Arla's commitment to sustainable and responsible production practices.

Turning food waste into feed for insects

In 2023, Arla Food Ingredients started to use delactosed permeate, the by-product of lactose production, in collaboration with an insect farm as insect feed for fly larvae. Through this action, in 2024 the amount of food waste of the Denmark Protein site could be further reduced by 16% compared to 2023 volumes by transforming the waste into a sustainable source of protein for animals or humans.

Progress towards targets

OUR PROGRESS ON CIRCULAR PACKAGING

Recyclability refers to the ability of a material or product to be collected, processed and transformed into new materials or products through recycling processes.

In 2024, 94% of the packaging used for our branded products was designed for recycling compared to 95% last year and 93% in 2022, the baseline year. Despite our ongoing work to enhance the recyclability of our packaging, this slight decrease could be partly explained by changes in our sales mix. It highlights the challenges we face and underline the importance of our commitment to continually moving towards more sustainable packaging solutions.

Arla's total recyclability of branded products in market where sold was 54%, a 10% increase compared to last year. The improvement is mainly a result of improved infrastructure related to milk cartons in Europe. In Arla's markets outside Europe, some materials that are widely recyclable in Europe, like glass or metal, are not collected for recycling. For this reason, even though 91% of Arla's branded packaging sold in markets outside Europe was designed for recycling, in 2024 none of it was recorded as recyclable in the market where sold.

ACCOUNTING POLICIES

We split the recycling KPIs according to our commercial segments Europe and International, please see description of our commercial segments on pages 24-27.

Recyclability of branded products
These measures are applied to packaging used for Arla's own brands. A material is recyclable when there is a proper infrastructure for packaging waste collection and sorting and a market for the recycled material.

Designed for recycling, branded products
Packaging is designed for recycling if the packaging is recyclable in at least one of Arla's core markets in Europe. The assessment and calculation of designed for recycling follows the same logic as stated below under recyclable in market where sold.

Recyclable in market where sold
Recyclable in market where sold means that the packaging of a branded product or a specific material share thereof is recyclable in the market where the product is sold. A comprehensive assessment is made for each material to determine whether it is recyclable in a given market based on commonly acknowledged references for recyclable packaging design and recycling systems in that market. The references used include the 'Mindeststandard' issued by Zentrale Stelle Verpackungsregister in Germany, the 'Plastic Packaging Recycling Manual' published by the Swedish Näringslivets Producentansvar (NPA), the 'Recycle Checks' developed by KIDV in the Netherlands and the UK OPRL scheme. Each assessed product packaging unit is converted into weights of different components used and multiplied by sales volumes. The consolidated number is calculated as the weight of recyclable packaging material sold compared to the total weight of packaging materials used. Due to materiality, product units that make up less than 1% of finished product sales volumes within the subcategory of that product are excluded. By subcategory we mean butter blends, yellow cheese, milk etc. The coverage in 2024 was 85%.

Virgin fossil-based plastic for branded products
We reported on our target for zero virgin fossil-based plastic in our branded products portfolio for the first time in 2023. In 2024, 79% of the plastic packaging used for our branded products was virgin fossil-based plastic compared to 83% in 2023, the baseline year.

These measures are applied to packaging used for Arla's own brands. Virgin fossil-based plastic is defined as plastic derived from fossilised material such as crude oil, coal and natural gas. It excludes recycled and bio-based plastic as well as plastic for which the use of bio-based raw materials is certified by a mass balance chain of custody model.

All packaging components in Arla are classified in the following ways to determine if they are made from virgin fossil-based plastic:

- Is the material plastic yes/no?
- Is the material made from recycled material yes/no?
- Is the material made from renewable material yes/no?

Additionally, each packaging component has a weight recorded in grams.

With the above criteria, Arla is able to determine the amount of plastic in each piece of packaging sold and, if applicable, how much of that plastic is either recycled, renewable or virgin fossil-based.

These values are then multiplied by sales volumes to produce an overall weight of virgin fossil plastic and non-virgin fossil-based plastic used over an annual period.

The consolidated number is calculated as the weight of non-virgin fossil-based plastic compared to the total weight of plastic materials used. Due to materiality, product units that make up less than 1% of finished product sales volumes within the subcategory of that product are excluded. The subcategories are butter blends, yellow cheese, milk etc.

UNCERTAINTIES AND LIMITATIONS

In 2024, the recyclability assessment was performed based on the recyclability status in December. There is a risk that a certain material combination was not recyclable earlier in 2024 but became recyclable in December. In this case, the material combination was counted as recyclable for the full year. This is also the case for the assessment of virgin fossil-based plastic.

During the past years, Arla improved the processes and tools used for measuring recyclability and virgin plastic. Therefore, data related to periods before 2022 and 2023 is not disclosed.

The two packaging-related targets are framed by Arla due to the lack of agreed global standards.

Designed for recycling, branded products

	2024	2023	2022	2021	2020
Europe	95%	96%	95%	-	-
International	91%	95%	89%	-	-
Total	**94%**	**95%**	**93%**	**-**	**-**

Recyclable in market where sold, branded products

	2024	2023	2022	2021	2020
Europe	85%	83%	80%	-	-
International	0%	0%	0%	-	-
Total	**54%**	**45%**	**54%**	**-**	**-**

Virgin fossil-based plastic, branded products

	2024	2023	2022	2021	2020
Europe	75%	78%	-	-	-
International	98%	98%	-	-	-
Total	**79%**	**83%**	**-**	**-**	**-**

MATERIALS USED

In 2024, we produced 6,398 million kg of dairy products. The total material used for our products encompasses our primary raw material, milk, along with other ingredients and packaging materials. Besides these input materials, energy and water are integral to our production processes. For details on our energy consumption, please refer to page 49, and for our water withdrawal, see page 60.

ACCOUNTING POLICIES

Arla reported on the total volume of input materials for the first time in 2024. The input materials include the following;

- Milk: All raw milk collected during the year from both Arla owners and non-owners.
- Externally purchased whey: All whey purchased from external providers.
- Other ingredients: All raw materials processed at our production sites including butter, cheese, powder, non-milk-based products and water for recombination.
- Packaging: Packaging materials received directly from suppliers. The data from the suppliers covers a minimum of 95% of the spend, results are scaled up to cover 100%. The share of packaging material made from recycled material is reported separately. Wooden pallets are not included in the figure.

UNCERTAINTIES AND LIMITATIONS

The reported usage data reflects materials in their original state. Arla makes two exceptions to this rule; externally purchased whey, which is recorded as standardised liquid whey due to its varying consistency at our dairies, and raw milk, which is presented with standardised fat and protein content to align with the volumes reported in the financial statements.

The volume of input materials used does not correlate with the volume of dairy products because the reporting on input materials excludes water, which is either removed from milk or added to our products. For example when producing milk powder, water is extracted from the milk, resulting in a significantly reduced weight.

The packaging volume data utilised is based on entries manually provided by the supplier.

FOOD WASTE DEVELOPMENT

In 2024, the amount of food waste decreased to 596 thousand tonnes, which is a 8%-reduction compared to last year.

ACCOUNTING POLICIES

Food waste includes all material waste along the value chain that was originally intended for human consumption, excluding inedible parts. This definition aligns with the recommendations provided by the UK-based NGO Waste and Resources Action Programme (WRAP) for quantifying dairy food loss and waste. The food waste can either be liquid or solid. Food waste comprises only non-hazardous waste.

Arla reports on food waste only in our own operations, not food waste occurring on farm or from consumers.

- **Liquid waste:** Includes any liquid waste that includes milk, fat and protein. It encompasses various types of liquid waste, including milk with quality issues (e.g. antibiotic contamination), which is considered part of the liquid waste at the dairy responsible for managing its disposal.
- **Solid waste:** Includes waste from finished and semifinished goods, which refer to the disposal of products that have completed the production process but are not considered solid waste.
- **Sludge before COD measurement:** Refers to the solid waste material that is separated from waste-water before it undergoes treatment. Examples of sludge include the quantities obtained from fat trays, filters or separators and for Arla it primarily consists of fat.
- **Wastewater COD:** Includes all organic material that is left in the wastewater after sludge is separated. This is assessed by the Chemical Oxygen Demand (COD) in the wastewater. COD is a measure of the amount of oxygen required to decompose organic material in water.

The density of food waste varies significantly both across and within the different waste categories. To ensure comparability, the food waste volumes have been converted into milk equivalents, following the International Dairy Federation (IDF) guidelines. This conversion process facilitates accurate recording, estimation and transformation of various waste types and by-products into milk equivalents. It provides a standardised measurement approach for assessing the environmental impact of waste within Arla.

UNCERTAINTIES AND LIMITATIONS

Estimating fat and protein percentages for waste materials like liquid waste and sludge can introduce uncertainties. These uncertainties depend on data quality, variations in product mix and deviations from average percentages.

Furthermore, quantifying waste, such as COD in wastewater, relies on sampling and analysis methods. While efforts are made to ensure representative samples and timely analysis, potential variations in sampling techniques and laboratory processes, as well as delays beyond the recommended 12-hour timeframe, may introduce data variations.

Resource inflow

(mkg)	**2024**	2023	2022	2021	2020
Milk (owner + contract)	13,735	-	-	-	-
Externally sourced whey	2,323	-	-	-	-
Other ingredients	550	-	-	-	-
Packaging	309	-	-	-	-

Recycled packaging materials purchased

(mkg)	**2024**	2023	2022	2021	2020
Total packaging materials	309	-	-	-	-
Recycled packaging materials	99	-	-	-	-
Share of recycled packaging materials	32%	-	-	-	-

Food waste

(milk equivalents, tonnes)	**2024**	2023	2022	2021	2020
Liquid waste for landfill disposal	**21,880**	**31,690**	**-**	**-**	**-**
Food waste directed to disposal	**21,880**	**31,690**	**-**	**-**	**-**
Liquid waste for biogas	236,322	274,815	-	-	-
Solid waste for biogas	39,994	38,027	-	-	-
Sludge before COD measurement	12,971	9,873	-	-	-
Wastewater COD	220,434	221,126	-	-	-
Food waste diverted from disposal	**509,721**	**543,841**			
Total	**531,601**	**575,531**	**-**	**-**	**-**

SOLID WASTE DEVELOPMENT

In 2024, the amount of solid waste decreased slightly to 30,419 tonnes from 30,770 tonnes in 2023, with results remaining stable as expected. Additionally, the share of non-recyclable solid waste decreased by 3 percentage points.

ACCOUNTING POLICIES

Solid waste refers to waste from production that is not food waste, for example packaging. Solid waste is separated into hazardous and non-hazardous waste. Furthermore, solid waste can be either recycled, incinerated or sent for landfill. In Arla, the majority of solid waste is recycled.

UNCERTAINTIES AND ESTIMATES

Solid waste data is collected on a monthly basis from external waste handlers. The waste data is provided by sites via monthly manual upload, partially centrally based on invoice, supplier system, supplier email, weighted on site or other. The sourced data is based on direct measurements. In Denmark and Sweden, this data collection process is automated, ensuring accuracy and efficiency. However, for other countries, the data is reliant on manual entries made by individual sites, which inherently increases the risk of errors. To mitigate this risk, appropriate controls have been implemented to ensure data accuracy and reliability.

Policies and other

Circular Policies on Resource Use and Waste
Our sustainability strategy is supported by our Environmental Policy and Arla's Green Ambition 2050. Together, these guiding policies address critical environmental issues and emphasise resource efficiency and waste management. Circular economy principles are our guidelines, focusing on reducing waste and unnecessary resource use as well as reusing and recycling in line with the waste hierarchy. This applies to the processing of milk as well as our packaging materials and water use and the carbon, nitrogen and phosphorus cycles.

Resource efficiency
Arla is dedicated to producing healthy and sustainable products while minimising environmental impact. We focus on improving resource efficiency concerning water, energy, raw materials, capital and human resources by continuously monitoring and optimising our operations. We prioritise using renewable and recycled resources, and our corporate strategy focuses on minimising the use of virgin fossil-based plastic and increasing recyclability.

Waste management
Aligned with our Environmental Policy, we strive to prevent waste generation. When unavoidable, we adopt a circular approach, treating waste as a resource to be reused, recovered or recycled. We aim to minimise food waste within our operations and prioritise its disposal according to the food waste hierarchy. We also inspire consumers to reduce food waste through training and awareness, ensuring packaging meets consumer needs and is easy to empty. To minimise the impact from packaging waste, we strive for recyclability in all markets where our products are sold.

Policy governance
Please see the description in the climate chapter on page 50 for policy governance.

Total solid waste

(tonnes)	**2024**	2023	2022	2021	2020
Total hazardous waste	943	930	1,034	1,279	1,378
Total non-hazardous waste	29,475	29,840	30,434	32,348	32,097
Total solid waste	**30,419**	**30,770**	**31,468**	**33,627**	**33,475**
Total recycled waste	**19,849**	**19,217**	**20,174**	**22,726**	**22,554**
Total non-recycled waste	**10,569**	**11,553**	**11,294**	**10,901**	**10,921**
Non-recycled waste's share of total solid waste	35%	38%	36%	32%	33%

Non-hazardous solid waste

(tonnes)	**2024**	2023	2022	2021	2020
Waste for incineration	8,165	8,460	8,358	8,683	9,159
Waste for landfill	2,002	2,761	2,616	1,921	1,204
Total waste directed to disposal	**10,168**	**11,221**	**10,974**	**10,604**	**10,363**
Recycled plastic materials	2,684	2,388	2,485	2,863	2,787
Recycled paper and cardboard	11,891	11,836	12,276	13,323	13,816
Recycled glass	302	281	284	318	328
Recycled metals	2,054	1,749	1,584	1,704	2,042
Other	2,377	2,365	2,830	3,536	2,761
Total recycled non-hazardous waste	**19,308**	**18,619**	**19,460**	**21,744**	**21,734**
Total waste diverted from disposal	**19,308**	**18,619**	**19,460**	**21,744**	**21,734**
Total non-hazardous waste	**29,475**	**29,840**	**30,434**	**32,348**	**32,097**

Hazardous solid waste

(tonnes)	**2024**	2023	2022	2021	2020
Waste for incineration	369	283	284	272	523
Waste for landfill	33	50	35	25	35
Total waste directed to disposal	**401**	**332**	**319**	**297**	**558**
Recycling	542	598	715	982	820
Total waste diverted from disposal	**542**	**598**	**715**	**982**	**820**
Total hazardous waste	**943**	**930**	**1,034**	**1,279**	**1,378**

EMPLOYEES AND WORKERS IN THE VALUE CHAIN

Impacts

ARLA'S IMPACTS

- ANI Actual Negative Impact
- PNI Potential Negative Impact
- PPI Potential Positive Impact
- API Actual Positive Impact

PNI
GENDER EQUALITY AND EQUAL PAY

RISK OF INADEQUATE WORKING CONDITIONS

PNI
LABOUR RIGHTS

PNI
HUMAN RIGHTS

RISK OF DISCRIMINATION AND HARASSMENT

PNI
HEALTHY AND SAFE WORKING ENVIRONMENT

PPI
TRAINING AND SKILLS DEVELOPMENT

API
FAIR AND GOOD WORKING CONDITIONS

Policies

- Code of Conduct
- Human Rights Policy
- Code of Conduct for Suppliers and Business Partners
- Diversity Policy
- Anti-harassment Policy
- Working Hour Policy
- Grievance Policy

PEOPLE IN FOCUS

Impact, risk and opportunities

Adressing employee and value chain impacts

As a global company, our business activities impact various employee categories across our value chain in diverse ways. Through our double materiality assessment (refer to pages 34-37), we have identified the impacts, risks and opportunities affecting these employees.

Our own employees
Impacts on our own employees are systemic and can be linked to either the regions where Arla operates or specific factory operations or both. Our strategic ambition is to ensure fair and favourable working conditions for all, including in factory settings which pose health and safety risks.

We recognise the potential risk of discrimination and harassment and work towards minimising it by fostering an inclusive culture. Our strategy of expanding internationally also increases exposure to labour rights challenges.

We are aware that all Arla employees as well as consultants and third party workers on our sites face those risk, and we pay special attention to the most vulnerable workers including migrant workers.

We enhance employee experience and provide opportunities for personal growth and development through training and empowerment.

In our sector, talent acquisition and retention are key business risks, but our investment in employee experience and inclusion provides an opportunity to build a loyal, skilled workforce.

Workers in the value chain
Workers of our global suppliers and on our farmer owners' farms are impacted by Arla's business. These groups include particularly vulnerable migrant workers. Value chain workers are not included in the employee metrics of this report.

Due to the nature of agricultural labour, certain systemic impacts, such as health and safety concerns, are inherent. The work often being labour intensive, seasonal and requiring more workers at certain times, underscores the need for ensuring good conditions, especially for migrant workers. Sourcing globally introduces risks like child and forced labour throughout our value chain, but especially outside the EU.

A key risk for Arla is consumer backlash from negative stories about our value chain, influenced by the nature of our business and supply chain locations.

Strategy

Caring for people

In Arla, we are committed to caring for people – our employees, workers in our value chain and individuals in the communities where we operate. We strive to build positive relationships with people and organisations, with mutual respect and understanding at the core of all our interactions. This commitment aligns with our main objectives of respecting human rights, promoting diversity and inclusion and upholding high health and safety standards. We aim for continuous improvement towards minimising any potential or actual negative impacts of our actions and supporting an increased positive impact.

We are dedicated to providing all employees with safe and healthy working conditions, with a goal of zero workplace accidents, emphasising our commitment to a secure and supportive work environment.

Respecting workers' rights and fostering collaborative relationships are essential

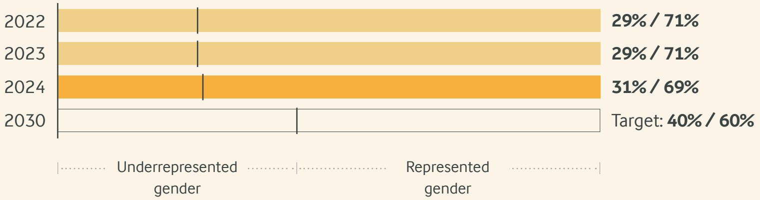
Targets and ambitions

ARLA'S AMBITION

GENDER DIVERSITY IN MANAGEMENT (DIRECTOR+)

We aim to have at least 40% of the underrepresented gender in management positions from director level and upwards by 2030.

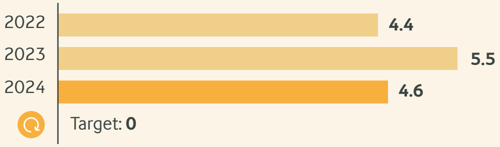
Read more on page 38.



ACCIDENTS

Our aim is to have zero lost-time accidents per million working hours every year.

Read more on page 76.



for creating a harmonious and mutually beneficial workplace. We believe in fair and equitable compensation as a key aspect of our commitment to employee job satisfaction. Additionally, we fully support freedom of association and the right to engage in collective bargaining.

Supporting and developing the communities we operate in is integral to our mission. We create jobs, engage in transparent dialogues with local stakeholders and support vulnerable communities. A key focus is assisting local dairy companies in improving their efficiency by developing standards and practices.

We recognise the importance of attracting talent and maintaining high levels of engagement and motivation. Through ongoing initiatives and programmes, we actively promote diversity, equality and inclusion throughout our organisation. By fostering a workplace that values the uniqueness of each individual, we aim to attract and retain top talent, reinforcing our position as a leader in the dairy industry.

Employee engagement
In 2024, over 18,500 employees participated in our global engagement survey, achieving a response rate of 88%.

Actions and resources

EMPLOYEES IN FOCUS

Above industry standard employee satisfaction in Arla
The results of our annual employee engagement survey showed a 85% satisfaction index.

WE VALUE AND SUPPORT THE WELL-BEING, SAFETY AND PERSONAL GROWTH OF OUR EMPLOYEES. IN DOING SO, WE WANT TO SET A POSITIVE EXAMPLE WITHIN OUR INDUSTRY.

Employee engagement
Our annual global engagement survey is an important tool for gathering valuable feedback from employees and ensuring that Arla remains a great place to work. In 2024, over 18,500 employees participated in the survey, achieving a response rate of 88%. We assess employee engagement using the employee engagement index, which is derived from employees' responses to questions about their satisfaction, engagement and feelings towards Arla as a workplace. In 2024, the index reached 85%, surpassing the standard for companies of our size.

Ensuring employee safety throughout the value chain
Arla operates in an extensive and diverse value chain, offering a wide range of job opportunities across various regions. Our employees are crucial to Arla's success, and we are committed to providing safe and healthy working conditions for everyone. All our employees are covered by our health and safety management system.

In 2024, we continued our efforts around our behavioural safety programme 'Cornerstones'. The programme, which is designed to assess our safety maturity level, includes relevant training, self-assessments, maturity validations and process confirmations. It is executed by our Supply Chain function, which includes representatives at each production site. Through systematic reporting, we are able to see trends and share learnings and best practices across our network as well as identify critical areas to be addressed.

Therefore, we paid special attention to areas with increased accident rates such as logistics, contributing to a 34% reduction in lost-time accidents in DK Logistics in 2024.

We continue to monitor our efforts, detect hotspots and initiate early intervention to ensure continued improvements.

Employee development
In 2024, we maintained to balance virtual and in-person learning sessions. We continued to roll out a learning management system across our production and logistics sites, ensuring employees complete mandatory training and development discussions.

We have a strong tradition of supporting apprentices and their education.
In 2024, we continued to actively participate in the European Excellence in Dairy Learning project, which spans nine countries and benefits apprentices and students studying dairy technology.

To address employee-related matters, Arla has a Global HR function in place with representatives assigned to each market where we operate.

Commitment to responsible employment
We support employees' rights to unionise and freely form and join organisations of their choice and to engage in collective bargaining, aligned with international human rights standards. Our commitment to these principles is embedded in our Code of Conduct (CoC) and Human Rights Policy. At the end of 2024, 61% of our workforce was covered by collective agreements. However, regardless of where we operate in the world, and whether our employees are represented, Arla is committed to offering responsible employment and fair compensation for all employees.

Union collaboration
Our works councils operate at local, national and European levels, serving as robust platforms for internal dialogue on issues related to employee well-being and safety as well as ensuring the necessary conditions for the company's continuous development. Twice a year, members of the EMT meet with our European Works Council, which consists of 17 employee representatives representing over 15,000 employees across our production sites in Europe. This council is the highest forum for collaboration between employees and Arla. Meeting minutes are published on our intranet. Sustainability was a key topic in several of these meetings in 2024.

We also engage with international industry-specific union representatives on topics aligned with our salient human rights. The work is led by our human resource function.

DIVERSITY AND INCLUSION

Advancing the D&I agenda in the UK
In Arla UK, we have four employee communities dedicated to advancing the D&I agenda, each focusing on gender, culture and heritage, LGBTQ+ and veterans.

OUR STRATEGY FOR DIVERSITY AND INCLUSION AIMS TO CULTIVATE A WORKING ENVIRONMENT THAT EMBRACES INCLUSION AND EQUITY, WHERE EVERY INDIVIDUAL FEELS A SENSE OF BELONGING.

We believe that a team composed of diverse individuals brings forth a multitude of perspectives, ideas and experiences. This, in turn, fuels innovation, sustainable growth and enhanced performance.

To ensure measurable advancements, we assess diversity and inclusion through three key performance indicators: inclusion favourability, gender equality and ethnicity.

We measure the level of inclusion favourability by utilising an index derived from responses collected during our annual employee engagement survey.

To promote gender equality, we have set a target to ensure a minimum representation of 40% of the underrepresented gender among approximately 400 members of management in Arla by 2030. We work on this goal in a very structured and target-oriented manner with dashboards ensuring transparency on gender balance in our teams, applications, hires, performance, promotions and equal pay. To ensure increased progress, the data is discussed quarterly in our HR function, among others. The share of women in management increased to 31% (2023: 29).

This approach aligns with our dedication to the UN Sustainable Development Goals (SDGs) on gender equality.

Market lenses on diversity and inclusion

In April 2024, Arla participated in the Danish Diversity Week alongside other major Danish companies. Throughout the week, a variety of learning opportunities were presented to all Arla employees, focusing on diversity, equity, inclusion and belonging. The programme included live learning events, webcasts and information on diversity, bias, inclusion, psychological safety, strategy and action within Arla.

In the UK, Arla UK won the National Diversity Awards 2024 for their strong focus and commitment to diversity and inclusion throughout the business, highlighting their efforts on the topic.

Ongoing training to create an inclusive work environment from top management to ground floor

In 2024, we continued our onboarding sessions and training for employees across Arla to foster an inclusive culture. Throughout 2023 and 2024, several managers, teams and individuals participated in discussions about diversity and inclusion, incorporating the influence of subconscious biases on decision-making, language barriers, inclusive behaviours, psychological safety and actionable focus for each team to conquer going forward. The training was divided into two different workshops called 'Inclusion starts with I' and 'Inclusive Culture is us' with the purpose of raising awareness and building commitment.

Addressing unconscious bias in talent acquisition

We implemented a tailored training programme for talent acquisition that addresses unconscious bias and emphasises the importance of creating inclusive job descriptions. We also use a template for job advertisements that aims to attract a diverse pool of applicants. We actively work towards ensuring that hiring panels consist of individuals from diverse backgrounds to promote inclusion in our hiring processes. To show a firm steer on the importance of a diverse workforce, Arla has internal targets on equal hiring for management and talent acquisition.

HUMAN RIGHTS

RESPECTING HUMAN RIGHTS

WE ARE DEDICATED TO SUPPORTING HUMAN RIGHTS, FOSTERING MUTUAL RESPECT AND UNDERSTANDING OF GLOBAL INTERACTIONS.

Human rights action
We are committed to respecting human rights throughout our value chain, including our own operations and those of our suppliers and business partners. For more details on our Human Rights Policy, please refer to pages 78-79.

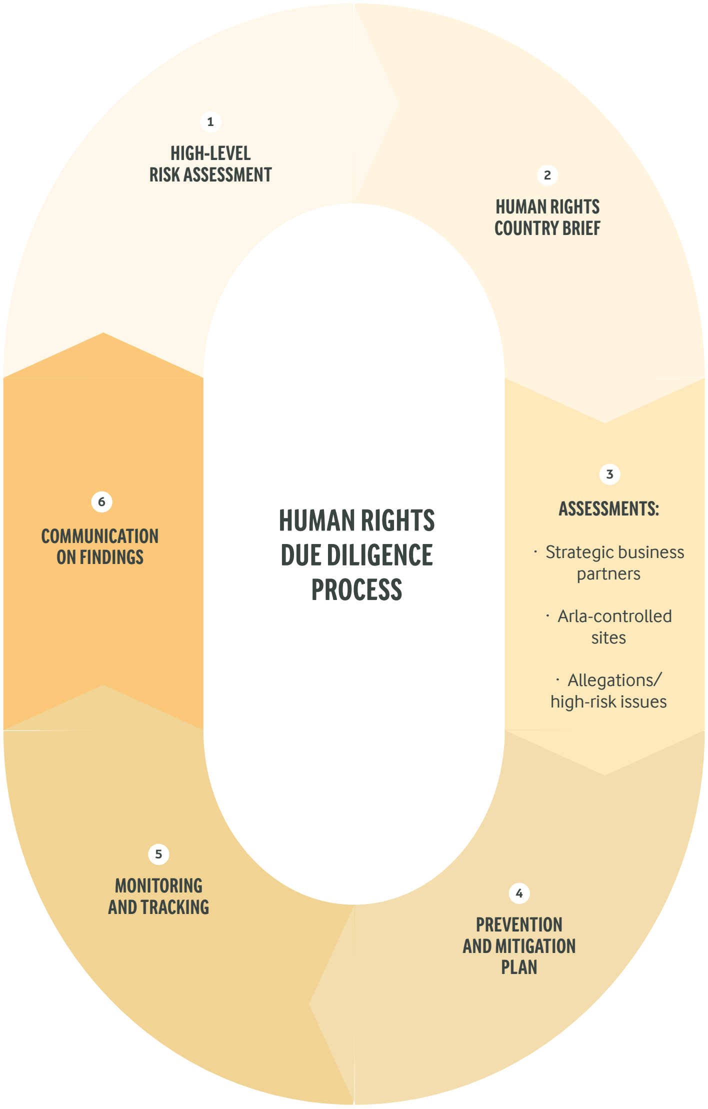
Human rights due diligence
Our human rights due diligence follows a risk-based approach to identify vulnerable groups and prioritise our efforts. Our assessments indicate that the greatest risk of causing, contributing or being linked to negative human rights impacts exists in our non-European growth markets, due to national contexts and the complexity of business operations. Consequently, we prioritise conducting human rights impact assessments in these regions and performing due diligence whenever we enter a new strategic partnership or receive an allegation.

The effectiveness of our engagement with value chain workers is measured by the results of our human rights due diligence assessments and supplier audits and visits. During the audits and visits, we engage with suppliers' workers to discuss working conditions and awareness of grievance channels including Arla's Ethics Line. Input from these efforts can feed into the update of our Human Rights Policy.

As a result of our due diligence assessments, we determine actions to take in response to particular actual or potential negative impacts related to human rights and labour rights. These are documented in a prevention and mitigation plan. As part of the due diligence it is also assessed if any remediation is required.

We are continuously enhancing and implementing our systematic human rights due diligence process in line with the UNGP and OECD guidelines, also supporting the fulfilment of the UN SDGs through our focus on our salient human rights issues. By incorporating the most recent information into our risk assessments and responding to new focus areas identified by international organisations, we improve our practices. This ensures a thorough and up-to-date approach to respecting human rights.

Human rights risk assessments
In 2024, we continued to identify and address potential and actual human rights risks and impacts within our value chain, particularly focusing on our operations in West Africa. Our Global Human Rights team, in collaboration with local teams, conducted on-site human rights risk assessments at our dairy site in Nigeria. The goal was to identify and address human rights risks for all personnel at our locations, including Arla employees and third-party workers. Our assessments also concentrated on risks related to key suppliers of packaging, logistics and services, which are often vulnerable due to the nature of their work.



97

Number of physical and virtual supplier audits conducted in 2024.

Our assessments were guided by our salient human rights issues, with particular attention to regional risks such as working conditions, health and safety and wages. Our own operations demonstrated solid performance, revealing no critical risks concerning Arla's salient human rights issues. The findings highlighted efforts to respect human rights. Additionally, we initiated discussions with relevant external parties to address potential risks, including working conditions and access to health insurance, and we continue to follow up on action plans to resolve identified issues.

Throughout 2024, we also maintained regular follow-ups on action plans from assessments conducted in 2022 and 2023, focusing on the Middle East and Nigeria.

Each year, we conduct supplier audits based on risk evaluations. In 2024, we performed 97 physical and virtual audits, compared to 73 in the previous year.

The human rights due diligence and supplier audits are coordinated by resources in our Supplier Assurance function.

Access to whistleblower service Ethics Line
The Ethics Line is available in 30 different languages for all employees and other stakeholders to raise concerns.

SALIENT HUMAN RIGHTS

SALIENT HUMAN RIGHTS ISSUES ARE IDENTIFIED THROUGH DUE DILIGENCE PROCESSES, RISK ASSESSMENTS AND ONGOING STAKEHOLDER DIALOGUES.

The most critical salient human rights identified in our value chain, including our suppliers and business partners, are working conditions, living standards, modern slavery, health and access to grievance mechanisms.

Right to fair and good working conditions
Safe and healthy working conditions
We remain focused on enhancing the maturity level of health and safety practices in our production facilities worldwide. We observe strong performance in both our European and non-European markets. More details on our health and safety initiatives are available on page 71.

During 2024, we continued working with suppliers to resolve risks in relation to unfavourable working conditions, including long working hours in our supply chain.

Living wage
Aligned with international frameworks, we understand and appreciate that paying living wages is one of the most important ways of helping people to get out of poverty, realising human rights and achieving our sustainable development goals. We participate in the AIM Living Wage and Income Working Group to gain insights and share knowledge.

Throughout 2024, we continued our collaboration with the Fair Wage Network to map wages for our own employees. The mapping created an overview of Arla's living wage status, and work is ongoing to evaluate and decide next steps.

Right to an adequate standard of living
Employer-provided housing
We continuously work to ensure that Arla-provided accommodation meets

or exceeds International Labour Organisation standards and local requirements.

Right to health

Health insurance in our non-European markets

Our employees should have fair access to health services. The employee interviews in West Africa confirmed that Arla as well as third-party workers have health insurance coverage, although there are differences for third-party workers. We will address these variations with the suppliers.

Right not to be subjected to slavery, servitude or forced labour

The risk of modern slavery continues to pose a challenge within our global value chain. As we source commodities from various regions worldwide, we acknowledge the heightened risk of child and forced labour among workers in certain countries in Asia and Africa.

We did not identify any risks related to child labour or forced labour in our own operations during 2024. We have previously identified the risk of forced labour in some of the Middle Eastern countries, where we have production facilities. This risk mainly pertains to local contractors and migrant workers. We continue our efforts to mitigate those risks. We continue to ensure that migrant workers keep their passports and identity documents, unless they require otherwise and sign a letter of consent, and we work with the implementation of our Code of Conduct for Suppliers and Business Partners. During 2024, we also continued our collaboration with manpower agencies on these matters.

Access to a grievance mechanism

In 2024, we continued promoting our whistleblower service Ethics Line. It is available on our public website in 30 different languages for all employees, consumers and other stakeholders to raise concerns. A compliance self-assessment of 38 entities in Arla's international business revealed a 9 percentage points increase in Ethics Line awareness compared to 2023, bringing the awareness level to 87%. Awareness questions included in our on-ground risk assessments indicated general awareness among staff.

In 2024, we did not receive any reports or found any severe human rights incidents within our own operations or throughout our value chain. In accordance with the guidance for our Ethics Line grievance mechanism, we make sure to provide remediation appropriate to the grievance.

In relation to Arla's Ethics Line, third-party grievance mechanisms for reporting to external parties can be found and used by Arla's employees and external stakeholders.

In 2024, the total amount of fines, penalties and compensation for damages as a result of severe human rights incidents was EUR 0 and as a result of discrimination and harassment EUR 0.

Our staff is aware of the Ethics Line

On-ground risk assessments indicated general awareness among our employees of the Ethics Line service.

Progress towards targets

ACCIDENTS

Accident frequency rate development
Accidents that result in injuries can be classified as either lost-time accidents (LTAs) or non-lost-time accidents (minor incidents). LTAs per 1 million working hours dropped to 4.6 in 2024 compared to 5.5 last year. The total number of LTAs decreased to 154 (2023: 181). Most markets experienced reductions, particularly in Danish logistics, which was a focus area in 2024 due to historically high accident rates.

We are closely monitoring the trend of accidents and have implemented mandatory mitigation plans in specific areas to ensure a quick improvement.

ACCOUNTING POLICIES

A lost-time accident (LTA) refers to a workplace injury suffered by an employee during work activities that leads to the loss of one or more scheduled working days or shifts. An accident is categorised as an LTA when the employee is unable to perform regular job duties, requires time off for recovery, or is assigned modified duties during the recovery period.

All employees, including both Arla employees and external agency workers engaged in Arla-related work, are required to promptly report any workplace-related injuries or illnesses to their team leader or manager, regardless of the severity. It is important to note that accidents involving contractors, such as construction workers, are not included in this reporting.

Most on-site employees have access to a mobile application that enables them to easily and swiftly report any accidents. It is essential to report the incident before the injured party leaves the workplace. The working hours used to calculate the accident frequency rate are derived partly from payroll information and partly from estimates using full-time equivalent (FTE) figures.

EMPLOYEES

Employee development
The total number of employees, measured as headcount, increased by 3 percentage points compared to the previous year. This growth can be attributed to the acquisition of the whey nutrition business and production site in the UK and ongoing insourcing of IT activities.

Full-time equivalents (FTEs) also increased by 3 percentage points compared to the previous year.

The share of blue-collar workers amounted to 59% of the total headcount as at 31 December 2024.

Workers outside of our own workforce are not reflected in the numbers of this report.

ACCOUNTING POLICIES

The number of employees by country, gender, contract type and age distribution is based on the headcount as at 31 December for 2024 and all historical years. Arla changed its methodology in 2023, previously figures were reported as average FTEs. The total number of employees is still expressed in FTEs for comparison reasons.

FTEs are a measure of an employee's contractual working hours in relation to a full-time contract for the same position and country. This figure is used to quantify the active workforce in terms of full-time positions. An FTE of 1.0 represents a full-time employee, while an FTE of 0.5 indicates a workload equivalent to a part-time employee working 50% of a full-time position. The headcount refers to the total number of employees, regardless of whether they are on a full-time or a part-time contract. Each individual employed by Arla is counted as 1.0 in the headcount numbers.

The average FTE figure is calculated as the average value for each legal entity throughout the year. These averages are derived from quarterly measurements taken at the end of each quarter. The headcount and FTE figure include all employees, regardless of whether they are on permanent or temporary contracts. However, employees on long-term leave, such as maternity leave or long-term sick leave, are excluded from the calculation. This ensures that the figure accurately represents the active workforce.

The majority of employees in production and logistics are classified as blue-collar employees, while employees in sales and administrative functions are classified as white-collar employees. The ratio of white-collar to blue-collar employees is calculated based on the headcount as at 31 December 2024.

Employee data is managed centrally in compliance with the General Data Protection Regulation (GDPR) guidelines. In Arla, employees have the option to choose a gender category that aligns with their identity. The available choices include man, woman or other. To comply with GDPR regulations, the 'other' category is merged with the 'men' category in disclosed gender diversity figures. The FTE figure is reported internally on a monthly basis. To enhance the accuracy and reliability of the data, each legal entity validates the information on a quarterly basis.

Find additional information in Table 1.2.c of our financial statements on page 115.

Accidents[1]

Per 1 million working hours	2024	2023	2022	2021	2020
Accident frequency	4.6	5.5	4.4	4.3	5.2

[1] Figures exclude accident frequency from the M&A of a whey business, UK.

Number of employees (headcount) by country and gender[2]

	2024			2023	2022	2021	2020
	Women	Men and other	Total				
Denmark	2,894	6,002	8,896	8,722	8,427	8,262	8,027
United Kingdom	774	3,263	4,037	3,810	3,705	3,689	3,762
Sweden	1,048	2,568	3,616	3,554	3,563	3,559	3,582
Germany	430	1,205	1,635	1,592	1,606	1,662	1,684
Saudi Arabia	65	869	934	941	979	978	968
Poland	570	362	932	805	646	622	561
North America	222	337	559	562	546	528	492
United Arab Emirates	72	381	453	441	441	429	388
Netherlands	123	299	422	422	395	374	370
Finland	191	235	426	374	374	386	343
Bahrain	38	292	330	330	335	294	164
Other countries[3]	357	1,035	1,392	1,376	1,321	1,272	1,075
Total headcount	**6,784**	**16,848**	**23,632**	**22,929**	**22,338**	**22,055**	**21,416**
Full-time equivalents			**21,895**	**21,307**	**20,907**	**20,617**	**20,020**

[2] The number of employees by country and gender is reported as the headcount as at 31 December for 2024 and all historical years.
[3] Other countries include, among others, Bangladesh, Argentina, Kuwait, Iraq, Oman, China and Nigeria.

Number of employees (headcount) by contract type

	2024			2023		
Number	Women	Men and other	Total	Women	Men	Total
Number of employees	6,784	16,848	23,632	6,549	16,380	22,929
Number of permanent employees	6,065	15,768	21,833	5,889	15,354	21,243
Number of temporary employees	719	1,080	1,799	660	1,026	1,686
Number of full-time employees	5,607	15,025	20,632	5,397	14,691	20,088
Number of part-time employees	1,177	1,823	3,000	1,152	1,689	2,841

Distribution of employees by age group

	2024			2023		
Age group	<30	30-50	>50	<30	30-50	>50
Share of employees	21%	49%	30%	20%	51%	29%
Number of employees	4,945	11,619	7,068	4,473	11,753	6,703

GENDER DIVERSITY

ACCOUNTING POLICIES

Gender diversity for all employees
Gender diversity refers to the proportion of women in relation to the total number of headcounts. The measurement of gender diversity, both for all employees and in management, is based on the headcount as at 31 December for 2024 and all historical years, and encompasses both white-collar and blue-collar employees.

Gender diversity in management
This measurement provides insight into the representation of women in management positions within the organisation. Arla's gender diversity in management is determined by measuring the proportion of women in director positions or above.

Gender diversity in the EMT
Gender diversity in top management is quantified by the proportion of women in the EMT. This measurement provides insight into the representation of women in executive management positions within the organisation.

EMPLOYEE TURNOVER

Employee turnover development
Employee turnover reflects the fluctuation within our workforce. Arla strives for a stable turnover rate, recognising that a certain level of turnover is necessary for maintaining competitiveness and fostering innovation.

In terms of employee turnover, there was a decrease compared to the previous year, with a total turnover rate of 12%. This was the result of a lower voluntary turnover rate, while the involuntary turnover rate was unchanged.

ACCOUNTING POLICIES

Differentiating between voluntary turnover (when an employee chooses to leave the company) and involuntary turnover (when an employee is dismissed), turnover serves as a measure of talent retention in Arla and also reflects the efficiency of our operations.

To calculate employee turnover, we divide the total number of employees who leave during a specific period by the total number of employees in that same period. It is important to note that this calculation is based on the headcount of employees and not on full-time equivalents (FTEs).

Turnover is calculated for all employees on permanent contracts and encompasses various reasons for their departure, including retirement, dismissal and resignation. Departures are included in the calculation starting from the month when remuneration is no longer provided. For instance, some tenured employees may receive remuneration for a few months after their dismissal, and their departure would be considered in the turnover calculation after this period.

GENDER PAY RATIO

Gender pay ratio development
Ensuring equal pay for the same job, regardless of gender, is a fundamental expectation for an ethical and responsible company. In Arla, both men and women in equivalent positions receive equal pay. This is achieved through well-defined and fixed salary bands across all job categories. To maintain pay equality, regular monitoring occurs on a quarterly basis, comparing salary levels between men and women within comparable job bands.

The gender pay ratio is based on the base salary and provides insights into the placement of women within the company hierarchy. Arla aims for completely equal treatment between genders, which would be represented by a gender pay ratio of 1.00. This was achieved in 2024, with the median salary for men to women reaching parity at 1.00, demonstrating the effectiveness of efforts to equalise payment between genders.

ACCOUNTING POLICIES

The gender pay ratio is calculated by dividing the median salary for men by the median salary for women. This calculation includes contractual base salaries, while pensions and other benefits are not taken into account. By focusing solely on base salaries, the gender pay ratio provides a specific measure of the disparity in remuneration between men and women within the organisation.

UNCERTAINTIES AND ESTIMATES

According to CSRD and the ESG reporting guidelines provided by CFA Society Denmark and Nasdaq, it is recommended to include the total workforce, along with bonus and pension, in the calculation of the gender pay ratio. However, due to data limitations, only the gender pay ratio for the white-collar workforce is included in this report. Arla will report in accordance with CSRD requirements in 2025. The pay data used for the calculation pertains to contractual base salary amounts at the end of March 2024, following the salary adjustment for that year.

Gender diversity for all employees[1]

	2024	2023	2022	2021	2020
Total share of women	**29%**	**29%**	**28%**	**27%**	**27%**

Gender diversity in management[1]

	2024	2023	2022	2021	2020
Number of men	253	260	256	257	258
Number of women	113	108	104	96	89
Share of women at level director and above	**31%**	**29%**	**29%**	**27%**	**26%**

[1] The share of women among employees and in management is calculated based on the headcount as at 31 December for 2024 and all historical years.

Gender diversity in the Executive Management Team

	2024	2023	2022	2021	2020
Number of men	7	7	7	6	6
Number of women	1	1	1	1	1
Share of women in the Executive Management Team (EMT)	**13%**	**13%**	**13%**	**14%**	**14%**

Employee turnover[2]

%	2024	2023	2022	2021	2020
Voluntary turnover	8%	9%	10%	10%	6%
Involuntary turnover	4%	4%	4%	3%	4%
Total	**12%**	**13%**	**14%**	**13%**	**10%**
Number of voluntary leavers	1,797	1,868	2,159	2,052	1,275
Number of involuntary leavers	846	901	719	693	783
Total	**2,643**	**2,769**	**2,878**	**2,745**	**2,058**

[2] Figures exclude employee turnover from the M&A of a whey business, UK

Gender pay ratio

	2024	2023	2022	2021	2020
Gender pay ratio (hierarchy variances)	1.00	1.01	1.03	1.03	1.05

ETHICS LINE GRIEVANCES

Our grievance and whistleblower service Ethics Line allows employees and stakeholders to report concerns such as legal violations, code of conduct breaches, fraud, bribery, harassment, food safety, environmental issues and intellectual property disclosure. We report externally the total amount of reports received during the year separately for unacceptable behaviour, including harassment and discrimination, fraud and bribery allegations and other grievances. In 2024, 100 reports were submitted to the Ethics Line. Please see the Grievance Policy for more information about the Ethics Line and the process of handling grievances.

UNCERTAINTIES AND ESTIMATES

It is possible that some work-related discrimination and harassment incidents are reported directly to HR and not captured by the Ethics Line. The significant increase in reports between 2022 and 2023 is attributed to enhanced communication and a general rise in awareness about grievance reporting.

COLLECTIVE AGREEMENTS

We support employees' rights to unionise and freely form and join organisations of their choice and to engage in collective bargaining, aligned with international human rights standards. Our commitment to these principles is embedded in our Code of Conduct and Human Rights Policy. In 2024, Arla reported on collective bargaining coverage for the first time. At the end of 2024, 61% of our workforce was covered by collective agreements. Outside of the European Economic Area this share is 0%. However, regardless of where we operate in the world, and whether our employees are represented, Arla is invested in offering fair wages and benefits for all employees.

In the table displaying the share of employees covered by collective agreements per country within the EEA, we have included each country with significant employment, defined as representing at least 10% of the total number of employees. Additionally, four other countries are included, as they are also featured in the employee headcount breakdown.

HUMAN RIGHTS GOVERNANCE

Arla is committed to respecting human rights across our entire value chain. We adhere to the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises. Our work is guided by our Code of Conduct 'Our Responsibility' and our Human Rights Policy, in which we elaborate on our commitment and expectations of stakeholders. Arla's human rights work is governed by our EMT and managed in various business functions. We engage with stakeholders, including experts, unions, right-holders and NGOs, on our human rights management.

Policies and other

In Arla, we have a comprehensive set of policies, standards, processes and codes of practice covering our complete value chain, governing how issues related to our workforce are handled in a structured manner. The policies presented below cover all our own employees and thus impact over 20,000 people. Even more people employed in our upstream value chains are covered by our human rights due diligence process, risk and impact assessments and human rights and modern slavery policies. If publicly available, policies can be found on our website and all policies are available to our employees on the intranet.

No significant changes to the policies took place in 2024.

Code of Conduct – Our Responsibility
Policy objectives and scope
Arla's Code of Conduct 'Our Responsibility' covers all aspects of our business and lies within every decision made every day, at all levels and everywhere in our company. It is based on the 10 principles of the UN Global Compact, the UN initiative to promote ethical business practices. Further, we are committed to following the UN Guiding Principles on Business and Human Rights as well as the OECD Guidelines for Multinational Enterprises. All of our policies are founded on our Code of Conduct that covers the four themes Responsible company, Confidence in products, Care for the environment and animal welfare, and Responsible relations.

Policy governance
Our Code of Conduct is approved by the BoD. The EMT approves strategies, prioritises areas, ensures progress and annual follow-up and sets the direction for necessary improvements and further updates. All managers are responsible for embedding our Code of Conduct in the culture and business, and each and every employee plays an important role in its implementation.

Our Code of Conduct is available in 12 languages on our website.

Human Rights Policy
Policy objective and scope
The Arla Foods Human Rights Policy is based on internationally recognised human rights principles, and applies to all Arla operations and all companies owned and/or controlled by Arla Foods, regardless of size or location. As a global dairy cooperative, we seek to strategically improve the fulfilment of the right to adequate food and its fair distribution, the right to health and the right to enjoy favourable conditions of work. Wherever we operate, we establish processes that enable us to identify, prevent and mitigate potential adverse human rights impacts that we may cause, contribute to or be directly linked to through our business activities. If we find that we are causing or contributing to adverse impacts, we seek to provide remediation. We do not accept any form of human trafficking and child labour or forced labour anywhere in our value chain.

Policy governance
The effectiveness of the policy is reviewed bi-annually by the EMT to ensure the business' continuous compliance with the UN Guiding Principles.

Number of grievance reports received through the Ethics Line

Year	2024	2023	2022	2021	2020
Related to unacceptable behaviour (including harassment and discrimination)	44	36	9	-	-
Related to fraud and bribery allegations	23	29	19	-	-
Related to other topics	33	31	16	-	-
Total number of reports received	**100**	**96**	**44**	**-**	**-**

Share of employees covered by collective agreements per country in the European Economic Area (EEA)

%	2024
Denmark	73%
United Kingdom	56%
Sweden	100%
Germany	73%
Poland	0%
Netherlands	91%
Finland	81%

Code of Conduct for Suppliers and Business Partners
Policy objective and scope
It is essential for Arla to operate in a responsible manner, and we expect our suppliers and business partners to live up to the same standards on environmental, social and human rights aspects. In addition to meeting our expectations on quality and food safety, our suppliers must sign the Code of Conduct for Suppliers and Business Partners if they want to become our strategic, preferred or locally accepted suppliers. Employees are strongly advised to only use suppliers of these categories.

The most important objective of our Code of Conduct for Suppliers and Business Partners is to minimise risks to people and safeguard our business. It requires suppliers to provide a safe and healthy working environment, respect the rights of children and not engage in or tolerate the use of child labour, not use forced labour and as a minimum comply with applicable laws and industry standards related to working hours and minimum wages and respect international agreements on human rights. In case a supplier breaches these obligations, Arla is entitled to terminate the contract and reject any supplied material without remediation for the supplier in question. In such a case, Arla will consider if any mitigating actions can be taken to avoid causing or contributing to negative impacts.

In accordance with our Code of Conduct for Suppliers and Business Partners, we require our suppliers to provide means for confidential grievance reporting to all workers, and they must ensure that processes are in place to ensure that workers who raise concerns and speak up in good faith are protected from retaliation. Additionally, we promote the possibility for suppliers to report any concerns about misconduct to the Arla Ethics Line.

We regularly update our Code of Conduct for Suppliers and Business Partners to ensure adherence to the latest international standards. This ongoing refinement guarantees that our practices meet the highest ethical requirements. Arla is a member of AIM-Progress, which is a forum assembled to enable and promote responsible sourcing practices. The update is inspired by AIM-Progress's work.

Policy governance
When a supplier signs the Code of Conduct for Suppliers and Business Partners, it allows Arla to audit them on sustainability matters as part of our human rights due diligence assessments. Our

POLICIES AND OTHER CONTINUED

Procurement function monitors compliance with our Code of Conduct for Suppliers and Business Partners as part of the supplier contracting process and reports on it internally each month.

The Code of Conduct for Suppliers and Business Partners is owned by the Head of Procurement, and is prepared and implemented through a collaboration between Procurement, Legal, QEHS Supplier Assurance and Global Sustainability.

Diversity Policy
Policy objective and scope
Arla runs a global business, and we believe that diverse teams combining inherent diversity such as gender, age or nationality are key to understanding and meeting the needs of our consumers and customers. Our overall ambition is to achieve a more diverse workforce and create an inclusive environment, where employees are included and treated with openness and mutual respect, recognising and harvesting the benefits of diversity. See our related targets and our progress towards them on pages 72 and 79.

The policy applies to all people processes to ensure equal and inclusive selection, assessment and reward of people.

Policy governance
Our Global HR team, headed by the Chief Human Resources Officer, is responsible for monitoring compliance with the policy, updating it when necessary and reporting on progress.

Anti-harassment Policy
Policy objective and scope
Arla is committed to ensuring a workplace that is characterised by mutual respect, free from any kind of harassment, bullying or discrimination. Harassment and discrimination are seen as any offensive, unacceptable verbal or physical conduct because of for example (but not limited to) race, religious beliefs, colour, place of origin, gender, physical or mental disability, age, ancestry, marital status, source of income, family status, pregnancy or sexual orientation, aimed at humiliating, demeaning, offending or intimidating an individual or a group of individuals. Our focus lies on preventive actions, early detection and actions to stop it. We encourage reporting of complaints (see grievance mechanism on page 75). All complaints are taken seriously, and if proven, harassment and discrimination are sanctioned, as are deliberately false or malicious allegations. The policy covers all locations, including the workplace and any other settings in which employees may find themselves in connection with their Arla employment.

Policy governance
Our HR function's management and the HR business partners across Arla have prime responsibility for rolling out this policy, initiating dialogue about it and assisting managers in handling cases. Updating the policy is the responsibility of our Global HR function. We measure the effectiveness of our policy by closely tracking non-acceptable behaviour cases through our yearly employee satisfaction survey and our confidential grievance reporting system.

Further policies that regulate our impacts on our own workforce are the Recruitment Policy and the Working Hour Policy.

Working Hour Policy
Policy objective and scope
Arla Foods is committed to providing safe and healthy working conditions for all employees working at our sites, while at the same time providing maximum flexibility for managers and employees and complying with legislation and relevant guidelines. We seek to ensure that employees do not exceed reasonable working hours, respect their right to rest and leisure and thus ensure a satisfactory balance between work and personal life. Working hours must comply with national laws and collective agreements and follow the standards of the Ethical Trading Initiative (ETI) Base Code, whichever affords the greater protection for employees.

Policy governance
All people leaders must ensure that the planning of working hours for all internal as well as external employees working at an Arla location is aligned with this policy. Vice Presidents in production and managers at similar levels in other functions are responsible for handling escalations of non-conformances within the respective areas.

Grievance Policy
Policy objective and scope
Arla is committed to acting with integrity, respect and in a transparent way, according to principles set out in our Code of Conduct. We recognise that our reputation and success depend on the behaviour of our employees, and we take violations of the Code of Conduct and legislation seriously. Our whistleblower service, Ethics Line, is available on Arla's website for all employees and other stakeholders to raise any concerns they may have. It is separately communicated to our suppliers through the Code of Conduct for Supliers and Business Partners that they sign. We do not tolerate retaliatory action taken against anyone raising concerns in good faith. Our actions align with the EU Directive on the protection of whistleblowers. All reports are confidential and can be submitted anonymously. Each grievance is addressed seriously and respectfully, and we provide remediation appropriate to the grievance.

Policy governance
The Ethics Line Committee is an internal team acting with integrity and balancing the interests of the reporter, the reported person(s)/organisation/activities and the interests of Arla when handling grievances. The Ethics Line Committee includes representatives from Finance (Risk, Controls & Compliance), Legal, HR, Global Sustainability and commercial segments. The Ethics Line Committee is independent of organisational structures and reports to the CEO. Arla reports externally on an annual basis the number and type of grievances received.

QEHS Manual
Policy objective and scope
Arla's accident management system is documented in our Quality, Environment, Health & Safety (QEHS) Manual that determines how the topic of health and safety is to be managed, and how workplace accidents, near misses and observations are to be reported. The QEHS Manual covers all Arla-owned and/or -operated manufacturing sites, warehouses, logistic functions and other functions managing products, services and processes.

Policy governance
Our Global QEHS function is responsible for maintaining and reviewing the Arla QEHS Manual which happens at least once a year and more often if needed. The manual is approved by the Chief Supply Chain Officer.

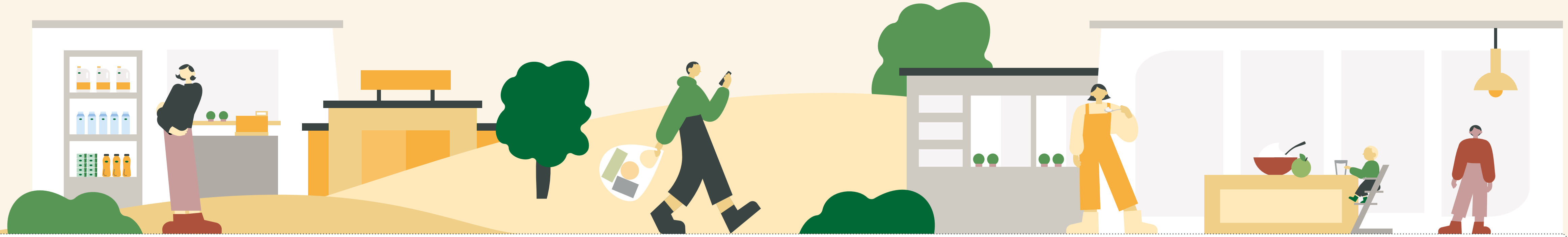
Arlagården®.
Policy objective and scope
All Arla farmer owners are obliged to adhere to our cooperative's farm management programme Arlagården®. People is one of the four focus areas of the programme. The dairy farm is a place to live and work. Respectful relations are part of the heritage of our cooperative and are just as important for the generations to come. The Arlagården® people requirements define a framework for how we ensure a fair and safe workplace for the farmer owner and the employees, forming the foundation for respectful relations between people on the farm, within the local community and in the value chain.

Our farmer owners are an essential part of our cooperative's supply chain and our joint commitment to eliminating forced labour. As per our general membership terms, our farmer owners are obliged to ensure that no forced labour is used in their production, and that as a minimum they comply with all applicable laws and industry standards relating to working hours and minimum wage. Farmer owners in the UK are specifically obliged to comply with the provisions of the Modern Slavery Act.

Policy governance
Arlagården®'s mandatory components include Arlagården® and a farm information survey. The Arlagården® farm management programme and its verification process consist of two steps, each designed to further strengthen transparency and trust: A self-assessment survey and a third-party audit. At the current stage, the people agenda is not part of the third-party audit.

Our Agriculture team, headed by the Chief Agriculture and Sustainability Officer, is responsible for monitoring compliance with the programme, updating it when necessary and reporting on progress.

CONSUMERS – HEALTHY AND SAFE NUTRITION



Impacts

ARLA'S IMPACTS

PNI
FOOD SAFETY

API
HEALTHY NUTRITION

API
NUTRITION TO VULNERABLE CONSUMERS

- ANI Actual Negative Impact
- PNI Potential Negative Impact
- PPI Potential Positive Impact
- API Actual Positive Impact

Policies

- Quality and Product Safety Policy
- Labelling Policy
- QEHS Manual, food safety and recalls
- Responsible Marketing Policy

ENSURING SAFE PRODUCTS IS OUR PRIORITY

Impact, risk and opportunities

Prioritising food safety and nutritional impact

In our double materiality assessment (see pages 34-37), we identified both actual positive and potential negative impacts related to the consumption of our products.

Our top priority as a food producer is ensuring product safety. Compliance with food safety regulations is crucial for maintaining our production licence. We maintain high food safety standards through global certifications, a recall process and policy and an external benchmark survey.

Additionally, having consumer trust in the food safety and health of our products is crucial. We believe that consuming our nutrient-dense products can have an actual positive impact on our consumers' health.

We constantly work on further improving our products' health profile and following up on developments in international standards.

Furthermore, we consider that we have a positive impact on vulnerable consumers such as elderly people, infants or malnourished children and low-income consumers to maintain and support their health and well-being by improving their access to valuable nutrition.

Strategy

Our health and nutrition ambition

Ensuring the safety of our products is our highest priority. By following the principles outlined in our Global Quality and Product Safety Policy, we continually enhance our quality culture and food safety standards. Accurate labelling is crucial, enabling consumers to make informed choices. We understand the importance of providing quality information, particularly to vulnerable groups such as children and low-income consumers.

As part of our health strategy, we aim to develop new, sustainable and healthier products. Guided by the publicly available Arla Nutrition Criteria, which align with current scientific evidence and recommendations from health authorities, we strive to provide nutritious and tasty dairy products to consumers. Balancing environmental protection with the need to provide nutritious food for a growing global population is a significant challenge for the food industry. Turning this challenge into an opportunity is vital for our ongoing relevance in a changing market.

We are committed to combating global malnutrition for low-income consumers. Our strategic goal is to reach 100 million low-income consumers, and we continuously develop products and strengthen our efforts to achieve this.

Inspiring healthy eating habits and promoting cooking with minimal waste are also key components of our health strategy, particularly for future generations. Through various educational and inspirational programmes, we aim to instil positive habits and behaviours.

Targets and ambitions

ARLA'S AMBITION

PRODUCT RECALLS

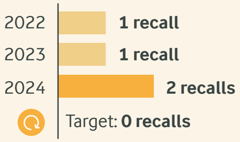
A core responsibility is to ensure that our products are safe for consumers to eat and drink. The target for recalls is by default zero.

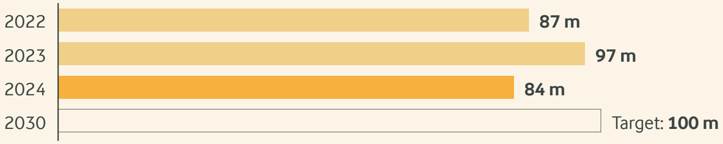
Read more on page 82.

LOW-INCOME CONSUMERS REACHED

Access to adequate and healthy food is a basic human right, and we want to meet consumers' nutritional needs around the world. Our ambition is to reach 100 million low-income consumers.

Read more on page 82.





Actions and resources

PROVIDING GOOD FOOD TO THE WORLD

IN ARLA, WE FOCUS ON PRODUCT SAFETY TO PROTECT OUR CONSUMERS. WE LEAD IN DAIRY NUTRITION THROUGH RESEARCH TO BENEFIT PUBLIC HEALTH AND WORK TO TACKLE GLOBAL MALNUTRITION BY IMPROVING ACCESS TO DAIRY AND MAKING A POSITIVE IMPACT.

Food safety first

Ensuring the safety of our products for everyone is crucial for Arla. We do not release products to the market if there are any food safety concerns, and we have strict procedures and policies in place to ensure this. Alongside policies and procedures, our quality and food safety culture is crucial for maintaining control over food safety. Products are recalled if there is any sign of a food safety risk. In 2024, we had two recalls, one due to mislabelling and one due to visible mould (read more on page 85).

All our production sites are certified under the International Featured Standards (IFS) on food safety, audited by third-party auditors, and they have passed their audits.

This year, we conducted our second external benchmark survey on quality and food safety culture, serving as inspiration in the continued effort to strengthen our business.

Additionally, we conducted labelling checks on our branded products in European and international markets to ensure regulatory compliance.

Advancing nutrition through research partnerships

To pioneer dairy nutrition and explore its health benefits, Arla actively runs a research collaboration called Arla Food for Health (AFH) with Denmark's two largest universities.

In 2024, three new research projects were chosen to receive total funding of EUR 1.6 million.

The research outcomes can be used to strengthen the foundation of the health effects of consuming dairy and dairy ingredients. AFH and its partners are equally dedicated to sharing their scientific insights with the broader community.

Improving access to healthy nutrition

Malnutrition remains a significant health challenge. We are committed to addressing the needs of groups at high risk of malnutrition by providing access to affordably priced dairy products, in Bangladesh with Dano® Daily Pushti, and in Nigeria, Senegal and Ghana with Dano® Cool Cow. We constantly pursue opportunities for creating products for low-income consumers that provide sufficient nutrients.

Dano® Cool Cow and Dano® Daily Pushti reached 84 million consumers in 2024, marking a decline from 2023. This reduction is attributed to high inflation in West Africa and Bangladesh, which reduced purchasing power among low-income consumers, along with increased competition in Bangladesh and shifting consumer habits in Nigeria. To improve consumer awareness, campaigns on dairy nutrition were introduced in Nigeria. Additionally, Arla® Eazy was launched in Bangladesh to offer even more dairy options for low-income consumers.

We continued training farmers to develop a more sustainable dairy sector in Bangladesh, Indonesia and Nigeria. By sharing our expertise, we help develop a green dairy industry to nourish a growing population.

Pushti Ambassadors
It supports female entrepreneurs in rural Bangladesh by promoting business development and the sale of dairy products for low-income consumers.

DANO® COOL COW

Dairy products targeted for low-income consumers are available in Bangladesh with Dano® Daily Pushti, and in Nigeria, Senegal and Ghana with Dano® Cool Cow.

WHAT WE BRING TO THE TABLE

WE BELIEVE DAIRY CONTRIBUTES POSITIVELY TO A SUSTAINABLE DIET. WE TAKE DIFFERENT MEASURES TO PROVIDE OUR CONSUMERS WITH NUTRITIOUS DAIRY PRODUCTS AS WELL AS PROTECT VULNERABLE CONSUMERS.

Increasing transparency on our products' nutritional value

As a global dairy company, we acknowledge our impact on public health and the importance of transparency about our products' nutritional value. Therefore, we collaborate with the Access to Nutrition initiative (ATNi). In their benchmarking of global food and beverage manufacturers and retailers, ATNi uses a nutrient profiling model called the Health Star Rating (HSR), which assigns ratings from 0.5 to 5 stars to packaged foods and beverages. The star rating is based on factors like total energy, saturated fat, salt and sugar content, which lower the score, while fibre, protein, fruit, vegetables, nuts and legumes increase it. The points needed for a certain star rating depend on the product category. To be considered healthy, a product must achieve at least 3.5 stars, regardless of its category.

In 2024, Arla achieved third place among the 30 largest food and beverage companies and continues to rise in the ranking. ATNi makes a specific mention of our responsible marketing and labelling policies, recognising Arla's commitment to protecting children and enabling all consumers to make informed dietary choices. The report further refers to our work with providing nutrition, highlighting our strategy to provide nutritious food to lower-income families in Bangladesh and Nigeria.

Strengthening our Responsible Marketing Policy

In 2024, we updated our Responsible Marketing Policy, which regulates Arla's communication activities aimed at all consumers, with added provisions for children as sensitive consumers. It now aligns with the UN Convention on the Rights of the Child, which defines children as those under 18 years of age. Furthermore, the share of the placement of advertising to children through media has declined from 30% to 25%.

Lastly, due to the increasing importance of the HSR, it is now used as a standard instead of the Arla Nutrition Criteria to assess if a product is deemed healthy (HSR ≥ 3.5) or not. The HSR now sets the standard by which brands may or may not be advertised to children under 18.

Micronutrient Fortification Policy

Based on the WHO international recommendations, Arla released a policy on when and how to add minerals and vitamins to our products in 2024. This policy defines three principles, which are:

1. The products chosen for fortification must be of good nutritional quality defined by complying with the Arla Nutrition Criteria and an HSR equal to or above 3.5.
2. The nutritional need for fortification must be justified by data on the local context, the nutritional intakes of the population group and the risk of deficiencies identified.
3. The fortification levels must be adjusted to contribute significantly to cover the needs, while not posing a risk of toxicity.

COCIO® DELIGHT

By 2024, for each MBB variant a 'no-added sugar' or reduced sugar variant is available.

HEALTH STRATEGY FOR MILK-BASED BEVERAGES

With the purpose of creating more healthy options for consumers within this indulgence category, we constantly work on finding solutions or innovations to increase our products' nutritional value without compromising on taste or texture. One product group in focus is our milk-based beverages (MBB). This health strategy focuses on four ambitions:

1. Maximum 6 g of added sugars per 100 g product in 100% of our global branded volume.
2. By 2024, for each MBB variant a 'no-added sugar' or reduced sugar variant is available.
3. Continuously aligning the serving size recommendations with nutrition criteria and clearly communicating the sharing size on multi-serve packages by the end of 2024.
4. Providing new and healthier solutions for sweet taste.

INSPIRING CONSUMERS

OUR MISSION IS TO INSPIRE CONSUMERS BY OFFERING PRODUCTS THAT MEET THEIR DIVERSE NEEDS AND INVITING THEM TO ENGAGE IN ACTIVITIES THAT PROVIDE INSIGHTS INTO OUR PRODUCTS' ORIGINS WHILE PROMOTING HEALTHY HABITS.

Inspiring a healthy diet through our national websites

We believe that inspiration and knowledge about cooking are key to developing good food habits. We offer cooking inspiration globally through our national websites and brochures. Our Danish and Swedish recipe platforms reached over 120 million visitors in the last 12 months.

Additionally, we increasingly use social media platforms to actively engage consumers and promote sustainable and healthy eating.

Supporting sustainable and healthy eating habits of children

The food skills you acquire as a child and young person are important prerequisites for being able to take responsibility for sustainability and your own health in adulthood.

Building on our previous efforts in supporting school breakfast in 2023, Arla Sweden launched Frukosteffekten, a personalised tool aimed at easing the process of starting breakfast in schools, in collaboration with Rädda Barnen (Save the Children) and Generation Pep. This initiative is linked to our 360 Campaign towards consumers focusing on the benefits of breakfast.

Through the Arla Foundation, we want to contribute to long-term positive development by working on a broad solution that is based on initiating practical food activities for children and young people, and engaging structural actors. Together, we want to ensure that the next generation has the best conditions for developing strong food skills and mastering important choices in relation to cooking, meals, sustainability and health. In 2024, over 114,000 Danish children participated in activities around cooking, avoiding food waste and food education.

Reducing food waste starts early
Hosted by the Arla Foundation, Madspildskole teaches children how to use food scraps to build a strong knowledge base on avoiding food waste.

Engaging with consumers

We closely monitor consumer opinions and preferences to maintain our position as one of the leading global dairy companies. We conduct representative surveys of both European and global consumers through third-party organisations, which include weekly assessments of corporate reputation and brand image. Additionally, our team occasionally purchases syndicated studies focused on sustainability issues. The survey results are shared with the Chief Marketing Officer.

We also gather consumer feedback on our products through various focus groups, organised as needed. The effectiveness of these efforts is evident in positive consumer responses and increasing sales volumes.

Capturing concerns

We place a high value on consumer satisfaction and recognise the impact that negative feedback can have on our brand value.

Therefore, we prioritise providing multiple channels for consumers to voice concerns and complaints about our products. Our branded packaging prominently displays the physical address, phone number and email address of relevant Arla offices, ensuring consumers know how to reach us. Consumer complaints are managed by individual markets and tracked through a centralised database.

Progress towards targets

FOOD SAFETY – PRODUCT RECALLS

In 2024, Arla initiated two recalls. One recall related to mislabelling of a Cultura product in the Swedish market. The product was incorrectly labelled as lactose-free, despite containing lactose. This error originated in the design phase of the packaging and was unfortunately overlooked. Additionally, a recall was initiated for Protino desserts in the Danish market due to sporadic occurrences of visible mould.

ACCOUNTING POLICIES

All product incidents are handled promptly to safeguard consumer safety as well as to ensure compliance with legal requirements and product quality. The management of public recall incidents follows a detailed and standardised process. Additionally, the handling of product incidents is subject to annual testing to maintain preparedness and effectiveness.

A public recall is initiated when products pose a material food safety, legal or brand integrity risk. It is relevant only when the affected products are accessible to consumers in the marketplace. Public recalls are promptly reported as they occur, and an incident report must be completed within two weekdays from the initial notification of the issue. The total number of public recalls is disclosed externally on an annual basis in accordance with reporting requirements.

LOW-INCOME CONSUMERS REACHED

Arla is committed to improving access to nutrition targeted for low-income consumers in developing countries. In 2024, we reached 84 million consumers (2030 target: 100 million; 2020 baseline: 76 million) with affordable nutrition products, indicating a notable decrease compared to 97 million in 2023. Macroeconomic factors, such as currency depreciation leading to high inflation in Bangladesh and intensified inflation in Nigeria, have further diminished the purchasing power of low-income consumers. Moreover, in Nigeria, there is a noticeable shift in consumption habits towards less nutritious dairy substitutes, whereas, in Bangladesh, increased market competition and political unrest have also contributed to lower sales volumes.

ACCOUNTING POLICIES

The disclosed number on access to nutrition is defined as the number of low-income consumers reached with Arla's products in key markets during the last 12 months. These products are Dano Daily Pushti (DDP) in Bangladesh and Dano Cool Cow (DCC) in Nigeria. These products are in line with having a Health Star Rating equal to or higher than 3.5 to be considered healthy. By 'consumers reached' Arla refers to consumers that are in a household which has either purchased or consumed the product in the specific period. The KPI is calculated using market penetration data related to the number of low-income consumers reached with Arla's affordable nutrition products and average household size relative to the number of low-income consumers based in the market according to the National Social Economic Class segmentation. Market penetration data is provided by an external agency every month. The agency collects sample data from around 9,500 households every month using various data collection methods, such as mobile apps or diaries, depending on the available technologies in the area. The final result is estimated by extrapolating the sample data to illustrate the market penetration of the whole population within that specific market. Data is available with one month's delay, and as a result data related to December is based on the November data collection. Every year, the data is based on the last available period. 2024 numbers are based on market penetration data from November, and from December for previous years.

As it is not feasible to collect data directly from the entire population, the current methodology used for reporting on the metric is considered sufficiently robust.

Policies and other

Our policies related to consumers regulate those actions where our key impacts and potential risks lie, and support us in reaching our social sustainability targets and ambitions. They ensure that we correctly and appropriately inform consumers about our products, that our products are safe to consume, that we can act swiftly in case they are not and that we market our products responsibly, especially to the most vulnerable consumers groups, such as children. If publicly available, policies can be found on our website.

Quality and Product Safety Policy
Policy objective and scope
Arla's top priority is to supply safe products of high and consistent quality. We are committed to never compromising on the quality or safety of our products. Our Quality and Product Safety Policy applies to Arla, and any entity directly or indirectly controlled by Arla and their respective employees. The scope of this policy includes all handling and services related to our products which can affect product quality and safety. Key elements of our policy are as follows:

1. All of our products are risk-assessed for their full declared shelf life and for the relevant target groups of consumers.
2. HACCP principles (Hazard Analysis and Critical Control Points) are applied, documented and validated for all productions.
3. All manufacturing sites must be certified according to internationally recognised food safety standards within GFSI (Global Food Safety Initiative).
4. All products must be 100% traceable in all steps of supply, production, storage and distribution.
5. All production must comply with relevant legislation and regulatory requirements in the country of manufacture and with relevant regulatory requirements in markets exported to.

The effectiveness of this policy is constantly monitored internally based on three KPIs: the number of food safety incidents, complaints from customers and consumers and cost of quality deficiencies.

Policy governance
Our Quality and Food Safety Policy is reviewed yearly by the management of the Quality, Environment, Health and Safety (QEHS) function and approved by the Chief Supply Chain Officer.

Labelling Policy
Policy objective and scope
Our Labelling Policy aims to create a uniform approach to labelling across all Arla-branded products to avoid misleading the consumers with regard to nutrition and health information. We seek to provide simple and accurate information about our products to enable our consumers to make informed choices in their quest for healthier food choices. The policy regulates the responsibility for both mandatory and voluntary information on the front and the back of all branded food packaging. Mandatory labelling information on our products always follows local or EU laws and regulations. Voluntary information on packaging includes health and nutrition claims and any other type of claims governed by EU or local food regulations (such as the use of words like 'Natural', 'Pure', 'Original'). In markets where there is no such legislation or guideline, Arla follows the principles for mandatory and voluntary information on labels laid out in FAO's Codex Alimentarius. The efficiency of the policy is evidenced by the consistently low number of legal cases we have in relation to our labels.

Policy governance
Our Labelling Policy is owned jointly by the global management of the Marketing and the QEHS function, who are responsible for updating and implementing it. The policy is approved by the Chief Marketing Officer and the Chief Supply Chain Officer.

QEHS Manual, food safety and recalls
Process objective and scope
Product incidents related to the safety, legality or quality of our products are dealt with through a highly standardised process detailed in our QEHS Manual. Timely and controlled handling of such incidents is of utmost importance to secure the best possible control and the safety of our consumers. All incidents must be managed without any undue delays, and in accordance with the escalation process, local procedures and Arla Mandatory Standards. Product incident management is tested at least annually. The number of product-related incidents is tracked through a global system and reported to relevant management bodies at least monthly. Read more about food safety and the QEHS Manual on page 79.

Process governance
Read about process governance on page 79.

Responsible Marketing Policy
Policy objective and scope
Our Responsible Marketing Policy covers all marketing communications directed at consumers, with special provisions for marketing to children under 18 years and additional provisions for marketing to children under 13 years. First and foremost, all of our marketing communications have to comply with local laws and regulations. However, our commitment goes above and beyond these laws and regulations. The backbone of the policy is based on a collaboration with the EU Pledge. All marketing communications must abide by the International Chamber of Commerce (ICC) Advertising and Marketing Communications Code, and the ICC Framework for Responsible Food and Beverage Marketing Communications in alignment with the EU Pledge enhanced commitment 2021.

Our key objective is to factually present our products and recipes in all advertisements in a way which does not attempt to mislead consumers. When it comes to children, we do not insert marketing communication into inappropriate editorial content, and we make sure not to mislead about the potential benefits of a product (such as status and popularity with peers). For the most vulnerable group (under 13 years), we only market products that fulfil the Arla Nutrition Criteria. The efficiency of the policy is evidenced by the consistently low number of legal cases related to our marketing communications.

Policy governance
The Responsible Marketing Policy is owned by our Global Marketing function, and is approved by the Chief Marketing Officer.

Recalls

	2024	2023	2022	2021	2020
Number of recalls	2	1	1	0	1

Low-income consumers reached in Bangladesh and Nigeria

million	2024	2023	2022	2021	2020
People reached in Bangladesh	52	58	48	36	28
People reached in Nigeria	32	39	39	49	48
Total number of people reached	**84**	**97**	**87**	**85**	**76**

GOVERNANCE

Impacts

ARLA'S FOCUS AREAS

POLITICAL ENGAGEMENT

CORPORATE CULTURE

ACTIONS AND RESOURCES

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

FAIR PAYMENT TERMS

RESPONSIBLE MARKETING

Policies

- Responsible Political Engagement Policy
- Payment Policy
- Global Purchasing Policy
- Anti-bribery Policy
- Code of Conduct – Our Responsibility
- Code of Conduct for Suppliers and Business Partners
- Grievance Policy
- Responsible Marketing Policy
- Environmental Policy & Green Ambition 2050

RESPONSIBLE BUSINESS CONDUCT

WE ARE COMMITTED TO SUSTAINABLE GROWTH, GROUNDED IN THE PRINCIPLES OF HONESTY, ACCOUNTABILITY AND TRANSPARENCY.

Impact, risk and opportunities

Safeguarding reputation and ethical engagement
Arla's reputation and operational licence rely on transparent business practices and a commitment to sustainability. Our double materiality assessment (see pages 34-37) highlighted two business conduct risks: Perceptions of greenwashing, especially in European markets sensitive to overstated sustainability claims, and the risk of unethical conduct accusations if political engagement is not managed transparently.

Actions and resources

Commitment to ethical practices and transparency
Our dedication to ethical business practices involves more than being compliant. It is about embodying our core values and fostering a culture of transparency and integrity.

Our Code of Conduct reflects this commitment. It guides every action and decision within Arla, ensuring that our operations exemplify integrity and responsibility. It outlines our stance on a range of topics, including anti-corruption, anti-bribery, taxation and managing environmental and social impacts throughout the value chain.

Committed to growing responsibly
In early June 2024, 38 distributors from the Rest of the World cluster gathered in Copenhagen for an inspirational week focused on our brands to kick off 2025. We conduct business with these distributors to further promoting our products in their respective markets.

Arla's BoD is responsible for approving our Code of Conduct and overseeing management to ensure alignment with legal and ethical standards. The BoD holds executive management accountable, promoting transparency and ethical operations.

The EMT approves strategies, prioritises initiatives and monitors progress on business conduct. They identify and manage risks related to ethical issues proactively. Additionally, all managers are tasked with embedding our principles of business conduct into Arla's culture, with every employee playing a vital role in its implementation.

Anti-corruption, bribery and fraud
We take a strong stand against any breaches of our Code of Conduct or regulations. We urge employees and stakeholders to voice concerns or report any potential misconduct through our whistleblower system, the Ethics Line.

This platform ensures confidentiality and security and is available on the Arla website in 30 languages, open to all employees and stakeholders. Any breaches can also be reported directly to the local Human Resources, Risk and Compliance or Legal function.

We ensure that our policies are accessible and clearly communicated to all relevant parties. Our Code of

Conduct is available in 12 different languages on the Arla website as well as an English version of our Anti-bribery Directive. Internally, all Arla policies are stored and managed through a portal on our intranet. By integrating our Code of Conduct into the onboarding training for new employees, we instill our corporate values.

To avoid fraud, we maintain a coherent system of internal controls, which are regularly assessed for effectiveness and adequacy. In 2024, we updated the Anti-fraud Policy and conducted relevant communication to remind our employees that fraud can also be reported via the Ethics Line. The Ethics Line Committee, which oversees the grievance channel, reports to the CEO. The reporting structure for other non-conformities varies by region. For instance, these can be reported to the local BoD or through other channels to the EMT.

We pay particular attention to higher-risk areas for fraud, corruption and bribery, such as operations in the Middle East, Nigeria, Central and Southern Africa, Bangladesh, Indonesia and South America. We have also identified higher-risk business areas that require more focus, which are sales, marketing and procurement.

Addressing bribery, fraud and corruption is essential for upholding human rights and labour rights. Breaches of business conduct such as human rights and labour rights are identified and assessed through our human rights due diligence process. More on pages 73 and 78.

In the UK, we increased our focus on reinforcing anti-corruption and anti-bribery initiatives to align with stricter local regulatory demands. In November 2024, Arla UK conducted anti-corruption and bribery training to enhance employees' understanding and adherence to the Bribery Act 2010. This initiative ensures we have adequate procedures in place based on the UK's statutory guidance, which sets out a risk-based approach to compliance.

In 2024, we did not receive any convictions or fines for violation of anti-corruption and anti-bribery laws. See page 78 for the number of reports submitted to the Ethics Line.

The responsibility of anti-corruption and bribery investigations lies with our Legal function, which has local coverage of all markets.

Political engagement and lobbying
As a leading dairy cooperative, Arla's involvement in political engagement is essential to make a significant impact and drive meaningful change. This engagement not only ensures our representation in issues that directly impact us and our farmer owners, but also enables us to help shape emerging legislation, reduce risks and enhance collaboration. Our active participation helps address industry challenges, supports growth and leverages our expertise to shape a deeper comprehension of the dairy sector and how legislation can support the industry in the sustainable transition.

In accordance with our policies, we do not make political contributions to politicians, their representatives, political parties, election campaigns or political fundraising events. This could be direct to the party or individual or indirect via third-party organisations, and it covers monetary or in-kind contributions.

In 2024, our political engagement practices focused on climate-related regulatory changes, including carbon taxation, and supporting political frameworks for farmers to adopt regenerative practices and carbon farming. We also focused on product labelling to ensure consumers can make informed choices, and we worked with authorities and NGOs to promote sustainable, healthy diets globally and highlight dairy's role in this. We believe that nutritional labelling should align with countries' official dietary guidelines. Our engagement activities are aligned with key business risks and are rooted in our Future 26 strategy as well as our commitment to meeting the 1.5°C goal set by the Paris Agreement.

Responsible supply chain management
We aim to collaborate with suppliers who share similar values. Our global network of suppliers significantly influences our sustainability performance. Many of our biggest sustainability impacts, such as scope 3 climate emissions, animal welfare, impact on biodiversity and human rights, occur in our value chain. In addition, our business risks, including potential impacts on brand value, are linked to these challenges.

With that in mind, we require compliance with our Code of Conduct for Suppliers and Business Partners (CoCS), which addresses a broad range of environmental, social, ethical and human rights standards. Currently, signing our CoCS is an essential criterion in our supplier selection process. Our Global Purchasing Policy sets forth the purchasing standards that are crucial for engaging with our suppliers. When suppliers sign our purchasing agreements, they commit to our sustainability goals and the necessary measures to lessen their environmental impact as well as our IT security measures. In addition to that, we updated our Code of Conduct for Suppliers and Business Partners (CoCS) in 2023 to reinforce our commitment to human rights, particularly the right not to be subjected to slavery, servitude or forced labour. We are engaging with suppliers and business partners who previously signed older versions of our CoCS, encouraging them to adopt the updated version.

By fostering strong relationships with suppliers and implementing strategic sourcing initiatives, we maintain a robust supply chain and production. We also engage in ongoing collaboration with our suppliers to tackle environmental and social issues along our entire supply chain. For a detailed account of our strategies to decrease the climate impact in our supply chain, please see pages 48-49. Information on how we manage risks linked to risk commodities is available on page 59, and our methods for safeguarding human rights in our supply chain are detailed on pages 73, 78 and 79.

Due to our cooperative structure, we continuously work alongside our farmer owners, who also serve as our suppliers, on sustainability-related matters on farms through the Arlagården programme and the FarmAhead™ Check. More on pages 44 and 50.

Fair payment practices
Fair payment terms, such as reasonable payment periods and transparent agreements, foster trust, strengthen business relationships and encourage collaboration between Arla and our suppliers. Paying suppliers on time is crucial as timely payments ensure sustainability and growth. We have set our payment terms in line with industry practice outlined in our Payment Policy. In 2024, the average time required for us to process an invoice payment was 53 days, compared to 52 days in 2023.

Our primary suppliers, the farmers providing raw milk, are crucial to our operations and affected by the timing of our payments. In 2024, the average payment period for farmers was 15 days, whereas payments to other suppliers took 59 days.

Targets and progress

PAYMENT PRACTICES

ACCOUNTING POLICIES

Average payment time
Fair payment terms foster trust and ensure sustainability while aligning with industry practices. Arla reports the average time it takes to pay an invoice for its suppliers. The KPI measures the duration from the start of the contractual or statutory payment term to the clearing date, reported annually in days. It is noted that Arla's reporting spans from the time an invoice is received in our system to the date it is paid, which may not match the exact date the supplier receives the payment due to varying bank processes. The reporting includes all Arla SAP entities.

Payments by standard payment terms
Conducted in line with our Payment Policy, see more under Payment Policy.

Legal proceedings currently outstanding related to late payments
Arla has specific procedures in place to avoid late payments, including the use of automated notifications and robotics to alert users about invoices awaiting approval. Monthly reports are generated to facilitate smooth payment processes, and we track overdue open items on supplier accounts and monitor ageing for invoices.

Legal proceedings currently outstanding related to late payments is defined as open legal proceedings with bailiff's courts or public authorities due to alleged late payment of undisputed invoices by year-end. These cases primarily involve bailiff actions and specific collection procedures, excluding disputes under regular civil court or arbitration processes. Such bailiff cases should be rare and indicate a problem; upon awareness, Arla would either promptly settle the unpaid invoice or inform the judge that the claim is disputed. In the latter scenario, the bailiff case would conclude, and the supplier would need to pursue a regular civil court case to determine the validity of the claim. The number covers 99% of Arla's entity. Persons responsible for invoices will input the number of ongoing cases, if any, through our internal system, ensuring accurate and complete information.

Policies and other

Our Code of Conduct serves as an umbrella for our policies on business conduct. We outline some of our governance-related policies in the following. Our Code of Conduct and other governance-related policies such as our Code of Conduct for Suppliers and Business Partners, Responsible Marketing Policy, Environmental Policy & Green Ambition 2050 and our Grievance Policy are outlined in more detail in the chapters on environment and social data.

Responsible Political Engagement Policy
Policy objective and scope
The objective of our Responsible Political Engagement Policy is to ensure open and transparent engagement with political stakeholders, garner political support for the dairy sector and promote the development of innovative, sustainable dairy products, while adhering to ethical business practices and relevant regulatory frameworks.

Arla's political engagement activities are governed by Arla's Code of Conduct, which is in synergy with the 10 guiding principles of the UN Global Compact as well as the EU Transparency Register's Code of Conduct.

In order to be able to take part in political engagement in the EU, Arla registered in the EU Transparency Register in August 2014, with the registration number 479299526321-12 and signed up to the Code of Conduct governing relations with the EU institutions and their members, officials and other staff.

Policy governance
The Chief Agriculture and Sustainability Officer (CASO) has ownership of the policy. The monitoring of this policy is the responsibility of the Global Public Affairs team. Twice a year, compliance with this policy is reviewed by the Director for Global Public Affairs. An annual update will be sent to the political and legislative Steering Committee, Senior Vice President of Corporate Communications and the responsible Executive Vice President. Any breaches of the policy will be dealt with as necessary at the time of notification to the Director for Global Public Affairs.

Payment Policy
Policy objective and scope
The objective of our Payment Policy is to create the basic principles by which payment to suppliers is performed. In other words, to guide the payment behaviour of all supplier payments in a common direction and ensure that they are performed in a consistent manner.

Our Payment Policy applies to all supplier payments and defines our standard payment terms, invoicing requirements and procedures. It is also designed to adhere to local legislation, ensuring compliance with applicable legal requirements . Our preferred suppliers have a standard payment term of 60 days. Suppliers classified as non-preferred have a term of 30 days. Our Payment Policy separately defines the payment terms for our farmer owners who are paid twice a month. In addition, certain strategic suppliers participating in financing programmes could have longer payment terms. More in table 2.1e Supply chain finance programmes on page 120. We always pay public authorities, utility companies and financial institutions on the due date stated on the invoice. Payments below 60 days for preferred or pending suppliers can take place with the approval of the Head of Procurement and below 30 days with the approval of the Vice President of Finance or Chief Financial Officer.

Policy governance
Our Finance function's leadership and the local Finance Managers across Arla have prime responsibility for rolling out this policy, initiating dialogue about it and handling cases. Updating the policy is the responsibility of our Global Finance function.

Global Purchasing Policy
Policy objective and scope
Clear and consistent purchasing practices are fundamental to minimising risks to food safety, the environment and human rights in our supply chain. Our policy sets out 11 principles for purchasing in Arla to ensure a clear and uniform process when buying goods and services to reduce costs, risks and environmental and human rights impacts. Among other procedural requirements, the policy also requires compliance with Arla Foods' Code of Conduct for Suppliers and Business Partners.

Policy governance
This policy applies to all purchases from external suppliers of goods and/or services with one exception: the purchase of raw milk registered on the milk balance. The policy applies to all employees in Arla. However, the Global Procurement function has overall responsibility for the implementation of this policy.

Anti-bribery Policy
Policy objective and scope
Our Anti-bribery Policy sets out the responsibilities in observing and upholding our position on bribery and corruption, and provides information and guidance on how to recognise and deal with bribery and corruption issues. Arla is committed to conducting all business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. Further, we are committed to implementing and enforcing effective systems to counter bribery and corruption. This policy applies to all persons working for Arla or on Arla's behalf in any capacity.

Policy governance
Arla's Executive Management Team (EMT) has overall responsibility for ensuring this directive complies with our ethical obligations, and that all those under our control comply with it. Arla's Legal function has overall responsibility for ensuring this directive complies with our legal obligations. Arla's management at all levels is responsible for ensuring those reporting to them understand and comply with this directive and are given adequate and regular training in it.

Average payment time

Days	2024	2023
Average time to pay an invoice	53	52
Average time to pay farmers	15	15
Average time to pay other suppliers	59	60

Payments by standard payment terms

%	2024
Share of payments with up to 60 day standard payment term	33%
Share of payments with up to 30 day standard payment term	32%
Share of payments with 2 weeks standard payment term	15%
Share of payments part of supply chain finance programme	11%
% of payments with other payment term	10%

Legal proceedings currently outstanding related to late payments

	2024
Number of legal proceedings currently outstanding related to late payments	0

OUR GOVERNANCE

ARLA® MOZERELLA

The EUR 210 million investment in Taw Valley Dairy, UK, includes new technology that will reduce the mozzarella maturing process from 14 days to just one and provide greater flexibility and innovation opportunities to meet customer demands.

GOVERNANCE FRAMEWORK

AS A DAIRY COOPERATIVE OWNED BY FARMERS FROM SEVEN COUNTRIES, WE HAVE A ROBUST SYSTEM OF GOVERNANCE THAT EMPOWERS EVERY MEMBER TO VOICE THEIR OPINIONS AND ENSURES EFFECTIVE REPRESENTATION.

Our company is owned by dairy farmers from Denmark, Sweden, Germany, the UK, Belgium, the Netherlands and Luxembourg. As a cooperative, we prioritise a strong and reliable system that allows every member to voice their opinions and be represented. The responsibility for decision-making rests with the Board of Representatives (BoR) and the Board of Directors (BoD).

The BoR elects the BoD, which collaborates closely with the Executive Board to determine the overarching strategic direction. For more information on our governance system, please refer to our Articles of Association.

COOPERATIVE GOVERNANCE

4 AREA FORUMS
DK, SE, CE, UK

MEMBERS
DK 72
SE 47
CE 26
UK 30

BOARD OF DIRECTORS
14 elected owners
3 employee representatives
2 external members

BOARD OF REPRESENTATIVES
175 owners
12 employee representatives

REGIONS
14 regions

DISTRICTS
111 districts

OWNER NATIONALITIES
7,624 dairy farmers

DK	SE	CE	UK
1,828	1,938	1,939	1,919

CORPORATE GOVERNANCE

EXECUTIVE BOARD
CEO and CFO

EXECUTIVE MANAGEMENT TEAM
Executive Board
Managers for European and International commercial segments
Functional Heads

FUNCTIONAL HEADS
- Agriculture, Sustainability, Communication
- Supply Chain
- Human Resources
- Marketing and Innovation

More about our sustainability governance on page 33

EMPLOYEES
21,895

COOPERATIVE GOVERNANCE

Arla is a cooperative dairy company owned by 7,624 milk-producing farmers in seven countries. It is organised into four geographic areas: Denmark, Sweden, Central Europe and the UK. These areas are further subdivided into regions and member districts. This structure ensures that all our farmers have the opportunity to voice their opinions and actively engage in decision-making. See the next page for further details.

We have two essential bodies to represent our farmer owners: the BoR and BoD.

Board of Representatives (BoR)
The BoR holds the highest authority for decision-making within our cooperative. The BoR meets regularly, at least twice a year, to make key decisions such as distributing annual profits and electing the BoD.

It comprises 187 members, with 175 being farmer owners and 12 representing our employees. Every two years, the farmer owners elect their representatives. The number of seats each area receives is determined by its accumulated contribution to the cooperative in the year leading up to the elections. Following the equity assessment on 31 December 2023, the seat distribution for the BoR was determined and formally confirmed in May 2024.

Owners
As of 31 December 2024, we had 7,624 joint owners in the cooperative (2023: 7,999). The reduction in the number of owners, mainly in Central Europe, was partly due to farmers stopping milk production or selling their farms to other Arla members, with a few also leaving to supply another dairy company. This trend aligned with the broader patterns observed in the dairy sector in recent years.

District meetings
Every owner of Arla is affiliated with the member district where their farm is situated. In March or April of each year, they gather for the annual ordinary district meeting in their respective districts for a presentation of the annual report and to uphold their democratic influence. During these assemblies in even years, district members elect the district council and representatives to stand for their district on the BoR.

Regional boards
In Denmark and Sweden, regional boards consist of BoR members elected from those regions. In Central Europe and the UK, regional boards include the Chairs and Vice Chairs from the district councils. These boards meet soon after the district assemblies to discuss issues relevant to their regions' owners.

Board of Directors (BoD)
Selected by the BoR, the BoD is responsible for managing Arla in the best interests of the farmer owners. In accordance with the Rules of Procedure for the Board of Directors of Arla, the BoD is responsible for formulating and defining the strategic direction of Arla. This includes ensuring they are well-informed about all significant matters, including any major risks.

Their role includes setting strategic objectives, overseeing operations and assets, maintaining proper accounting practices and appointing the Executive Board. Additionally, the BoD looks out for the interests of all company stakeholders, such as lenders, bond investors and employees. Comprising 14 farmer owners, three employee representatives chosen by Arla's employees and two external members elected by the BoR, the BoD represents a diverse group of interests. The allocation of 14 seats for farmer owners on the BoD is based on the equity contribution of each area, with the current distribution as follows:

Denmark	6
Sweden	4
Central Europe	2
The UK	2

Area forums and Joint Area Council
Arla has four area forums, each linked to a specific member area. These forums serve as an important connection between all the district council members and Arla's BoD and management team. The members in these forums act like spokespeople, looking out for Arla's interests among all members and they meet twice a year.

There is also a Joint Area Council, which is made up of four BoR members from each area. They get onto the council through a ballot process. The BoD chooses who will be the Chair and additional members for the council. This council mainly deals with issues that affect all owners.

CORPORATE GOVERNANCE
Arla's governance structure is a synergistic collaboration between the Executive Board and the BoD. Among other responsibilities, they maintain Arla's strategic course, supervise the organisational operations and ensure adherence to all pertinent regulations and standards.

Executive Board
Appointed by the Board of Directors (BoD), the Executive Board is pivotal in directing Arla towards sustained long-term growth. Their remit includes establishing strategic plans, evaluating progress against objectives and formulating essential group-wide policies, with the overarching aim of driving sustainable expansion and increasing the overall value of Arla.

The Executive Board is also responsible for implementing comprehensive risk management and ensuring strict adherence to legal regulations and company policies. The Executive Board comprises the CEO and the CFO.

Executive Management Team (EMT)
The EMT is appointed by the Executive Board and is responsible for overseeing Arla's day-to-day business operations. They are actively involved in formulating strategies and planning future operating structures.

It consists of the Executive Board, a manager for each of the European and International commercial segments and four functional heads: Supply Chain (CSO), Agriculture, Sustainability and Communications (CASO), Marketing and Innovation (CMO), Human Resources (CHRO).

To promote collaboration and communication, the EMT regularly connects to share updates and coordinate various initiatives. Each team member also addresses all material impacts, risks and opportunities within their responsibilities. These efforts aim to advance and make progress towards targets that align with our strategy. More about sustainability governance on page 33.

Employees
Arla employs 21,895 full-time equivalents (FTEs) globally (2023: 21,307), represented by three elected employees on the BoD and 12 on the BoR. Beyond these roles, employee interests are further represented through work councils, which include both employee and employer representatives. The European Works Council acts as a platform for high-level discussions between the management and employees on company-wide issues. In 2024, the focus of the annual European Works Council meetings centred on digital transformation, milk balance outlook and inclusion of employees.

BOARD OF DIRECTORS

ARLA'S BOD IS A GROUP OF SKILLED PROFESSIONALS WHO COMBINE THEIR EXPERTISE TO DRIVE THE COMPANY'S SUSTAINABLE GROWTH.

BoD election

The BoD is elected by the BoR every two years through a multi-stage process. During the identification phase, candidates register, self-assess and have an initial interview with the local Evaluation Committee (EC). In the evaluation phase, they undergo a second interview with the joint EC for aligned assessment. The evaluation and nomination phase involves feedback and sharing results at the Regional Board or area forum. Finally, nominees are presented for election at the BoR meeting.

For the 2024 election, the BoR evaluated 20 candidates and 14 were elected to the Board. Four new members joined the BoD, and Jan Toft Nørgaard was re-elected as Chair and Inger-Lise Sjöström was elected as Vice Chair. Find their biographies on the next page.

BoD competencies

Together with the EMT, the BoD is responsible for the long-term strategic vision of the company's growth, from analysing global business trends and identifying potential risks and opportunities, to making sound decisions that prioritise the cooperative's best interests.

In the election process, each candidate is evaluated on various competencies crucial for Arla's success and ethical business conduct, including passion for the cooperative, risk awareness and sustainability. On average, the BoD members possess strong competencies in areas critical to the company's success. There are opportunities for improvement in digitalisation and brand awareness. Therefore, the BoR appointed external members to address these topics. The two external members are considered independent, non-executive members, thus the share of independent non-executive board members comprises 11% of the Board.

They also engage in training to refine their skill sets, which helps them stay prepared to address the changing requirements of Arla. More on sustainability competencies on page 33.

Diversity of the BoD

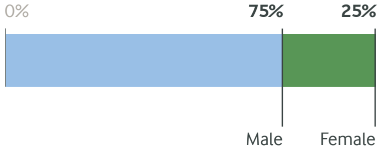
To ensure both genders are represented to bring a variety of perspectives to the business, in 2023, we set a new target: to reach 30% women by 2026. More on the BoD and diversity on page 33.

Meetings and key topics in 2024

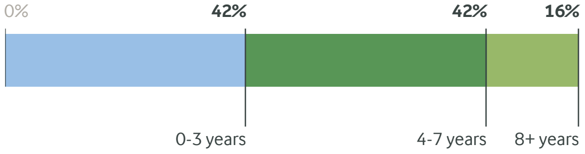
The BoD conducted a total of 11 ordinary meetings and one extraordinary meeting. Among these, five meetings were held in person, while the remaining meetings took place online.

In 2024, the BoD engaged in discussions on several topics, including digitalisation, AI and driving sustainability. See pages 33 and 38 for key sustainability-related topics discussed and information on meeting attendance.

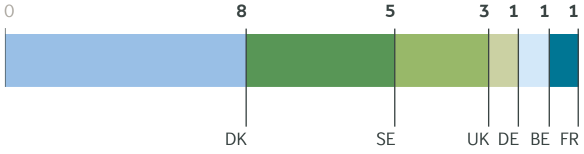
Gender composition of the BoD[1]



Tenure of the BoD



Nationalities of the BoD



[1] According to section 99b of the Danish Companies Act, only members elected at the company's general meeting are included.

MEMBER BIOGRAPHIES

1. JAN TOFT NØRGAARD (DK)
Member since: 1998
Occupation: Dairy farmer
Internal positions: Chair of the Board of Directors and the Nomination Committee. Member of the Remuneration Committee
External positions: Member of the Governing Board of the Danish Agriculture & Food Council (2009)
Born: 1960

2. INGER-LISE SJÖSTRÖM (SE)
Member since: 2017
Occupation: Dairy farmer
Internal positions: Vice Chair of the Board of Directors. Area Chair for Sweden, Chair of the Joint Area Council and the Member Relations Group. Member of the Remuneration Committee and the Nomination Committee
External positions: Chair of the Board of Directors of the Swedish Dairy Association (2022) and Board member of Tillväxtbolaget (2022)
Born: 1973

3. ARTHUR FEARNALL (UK)
Member since: 2018
Occupation: Dairy farmer
Internal positions: Area Chair for the UK, member of the Joint Area Council and the Member Relations Group. Chair of the Remuneration Committee. Member of the Nomination Committee and the Global Appeals Committee
Born: 1963

4. BJØRN JEPSEN (DK)
Member since: 2011
Occupation: Dairy farmer
Internal positions: Chair of the Organic Committee Denmark and the Global Organic Committee
External positions: Vice Chair of Skjern Bank (2012) and the Danish Dairy Board (2019), member of the cattle section of the Danish Agriculture & Food Council (2009) and the Board of Directors of the Danish Milk Levy Fund (2019)
Born: 1963

5. DANIEL HALMSJÖ (SE)
Member since: 2022
Occupation: Dairy farmer
Internal positions: Chair of the Organic Committee Sweden and member of the Global Organic Committee. Member of the Global Appeals Committee
Born: 1982

6. GEORGE HOLMES (UK)
Member since: 2024
Occupation: Dairy farmer
Internal positions: Chair of the Organic Committee UK and member of the Global Organic Committee
Born: 1965

7. GUSTAV KÄMPE (SE)
Member since: 2021
Occupation: Dairy farmer
Internal positions: Member of the Farmer Sustainability Working Group
External positions: Member of the Board of the Swedish Dairy Association and Copa Cogeca Working Group for Dairy Products (2021). Dairy Ambassador for the UN High-Level Political Forum (2024)
Born: 1977

8. JØRN KJÆR MADSEN (DK)
Member since: 2019
Occupation: Dairy farmer
Internal positions: Member of the Nomination Committee
External positions: Vice Chair of the Board of Directors of GLS-A (2018)
Born: 1967

9. MARCEL GOFFINET (BE)
Member since: 2019
Occupation: Dairy farmer
Internal positions: Area Chair for Central Europe, member of the Joint Area Council and the Member Relations Group. Member of the Global Appeals Committee, Chair of the Organic Committee Central Europe and member of the Global Organic Committee
External positions: Chair of the Board of Directors of Agra Ost Agriculture Research (2016), member of the municipal government of St. Vith (2018) and the Bauernbund Farmer Association (2012)
Born: 1988

10. MARITA WOLF (SE)
Member since: 2021
Occupation: Dairy farmer
Internal positions: Chair of the Global Training Committee. Member of the Nomination Committee
External positions: Member of the Board of Directors of the Swedish Dairy Association (2003), the Board of Directors of the Swedish Farmers Foundation for Agriculture (2022) and Board member of Cooperatives Sweden (2024)
Born: 1959

11. MARKUS HÜBERS (DE)
Member since: 2017-19. Re-elected in 2024
Occupation: Dairy farmer
Internal positions: Member of the Nomination Committee and the Remuneration Committee
Born: 1975

12. RENÉ LUND HANSEN (DK)
Member since: 2019
Occupation: Dairy farmer
Internal positions: Member of the Arlagården Preparatory Working Group
External positions: Member of the Governing Board and the Executive Committee of the Danish Agriculture & Food Council (2019)
Born: 1967

13. SIMON SIMONSEN (DK)
Member since: 2017
Occupation: Dairy farmer, Valuation Consultant DLR Kredit A/S
Internal positions: Member of the Remuneration Committee
External positions: Dairy Ambassador for the UN High-Level Political Forum (2017)
Born: 1970

14. STEEN NØRGAARD MADSEN (DK)
Member since: 2005
Occupation: Dairy farmer
Internal positions: Area Chair for Denmark, member of the Joint Area Council and the Member Relations Group. Chair of the Sustainability Working Group and the Global Appeals Committee
External positions: Chair of the Danish Dairy Board (2012), Vice Chair of the Governing Board and the Executive Committee of the Danish Agriculture & Food Council (2014), Chair of the Agro Food Park Steering Committee (2016) and the Danish Milk Levy Fund (2012)
Born: 1956

15. ANDERS OLSSON (SE)
Member since: 2022
Occupation: Technical Coordinator at Götene Dairy, Sweden
External positions: Member of the Swedish workers' union
Born: 1966

16. HOLGER STEEN LUND (DK)
Member since: 2024
Occupation: Production Operator at Esbjerg Dairy, Denmark
External positions: Shop steward of the Danish Trade Union NNF
Born: 1964

17. PAUL CULLEN (UK)
Member since: 2024
Occupation: Bulk farm driver at Aylesbury Dairy, UK
External positions: Shop steward of Usdaw
Born: 1962

18. FLORENCE ROLLET (FR)
Member since: 2019 as an advisor and full membership since 2022
Occupation: Head of the MSc in Luxury Marketing and Management, EMLyon, France
Born: 1966

19. NANA BULE (DK)
Member since: 2019 as an advisor and full membership since 2022
Occupation: Operating Advisor, Goldman Sachs Asset Management
External positions: Chair of the Board of Directors of the Danish Centre for AI Innovation (2024), Chair of the Board of Directors of Carbfix (2023), member of the Board of Directors of the Novo Nordisk Foundation (2023) and Chair of the Danish Agency for Digital Government (2022)
Born: 1978

Owner
Employee
External
1-19 Link to the group photo

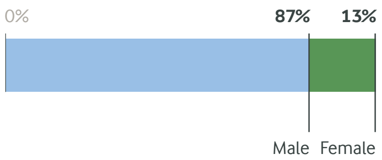
All roles in public administration or similar held currently or in the previous two years are listed in the biographies.

EXECUTIVE MANAGEMENT TEAM

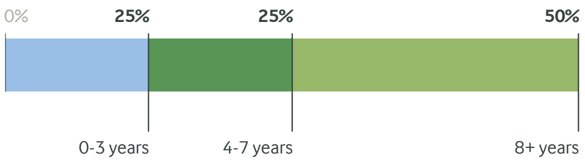
THE EXECUTIVE MANAGEMENT TEAM (EMT) OF ARLA COMPRISES THE CHIEF EXECUTIVE OFFICER, ONE COMMERCIAL MANAGER OVERSEEING EUROPEAN MARKETS, ONE FOR INTERNATIONAL MARKETS AND FOUR SPECIALISTS WITH FUNCTIONAL EXPERTISE. THIS TEAM IS RESPONSIBLE FOR ESTABLISHING AND DELIVERING GROUP STRATEGIES AS WELL AS MANAGING ARLA'S DAILY OPERATIONAL ACTIVITIES.

Peter Giørtz-Carlsen left Arla in January 2025.

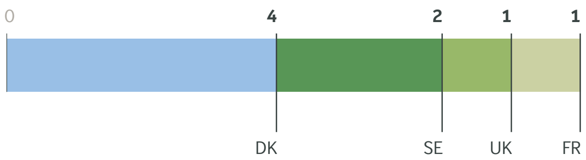
Gender composition of the EMT



Tenure of the EMT



Nationalities of the EMT



MEMBER BIOGRAPHIES

All roles in public administration or similar held currently or in the previous two years are listed in the biographies.

Peter Giørtz-Carlsen left Arla in January 2025. Torben Dahl Nyholm takes on a role as part of Arla's Executive Board starting 1 December 2024, and Mark Boot became EVP of the European Business in January 2025.

1. PEDER TUBORGH (DK)

Position: CEO, member of the Executive Board, representing Global Industry Sales and Arla Foods Ingredients in the Executive Management Team
Experience: Peder took on the role of Arla's CEO in 2005, but his journey with Arla began in 1987, starting with MD Foods. Since then, he has made his mark in various senior management and executive positions, including Marketing Director, Divisional Director and Executive Group Director. Over the course of his distinguished career in Arla, Peder has made significant contributions to the company in Germany, Saudi Arabia and Denmark.
Education: Master's degree in Economics and Business Administration from the University of Southern Denmark, Odense
External positions: Member of the Global Dairy Platform (2006), Chair of AgriFoodTure (2022)
Born: 1963

2. TORBEN DAHL NYHOLM (DK)

Position: Executive Vice President and CFO, Finance, Legal, IT and Strategy and member of the Executive Board
Experience: Torben joined Arla in 2012 following several years in the M&A consultancy sector. He began his Arla career as a Business Controller in Corporate Finance and has since taken on various key project and leadership roles within the finance organisation, primarily concentrating on the intersection of finance and strategy. Most recently, Torben headed our Group Performance Management team, before assuming his current position as CFO and Executive Vice President, Finance, Legal, IT and Strategy in 2020 and joining the Executive Board in December 2024.
Education: MSc in Finance and International Business from Aarhus University
Born: 1981

3. PETER GIØRTZ-CARLSEN (DK)

Position: COO, member of the Executive Board, Executive Vice President of Europe (until January 2025)
Experience: Peter began his journey at Arla in 2003 as the Vice President of Corporate Strategy. Over the years, he has held several senior roles, such as Executive Vice President of Consumer DK and UK, before assuming the position of Executive Vice President of Europe in 2016.
Education: Master's degree in Business Administration, Organisation and Management from the Aarhus University School of Business and Social Sciences
External positions: Board member of AIM, the European Brands Association (2018), member of the Policy and Issues Council (PIC) of the UK's Institute of Grocery Distribution (IGD) (2016), Vice Chair of the Board of the European Dairy Association (EDA) (2020), Vice Chair of the Board of Directors of the Toms Group (2022)
Born: 1973

4. OLA ARVIDSSON (SE)

Position: CHRO, Executive Vice President, HR
Experience: Ola started at Arla in 2006 as Corporate HR Director and advanced to Chief HR Officer in 2007. Before his time in Arla, he held various directorial roles at Unilever across Europe and the Nordics, culminating in his position as Vice President of HR. Earlier in his career, Ola served as an Officer in the Royal Combat Engineering Corps of the Swedish Army.
Education: Master's degree in HR Management from Lund University
External positions: Member of the Board of Directors of AP Pension (2014), Central Board member of the Confederation of Danish Industry (2018)
Born: 1968

5. HANNE SØNDERGAARD (DK)

Position: CASO, Executive Vice President, Agriculture, Sustainability and Communication
Experience: Since 1989, Hanne has been an integral part of Arla, initially joining under MD Foods and later taking on a significant position in the UK, where she played a pivotal role in the growth and development of Arla UK. Progressing her career, she became Vice CEO of Arla UK, and in 2010, she transitioned into a global marketing role as Senior Vice President of Brands and Categories. In 2016, Hanne assumed the position of CMO and Executive Vice President, becoming a valued member of Arla's Executive Management Team. In January 2021, she took on the role of Executive Vice President, overseeing Agriculture, Sustainability and Communication in Arla.
Education: Business degrees from the Aarhus University School of Business and Social Sciences and Harvard Business School
External positions: Member of the Board of Directors of Arla Fonden (2012), member of the Technical University of Denmark (2016), member of the Danish Climate Forest Fund (Klimaskovfonden) established by the Danish Ministry of Environment and Gender Equality (2021), Board member of the Danish Agriculture & Food Council (2022)
Born: 1965

6. DAVID BOULANGER (FR)

Position: CSO, Executive Vice President, Supply Chain
Experience: David joined Arla in October 2020, bringing 26 years of experience in supply chain and operations. He has held various senior leadership roles in the food industry with companies like Mars, Mondelēz and Danone across multiple regions. Immediately before joining Arla as Chief Supply Chain Officer, he served as Senior Vice President of Operations of Danone's Specialised Nutrition Division, managing global operations in the Early Life & Medical Nutrition sectors.
Education: Engineering degree from the École Civil des Mines de Paris in France and Master's degree in Mathematics
External positions: Member of the Board of Directors of Global Baby SAS (2021)
Born: 1970

7. SIMON STEVENS (UK)

Position: Executive Vice President, International
Experience: Joining Arla in 2002 as UK Sales Director, Simon later took on the role of SVP Sales and Marketing, where he played a crucial part in transforming the UK business. After his stint as Head of the MENA region in Dubai, he became a member of the EMT in 2021. Before his career in Arla, Simon worked for 14 years at Unilever, holding various sales and marketing positions in the UK, Netherlands and Italy.
Education: 1st class BSc Hons degree in Management Sciences from Loughborough University
External positions: Member of the Board of Directors of Mengniu (2021)
Born: 1965

8. PATRIK HANSSON (SE)

Position: CMO, Executive Vice President Marketing and Innovation
Experience: Patrik brings a wealth of experience from his extensive career in international consumer goods companies, encompassing finance, marketing, sales and general management. Prior to joining Arla in October 2011 as Vice President of Marketing and Sales in Sweden, he spent 13 years at Procter and Gamble, primarily focusing on marketing. In 2015, Patrik relocated to Malaysia to establish Arla's regional headquarters in South-East Asia. After returning to Europe in 2016, he held key positions such as Group Vice President in Sweden and later in Germany. In 2022, he assumed his current role as CMO.
Education: Master's degree in Engineering Physics from Chalmers and a Master's degree in Business from Gothenburg University
Born: 1967

MARK BOOT (NL)

Position: Executive Vice President of Europe (as of January 2025)
Experience: Mark joined Arla Foods in 2016 as head of South-East Asia, based out of Malaysia. After years of accelerated growth in Asia, Mark moved to the Netherlands as SVP Benelux and France in 2021. There, he sustained the growth journey with impact across all markets. As of January 2025, he joined the EMT as Executive Vice President Europe. Before joining Arla, Mark worked at Unilever and Royal FrieslandCampina. He has held local, regional and global roles in general management, marketing and sales across Europe, the USA and Asia, spending 19 years abroad.
Education: Master's degree in Business Economics from Erasmus University Rotterdam
External positions: Board member of the FoodService Institute Netherlands (2021), Board member of AIM, the European Brands Association (2025)
Born: 1969

MANAGEMENT REMUNERATION

OUR EXECUTIVE COMPENSATION IS ESTABLISHED TO PROMOTE PERFORMANCE AND VALUE CREATION. THIS APPROACH ENSURES THAT OUR LEADERSHIP IS INCENTIVISED TO DRIVE SUCCESS, ALIGNING WITH THE STRATEGIC DIRECTION AND THE BEST INTERESTS OF OUR FARMERS.

Remuneration governance

Arla's remuneration practice follows the remuneration guidance provided by the BoD, who regularly reviews it. It considers the recommendations from Arla's Remuneration Committee (RemCo), including the Chair and Vice Chair that meet quarterly. The RemCo's role includes acting as a preparatory committee for the BoD and BoR, focusing on recommendations for the BoD, BoR and the Executive Board. The aim is to ensure that our remuneration guidance, practices and incentive programmes are in harmony with our overarching goals, enhancing value for our owners.

Executive practices

The remuneration packages are designed to attract, engage and retain highly skilled senior managers while also promoting strong performance in both short- and long-term business outcomes.

Board of Directors (BoD)

The remuneration provided to the BoD consists of a fixed fee and does not include any incentives. Apart from a minimal travel per diem, no additional compensation is provided for attending meetings and committees. However, BoD members receive a fixed yearly fee if they are members of a cross-area BoR working group or committee. This approach aims to ensure that the BoD's main focus is on the long-term interests of the cooperative. The remuneration of the BoD is evaluated and adjusted every two years and is approved by the BoR. The most recent adjustment was made in 2024. For detailed information regarding the specific amounts, please see page 155.

Executive Board

To ensure that the total remuneration of the Executive Board is align with the market, we benchmark our remuneration packages against the standards of European and global FMCG (Fast-Moving Consumer Goods) companies, conducted biannually by an external vendor. Any changes in the total remuneration are agreed upon in the RemCo. The total remuneration consists of both fixed and variable elements.

Fixed remuneration
The level of fixed remuneration for the Executive Board is based on their impact and contribution within the organisation. Annual changes are agreed with the Chair of the Board and approved by the BoD RemCo.

Short- and long-term incentive plans
In addition to the fixed remuneration, we also offer two variable pay plans: A Short-Term Incentive (STI) plan that is linked to Arla's performance against annual business targets and a Long-Term Incentive (LTI) plan that supports the long-term strategic value creation. Both plans are cash-based.

For the STI, the target payout of this plan is 40% of the annual base pay. The highest payout is 80% (capped). The payout is adjusted +/- 1.25 depending on the peer group performance). Therefore, the total potential maximum payout is 100% of the annual base pay (capped). It combines Arla's business performance, including its sustainability component (more on page 33), with individual performance. The KPIs are set at Arla group level, whereas individual performance is measured as the individual leadership. The KPIs, the weight of each KPI and target level for each KPI are revised and set annually for the next performance year. The final programme, KPIs and financial targets are approved by the BoD RemCo, as well as the annual payout.

For the LTI, the target payout of this plan is 60% of the annual base pay. The potential maximum payout is 120% (capped). It covers a three-year performance period and consists of two KPIs: Strategic Branded Volume Growth and Peer Group Index. Target levels for each KPI are set at the start of the new three-year period for each individual year, and the payout is determined as the average performance over the three-year period. The programme, KPIs, financial targets and payout are approved by the BoD RemCo.

Executive Management Team (EMT)

The total remuneration of the EMT is in line with market practice. It consists of both fixed and variable elements.

Fixed remuneration
The level of fixed remuneration for the EMT is based on their impact and contribution within the organisation. Any changes in the fixed remuneration for the EMT are determined by the CEO.

Short- and long-term incentive plans
In addition to the fixed remuneration, all members of the EMT are included in Arla Foods' STI and LTI plans, similar to the Executive Board's.

Variable pay components
Executive Board and EMT

	Short-term incentive (STI)	Long-term incentive (LTI)
Profit	•	
Efficiencies	•	
Sustainability	•	
Branded volume-driven revenue growth	•	•
Leadership	•	
Performance versus peer group	•	•

BUSINESS ETHICS

RESPONSIBLE AND TRANSPARENT TAX PRACTICES

WE ARE COMMITTED TO RESPONSIBLE AND TRANSPARENT TAX PRACTICES, WHILE CONTRIBUTING OUR FAIR SHARE OF TAXES AND ADVOCATING FOR CLEAR AND OPEN DISCLOSURES OF OUR TAX AFFAIRS.

Dialogue-driven approach

We strive for an open dialogue with tax authorities and tax communities to foster transparency regarding our business operations and tax matters. To support this agenda, we have voluntarily entered into enhanced relationships with the tax authorities in some of our core markets, where we fully disclose our local tax affairs.

We proactively seek to provide public consultation responses and input to relevant upcoming tax legislation in cooperation with industry-relevant business groups and corporate peers. We welcome tax legislative initiatives that aim to drive fair and uniform global tax standards. As an example, we actively supported the national Danish implementation of the rules on Global Minimum Taxation (Pillar Two). Working with the Danish Agriculture & Food Council, we offered our perspective, along with input from corporate peers, on the potential impact of the Pillar Two rules on companies operating as cooperatives.

Tax governance

Our global tax function is structured to ensure robust tax governance. We implement appropriate tax policies and employ knowledgeable personnel in our core markets to establish effective tax controls and tax procedures. The roles and responsibilities around our tax governance and tax management are stipulated in our internal Global Tax Policy, which is reviewed and approved by Arla's CFO.

Fair tax practices

To ensure that transactions between Arla entities are conducted on market terms and in accordance with the value generated by and between Arla entities, we carefully determine and document these transactions in line with the OECD's Transfer Pricing Guidelines.

As part of our fair tax practices, we continuously evaluate available tax incentives and reliefs to ensure that their use is always anchored in business substance. For example, our UK group will benefit from full tax expensing of qualifying capital expenditure in 2024, in line with the UK Capital Allowances Act.

Presence in non-cooperative jurisdictions

Arla has no presence in the jurisdictions determined as non-cooperative jurisdictions for tax purposes by the Council of the European Union (as per the latest update, 8 October 2024).

Cooperative and corporate tax

As a dairy cooperative, our farmer owners are also our suppliers. This means that earnings are distributed to our owners in the form of the highest possible price for the milk supplied. As a Danish-based cooperative, Arla Foods amba is subject to the tax regulations for Danish cooperatives, which are taxable based on the tax value of their equity.

We operate multiple subsidiaries worldwide. They are mainly limited liability and private limited companies that are subject to regular corporate taxation.

Value and taxes generated

In 2024, Arla generated a total value of EUR 7.0 billion from the milk supplied. Milk sourced from our farmer owners accounted for EUR 6.5 billion in milk payments, while other farmers received milk payments totalling EUR 370 million. Consequently, 98% of the value generated directly from the milk supplied is subject to tax at the farm level, in accordance with local tax regulations.

In addition to the value and taxes generated directly from the milk supplied, our operations extend and generate value into societies through different types of tax payments, either borne or collected by Arla.

Global Minimum Tax (Pillar Two)

Arla falls within the scope of the Pillar Two rules, according to which Arla Foods amba is the Ultimate Parent

OUR KEY TAX PRINCIPLES

Our tax practices align with Arla's global Code of Conduct, supported by a set of essential tax principles approved by the Board of Directors:

- We aim to report the right and proper amount of tax according to where value is created
- We are committed to paying taxes legally due and to ensuring compliance with legislative requirements in all jurisdictions in which we operate
- We will not use tax havens to reduce Arla's tax liabilities
- We will not set up tax structures intended for tax avoidance which have no commercial substance and do not meet the spirit of the law
- We are transparent about our approach to tax and our tax position
- Our disclosures are made in accordance with relevant regulations and applicable reporting standards such as (IFRS)
- We build on good relations with tax authorities and trust that transparency, collaboration and proactiveness minimise the extent of disputes

Entity (UPE) of the group. As a result, we are liable to top up taxes for the difference between the effective tax rate per jurisdiction and the global 15% minimum tax rate. Additional tax payments under the Pillar Two rules will be made to the country of Denmark (the tax jurisdiction of the group's parent company, Arla Foods amba).

Based on our analyses, it has been determined that our effective tax rate is well above 15% in most of the jurisdictions where we operate. We have, however, identified a few jurisdictions, mainly in the Middle East, where the effective tax rate is below 15%. This is primarily due to the national laws in these jurisdictions that either do not impose a corporate income tax or impose a corporate tax rate below the minimum of 15%. Given the substantial size of our operations in the Middle East, the related Pillar Two top-up taxes have been materially reduced by the substance-based income exclusion rule. In net terms, our 2024 Pillar Two tax cost for the Middle East region amounts to approximately EUR 2 million relating to our operations in the United Arab Emirates, Qatar, Lebanon and Kuwait.

Furthermore, due to the high inflation in Argentina, the Argentinian income tax law has allowed for certain mechanisms aimed at eliminating the distortive effect of inflation in assessing the taxable income for companies operating in Argentina. Consequently, the effective tax rate of our operations in Argentina has been impacted, resulting in a Pillar Two top-up tax of approximately EUR 8 million.

To assess the potential future financial effects of the Pillar Two rules and other related local tax rules, we continuously follow the development and enactment of these rules in the countries where we operate.

For further details about tax, including Pillar Two, please refer to Note 5.1 on page 152.

Data ethics
In 2024, we advanced our Data Ethics Policy, addressing dilemmas and offering data-use recommendations.

DATA ETHICS

In our ongoing commitment to ethical and compliant data management, we recognise the growing importance and possible implications associated with data usage. The Data Ethics Policy articulates the standards of data ethics we strive to meet, highlighting our dedication to the responsible handling of data in all our operations. This is guided by principles centred on human dignity, responsibility, equality and fairness, progressiveness and diversity.

The policy is overseen by the EMT, and a data ethics committee evaluates and offers recommendations on data ethics issues.

During 2024, we continued implementing our Data Ethics Policy. Our data ethics committee discussed relevant dilemmas and provided recommendations regarding the use of data. These recommendations are based on the policy principles. We will evaluate our practices to determine how best to continue embedding data ethics awareness in the business. No information has been reported based on local legislation.

CONSOLIDATED FINANCIAL STATEMENTS

Primary statements

Notes

STARBUCKS™ PROTEIN WITH COFFEE

Making its debut in the UK, the Starbucks™ Protein Drink with Coffee combines Arabica coffee with 20 g of protein. This year, Starbucks™ achieved 0.8% volume growth.

INCOME STATEMENT

(EUR million)	Note	2024	2023	Development
Revenue	1.1	13,770	13,674	1%
Production costs	1.2	-10,803	-10,894	-1%
Gross profit		**2,967**	**2,780**	**7%**
Sales and distribution costs	1.2	-1,824	-1,764	3%
Administration costs	1.2	-508	-459	11%
Other operating income	1.3	48	113	-58%
Other operating costs	1.3	-118	-121	-2%
Share of results after tax in joint ventures and associates	3.3	33	51	-35%
Earnings before interest and tax (EBIT)		**598**	**600**	**0%**
Specification:				
EBITDA		1,109	1,079	3%
Depreciation, amortisation and impairment losses	1.2	-511	-479	7%
Earnings before interest and tax (EBIT)		**598**	**600**	**0%**
Financial income	4.2	183	135	36%
Financial costs	4.2	-318	-280	14%
Profit before tax		**463**	**455**	**2%**
Tax	5.1	-46	-56	-18%
Profit for the year		**417**	**399**	**5%**
Attributable to:				
Arla Foods amba		401	380	6%
Non-controlling interests		16	19	-16%
Total		**417**	**399**	**5%**

COMPREHENSIVE INCOME

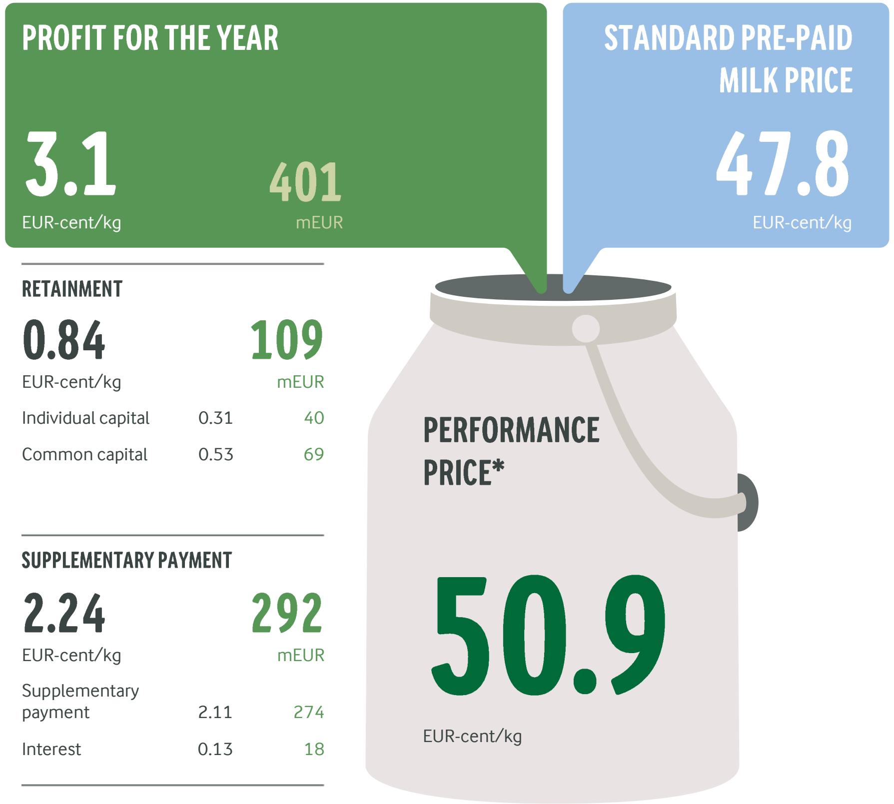
(EUR million)	Note	2024	2023
Profit for the year		**417**	**399**
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Remeasurements of defined benefit schemes		-33	-19
Tax on remeasurements of defined benefit schemes		8	4
Share of other comprehensive income of associates and joint ventures measured by the equity method	3.3	-16	-3
Items that may be reclassified subsequently to the income statement:			
Value adjustments of hedging instruments		-27	-141
Fair value adjustments		-2	-2
Foreign currency translation		60	-47
Tax on items that may be reclassified to the income statement		-1	9
Other comprehensive income, net of tax		**-11**	**-199**
Total comprehensive income		**406**	**200**
Attributable to:			
Arla Foods amba		390	181
Non-controlling interests		16	19
Total		**406**	**200**

Financial comments

Comprehensive income consists of realised profit for the year and other value adjustments recognised directly in equity. Profit for the year amounted to EUR 417 million (2023: EUR 399 million), and other comprehensive income amounted to EUR -11 million (2023: EUR -199 million). Other comprehensive income was primarily foreign currency translation of EUR 60 million (2023: EUR -47 million), remeasurement of defined benefit schemes of EUR -33 million (2023: EUR -19 million) and unrealised value adjustments on hedging instruments of EUR -27 million (2023: EUR -141 million). Effects from associates and joint ventures amounted to net EUR -16 million (2023: EUR -3 million).

PROFIT APPROPRIATION

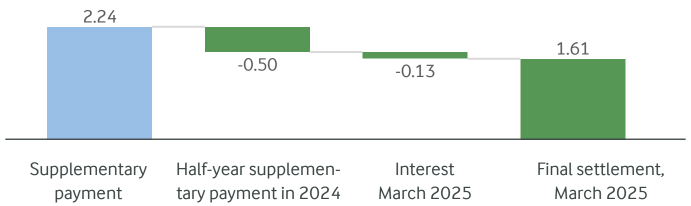
(EUR million)	2024	2023
Profit for the year	417	399
Non-controlling interests	-16	-19
Arla Foods amba's share of profit for the year	**401**	**380**
Profit appropriation:		
Supplementary payment for milk	274	252
Interest on contributed individual capital	18	18
Total supplementary payment	**292**	**270**
Transferred to equity:		
Common capital (reserve for special purposes)	69	69
Individual capital (contributed individual capital)	40	41
Total transferred to equity	**109**	**110**
Appropriated profit	**401**	**380**



Financial comments
The supplementary payment for 2024 was EUR 292 million, including interest (2023: EUR 270 million). This corresponded to 2.24 EUR-cent/kg of owner milk (2023: 2.07 EUR-cent/kg). Contributed individual capital carried interest of 5.0% in 2024 (2023: 5.6%), corresponding to EUR 18 million. The Board of Directors approved an interim supplementary payment of EUR 64 million based on the first six months of owner milk deliveries. The remaining amount, corresponding to EUR 228 million, will be paid out in March 2025, subject to approval of the annual report by the Board of Representatives.

Arla's Retainment Policy prescribes a maximum of 1.00 EUR-cent/kg of owner milk minus interest on contributed individual capital to be retained. In 2024, this equalled a retainment of 0.84 EUR-cent/kg of owner milk (2023: 0.84 EUR-cent/kg), corresponding to EUR 109 million (2023: EUR 110 million). According to the Retainment Policy, the retained earnings must be split 1/3 on individual capital (contributed individual capital) and 2/3 on common capital (reserve for special purposes). The amount allocated to common capital is reduced by EUR 18 million corresponding to the interest paid out in connection with the supplementary payment. In addition, the contributed individual capital was adjusted for amounts paid out to members who reached a limit of 7.8 EUR-cent of individual capital per kg of owner milk.

Supplementary payment for 2024
(EUR-cent/kg)



Please refer to Note 1.4.1 for further information about the performance price.

BALANCE SHEET

(EUR million)	Note	2024	2023	Development
Assets				
Non-current assets				
Goodwill	3.1	938	752	25%
Intangible assets	3.1	269	258	4%
Property, plant and equipment and right-of-use assets	3.2	3,521	3,149	12%
Investments in associates and joint ventures	3.3	560	560	0%
Deferred tax	5.1	31	23	35%
Pension assets	4.7	11	21	-48%
Other non-current assets		24	25	-4%
Total non-current assets		**5,354**	**4,788**	**12%**
Current assets				
Inventory	2.1	1,635	1,384	18%
Trade receivables	2.1	1,317	1,145	15%
Derivatives	4.5	90	132	-32%
Other receivables	2.2	266	309	-14%
Securities	4.5	577	403	43%
Cash and cash equivalents	4.1	91	138	-34%
Total current assets		**3,976**	**3,511**	**13%**
Total assets		**9,330**	**8,299**	**12%**

(EUR million)	Note	2024	2023	Development
Equity and liabilities				
Equity				
Common capital		2,230	2,211	1%
Individual capital		570	557	2%
Other equity accounts		44	13	238%
Supplementary payment to owners		228	207	10%
Equity, attributable to Arla Foods amba		**3,072**	**2,988**	**3%**
Non-controlling interests		66	64	3%
Total equity		**3,138**	**3,052**	**3%**
Liabilities				
Non-current liabilities				
Pension liabilities	4.7	166	167	-1%
Provisions	5.2	30	31	-3%
Deferred tax	5.1	101	83	22%
Loans	4.3	2,808	2,369	19%
Total non-current liabilities		**3,105**	**2,650**	**17%**
Current liabilities				
Loans	4.3	1,194	803	49%
Trade payables and other payables	2.1	1,433	1,425	1%
Provisions	5.2	31	20	55%
Derivatives	4.5	64	43	49%
Other current liabilities	2.2	365	306	19%
Total current liabilities		**3,087**	**2,597**	**19%**
Total liabilities		**6,192**	**5,247**	**18%**
Total equity and liabilities		**9,330**	**8,299**	**12%**

EQUITY

	Common capital			Individual capital				Other equity accounts				Suppl. payment	Total equity		
(EUR million)	Capital account	Reserve for special purposes	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 2024	**895**	**1,316**	**2,211**	**372**	**51**	**134**	**557**	**70**	**3**	**-60**	**13**	**207**	**2,988**	**64**	**3,052**
Profit for the year	**-**	**69**	**69**	**40**	**-**	**-**	**40**	**-**	**-**	**-**	**-**	**292**	**401**	**16**	**417**
Other comprehensive income	-42	-	-42	-	-	-	-	-27	-2	60	31	-	-11	-	-11
Total comprehensive income	**-42**	**69**	**27**	**40**	**-**	**-**	**40**	**-27**	**-2**	**60**	**31**	**292**	**390**	**16**	**406**
Transactions with owners	1	-	1	-20	-4	-5	-29	-	-	-	-	-	-28	-	-28
Transactions with non-controlling interests	-5	-	-5	-	-	-	-	-	-	-	-	-	-5	-18	-23
Half-year supplementary payment	-	-	-	-	-	-	-	-	-	-	-	-64	-64	-	-64
Supplementary payment regarding 2023	-	-	-	-	-	-	-	-	-	-	-	-209	-209	-	-209
Foreign currency translation adjustments	-4	-	-4	-2	-1	5	2	-	-	-	-	2	-	4	4
Total transactions with owners	**-8**	**-**	**-8**	**-22**	**-5**	**-**	**-27**	**-**	**-**	**-**	**-**	**-271**	**-306**	**-14**	**-320**
Equity at 31 December 2024	**845**	**1,385**	**2,230**	**390**	**46**	**134**	**570**	**43**	**1**	**-**	**44**	**228**	**3,072**	**66**	**3,138**
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 year	**-**	**69**	**69**	**41**	**-**	**-**	**41**	**-**	**-**	**-**	**-**	**270**	**380**	**19**	**399**
Other comprehensive income	-9	-	-9	-	-	-	-	-141	-2	-47	-190	-	-199	-	-199
Total comprehensive income	**-9**	**69**	**60**	**41**	**-**	**-**	**41**	**-141**	**-2**	**-47**	**-190**	**270**	**181**	**19**	**200**
Transactions with owners	1	-	1	-17	-4	-5	-26	-	-	-	-	-	-25	-	-25
Transactions with non-controlling interests	-5	-	-5	-	-	-	-	-	-	-	-	-	-5	-17	-22
Half-year supplementary payment	-	-	-	-	-	-	-	-	-	-	-	-63	-63	-	-63
Supplementary payment regarding 2022	-	-	-	-	-	-	-	-	-	-	-	-201	-201	-	-201
Foreign currency translation adjustments	5	-	5	-	-	2	2	-	-	-	-	-7	-	-5	-5
Total transactions with owners	**1**	**-**	**1**	**-17**	**-4**	**-3**	**-24**	**-**	**-**	**-**	**-**	**-271**	**-294**	**-22**	**-316**
Equity at 31 December 2023	**895**	**1,316**	**2,211**	**372**	**51**	**134**	**557**	**70**	**3**	**-60**	**13**	**207**	**2,988**	**64**	**3,052**

EQUITY (CONTINUED)

Understanding equity

Equity accounts regulated by the Articles of Association are divided into three main categories: common capital, individual capital and other equity accounts. The characteristics of each category are explained below.

Common capital

Common capital is not allocated to individual members and consists of the capital account and the reserve for special purposes. The capital account provides a strong foundation for the cooperative's equity, as the non-impairment clause (described in the accounting policies below) ensures it cannot be used for payments to owners. The reserve for special purposes can be used in extraordinary situations to compensate owners for losses or impairment affecting the profit for appropriation. Amounts transferred from the annual profit appropriation to common capital are recognised in this account.

Individual capital

Individual capital is equity allocated to each owner based on their delivered milk volumes. It comprises contributed individual capital, delivery-based owner certificates and injected individual capital. Subject to approval by the Board of Representatives, amounts in these accounts will be paid out if owners leave the cooperative. Interest is credited to contributed individual capital and disbursed with the supplementary payment.

Other equity accounts

Other equity accounts include those required by IFRS. These consist of reserves for value adjustments of hedging instruments, reserves for fair value adjustments of certain financial assets and reserves for foreign currency translation adjustments.

Supplementary payment

The account for proposed supplementary payment reflects the transactions of supplementary payments during the year, and a carrying amount representing the supplementary payment including interest on contributed capital for the year. The amount will be paid to owners after the approval of the annual report by the BoR.

Non-controlling interests

Non-controlling interests represent the portion of group equity attributable to holders of non-controlling interests in group companies.

Financial comments

Equity increased by EUR 86 million in 2024 and totalled EUR 3,138 million at 31 December 2024 (2023: EUR 3,052 million). The equity share was 33%, calculated as equity excluding non-controlling interests of EUR 3,072 million divided by total assets of EUR 9,330 million.

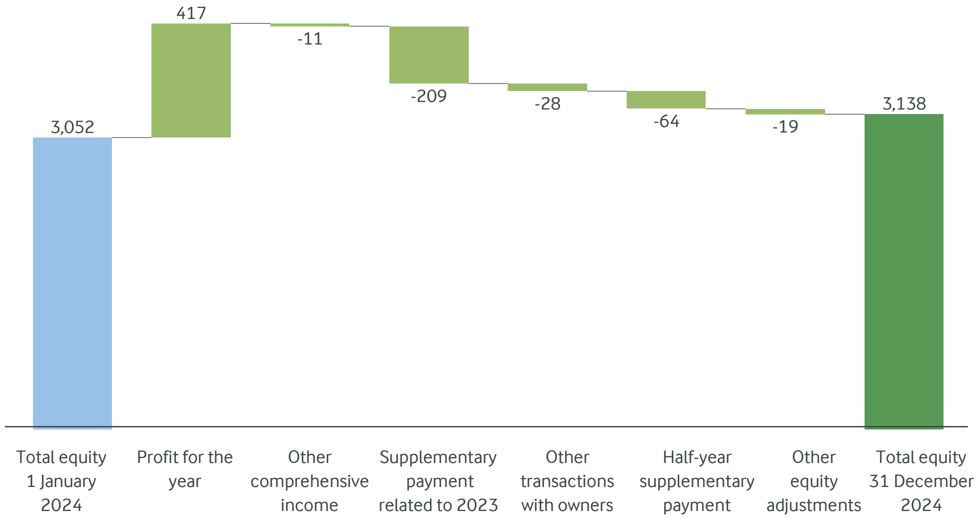
Comprehensive income

Profit for the year amounted to EUR 417 million (2023: EUR 399 million), and other comprehensive income amounted to EUR -11 million (2023: EUR -199 million). Other comprehensive income included income and expenses as well as gains and losses that are excluded from the income statement and not realised at the balance sheet date. Other comprehensive income of EUR -11 million included positive value adjustments on net assets measured in foreign currencies, remeasurement of pension assets and liabilities, negative value adjustments on hedging instruments as well as fair value adjustments of assets and other comprehensive income adjustments from associates and joint ventures.

Transactions with farmer owners

The Board of Directors decided to pay out an interim supplementary payment of EUR 64 million for milk deliveries in the first six months of the year. An additional supplementary payment of EUR 228 million was proposed to be paid subject to the Board of Representatives' approval of the annual report. In total this is a supplementary payment of EUR 292 million for the year, which includes interest on contributed individual capital.

Development in equity
(EUR million)



A supplementary payment related to 2023 totalling EUR 209 million was paid out in March 2024. Other transactions with farmer owners amounted to net EUR 28 million. This consisted of EUR 29 million paid out to owners resigning or retiring from the cooperative and EUR 1 million relating to payments from new members.

In 2025, it is expected that EUR 32 million will be paid to owners resigning or retiring, subject to approval by the Board of Representatives.

Other equity adjustments

Other equity adjustments amounted to EUR -19 million (2023: EUR -27 million), specified as transactions with non-controlling interests of EUR -23 million and foreign exchange rate adjustments of EUR 4 million.

Accounting policies

In this section, it is described how the group's Articles of Association and IFRS regulations are reflected in the accounting policies.

Common capital

The capital account includes technical items like the remeasurement of defined benefit pension schemes, effects from the disposals and acquisitions of non-controlling interests in subsidiaries and exchange rate differences in equity

EQUITY (CONTINUED)

instruments issued to owners. Additionally, the capital account is affected by contributions from new cooperative owners.

The reserve for special purposes includes the annual profit appropriation to common capital. According to article 20.1(iii) of the Articles of Association, this reserve can be used, upon the Board of Directors' proposal, by the Board of Representatives to fully or partially offset substantial extraordinary losses or impairment.

Individual capital
Individual capital instruments are governed by article 20 of the Articles of Association and the general membership terms.

Equity instruments issued as *contributed individual capital* relate to amounts transferred during the annual profit appropriation. These balances earn interest at CIBOR 12 months + 1.5%, which is approved and paid with the supplementary payment as part of the annual profit appropriation.

Delivery-based owner certificates are equity instruments issued to Danish and Swedish owners until 2010 when these instruments were discontinued.

Injected individual capital refers to equity instruments issued during cooperative mergers and when new owners join the cooperative.

Balances on delivery-based owner certificates and injected individual capital instruments do not carry interest.

Balances on contributed individual capital, delivery-based owner certificates and injected individual capital can be paid out over three years upon termination of the Arla Foods amba membership, in line with the Articles of Association and subject to the Board of Representatives' approval. Balances are denominated in the relevant currency of the owner's country. Foreign currency translation adjustments occur annually, with effects transferred to the capital account.

Proposed supplementary payment to owners is recognised separately in equity until approved by the Board of Representatives.

Other equity accounts
The reserve for value adjustments of hedging instruments includes the fair value adjustment of derivatives classified as hedging of future cash flows, where the hedged transaction is not yet realised.

The reserve for fair value adjustments through OCI includes fair value adjustments of mortgage credit bonds classified as financial assets measured at fair value through other comprehensive income.

The reserve for foreign currency translation adjustments includes differences arising during the translation of financial statements of foreign companies. This includes value adjustments related to assets and liabilities that are part of the group's net investment and adjustments related to hedging transactions securing the group's net investment.

Non-impairment clause
According to the Articles of Association, Arla Foods amba cannot make payments to owners that would impair the sum of the capital account and legally required equity accounts under IFRS. The non-impairment clause is evaluated based on the most recent annual IFRS report. Individual capital and the reserve for special purposes are not covered by this clause.

No payout of individual capital can occur without retaining a corresponding amount in the cooperative's unallocated equity, the individual capital accounts or the reserve for special purposes, as specified in article 20.1(i), (ii) and (iii) of the Articles of Association.

Non-controlling interests
Subsidiaries' income and expenses and assets and liabilities are fully recognised in the consolidated financial statements. Non-controlling interests' share of the profit for the year and of the equity in subsidiaries is recognised as part of the consolidated profit and equity, respectively, but is presented separately.

On initial recognition, non-controlling interests are measured at either the fair value of the equity interest or the proportional share of the fair value of the acquired companies' identified assets, liabilities and contingent liabilities. The measurement of non-controlling interests is selected on a transaction by transaction basis.

Milk payment to owners
The on-account settlement of owner milk is recognised as a production cost in the income statement.

The supplementary payment is based on the profit for the year as part of the profit appropriation. The supplementary payment is recognised as a reserve in the equity statement until approved by the Board of Representatives, based on a recommendation by the Board of Directors.

The supplementary payment is settled as an interim supplementary payment based on the first six months of milk deliveries, and a final supplementary payment at year-end. The interim supplementary payment in the year was recognised in equity.

CASH FLOW

(EUR million)	Note	2024	2023
EBITDA		1,109	1,079
Reversal of share of profit in joint ventures and associates	3.3	-33	-51
Reversal of other operating items without cash impact		-36	-54
Change in net working capital	2.1	-379	320
Change in other receivables and other current liabilities		145	-23
Dividends received, joint ventures and associates		24	18
Interest paid		-173	-145
Interest received		34	55
Taxes paid		-39	-48
Cash flow from operating activities		**652**	**1,151**
Investments in intangible assets	3.1	-74	-68
Investments in property, plant and equipment	3.2	-557	-445
Sale of property, plant and equipment	3.2	2	6
Operating investing activities		**-629**	**-507**
Acquisition of financial assets		-24	-18
Sale of financial assets		56	29
Acquisition of enterprises	3.4	-290	-26
Sale of enterprises		-	3
Financial investing activities		**-258**	**-12**
Cash flow from investing activities		**-887**	**-519**

(EUR million)	Note	2024	2023
Half-year supplementary payment		-64	-63
Supplementary payment regarding the previous financial year		-209	-201
Transactions with owners		-28	-25
Transactions with non-controlling interests		-23	-13
New loans obtained	4.3.c	54	777
Other changes in loans	4.3.c	557	-967
Payment of lease debt	4.3.c	-78	-78
Payment to pension plans	4.3.c	-23	-22
Cash flow from financing activities		**186**	**-592**
Net cash flow		**-49**	**40**
Cash and cash equivalents at 1 January		138	106
Net cash flow for the year		-49	40
Exchange rate adjustment of cash funds		2	-8
Cash and cash equivalents at 31 December		**91**	**138**
Free operating cash flow			
Cash flow from operating activities		652	1,151
Cash flow from operating investing activities		-629	-507
Free operating cash flow		**23**	**644**
Free cash flow			
Cash flow from operating activities		652	1,151
Cash flow from investing activities		-887	-519
Free cash flow		**-235**	**632**

CASH FLOW (CONTINUED)

Financial comments

Cash flow from operating activities decreased to EUR 652 million (2023: EUR 1,151 million), primarily driven by increased working capital positions. Higher milk price levels increased cash tied up in working capital positions by EUR 379 million, compared to a release of EUR 320 million last year. The decrease was partly offset by slightly higher EBITDA and settlement of other working capital positions including VAT receivables and receivables from associates and joint ventures.

The net cash flow from investing activities amounted to EUR 887 million (2023: EUR 519 million). CapEx investments amounted to EUR 557 million (2023: EUR 445 million), where continued investments in butter capacity in Denmark, investments in mozzarella capacity in UK and the continued growth of Arla Foods Ingredients were the main drivers.

Cash flow from investments in intangible assets amounted to EUR 74 million (2023: EUR 68 million), consisting of continued investments in the SAP platform across the group.

The effect of financial investing activities of net EUR 258 million (2023: EUR 12 million) is mainly explained by the acquisition of the Volac Whey Nutrition business and the Lockerbie Biogas facility, both in the UK.

The cash flow from financing activities was EUR 186 million (2023: EUR -592 million), comprising transactions with owners and the effect of funding activities and cash management.

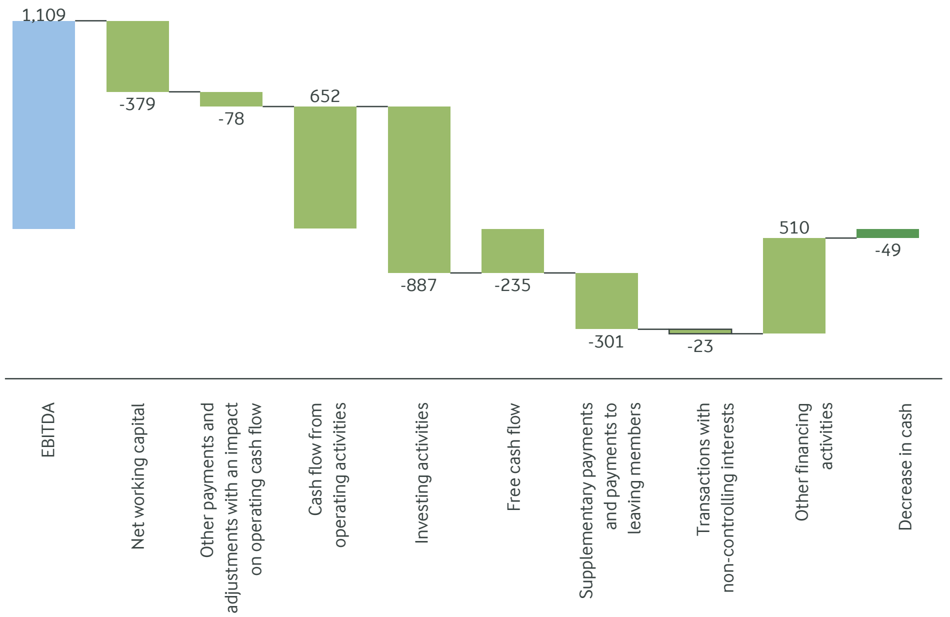
Transactions with owners constituted a negative cash flow of EUR 301 million, specified as an interim supplementary payment of EUR 64 million, a supplementary payment regarding 2023 of EUR 209 million and net payment of individual capital of EUR 28 million.

Transactions with non-controlling interests amounted to EUR -23 million (2023: EUR -13 million) and consisted of dividend payments and acquisition of non-controlling interests' shares.

The net cash flow from funding activities was EUR 510 million and consisted of net cash from utilisation of loan facilities of EUR 611 million, payment of lease debt of EUR 78 million and settlement of pension liabilities of EUR 23 million. See Note 4.3 for more details.

Cash and cash equivalents at 31 December 2024 amounted to EUR 91 million (2023: EUR 138 million).

Illustration of cash flow
(EUR million)



NOTES INTRODUCTION

Basis for preparation
The 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 IFRS Accounting Standards as adopted by the EU (IFRS).

The consolidated financial statements are prepared on a going concern basis. General accounting principles are disclosed in Note 5.7, while accounting policies for the respective areas are explained in the relevant note sections.

In response to the Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the group. These APMs, and in particular the performance price, are deemed critical to understanding the financial performance and financial position of the group. As they are not defined by IFRS, they may not be directly comparable with other companies that use similar measures. Definitions are provided in the glossary and supported by calculations in Note 1.4.

Considering the potential future impact of strategic risks
When preparing the consolidated financial statements the going concern assumption was applied. Identified strategic risks and market and regulatory risks including sustainability-related risks were considered.

On top of a potential direct impact on Arla's performance, these risks could potentially also negatively impact future milk volumes delivered by the owners of Arla Foods amba and thereby indirectly impact the future value in use of certain parts of the asset base. These risks are monitored closely, and no material impairment losses were identified.

The assessment of risk and the potential impact on future performance is inherently judgemental, and different conclusions could materialise in the future. Read more in the Risk management section on pages 25-27 and the section on climate-related risks and opportunities on pages 51-52.

Currency exposure
The group's financial position is significantly exposed to currencies, both due to transactions conducted in currencies other than EUR and due to the translation of financial reporting from entities not part of the euro zone. 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-pegged currencies.

See page 15 for more details on currencies as part of strategic risk and Note 4.1.2 on currency risks.

Special focus areas for 2024
Comparability
The group's activity level is normally determined by the volume of milk delivered by the owners and by the success of moving milk volumes into branded positions and to international markets.

This was also the trend in 2024, despite another year of general macroeconomic uncertainty. Revenue was EUR 13,770 million in 2024, which was an increase of 1% compared to last year. This was driven by increasing commodity prices of milk throughout 2024.

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 112.

NOTE 2 NET WORKING CAPITAL

Development and composition of the group's inventory and trade balances.

Read more on page 118.

NOTE 3 CAPITAL EMPLOYED

Details on production capacity, intangible assets and financial investments.

Read more on page 122.

NOTE 4 FUNDING

Details on funding of the group's activities.

Read more on page 131.

NOTE 5 ACCOUNTING POLICIES

The group's general accounting principles and accounting policies.

Read more on page 152.

INTRODUCTION TO NOTES (CONTINUED)

Despite increased commodity prices and production-related costs in general, total production costs decreased by 1% to EUR 10,803 million in 2024, primarily driven by continued efficiencies in the supply chain and logistics.

The performance price for 2024 totalled 50.9 EUR-cent/kg of owner milk, representing an increase of 8.3% compared to last year.

The continuous increase in milk prices compared to the last half of 2023 significantly increased the level of funds tied up in net working capital positions at year-end. This had a negative impact on cash flow from operating activities, which decreased to EUR 652 million (2023: EUR 1,151 million). Combined with business combinations during 2024, interest-bearing debt increased and leverage landed at 3.2, which is within our target range of 2.8 to 3.4.

The volatility and uncertainty experienced in 2024 is a continuity of the last couple of years, which makes comparison with previous years difficult. As uncertainty continues into 2025, predictability will continue to be difficult, and stakeholders should be careful about using reported results as projections for the future.

Valuation of inventory

An imbalance between demand and supply drove up commodity prices during the year. To ensure correct inventory valuation, we frequently updated our standard cost model for individual cost components such as milk-based components, additives, packaging, energy etc. throughout 2024, and thoroughly reviewed the valuation at 31 December 2024.

The conversion from standard cost to actual cost at the time of production for the individual inventory categories was correspondingly carefully assessed.

Furthermore, net realisable value was assessed based on the price development for especially milk commodity products at the end of the year.

Read more in Note 2.1 Inventory.

Valuation of certain assets and liabilities based on a projection of expected future cash flows

Interest rates remained at a high level, although on most markets at a lower level compared to last year. The valuation of goodwill, gross pension liabilities and interest hedge instruments was therefore also carefully assessed in 2024.

Overall headroom related to impairment test of goodwill positions remained at a comfortable level supported by solid expected future cash flows and lower discount rates.

The fair value of interest hedge instruments decreased by EUR 25 million as a result of lower long-term interest levels and utilisation of interest hedges during the year, while net pension liabilities remained at the same level as last year.

Read more in Note 3.1 Goodwill, Note 4.4 Hedge instruments and Note 4.7 Pension liabilities.

FarmAhead™ Customer Partnership recognised as part of revenue

In 2024, we launched a sustainability customer programme across most of Arla's core European markets, enabling customers to participate in sustainability projects on farms, access customer data and receive customised reports, and achieve claimable reductions for ESG reporting. Customers participating in the programme pay a premium on the products, recognised as part of revenue.

FarmAhead™ Incentive recognised as part of milk costs

The year 2024 marked the first full year after the implementation of the Incentive model in 2023, which facilitates the redistribution of up to EUR 500 million among farmers based on their engagement in sustainability initiatives on farms. Read more about the model on page 44 in the sustainability statements.

In 2024, a total of EUR 337 million was disbursed in relation to the FarmAhead™ Check and FarmAhead™ Incentive, and this amount was accounted for in the cost of owner milk. Read more in Note 1.2 Operational costs.

Classification of power purchase agreements

To support the reduction of scope 1+2 CO_2e emissions, Arla has entered into five new power purchase agreements (PPAs) with a contractual annual energy volume of 126 GWh. Solar energy accounts for 26 GWh, and wind energy accounts for 100 GWh. This adds to 11 already signed PPAs from 2022 and 2023.

Through a structured process, the accounting classification of the individual contracts was rigorously assessed based on the latest available guidance and involvement of external expertise. All contracts are for the purpose of own use and classified as executory supplier contracts.

Read more in Note 4.1.4 Commodity price risk and Note 5.5 Contractual commitments, contingent assets and liabilities.

Climate-related risks in the consolidated financial statements

Climate-related risks are of great importance to Arla. The management has assessed the impact on the consolidated financial statements from such risks and initiatives taken or to be taken towards addressing them. There was no material impact on the consolidated
financial statements 2024 from climate changes or the actions taken against climate-related risks. Potential future impacts were also evaluated. Read more on page 35.

Points of considerations are described below.

Risk of decline in milk volumes

Climate-related risks that can potentially reduce milk volumes in the future are:

- The Danish Tripartite agreement on a new carbon tax on methane and nitrous oxide emissions from agriculture has been finalised. The impact from this could be increased production costs for our farmer owners in Denmark.
- Extreme weather events like heat waves, draughts or floods which can have a negative impact on crop yields and cows' productivity.
- Land use regulations both following from the Danish Tripartite agreement and EU level proposals to reach EU climate targets of converting agriculture to forest land which would potentially reduce the production of feed for cows.

Risk of increased production costs

Climate-related risks that could potentially affect the future of dairy operations are:

- Regulations to reduce emissions in production. The EU decided to expand ETS to cover fuel combustion from buildings and road transport. The EU has discussed the development of an agricultural ETS targeted at processing. Arla's operations will be impacted by this in countries with CO_2e regulations. Dairy production would be more expensive compared to countries where such initiatives are not implemented, which would harm Arla's competitiveness. We are constantly lowering CO_2 emissions from operations. This is enforced by the Future 26 strategy's science-based targets of lowering scope 1 and 2 CO_2 emissions by 63% by 2030. Read more on page 45.
- Changes in consumer behaviour driven by costumers pushing for more sustainable products increase the need for sustainable dairy production to stay competitive.

INTRODUCTION TO NOTES (CONTINUED)

Risk of impairment of production capacity
As a consequence of the above climate-related risks, Arla could face impairment of its production capacity due to:

- Equipment becoming outdated in the sustainability transformation.
- Excess production capacity if milk volumes and operations decline.

The potential consequences of the above were considered as part of our impairment test conducted during 2024 and our assessment of value in use for property, plant and equipment. Non-current assets in the balance sheet were not affected by such impairment in 2024. Sustainability is now an integral part of all investments in property, plant and equipment which ensure future investments to address the risks identified.

Significant accounting estimates and judgements
Preparing the group's 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. These are inherently associated with uncertainty and unpredictability which can have a significant effect on the amounts recognised in the consolidated financial statements. Areas of significant accounting estimates and judgements are listed below with reference to further comments in the notes.

Significant accounting estimates and judgements	Note	Estimate/ Judgement
Measurement of revenue and rebates	1.1	Estimate
Measurement of inventory	2.1	Estimate
Measurement of trade receivables	2.1	Estimate
Impairment test and measurement of goodwill	3.1	Estimate
Classification of investments	3.3	Judgement
Identification and valuation of assets and liabilities in business combinations	3.4	Judgement
Classification of power purchase agreements	4.1.4.a	Judgement
Measurement of pension plans	4.7	Estimate
Recognition and measurement of deferred tax positions	5.1	Estimate
Measurement of insurance provisions	5.2	Estimate

NOTE 1. REVENUE AND COSTS

1.1 REVENUE

Financial comments
Revenue increased by 0.7% to EUR 13,770 million (2023: EUR 13,674 million). Prices contributed positively to revenue by EUR 50 million, driven by a positive impact on Global Industry Sales (GIS) from higher commodity prices, partly offset by commercial prices being at a lower average level compared to last year.

Branded volume growth increased revenue with EUR 238 million. This was offset by lower volumes in private label and Global Industry Sales, resulting in a net effect of EUR -10 milliion from volume/mix.

Business combinations added EUR 24 million to revenue and related to the acquisition of the Volac whey nutrition business.

Arla's revenue was positively impacted by currency effects of EUR 32 million, primarily driven by higher GBP related exchange rates and offset by a lower NGN related exchange rate.

Development in revenue
(EUR million)

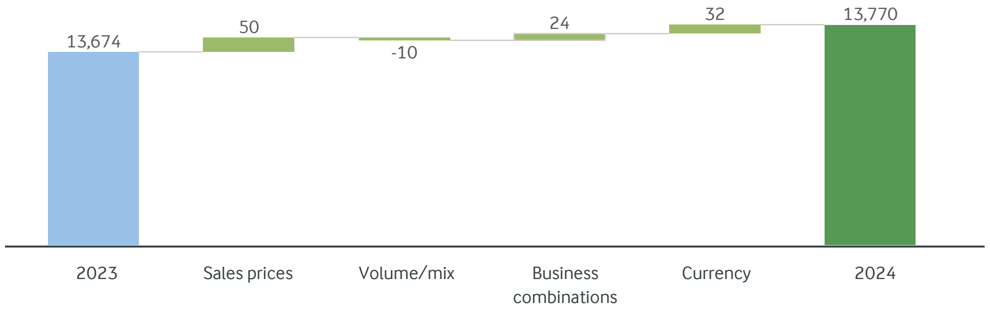


Table 1.1.a Revenue split by country*

(EUR million)	2024	2023	Share of revenue in 2024
United Kingdom	3,492	3,441	25%
Sweden	1,698	1,645	12%
Germany	1,683	1,661	12%
Denmark	1,345	1,319	10%
Netherlands	885	873	6%
Saudi Arabia	449	499	3%
Finland	397	388	3%
USA	296	302	2%
UAE	268	277	2%
China	258	270	2%
Other**	2,999	2,999	22%
Total	**13,770**	**13,674**	**100%**

**The figures in this table represent total revenue by country and includes all sales in the countries, irrespective of organisational structure. Therefore, the figures cannot be compared to the commercial segment review in the management review.*

***Other countries include, among others, Oman, Spain, Canada, Belgium, France and Australia.*

Table 1.1.b - Revenue split by brand

(EUR million)	2024	2023
Arla	3,737	3,618
Lurpak	837	772
Puck	514	529
Castello	245	246
Milk-based beverages	393	376
Other supported brands	863	834
Strategic branded revenue	**6,589**	**6,375**
Arla Foods Ingredients	1,015	963
Global Industry Sales, private label and other	6,166	6,336
Total	**13,770**	**13,674**

1.1 REVENUE (CONTINUED)

In 2024, we succeeded in growing our brands with volume-driven revenue growth of 3.7% (-0.7% in 2023) and a branded revenue increase of 3.1% to EUR 6,589 million (2023: EUR 6,375 million), which exceeded our expectations at the start of the year. This growth was driven by increased consumer purchasing power, strong sales execution and the strength of our brands.

Europe is Arla's largest commercial segment, comprising 58.6% of total revenue (2023: 58.4%). Revenue in Europe increased to 8,066 EUR million (2023: EUR 7,984 million).

The increase was driven by higher volumes and lower prices. In Europe, strategic branded volume-driven revenue increased by 4.1% (2023: -1.3%) due to strong branded positions and growth efforts as well as increased European consumer purchasing power, thanks to easing inflation and rising wages. Branded volume growth was partly offset by changes in commercial prices, which followed commodity prices and a reduction in private label volumes.

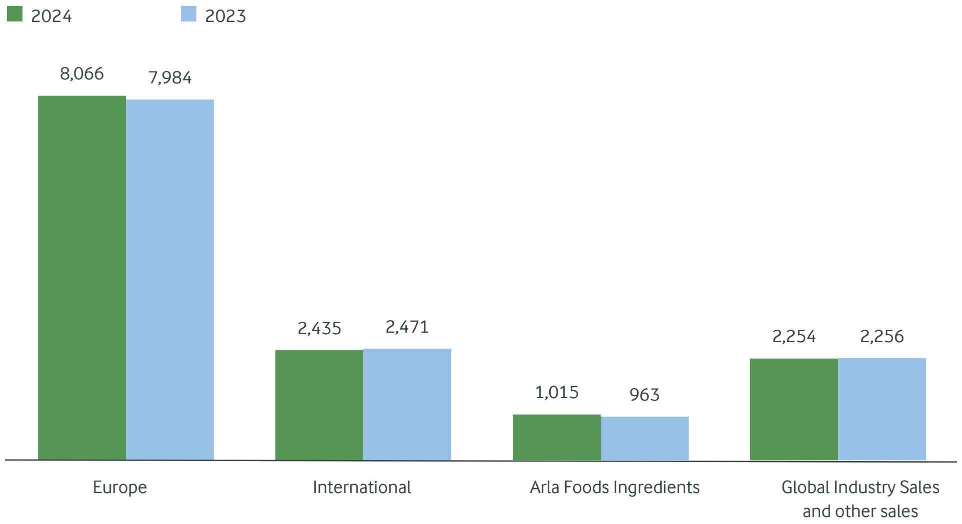
The International segment accounted for 17.7% of total revenue (2023: 18.1%). The revenue in International decreased to EUR 2,435 million (2023: EUR 2,471 million), driven by an unfavourable impact from currency developments, mainly due to devaluations in Nigeria and Bangladesh. The underlying revenue development, excluding currency effects, was positive as commercial prices followed the upwards moving commodity prices in the year. Despite challenges faced due to currency devaluations and geopolitical turbulence in the Middle East, strategic branded volume-driven growth was 2.9% in International (2023: 1.9%).

Arla Foods Ingredients accounted for 7.4% of total revenue (2023: 7.0%), amounting to EUR 1,015 million (2023: EUR 963 million). AFI maintained a high value-add share of 80.1% (2023: 79.7%). In late 2024, AFI acquired full ownership of Volac Whey Nutrition Limited.

Global Industry Sales and other segments represented 16.4% of total revenue (2023: 16.5%) and decreased by 0.1% to EUR 2,254 million (2023: EUR 2,256 million). The development was primarily driven by commodity prices. The overall share of milk solids sold through GIS decreased to 21.9% (2023: 27.4%).

Arla's revenue was positively impacted by currency effects of EUR 32 million, primarily driven by higher GBP-related exchange rates and offset by a lower NGN-related exchange rate.

Revenue split by commercial segment
(EUR million)



Accounting policies

Revenue is recognised when there is a contract with a customer for producing and transferring dairy products across various product categories and regions. Revenue by commercial segment or market is based on the group's internal financial reporting practices.

Revenue is recognised in the income statement at the point in time a performance obligation is fulfilled, at the price allocated to that performance obligation. This occurs when control of the products is transferred to the buyer, the revenue amount can be measured reliably and collection is probable. The transfer of control to customers is determined by trade agreement terms, such as Incoterms, which can vary depending on the customer or specific trade.

Revenue related to our FarmAhead™ Customer Partnership programme is an integral part of the sales price for the individual products covered by the contracts with the customers and therefore follows the regular revenue recognition criteria mentioned above.

Revenue includes invoiced sales for the year, minus customer-specific deductions like sales rebates, cash discounts, listing fees, promotions, VAT and duties. Customer contracts may include various discounts. Historical experience is used to estimate these discounts for accurate revenue recognition.

Moreover, revenue is only recognised when it is highly probable that there will not be a significant reversal in the amount of revenue. This typically occurs when control of the product is transferred to the customer, considering any applicable sales rebates.

Most contracts have short payment terms, so adjusting the transaction price for a financing component in customer contracts is not necessary.

Uncertainties and estimates

Revenue, net of rebates, is recognised when goods are transferred to customers. Estimates are used when measuring accruals for rebates and other sales incentives. Most rebates are calculated based on terms agreed upon with the customer. In some customer relationships, the final settlement of the rebate depends on future sales volumes, prices and other incentives. Therefore, estimating whether performance obligations are met involves some judgement. These estimates are based on historical experience and forecasted future sales.

1.2 OPERATIONAL COSTS

Financial comments

Operational costs were on a par with last year at 13,135 million (2023: EUR 13,117 million). Higher milk costs paid to farmers were offset by positive effects from cost of goods sold.

Production costs decreased by 0.8% to EUR 10,803 million (2023: EUR 10,894 million). Excluding costs of raw milk, production costs decreased to EUR 4,238 million (2023: EUR 4,739 million), representing a decrease of 10.6%. The decrease was driven by cost of goods sold which was somewhat lower than last year due to inventory carry-overs (dairy products sold in 2024, but already produced during 2023 with a lower pre-paid milk price compared to the opposite situation last year). During 2024, production-related costs increased due to inflation effects on production materials such as packaging, additives and consumables and higher costs related to salaries, partly offset by lower energy prices.

Sales and distribution costs increased by 3.4% to EUR 1,824 million (2023: EUR 1,764 million).

Administration costs increased by 10.7% to EUR 508 million (2023: EUR 459 million), mainly driven by an increase in staff costs, inflation and depreciation.

In 2024, we achieved net savings of EUR 131 million, of which EUR 96 million related to operational costs, reducing our future cost base.

Cost of raw milk

The cost of raw milk increased by 6.7% to EUR 6,565 million (2023: EUR 6,155 million), driven by increases in the prepaid milk price.

Development in operational costs
(EUR million)

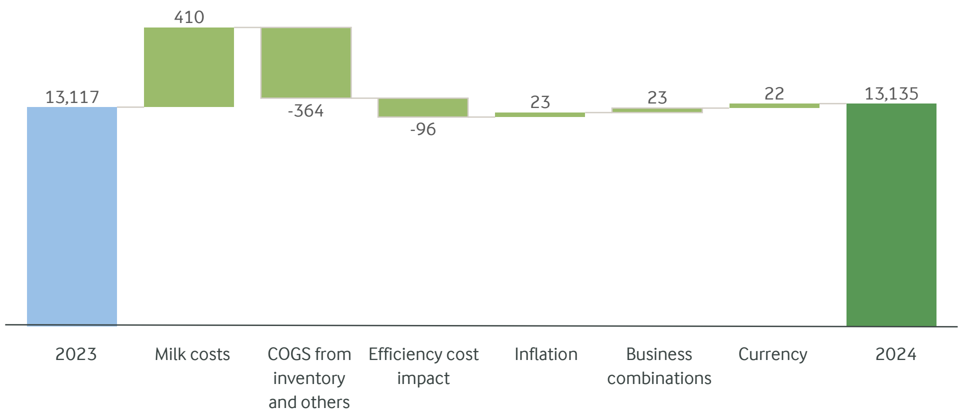


Table 1.2.a Operational costs split by function and type

(EUR million)	2024	2023
Production costs	10,803	10,894
Sales and distribution costs	1,824	1,764
Administration costs	508	459
Total	**13,135**	**13,117**
Specification:		
Weighed-in raw milk	6,565	6,155
Other production materials*	2,255	2,882
Staff costs	1,654	1,511
Transport costs	814	795
Marketing costs	271	262
Depreciation, amortisation and impairment	511	479
Other costs**	1,065	1,033
Total	**13,135**	**13,117**

**Other production materials include packaging, additives, consumables, variable energy and effects of cost of goods sold related to changes in inventory*
***Other costs mainly include maintenance, utilities and IT*

Table 1.2.b Weighed-in raw milk	**2024**		**2023**	
	mkg	EUR million	mkg	EUR million
Owner milk	12,973	6,195	13,058	5,753
Other milk	762	370	816	402
Total	**13,735**	**6,565**	**13,874**	**6,155**

Milk volumes disclosed using standardised milk with a composition of 3.4% protein and 4.2% fat for weighed-in milk in Arla.

1.2 OPERATIONAL COSTS (CONTINUED)

Owner milk
Costs related to owner milk increased by EUR 441 million due to a higher average pre-paid milk price. Arla's average pre-paid milk price increased to 47.8 EUR-cent/kg in 2024 (2023: 44.1 EUR-cent/kg), which constitutes a 8.4% increase.

In 2024, a total of EUR 337 million was paid out related to FarmAhead™ Check and the new FarmAhead™ Incentive model introduced in July 2023. The amount was included in the cost of owner milk.

Other milk
The cost of other milk decreased by EUR 32 million due to lower prices, and lower volume intake in the UK. Other milk consists of speciality milk and other contract milk acquired to meet local market demands.

Staff costs and number of FTEs
Staff costs increased by 9.5% to EUR 1,654 million (2023: EUR 1,511 million). Staff costs increased due to regular salary increases and additional FTEs. The total number of FTEs increased to 21,895 (2023: 21,307). See ESG section, Note 1.2 for further details.

Depreciation, amortisation and impairment
Depreciation, amortisation and impairment increased by 6.7% to EUR 511 million (2023: EUR 479 million) due to an increase in investments.

Accounting policies
Production costs
Production costs cover direct and indirect costs related to production, including volume movements in inventory and related inventory revaluation. Direct costs comprise the purchase of milk from owners, including incentives related to FarmAhead™ Check and the new FarmAhead™ Incentive model, inbound transport costs, packaging, additives, consumables, energy and variable salaries directly related to production. Indirect costs comprise other costs related to the production of goods, including depreciation and impairment losses on production equipment and other supply chain-related costs. The purchase of milk from cooperative owners is recognised at pre-paid prices for the accounting period and therefore does not include the supplementary payment, which is classified as distributions to owners and recognised directly in equity.

Sales and distribution costs
Costs relating to sales staff, write-down of receivables, sponsorships, research and development, depreciation and impairment losses are recognised as sales and distribution costs. Sales and distribution costs also include marketing expenses relating to investment in the group's brands such as the development of marketing campaigns, advertisements, exhibits and others.

Administration costs
Administration costs relate to management and administration, including administrative staff, office premises and office costs as well as depreciation and impairment.

Table 1.2.c Staff costs

(EUR million)	2024	2023
Wages, salaries and remuneration	1,430	1,324
Pensions – defined contribution plans	109	85
Pensions – defined benefit plans	-	1
Other social security costs	115	101
Total	**1,654**	**1,511**
Staff costs relate to:		
Production costs	895	842
Sales and distribution costs	477	434
Administration costs	282	235
Total	**1,654**	**1,511**
Average number of full-time employees	21,895	21,307

Table 1.2.d Depreciation, amortisation and impairment

(EUR million)	2024	2023
Intangible assets, amortisation	66	62
Property, plant and equipment and RoU, depreciation	445	417
Total	**511**	**479**
Depreciation, amortisation and impairment relate to:		
Production costs	356	346
Sales and distribution costs	70	60
Administration costs	85	73
Total	**511**	**479**

1.3 OTHER OPERATING INCOME AND COSTS

Financial comments

Other operating income decreased by 57.5% to EUR 48 million (2023: EUR 113 million).

Income from the sale of excess electricity volumes from power production plants was EUR 28 million (2023: EUR 30 million). The reduction was due to lower market prices for electricity compared to last year.

Income from currency hedging instruments reclassified from OCI was EUR 4 million (2023: EUR 18 million). Please refer to Note 4.4 for further details.

Income from commodity hedging instruments reclassified from OCI was EUR 3 million (2023: EUR 0 million). Please refer to Note 4.4 for further details.

Gains on the disposal of intangible assets and property, plant and equipment were EUR 2 million (2023: EUR 6 million) following disposals in the UK.

Other items amounted to EUR 11 million (2023: EUR 37 million), mainly driven by EUR 5 million insurance income.

Other operating costs decreased by 2.5% to EUR 118 million (2023: 121 EUR million).

Costs of commodity hedging instruments related to diesel, natural gas and electricity reclassified from OCI amounted to EUR 32 million (2023: EUR 61 million), exclusively driven by energy hedging instruments due to commodity market prices increasing to levels above the hedged prices. See Note 4.4 for further details.

Costs related to the sale of electricity remained stable at EUR 27 million (2023: EUR 27 million) in line with the previous year.

Costs of currency hedging instruments reclassified from OCI were EUR 29 million (2023: EUR 15 million). Please refer to Note 4.4 for further details.

Other items amounted to EUR 30 million (2023: EUR 18 million) and were mainly driven by expenses following fire accidents and expenses relating to the Volac acquisition.

Accounting policies

Other operating income and costs include items outside the usual dairy business activities. These items consist of gains and losses from the settlement of disputes, remeasurement gains from step acquisitions of entities, net results from financial hedging activities and net results from producing and selling energy from own biogas plants. Additionally, this category includes gains and losses from the disposal of non-current assets and the divestment of entities.

Table 1.3 Other operating income and costs

(EUR million)	2024	2023
Sale of electricity	28	30
Income from commodity hedging instruments reclassified from OCI	3	-
Income from currency hedging instruments reclassified from OCI	4	18
Gains on the disposal of intangible assets and property, plant and equipment	2	6
Remeasurement gain on existing shares of MV Ingredients Ltd.	-	22
Other income items	11	37
Other operating income	**48**	**113**
Costs of commodity hedging instruments reclassified from OCI	32	61
Costs of currency hedging instruments reclassified from OCI	29	15
Costs related to the sale of electricity	27	27
Other cost items	30	18
Other operating costs	**118**	**121**

1.4 KEY PERFORMANCE INDICATORS

The alternative performance measures disclosed in Note 1.4 are key performance indicators for the group. They are not defined by IFRS.

1.4.1 PERFORMANCE PRICE

Financial comments

Arla's performance price is a key measure of overall performance, reflecting the value added to each kilogramme of milk supplied by our farmer owners.

The performance price was 50.9 EUR-cent/kg of owner milk, (2023: 47.0 EUR-cent/kg).

Accounting policies

The performance price is calculated by taking the standardised pre-paid milk price included in production costs, adding Arla Foods amba's share of profit attributable to farmer owners and then dividing by the total milk volume weighed in.

1.4.2 STRATEGIC BRANDED VOLUME-DRIVEN REVENUE GROWTH

Financial comments

Volume-driven revenue growth (VDRG) is defined as revenue growth resulting from increased volumes while keeping prices constant. VDRG of strategic brands is a performance measure used to support and understand the non-price revenue growth and performance of our branded business.

Strategic branded VDRG increased by 3.7% (2023: decrease of 0.7%). Branded retail sales increased, driven by strong demand, despite continued high dairy prices.

Accounting policies

Strategic branded volume-driven revenue growth (strategic branded VDRG) is a measure of the share of revenue growth relative to volumes.

Volume-driven revenue is calculated by keeping prices fixed year on year.

Strategic branded VDRG is calculated as the volume growth of EUR 238 million divided by total strategic branded revenue of EUR 6,589 million and equalled 3.7% in 2024.

1.4.3 PROFIT SHARE

Financial comments

The profit share of Arla is targeted at 2.8-3.2% of revenue, calculated on the basis of the profit attributable to our farmer owners.

For 2024, the profit attributable to our farmer owners amounted to EUR 401 million (2023: EUR 380 million). This corresponded to 2.9% of revenue, or 3.1 EUR-cent/kg of milk delivered, and was distributed to the supplementary payment and retainment as disclosed in the statement of profit appropriation.

Accounting policies

Profit share is a measure of profit relative to revenue calculated as Arla Foods amba's share of profit for the year divided by total revenue.

Profit share is calculated as EUR 401 million divided by EUR 13,770 million and equalled 2.9% in 2024.

Table 1.4.1 Performance price

	2024			2023		
	EUR million	mkg	EUR-cent/kg	EUR million	mkg	EUR-cent/kg
Owner milk (standard milk (4.2% fat, 3.4% protein))	6,195	12,973	47.8	5,753	13,058	44.1
Arla Foods amba's share of profit for the year	401	12,973	3.1	380	13,058	2.9
Total	**6,596**	**12,973**	**50.9**	**6,133**	**13,058**	**47.0**

Table 1.4.2 Strategic branded volume driven revenue growth

(EUR million)	2024	2023
Strategic branded revenue last year	6,375	6,294
Strategic branded VDRG	238	-46
Price and exchange rate adjustments	-24	127
Strategic branded revenue	**6,589**	**6,375**
Strategic branded volume driven revenue growth, %	**3.7%**	**-0.7%**

Table 1.4.3 Profit share

(EUR million)	2024	2023
Revenue	13,770	13,674
Profit for the year	417	399
Profit relating to non-controlling interests	-16	-19
Profit attributable to farmer owners	**401**	**380**
Profit share	**2.9%**	**2.8%**

NOTE 2. NET WORKING CAPITAL

2.1 NET WORKING CAPITAL

Financial comments
Net working capital increased by EUR 415 million to EUR 1,519 million, (2023: EUR 1,104 million), representing an increase of 37.6% % compared to last year.

This was due to higher inventory and trade receivables positions, driven by higher prepaid milk prices and higher sales prices.

Development in net working capital
(EUR million)

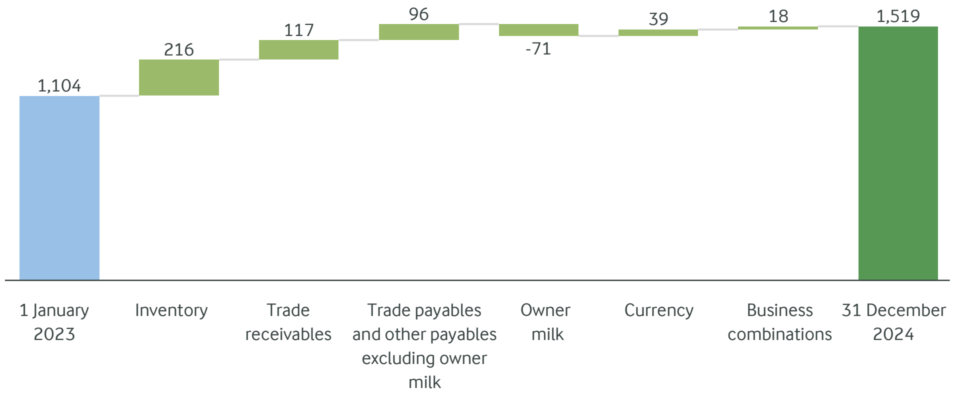


Table 2.1.a Net working capital

		Cash flow	Non-cash flow			
(EUR million)	1 January	Included in operating cash flow	Business combinations	Write-downs	Currency	31 December
2024						
Inventory	1,384	233	16	-17	19	1,635
Trade receivables	1,145	121	28	-4	27	1,317
Trade payables and other payables	-1,425	25	-26	-	-7	-1,433
Total net working capital	1,104	379	18	-21	39	1,519
2023						
Inventory	1,772	-375	2	10	-25	1,384
Trade receivables	1,267	-117	4	2	-11	1,145
Trade payables and other payables	-1,597	172	-3	-	3	-1,425
Total net working capital	1,442	-320	3	12	-33	1,104

2.1 NET WORKING CAPITAL (CONTINUED)

Inventory

Inventory increased by 18.1% to EUR 1,635 million (2023: EUR 1,384 million). The increase was driven by higher milk prices paid to our farmer owners and higher production-related salary costs, partly offset by a decrease in the energy and ingredient costs. Excluding currency and effects from business combinations, the carrying amount of inventory increased by EUR 216 million.

Trade receivables

Trade receivables increased by 15.0% to EUR 1,317 million (2023: EUR 1,145 million), driven by higher sales prices.

The utilisation of trade receivables finance programmes increased to EUR 353 million (2023: EUR 267 million). The group utilises these programmes to manage liquidity and reduce credit risk on trade receivables.

Managing credit risk exposure on trade receivables is guided by group-wide policies. Credit limits are set based on the customer's financial position and current market conditions. The customer portfolio is diversified in terms of geography, industry sector and customer size. In 2024, the group was not extraordinarily exposed to credit risk related to significant individual customers, but to the general credit risk in the retail sector. Read more about credit risk in Note 4.1.5.

Overdue above 30 days amounted to 7.1% of the trade receivables position (2023: 6.6%). Provision for expected losses was EUR 21 million (2023: EUR 17 million).

Excluding currency and effects from business combinations, the carrying amount of trade receivables increased by EUR 117 million.

Trade payables and other payables

Trade payables and other payables increased by 0.6% to EUR 1,433 million (2023: EUR 1,425 million).

A number of Arla's strategic suppliers participate in supply chain finance programmes, where the supply chain finance provider and related financial institutions act as a funding partner. When suppliers participate in these programmes, the supplier has the option, at their own discretion and flexibility, to receive early payment from the funding partner based on invoices sent to Arla. This is conditioned by Arla's recognition and approval of received goods or services and an irrevocable acceptance to pay the invoice at the due date via the funding partner. The arrangement of early payment is an exclusive transaction between the supplier and the supply chain finance provider.

Extended payment terms are not embedded in the programmes themselves, but agreed with vendors directly.

The liquidity risk for Arla on termination of the programmes is limited. No securities or guarantees are provided. The payment terms for suppliers participating in the programmes are no more than 180 days. Utilisation of supply chain finance programmes at year-end decreased to EUR 165 million (2023: EUR 176 million). Read more on page 88-89.

Excluding currency and effects from business combinations, the carrying amount of trade payables and other payables, including owner milk, decreased by EUR 25 million.

Table 2.1.b Inventory

(EUR million)	2024	2023
Inventory before write-downs	1,671	1,403
Write-downs	-36	-19
Total inventory	**1,635**	**1,384**
Raw materials and consumables	347	307
Work in progress	457	380
Finished goods and goods for resale	831	697
Total inventory	**1,635**	**1,384**

Table 2.1.c Trade receivables

(EUR million)	2024	2023
Trade receivables before provision for expected losses	1,338	1,162
Provision for expected losses	-21	-17
Total trade receivables	**1,317**	**1,145**

Table 2.1.d Trade receivables age profile

	2024		2023	
(EUR million)	Gross carrying amount	Expected loss rate	Gross carrying amount	Expected loss rate
Not overdue	1,026	0%	912	0%
Overdue by less than 30 days	217	0%	173	1%
Overdue by between 30 and 89 days	53	0%	32	0%
Overdue by more than 90 days	42	36%	45	33%
Total trade receivables	**1,338**		**1,162**	

Historically, experienced loss rates on balances not due or overdue by less than 30 days are below 1%.

2.1 NET WORKING CAPITAL (CONTINUED)

Table 2.1.e Supply chain finance programmes

(EUR million)	2024	2023
Trade payables and other payables	1,433	1,425
Of which owner milk*	305	235
Trade payables and other payables excluding owner milk	**1,128**	**1,190**
Of which is eligible for financing arrangement	**165**	**176**
Range of payment terms for trade payables that are part of the arrangements	30 - 180 days	30 - 180 days
Range of payment terms for trade payables that are not part of an arrangement	1 - 120 days	1 - 120 days

** Owner milk due is not part of any supply chain finance programme.*

In 2024, the average payment terms to farmers were 15 days.

Accounting policies

Inventory

Inventories are measured at the lower of cost or net realisable value, calculated on a first-in, first-out basis. The net realisable value is determined by considering inventory marketability and estimating the sales price, minus completion costs and costs incurred to execute the sale.

The cost of raw materials, consumables and commercial goods includes the purchase price plus delivery costs. The prepaid milk price to Arla's owners is used as the purchase price for owner milk.

The cost of work in progress and manufactured goods also includes an appropriate share of production overheads, including depreciation, based on the normal operating capacity of the production facilities.

Trade receivables

Trade receivables are recognised at the invoiced amount less expected losses, according to the simplified approach for amounts considered irrecoverable (amortised cost). Expected losses are measured as the difference between the carrying amount and the present value of anticipated cash flows.

Expected losses are assessed for major individual receivables or in groups at the portfolio level based on the receivables' age and maturity profile, as well as historical records of losses. Calculated expected losses are adjusted for specific significant negative developments in geographical areas.

Trade receivables are derecognised once the criteria for derecognition have been met, and all substantial risks and rewards are transferred.

Trade payables and other payables

Trade payables are measured at amortised cost, which typically corresponds to the invoiced amounts.

Amounts payable to suppliers that are included in supply chain finance programmes are classified as trade payables on the balance sheet and in the cash flow statement as cash flow from working capital.

Uncertainties and estimates

Inventory

The group uses monthly standard costs to calculate inventory and revises all indirect production costs at least once a year. Standard costs are also revised if they significantly deviate from the actual cost of the individual product. A key component in the standard cost calculation is the cost of raw milk from farmers, which is determined using the average pre-paid milk price that matches the inventory's production date.

Due to macroeconomic volatility and its effect on commodity prices, the valuation of individual cost components such as milk-based components, energy, packaging, consumables and utilities in our standard cost models was frequently updated throughout 2024 and thoroughly assessed as at 31 December 2024.

Conversion from standard cost to reflect the actual cost at the time of production for individual inventory categories was similarly assessed.

Indirect production costs are calculated based on relevant assumptions regarding capacity utilisation, production time and other factors characterising the individual product.

Assessing the net realisable value requires judgement, particularly when estimating the sales price of certain cheese stocks with long maturities and bulk products intended for sale on European or global commodity markets.

Receivables

Expected losses are calculated using several parameters, such as the number of days overdue, and are adjusted for significant negative developments in certain geographical areas.

The financial uncertainty related to the provision for expected losses is generally considered to be limited. However, if a customer's ability to pay deteriorates in the future, further write-downs may be necessary. Expected losses were carefully assessed.

Customer-specific bonuses are calculated based on actual agreements with retailers, however, some uncertainty exists when estimating the exact amounts to be settled and the timing of these settlements.

Finance programmes

The classification of trade receivables finance programmes and supply chain finance programmes involves judgement of the characteristics of the contracts, for example the payment terms and collaterals. The programmes are recognised as part of the net working capital positions.

2.2 OTHER RECEIVABLES AND OTHER CURRENT LIABILITIES

Financial comments

Other receivables

Other receivables decreased by EUR 43 million to EUR 266 million (2023: EUR 309 million). They mainly consist of VAT receivables, prepayments, income tax receivables and other items.

Other items amounted to EUR 81 million (2023: EUR 83 million), mainly driven by insurance recoveries.

Other current liabilities

Other current liabilities increased by EUR 59 million to EUR 365 million (2023: EUR 306 million). They mainly consist of employee-related accruals, income tax and VAT payables, accrued interests and other items.

Employee-related accruals amounted to EUR 172 million (2023: EUR 174 million), mainly driven by holiday pay, salary and bonuses and related salary cost accruals.

Other items amounted to EUR 126 million (2023: EUR 64 million), mainly driven by invoice financing payables within the framework of our finance programme.

Accounting policies

Other receivables and other current liabilities

Other receivables and other current liabilities are measured at amortised cost usually corresponding to the nominal amount.

Table 2.2 Other receivables and current liabilities

(EUR million)	2024	2023
VAT	95	125
Prepayments	63	55
Income tax	17	21
Accrued interest	8	5
Amounts owed by associates and joint ventures	2	20
Other	81	83
Other receivables	**266**	**309**
Employee related liabilities	172	174
Income tax	20	23
Accrued interest	17	12
VAT	16	17
Deferred income	13	9
Amounts owed to associates and joint ventures	1	7
Other	126	64
Other current liabilities	**365**	**306**

NOTE 3. CAPITAL EMPLOYED

3.1 INTANGIBLE ASSETS AND GOODWILL

Financial comments

Intangible assets and goodwill
Intangible assets and goodwill amounted to EUR 1,207 million compared to EUR 1,010 million last year.

Goodwill
The carrying amount of goodwill amounted to EUR 938 million (2023: EUR 752 million). Additions during the year amounted to EUR 157 million and related to the acquisition of the Whey Nutrition business and production facility in the UK from Volac International Limited and of the Lockerbie Biogas facility in the UK.

The fair value of the acquired net assets has been identified and goodwill recognised. Net assets, goodwill and contingent assets and liabilities recognised at the reporting date are preliminary. Adjustments may be applied to the purchase price allocation for a period of up to 12 months from the acquisition date in accordance with IFRS 3. Please refer to table 3.1.b for a specification of goodwill.

Licences and trademarks
The carrying amount of licences and trademarks amounted to EUR 57 million (2023: EUR 60 million). The carrying amount primarily relates to the recognition of trademarks from business combinations and includes Yeo Valley® and Svensk Mjölk®. The decrease in value was due to amortisation.

The strategic brands Arla®, Lurpak®, Castello® and Puck® are internally generated trademarks and are consequently not recognised in the balance sheet. Arla holds long-term licence agreements related to utilising Starbucks™, Kraft™, Galaxy®, Milka® and other brands on certain product categories and markets. No values are recognised for these licence agreements.

IT and other development projects
The carrying amount of IT and other development projects was EUR 212 million (2023: EUR 198 million). The group continued to invest in IT projects, amounting to EUR 74 million in 2024.

Accounting policies

Goodwill
Goodwill represents the premium paid by Arla above the fair value of the identified net assets of an acquired company. On initial recognition, goodwill is recognised at cost. Goodwill is not amortised, but is subsequently measured at cost less any accumulated impairment. The carrying amount of goodwill is allocated to the group's cash-generating units, which align with the management structure and internal financial reporting. Cash-generating units are the smallest group of assets capable of generating independent cash inflows.

Table 3.1.a Intangible assets and goodwill

(EUR million)	Goodwill	Licences and trademarks	IT and other development projects	Total
2024				
Cost at 1 January	752	161	508	1,421
Exchange rate adjustments	29	1	-3	27
Additions	-	-	74	74
Business combinations	157	-	-	157
Disposals	-	-	-20	-20
Cost at 31 December	**938**	**162**	**559**	**1,659**
Amortisation and impairment at 1 January	-	-101	-310	-411
Exchange rate adjustments	-	3	1	4
Amortisation and impairment for the year	-	-7	-59	-66
Amortisation on disposals	-	-	21	21
Amortisation and impairment at 31 December	**-**	**-105**	**-347**	**-452**
Carrying amount at 31 December	**938**	**57**	**212**	**1,207**
2023				
Cost at 1 January	702	160	631	1,493
Exchange rate adjustments	5	1	-1	5
Additions	-	-	68	68
Business combinations	45	-	-	45
Disposals	-	-	-190	-190
Cost at 31 December	**752**	**161**	**508**	**1,421**
Amortisation and impairment at 1 January	-	-94	-445	-539
Exchange rate adjustments	-	-	-	-
Amortisation and impairment for the year	-	-7	-55	-62
Amortisation on disposals	-	-	190	190
Amortisation and impairment at 31 December	**-**	**-101**	**-310**	**-411**
Carrying amount at 31 December	**752**	**60**	**198**	**1,010**

3.1 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Licences and trademarks
Licences and trademarks are initially recognised at cost. This cost is then amortised on a straight-line basis over their expected useful lives, with a maximum period of 20 years.

IT and other development projects
Costs incurred during the research or exploration phase, which involves general assessments of requirements and available technologies, are treated as expenses as they occur. In contrast, costs directly related to the development stage of IT and other development projects – including design, programming, installation and testing – are recognised as intangible assets. This recognition occurs only if the expenditure can be measured reliably, the project is technically and commercially viable, there is a likelihood of future economic benefits and the group intends to and has the necessary resources to complete and utilise the asset. These IT and development projects are then amortised on a straight-line basis over a period of five to eight years.

3.1.1 IMPAIRMENT TEST OF GOODWILL

Financial comments
Goodwill is allocated to relevant cash-generating units, primarily within the group's UK activities in the commercial segment Europe.

Basis for impairment test and applied estimates
Impairment tests are conducted using expected future cash flows derived from forecasts and long-term strategic targets. Projections for future cash flows and earnings targets are made for each individual cash-generating unit, considering expected developments identified in the Future 26 strategy process and past experience. This includes costs related to sustainability initiatives undertaken as part of Arla's Future 26 ambitions. The impairment tests do not include revenue growth in the terminal value.

Procedure for impairment tests
Impairment tests of goodwill are based on an assessment of the value in use. Milk costs in the forecast are recognised at a milk price that corresponds to the price at the time the test was performed and longer term. The key operational assumption is future profitability, which considers the impact of moving milk intake into value-add products and more profitable markets as well as operational efficiency initiatives.

Test results
In 2024, the interest rate level decreased on the majority of our markets compared to 2023. In general, this led to lower discount rates that together with a strong cash flow supported our goodwill positions. Throughout the year, close monitoring of all goodwill positions and assessments of supporting business cases were conducted. No impairment was identified.

Sensitivity calculations indicated that with the currently applied discount rate, a 1 percentage point reduction in margins would not result in impairment on any markets.

Table 3.1.b Goodwill split by commercial segment and country

(EUR million)	2024	2023
UK	513	480
Finland	40	40
Sweden	19	20
Denmark	62	62
Europe	**634**	**602**
MENA	85	80
China	16	16
International	**101**	**96**
Argentina	9	9
UK	194	45
Arla Foods Ingredients	**203**	**54**
Total	**938**	**752**

Table 3.1.1 Applied key assumptions

	2024		2023	
(EUR million)	Discount rate, net of tax	Discount rate, before tax	Discount rate, net of tax	Discount rate, before tax
UK	8.9%	10.2%	8.5%	9.5%
Finland	7.2%	8.1%	7.5%	8.3%
Sweden	6.8%	7.7%	6.9%	7.7%
Denmark	6.7%	7.7%	7.4%	8.3%
MENA	9.4%	10.7%	11.1%	12.4%
China	6.6%	7.2%	7.8%	8.5%
Arla Foods Ingredients	7.6%	8.6%	7.9%	8.7%

3.1 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Accounting policies

Impairment occurs when the carrying amount of an asset exceeds its recoverable amount through use or sale. For impairment testing, assets are grouped into the smallest cash-generating units that generate largely independent cash inflows. However, for goodwill, which does not generate independent cash inflows, impairment tests are conducted at the level where cash flows are considered to be largely independent.

The grouping of cash-generating units is determined based on the management structure and internal financial reporting, which is assessed annually.

The carrying amount of goodwill is tested for impairment together with other non-current assets in the cash-generating unit to which the goodwill is allocated. The recoverable amount of goodwill is calculated as the present value of the expected future net cash flows from the group of cash-generating units to which the goodwill is allocated, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the asset or cash-generating unit.

The carrying amount of other non-current assets is assessed annually against their recoverable amount to identify any indications of impairment. Any impairment of goodwill is separately recognised in the income statement and cannot be reversed.

The recoverable amount of other non-current assets is determined as the higher value of the asset's value in use (present value of estimated future net cash flows from its use or the group of cash-generating units) and its market value (fair value) less expected disposal costs.

An impairment loss on other non-current assets is recognised in the income statement under production costs, selling and distribution costs or administration costs, respectively. Impairment recognised can only be reversed to the extent that the assumptions and estimates that led to the impairment have changed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Uncertainties and estimates

Uncertainties and estimates play a significant role in the goodwill impairment tests. The group of cash-generating units to which goodwill is allocated is defined based on the management structure and assessed annually.

Goodwill impairment tests are conducted at least once a year for each group of cash-generating units. The expected cash flow approach is used to determine the value in use, with key parameters including anticipated future free cash flows and assumptions on discount rates.

Anticipated future free cash flows

The anticipated future free cash flows are determined based on current forecasts and long-term 2026 targets derived from the Future 26 process. These forecasts and targets are established at the cash-generating unit level during the forecast and target planning process. External sources of information and industry-relevant observations, such as macroeconomic and market conditions, are considered in this determination.

All applied assumptions undergo scrutiny during the forecast and target planning process, relying on management's best estimates and expectations, which inherently involve judgement. These assumptions encompass expectations related to revenue growth, EBIT margins and capital expenditure. They also include moving milk intake into value-add products and more profitable markets and operational efficiency initiatives. Furthermore, future cash flow projections include cost and capital expenditures related to sustainability initiatives undertaken as part of Arla's Future 26 ambitions. For the growth rate beyond the strategy period, it has been set to the expected inflation rate in the terminal period, assuming no nominal growth.

Discount rates

A discount rate, specifically the weighted average cost of capital (WACC), is applied for each individual cash-generating unit. The rate is determined based on assumptions regarding interest rates and risk premiums. WACC is recalculated to a before-tax rate. Changes in future cash flow or discount rate estimates can lead to significantly different recoverable amounts.

3.2 PROPERTY, PLANT AND EQUIPMENT

Financial comments

Arla's main property, plant and equipment are located in Denmark, the UK, Germany and Sweden. The carrying amount was EUR 3,521 million (2023: EUR 3,149 million).

Additions amounted to EUR 689 million (2023: EUR 533 million).

Additions included major projects such as investments in butter capacity in Holstebro, Denmark, and growth investments in Arla Foods Ingredients.

In 2024, new investments were initiated, including investments in state-of-the-art mozzarella technology in Taw Valley Dairy, UK.

Depreciation amounted to EUR 445 million (2023: EUR 417 million).

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction, land and decommissioned plants are not depreciated.

Property, plant and equipment by country
(EUR million)

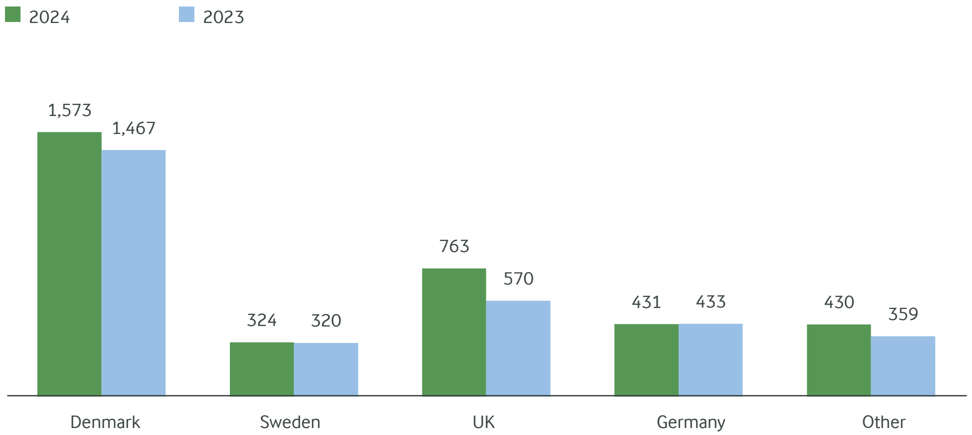


Table 3.2.a Property, plant and equipment including right-of-use assets

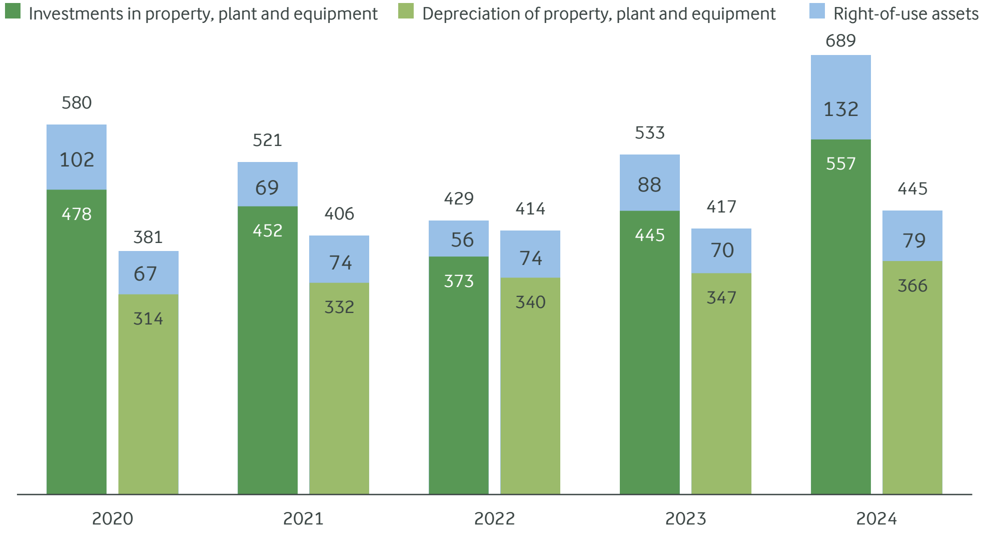
(EUR million)	Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Assets under construction and payment on account	Total
2024					
Cost at 1 January	2,158	4,193	843	450	7,644
Exchange rate adjustments	18	28	11	-3	54
Additions	131	130	76	352	689
Business combinations	38	71	3	15	127
Transferred from assets in the course of construction	64	168	29	-261	-
Disposals	-56	-21	-58	-	-135
Reclassification	52	113	-20	-	145
Cost at 31 December	**2,405**	**4,682**	**884**	**553**	**8,524**
Depreciation and impairment at 1 January	-974	-2,883	-638	-	-4,495
Exchange rate adjustments	-7	-13	-5	-	-25
Depreciation and impairment for the year	-107	-253	-85	-	-445
Depreciation on disposals	37	19	51	-	107
Reclassification	-52	-113	20	-	-145
Depreciation and impairment at 31 December	**-1,103**	**-3,243**	**-657**	**-**	**-5,003**
Carrying amount at 31 December	**1,302**	**1,439**	**227**	**553**	**3,521**
2023					
Cost at 1 January	2,047	3,984	805	333	7,169
Exchange rate adjustments	-2	4	1	-2	1
Additions	79	101	68	285	533
Business combinations	2	19	-	3	24
Transferred from assets in the course of construction	43	109	17	-169	-
Disposals	-11	-24	-48	-	-83
Cost at 31 December	**2,158**	**4,193**	**843**	**450**	**7,644**
Depreciation and impairment at 1 January	-888	-2,641	-609	-	-4,138
Exchange rate adjustments	1	-16	-1	-	-16
Depreciation and impairment for the year	-94	-248	-75	-	-417
Depreciation on disposals	7	22	47	-	76
Depreciation and impairment at 31 December	**-974**	**-2,883**	**-638**	**-**	**-4,495**
Carrying amount at 31 December	**1,184**	**1,310**	**205**	**450**	**3,149**

3.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Cost

Cost includes the acquisition price and any costs directly related to an asset until it is ready for its intended use. For self-constructed assets, cost covers both direct and indirect costs related to materials, components, payroll and borrowing costs from both specific and general borrowing directly associated with asset construction. Further, payment on account is included in the carrying amount of assets under construction. If significant parts of a property, plant or equipment item have different useful lives, they are recognised as separate items (major components) and depreciated individually. When component parts are replaced, any remaining carrying amount of the replaced parts is derecognised from the balance sheet and recognised as an accelerated depreciation charge in the income statement. Subsequent expenditure on property, plant and equipment is only added to the carrying amount of the item when it is likely that the cost will bring financial benefits to the group. Other expenses, such as general repairs and maintenance, are recognised in the income statement as they occur.

Investments in and depreciation of property, plant and equipment and right-of-use assets
(EUR million)



Depreciation

Depreciation is intended to allocate the cost of an asset, minus any estimated recoverable amounts at the end of its expected use, to the periods in which the group benefits from its use. Property, plant and equipment are depreciated on a straight-line basis from the time of acquisition or when the asset is ready for use, based on an assessment of its estimated useful life.

The depreciation base is calculated by considering the asset's residual value, which is the estimated value the asset could generate through sale or scrappage at the balance sheet date if it was of the expected age and condition at the end of its useful life, and reduced by any impairment losses. The residual value is determined at the acquisition date and reviewed annually. Depreciation stops when the carrying amount of an item is less than the residual value, or when the item is decommissioned.

Any changes to the useful life or the residual value are treated as changes to accounting estimates, affecting only current and future periods. Depreciation is recognised in the income statement in production costs, sales and distribution costs or administration costs.

Uncertainties and estimates

Estimates are used to assess the useful lives of property, plant and equipment, which determine the period over which the asset's depreciable amount is expensed in the income statement. The depreciable amount of an item is based on the asset's cost or carrying amount and its residual value. Estimates are also made to determine the amount the group can recover at the end of an asset's useful life. An annual review is conducted to evaluate the appropriateness of the depreciation method, as well as the useful life and residual values of property, plant and equipment.

Due to climate-related risks, Arla may face future impairment of production capacity, as equipment could become outdated during the sustainability transformation, or from excess production capacity if milk volumes and operations decline.

In 2024, non-current assets in the balance sheet were not affected by such impairment. Sustainability has become an integral part of all CapEx investments, ensuring that future investments address the identified risks.

Table 3.2.b Estimated useful life in years

(EUR million)	2024	2023
Office buildings	50	50
Production buildings	20-30	20-30
Technical facilities	5-20	5-20
Other fixtures and fittings, tools and equipment	3-7	3-7

3.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2.1 RIGHT-OF-USE ASSETS

Financial comments

Arla leases various offices, warehouses, vehicles and other equipment. Leases are typically agreed for a fixed duration, but may include an extension option. Significant right-of-use assets include office buildings and warehouses in Denmark, Germany, Sweden and the UK with remaining useful lives between 10 and 20 years.

Filling machinery and other technical plants represent another major right-of-use asset category. Filling machines typically have useful lives of seven years, whereas other technical plants are depreciated between one and seven years. Cars and trucks have on average useful lives of four and five years, respectively. In total, the group has approximately 3,900 leases.

The total carrying amount of right-of-use assets was EUR 253 million (2023: EUR 222 million), as specified in table 3.2.1.a. Additions to right-of-use assets during the year amounted to EUR 132 million (2023: EUR 88 million). Lease liabilities are specified in Note 4.3.

Accounting policies

All leases, except for short-term and low-value leases, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset becomes available for use by the group. A lease liability is initially measured on a present value basis, which includes the net present value of fixed lease payments, variable lease payments based on an index or a rate and a potential exercise price if a purchase option exists, less any lease incentives receivable.

The lease payments are discounted using an incremental borrowing rate.

The corresponding right-of-use asset is measured at cost, which includes the initial measurement of the lease liability, any lease payments made at or before the commencement date minus any lease incentives received, as well as any initial direct costs and restoration costs.

The right-of-use asset is subsequently depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Each lease payment includes a reduction of the lease liability and a finance cost. The finance cost is charged to profit or loss over the lease period as a constant periodic rate of interest on the remaining balance of the liability.

Short-term leases and leases of low-value assets are recognised as an expense in the income statement.

Uncertainties and estimates

The group has applied estimates and judgements affecting the recognition and measurement of right-of-use assets and lease liabilities. This includes an assessment of the incremental borrowing rate, service components and facts and circumstances that could create an economic incentive to utilise the extension options of lease arrangements.

Table 3.2.1.a Right-of-use assets

(EUR million)	RoU Land and buildings	RoU Plant and machinery	RoU Fixtures and fittings, tools and equipment	Total
2024				
Carrying amount at 1 January	120	19	83	**222**
Additions	82	1	49	**132**
Disposals	-54	-4	-47	**-105**
Depreciation and impairment for the year	-35	-4	-40	**-79**
Depreciation on disposals	36	4	40	**80**
Exchange rate adjustments	2	-	1	**3**
Carrying amount at 31 December	**151**	**16**	**86**	**253**
2023				
Carrying amount at 1 January	124	11	74	**209**
Additions	29	12	47	**88**
Disposals	-10	-8	-26	**-44**
Depreciation and impairment for the year	-30	-4	-36	**-70**
Depreciation on disposals	8	8	24	**40**
Exchange rate adjustments	-1	-	-	**-1**
Carrying amount at 31 December	**120**	**19**	**83**	**222**

Table 3.2.1.b Amounts recognised in the income statement and the cash flow statement

(EUR million)	2024	2023
Expenses related to short-term and low-value leases	-	39
Interest expenses on lease liabilities	11	8
Total amounts recognised in the income statement	**11**	**47**
Payment of lease debt	78	78
Total cash flow from right of use assets	**89**	**125**

3.3 ASSOCIATES AND JOINT VENTURES

Financial comments

The share of the profit in associates and joint ventures amounted to EUR 33 million (2023: EUR 51 million) and related primarily to the profit from our investment in COFCO Dairy Holdings Limited and thereby indirectly to dividend received from the listed company China Mengniu Dairy Company Limited.

COFCO Dairy Holdings Limited (CDH) and China Mengniu Dairy Company Limited (Mengniu)
The group's proportionate share of the net asset value of CDH including the investment in Mengniu was EUR 453 million, compared to EUR 445 million last year. The fair value of the indirect share in Mengniu equalled EUR 453 million (2023: EUR 507 million) based on the official listed share price at 31 December 2024.

In March 2024, Mengniu announced significant changes to their executive management team. As a consequence of this, the influence on the indirect investment in Mengniu was reassessed, and classification of the investment was transferred from an investment in associates to an investment in a portfolio company, included in the carrying amount of the investment in CDH.

The indirect investment held in Mengniu is measured at fair value based on the official listed share price at 31 December 2024, with fair value adjustments recognised in other comprehensive income and received dividends recognised as profit from associates as the shares are held through the investment in CDH.

The effect of the reclassification was a net gain of EUR 15 million recognised as profit from associates. In 2024 adjustments of EUR -14 million was recognised in other comprehensive income.

CDH holds no significant investments other than the investment in Mengniu, and reported revenue relates to received dividend payments from Mengniu. Through the investment in CDH, Arla holds a 5.3% indirect investment in Mengniu. See table 3.3.b for more details on CDH.

Lantbrukarnas Riksförbund (LRF)
The carrying amount of the investment related to the membership of Lantbrukarnas Riksförbund in Sweden amounted to EUR 90 million (2023: EUR 91 million).

Accounting policies

Investments in which Arla has a significant but not controlling influence are classified as associates. Investments in which Arla has joint control are classified as joint ventures.

Investments in associates and joint ventures are recognised using the equity method and measured at the proportionate share of the entities' net asset values, calculated in accordance with Arla's accounting policies. Goodwill related to acquisitions of these investments is added separately.

The proportionate share of the net profit or loss in associates and joint ventures is recognised in the consolidated income statement, after elimination of the proportionate share of unrealised intercompany profits or losses.

Dividends received from associates and joint ventures reduce the value of the investment.

Table 3.3.a Associates and joint ventures

(EUR million)	2024	2023
Carrying amount of associates and joint ventures		
COFCO Dairy Holdings Ltd.	453	445
LRF and other associates	94	91
Other joint ventures	13	24
Carrying amount of associates and joint ventures	**560**	**560**

Table 3.3.b COFCO Dairy Holdings Ltd. (CDH) Disclosures

(EUR million)	2024	2023
Financial information*		
Revenue	38	36
Net profit	38	36
Other comprehensive income	-14	-
Non-current assets	757	708

COFCO Dairy Holdings Ltd. has no other significant assets or liabilities

** Based on the latest available financial reporting*

(EUR million)	2024	2023
Other information		
Dividends received from CDH	13	11
Ownership share of CDH	30%	30%
Group share of net profit in CDH	22	34
Fair value of Mengniu based on listed share price	453	507

Table 3.3.c Transactions with associates and joint ventures

(EUR million)	2024	2023
Sales of goods	-	-
Purchase of goods	47	77
Trade receivables*	2	15
Trade payables*	-10	-6

** Included in other receivables and other payables*

3.3 ASSOCIATES AND JOINT VENTURES (CONTINUED)

Investments in associates and joint ventures with negative net asset values are measured at zero. If Arla has a legal or constructive obligation to cover a loss in the associate or joint venture, the loss is recognised under provisions. Any amounts owed by associates and joint ventures are written down to the extent that they are deemed irrecoverable.

An impairment test is performed when there are indications of impairment, such as significant adverse changes in the environment in which the equity-accounted investee operates, or a significant or prolonged decline in the fair value of the investment below its carrying amount.

Where the equity-accounted investment is considered an integral part of a cash-generating unit (CGU), the impairment test is performed at the CGU level using expected future net cash flows of the CGU. An impairment loss is recognised when the recoverable amount of the equity-accounted investment (or CGU) falls below the carrying amount. The recoverable amount is defined as the higher of value in use and fair value less costs to sell of the equity-accounted investment (or CGU).

Uncertainties and estimates

Significant influence is defined as the power to participate in financial and operating policy decisions of the investee, without having control or joint control over those policies. Judgement is required to determine when significant influence exists. Factors considered include representation on the Board of Directors, participation in policy-making processes, material transactions between the entities and interchange of managerial personnel.

CDH and Mengniu

The group holds a 30% investment in CDH, which is classified as an associate due to a cooperation agreement that extends significant influence, including the right to representation on the Board of Directors.

CDH holds an investment in Mengniu, which at the Arla group level in March 2024 was reclassified to an indirect investment in a portfolio company following a change in the executive management team. The indirect ownership amounts to 5.3% of the shares of Mengniu.

Lantbrukarnas Riksförbund (LRF)

Arla holds a 24% ownership interest in LRF, a politically independent professional organisation for Swedish entrepreneurs involved in agriculture, forestry and horticulture.

Based on a detailed analysis of the LRF arrangement, Arla's active ownership interest constitutes a significant influence in LRF. This includes, but is not limited to, owner representation on the Board of Directors. Additionally, Arla's owners have represented the Swedish dairy industry on the Board of Directors of LRF, and both Arla and its Swedish owners are individual members of LRF.

Based on this, it is assessed that Arla exercises significant influence in LRF, and the investment is therefore classified as an associate.

3.4 BUSINESS COMBINATIONS

Acquisition of enterprises 2024
Volac Whey Nutrition business
In November 2024, Arla acquired a Whey Nutrition business and production facility in the UK from Volac International Limited.

The acquisition included production and energy facilities and related working capital items. This was in line with the AFI business strategy to expand the business and to improve and secure whey production capacity in the UK.

Goodwill from the acquisition amounted to EUR 147 million. It is supported by strategic advantages and synergies. First, we improve the AFI business with significant growth in whey intake and we leverage our supply chain by expanding our AFI business to the UK where we are already well positioned with our dairy business. Second, bringing the Volac business into AFI consolidates our position as the whey nutrition market leader and it is an enabler for expanded market reach, where we can serve more customers and strengthen our global supply chain.

In 2024, the revenue contribution from the Volac Whey Nutrition business was EUR 24 million.

Lockerbie Biogas Limited
In May 2024, Arla acquired Lockerbie Biogas Limited in the UK.

The acquired biogas facilities serve as an integrated facility for Arla's site in Lockerbie to handle effluent from the manufacturing processes.

Goodwill from the acquisition amounted to EUR 10 million, and represents the value of securing vital infrastructure for the dairy production on the site.

There is no external revenue contribution from the acquisition of Lockerbie Biogas, as the acquired entity serves as a supporting function for Arla's dairy production only.

Acquisition of enterprises 2023
MV Ingredients Ltd.
In August 2023, Arla acquired the remaining 50% of the shares in the joint venture MV Ingredients Ltd. located in UK.

The fair value of the acquired activities amounted to EUR 62 million including recognised goodwill of EUR 45 million.

The remeasurement of the existing share in MV Ingredients Ltd. to fair value generated a gain of EUR 22 million recognised as other operating income in the income statement.

Accounting policies

Newly acquired companies are included in the consolidated financial statements when the group gains control. The acquisition amount is measured at its fair value. If the agreement allows for payment changes due to future events (contingent consideration), it is measured at fair value at the acquisition date.

Changes in contingent consideration estimates are recognised in the income statement. Acquisition-related costs are also recognised in the income statement as they occur. Acquired assets, liabilities and contingent liabilities are measured at fair value on the acquisition date.

In step acquisitions, the shareholding held before gaining control is remeasured at fair value on the acquisition date, with any gains or losses recognised in the income statement. The total fair value of the shareholding post-step acquisition is recognised as the cost of the entire shareholding in the company.

Goodwill arises when the total of the fair value of the transferred consideration, any previously held interest and the value of the non-controlling interest holders exceeds the fair value of the identifiable net assets of the acquired company. Goodwill is not subject to amortisation, but is annually assessed for impairment.

This approach also applies in mergers with other cooperatives, where the owners of the acquired company become owners of Arla Foods amba. The purchase price is determined at the acquisition date when the net assets' fair values are transferred, and equity instruments are issued. If the consideration exceeds the fair value of the identifiable net assets, it is recognised as goodwill.

Changes in the group's interest in a subsidiary that do not lead to loss of control are recognised as equity transactions. Divested enterprises are included in the consolidated income statement until disposal. Comparative figures remain unchanged.

Gains or losses on the sale of subsidiaries and associates are calculated as the difference between the sales price and the carrying amount of the net assets, including goodwill, at the selling date, plus sales costs.

Uncertainties and estimates

To classify investments, assessing the group's influence is crucial. Judgement is needed to determine if and when the group controls a company.

Upon gaining control via acquisition, the acquisition method is applied. However, there can be uncertainty in identifying the acquired assets, liabilities and contingent liabilities as well as measuring the company's fair value at the time of acquisition.

Table 3.4 Business combinations

(EUR million)	2024	2023
Property, plant and equipment	127	11
Inventory	16	2
Trade receivables	24	2
Trade payables	-24	-2
Other net assets	15	4
Fair value of net assets	**158**	**17**
Goodwill	157	45
Consideration transferred	**315**	**62**
Cash in acquired business	-25	-5
Fair value of previously held investments	-	-31
Cash flow from business combinations	**290**	**26**

NOTE 4. FUNDING

4.1 FINANCIAL RISKS

Financial comments
Financial risks are an inherent part of the group's operating activities and as a result, the group's profit is impacted by the development in currencies, interest rates and certain types of commodities. The global financial markets are volatile, and so it is critical for the group to have an appropriate financial risk management approach in place to mitigate short-term market volatility, while simultaneously achieving the highest possible milk price.

The group's comprehensive financial risk management strategy and system builds on a thorough understanding of the interaction between the group's operating activities and underlying financial risks. The overall framework for managing financial risks, being the Treasury Policy, is approved by the Board of Directors and managed centrally. The policy outlines risk limits for each type of financial risk, permitted financial instruments and counterparties.

The group's financial risk exposure is reported to the Board of Directors on a monthly basis. Hedging the volatility of milk prices is not within the scope of financial risk management, but is an inherent component of the group's business model.

4.1.1 LIQUIDITY RESERVES

Adequate liquidity reserves
In 2024, liquidity reserves increased by EUR 189 million to EUR 1,538 million. Looking at the maturity profile of the group's debt and the forecasted cash flow, the liquidity reserves are considered adequate and are expected to remain at the same level during 2025. Ensuring the availability of sufficient operating liquidity and credit facilities for operations is the primary goal of managing liquidity risk. Based on the liquidity models suggested by the rating agencies, Arla's liquidity reserves of EUR 1,538 million are assessed as adequate for the coming 12 months.

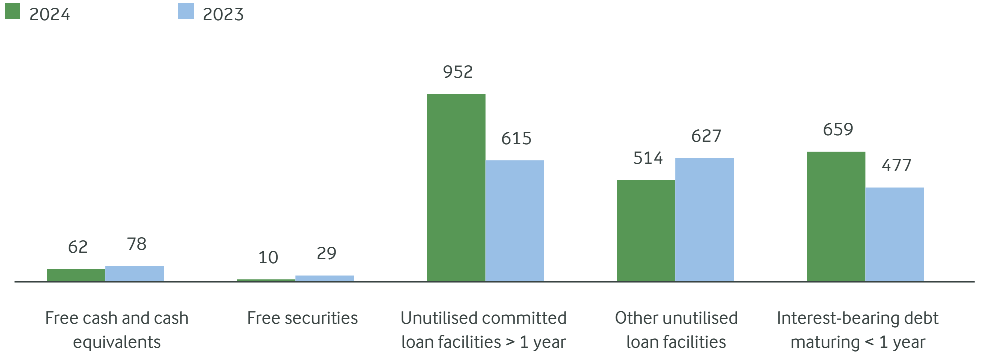
Supply chain finance programmes and trade receivables financing relating to customers form part of the group's liquidity management. Selected suppliers have access to the group's supply chain finance facilities, which allow those suppliers to benefit from the group's credit profile. For further details regarding supply chain finance programmes and trade receivables financing, please refer to Note 2.1.

More than 94% (2023: 93%) of the day-to-day liquidity flow of the group is managed and controlled centrally and to a wide extent via cash pooling arrangements. This secures a scalable and efficient operating model. As a result, the group is able to ensure cost-efficient utilisation of credit facilities.

Table 4.1.1.a Liquidity reserves

(EUR million)	2024	2023
Free cash and cash equivalents	62	78
Restricted cash	14	16
Not readily available cash	15	44
Cash and cash equivalents	**91**	**138**
Free securities	10	29
Restricted securities	20	37
Securities used in repurchase arrangements	547	337
Securities	**577**	**403**
Free cash and cash equivalents	62	78
Free securities	10	29
Unutilised committed loan facilities > 1 year	952	615
Other unutilised loan facilities	514	627
Liquidity reserves	**1,538**	**1,349**
Interest-bearing debt maturing < 1 year	**659**	**477**

Liquidity reserves



4.1 FINANCIAL RISKS (CONTINUED)

Arla operates in several countries with restrictions and regulations on the transferability of cash and securities. At 31 December 2024, cash of EUR 14 million (2023: EUR 16 million) was located in countries with restrictions and regulations on the transferability of cash, while the amount related to restricted securities was EUR 20 million (2023: EUR 37 million). Cash and securities in Argentina, China, Bangladesh and Senegal are reported as restricted.

Cash is considered not readily available for upstreaming in the group if a transfer is not possible within five days. Arla has cash positions in a number of countries where a transfer is deemed to take more than five days due to various circumstances such as local administrative processes or shareholder agreements. At 31 December 2024, EUR 15 million (2023: EUR 44 million) was considered as not readily available cash.

Contractual cash flow of gross financial liabilities

Table 4.1.1.b lists the contractual maturity of gross financial liabilities summarising the gross liquidity risk. The non-discounted contractual cash flow of these liabilities amounted to EUR 6,277 million (2023: EUR 5,579 million), of which EUR 2,863 million (2023: EUR

Table 4.1.1.b Maturity of gross financial liabilities

			Maturity								
(EUR million)	Carrying amount	Total	2025	2026	2027	2028	2029	2030	2031	2032-2034	After 2034
2024											
Issued bonds	524	523	105	174	131	113	-	-	-	-	-
Mortgage credit institutions	1,203	1,209	86	49	54	61	68	71	71	267	482
Credit institutions	1,672	1,672	999	31	478	1	160	1	1	1	-
Schuldschein	351	352	-	201	-	151	-	-	-	-	-
Lease liabilities	252	252	71	57	41	26	18	39	-	-	-
Other non-current liabilities	10	10	10	-	-	-	-	-	-	-	-
Interest expense – interest-bearing debt	-	762	105	81	64	52	45	44	44	130	197
Trade payables and other payables	1,433	1,433	1,433	-	-	-	-	-	-	-	-
Derivative instruments	64	64	54	3	3	2	1	1	-	-	-
Total	**5,509**	**6,277**	**2,863**	**596**	**771**	**406**	**292**	**156**	**116**	**398**	**679**

			Maturity								
(EUR million)	Carrying amount	Total	2024	2025	2026	2027	2028	2029	2030	2031-2033	After 2033
2023											
Issued bonds	535	534	127	109	181	-	117	-	-	-	-
Mortgage credit institutions	1,212	1,216	10	85	49	54	61	68	90	295	504
Credit institutions	852	852	582	51	1	108	1	108	1	-	-
Schuldschein	350	352	-	-	201	-	151	-	-	-	-
Lease liabilities	223	223	63	50	37	25	16	32	-	-	-
Other non-current liabilities	10	18	18	-	-	-	-	-	-	-	-
Interest expense – interest-bearing debt	-	916	110	101	84	68	59	52	52	156	234
Trade payables and other payables	1,425	1,425	1,425	-	-	-	-	-	-	-	-
Derivative instruments	43	43	36	2	2	1	1	1	-	-	-
Total	**4,650**	**5,579**	**2,371**	**398**	**555**	**256**	**406**	**261**	**143**	**451**	**738**

Assumptions

The contractual cash flows are based on the following assumptions:
- The cash flows are based on the earliest possible date at which the group can be required to settle the financial liability
- The interest rate cash flows are based on the contractual interest rate. Floating interest payments have been determined using the current floating rate for each item at the reporting date.

4.1 FINANCIAL RISKS (CONTINUED)

2,371) can be required to settle during the next 12 months. The carrying amount was EUR 5,509 million (2023: EUR 4,650 million). The difference between the non-discounted contractual cash flow and carrying amount arises at initial recognition and is treated as a cost that is capitalised and amortised over the duration of the liabilities.

Throughout the year and at year-end there has been significant headroom towards covenants in credit facilities. For further details regarding covenants on credit facilities, please refer to Note 4.3.

Risk mitigation

Risk

Liquidity and funding are vital for the group to be able to pay its financial liabilities as they become due. Risk management impacts our ability to attract new funding in the longer term and is crucial to fulfilling the group's strategic ambitions.

Policy

The Treasury Policy states the minimum average maturity threshold for net interest-bearing debt and sets limitations on debt maturing within the next 12- and 24-month periods. Unused committed facilities are taken into account when calculating
average maturity.

How we act and operate

In addition to the Treasury Policy, the Board of Directors has approved a long-term financing strategy, which defines the direction for financing of the group. This includes counterparties, instruments and risk appetite and describes future funding opportunities to be explored and implemented. The funding strategy is supported by farmer owners' long-term commitment to investing in the business. It is the group's objective to maintain its credit quality at a robust investment grade level.

Table 4.1.1.c Average maturity

	2024	2023	Policy Minimum	Policy Maximum
Average maturity, gross debt	3.9 years	4.9 years	2 years	-
Maturity < 1 year, net debt	0%	0%	-	25%
Maturity > 2 year, net debt	91%	96%	50%	-

4.1.2 CURRENCY RISK

Financial comments

The group is exposed to both transaction and translation effects from foreign exchange rates.

Transaction effects are due to sales in currencies other than the functional currencies of the individual entities. The group is mainly exposed to USD and USD-pegged currencies as well as GBP. Revenue increased by EUR 1 million (2023: EUR -24 million) compared to last year due to positive transaction effects. Part of this exposure is hedged by costs in the same currency. Financial instruments such as trade receivables, trade payables and other items denominated in currencies other than the individual entities' functional currencies are also exposed to currency risks. The net effect from the revaluation of these financial instruments is recognised in financial income or financial costs. A net loss of EUR 4 million (2023: EUR -62 million) was recognised in financial costs. Exchange rate losses are primarily related to the Argentine, Bangladeshi and Nigerian currencies, amounting to EUR 13 million in total.

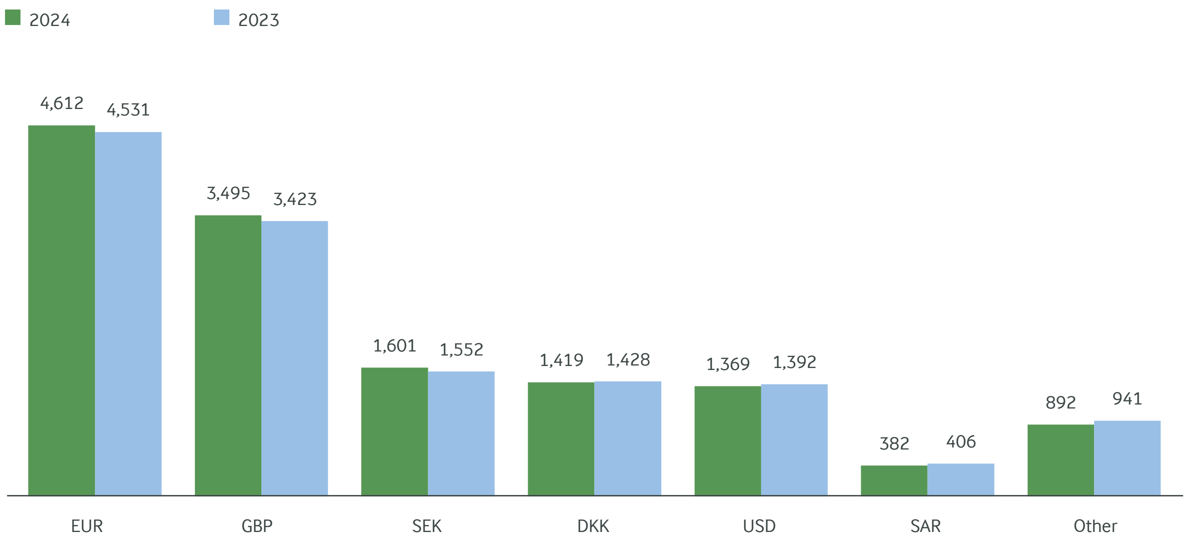
To manage short-term volatility from currency fluctuations, derivatives are used to hedge the currency exposure. When settling the hedging instrument, a positive or negative amount is recognised in other income or other costs, respectively. A net loss impact of EUR 25 million (2023: EUR +3 million) was recognised. Please refer to table 1.3. A loss impact from hedging should be expected in years where export currencies strengthen during the year and vice versa.

The group is exposed to translation effects from entities reporting in currencies other than EUR. The group is mainly exposed to translation of entities reporting in GBP, SEK, USD and DKK. Due to translation effects, revenue increased by EUR 31 million (2023: EUR -317 million) compared to the revenue reported last year.

Simultaneously, costs decreased by EUR 17 million (2023: EUR +41 million) compared to last year's reported costs. The group's financial position is similarly exposed, impacting the value of assets and liabilities reported in currencies other than EUR. The translation effect on net assets is recognised in other comprehensive income as foreign currency translation adjustments. In 2024, a net income of EUR 60 million (2023: EUR -47 million) was recognised in other comprehensive income.

The pre-paid milk price indirectly absorbs both transaction and translation effects, and therefore the net profit or loss has limited exposure to currency risks. The pre-paid milk price is set based on achieving an annual profit of 2.8% to 3.2%. The pre-paid milk price is initially measured and paid out based on an EUR

Revenue split by currency
(EUR million)



4.1 FINANCIAL RISKS (CONTINUED)

amount and is consequently exposed to EUR fluctuations against GBP, SEK and DKK.

Compared to last year, the development in the average exchange rates for the main currencies was limited. The most significant development was in GBP which strengthened by 2.7%.

The group is increasingly involved in emerging markets where efficient hedging is often not feasible due to currency regulations, illiquid financial markets or expensive hedging costs. Among the most important markets are Nigeria, the Dominican Republic, Bangladesh, Lebanon and Argentina. Countries with less efficient currency markets represented 4% (2023: 4%) of the group's revenue in 2024.

Risk mitigation

The group's external exposure is calculated as external financial assets and liabilities denominated in currencies other than the functional currency of each legal entity, plus any external derivatives converted at group level into currency risk against DKK, i.e. EUR/DKK, USD/DKK etc. The same also applies to the group's net internal exposure. The aggregate of the group's external and internal currency exposure is the net exposure, which is outlined in table 4.1.2.b, where the amounts listed are in EUR.

Net foreign currency investments in subsidiaries, as well as instruments hedging those investments, are excluded.

Risk

According to the Treasury and Funding Policy, the Treasury function can hedge:

- Up to 15 months of the net forecasted cash receipts and payables.
- Up to 100% of the net recognised trade receivables and trade payables.

The currency exposure is continuously managed by the Treasury function. Individual currency exposures are hedged in accordance with the Treasury and Funding Policy.

Financial instruments used to hedge the currency exposure do not necessarily need to qualify for hedge accounting, and hence some of the applied financial instruments, i.e. some option strategies, are accounted for as fair value through the income statement.

Arla Foods amba's functional currency is DKK. However, the risk in relation to the EUR currency is assessed in the same manner as for DKK. The Executive Management Team has the discretion to decide if and when investments in foreign operations should be hedged (translation risks) with an obligation to inform the Board of Directors at the next meeting.

Table 4.1.2.a Exchange rates

	Closing rate			Average rate		
	2024	2023	Change	2024	2023	Change
EUR/GBP	0.829	0.869	4.8%	0.846	0.870	2.7%
EUR/SEK	11.474	11.048	-3.7%	11.434	11.468	0.3%
EUR/DKK	7.458	7.454	-0.1%	7.459	7.451	-0.1%
EUR/USD	1.041	1.106	6.3%	1.082	1.081	0.0%
EUR/SAR	3.893	4.164	7.0%	4.059	4.057	0.0%
EUR/PLN	4.278	4.336	1.4%	4.305	4.537	5.4%

Table 4.1.2.b Currency exposure

	Balance sheet exposure			Potential accounting impact		
(EUR million)	Open positions	Hedging of future cash flows	External exposure	Sensitivity	Income statement	Other comprehensive income
2024						
EUR/DKK	211	-	211	1.0%	2	-
USD/DKK*	39	-560	-521	5.0%	2	-28
GBP/DKK	31	-380	-349	5.0%	2	-19
SEK/DKK	-5	-35	-40	5.0%	-	-2
SAR/DKK	16	-259	-243	5.0%	1	-13
PLN/DKK	-	9	9	5.0%	-	-
2023						
EUR/DKK	107	-	107	1.0%	1	-
USD/DKK*	-12	-335	-347	5.0%	-1	-17
GBP/DKK	45	-311	-266	5.0%	2	-16
SEK/DKK	-30	-14	-44	5.0%	-2	-1
SAR/DKK	3	-84	-81	5.0%	-	-4
PLN/DKK	-	3	2	5.0%	-	-

**Including AED*

4.1 FINANCIAL RISKS (CONTINUED)

4.1.3 INTEREST RATE RISK

Financial comments

The average duration of the group's interest hedging of interest-bearing debt, including derivatives but excluding pension liabilities, decreased by 0.1 to 2.2.

The duration decreased due to a higher level of net interest-bearing debt and a reduction in interest rate hedges compared to last year. The increase in time to maturity had a minor offsetting effect.

The value of hedged future interest cash flow amounted to EUR 71 million (2023: EUR 80 million). Please refer to table 4.4.a.

Risk mitigation

Risk

The group is exposed to interest rate risk on interest-bearing borrowings, pension liabilities, interest-bearing assets and on the value of non-current assets where an impairment test is performed. The risk is divided between profit exposure and other comprehensive income exposure. Profit exposure relates to net potential impairment of non-current assets. Other comprehensive income exposure relates to revaluation of net pension liabilities and interest hedging of future cash flows.

Fair value sensitivity

A change in interest rates will impact the fair value of the group's interest-bearing assets, interest rate derivative instruments and debt instruments. Measured using a 1% increase in interest rates, a EUR 33 million (2023: EUR 35 million) positive effect would be recognised in other comprehensive income. A decrease in the interest rate would have the opposite effect. Please refer to table 4.1.3.a.

A change in interest rates will also impact headroom calculated in connection with impairment test of goodwill and gross pension liabilities.

Cash flow sensitivity

A change in interest rates will impact interest rate payments on the group's unhedged floating-rate debt. Table 4.1.3.a shows the one-year cash flow sensitivity. Depicting a 1% increase in interest rates at 31 December 2024, a EUR 1 million negative effect (2023: EUR -6 million) would be recognised in the income statement. A decrease in the interest rate would have the opposite effect.

Policy

Interest rate risk must be managed according to the Treasury and Funding Policy. Interest rate risk is measured as the duration of the debt portfolio, including hedging instruments, but excluding pension liabilities.

How we act and operate

The purpose of interest rate hedging is to mitigate risk and secure relatively stable and predictable financing costs. The interest rate risk from net borrowing is managed by having an appropriate split between fixed and floating interest rates.

The group actively uses derivatives to reduce risks related to fluctuations in the interest rate, and to manage the interest profile of the interest-bearing debt. By having a portfolio approach and using derivatives, the group can independently manage and optimise interest rate risk, as the interest rate profile can be changed without having to change the funding itself. This allows the group to operate in a fast, flexible and cost-efficient manner without changing underlying loan agreements.

The mandate from the Board of Directors provides the group with the opportunity to use derivatives, such as interest rate swaps and options, in addition to interest conditions embedded in the loan agreements.

Table 4.1.3.a Interest rate risk

			Potential accounting impact	
(EUR million)	Carrying amount	Sensitivity	Income statement	Other comprehensive income
2024				
Financial assets	-645	1.0%	7	-1
Derivatives	-	1.0%	11	34
Financial liabilities	4,012	1.0%	-19	-
Net interest-bearing debt excluding pension liabilities	**3,367**		**-1**	**33**
2023				
Financial assets	-499	1.0%	5	-1
Derivatives	-	1.0%	6	36
Financial liabilities	3,182	1.0%	-17	-
Net interest-bearing debt excluding pension liabilities	**2,683**		**-6**	**35**

Table 4.1.3.b Duration

			Policy	
	2024	2023	Minimum	Maximum
Duration	2.2	2.3	1	7

4.1 FINANCIAL RISKS (CONTINUED)

4.1.4 COMMODITY PRICE RISK

Financial comments

Energy commodity contracts, except for electricity contracts covered by power purchase agreements, are predominately related to a floating official price index. The Treasury function uses financial derivatives to hedge energy commodity price risk. This secures full flexibility to change suppliers without having to take future hedging into consideration.

Hedging activities focus on the most significant risks, including electricity, natural gas and diesel. For 2025, the forecasted energy commodity spend, excluding taxes and distribution costs, for the countries covered by hedging amounts to EUR 184 million with the prices at 31 December 2024.

The purpose of hedging is to reduce volatility in energy-related costs. In 2024, hedging activities resulted in a net loss of EUR 29 million (2023: EUR -61 million), please refer to table 1.3. The net loss in 2024 was partly offset by lower physical energy costs. The result of hedging activities, classified as hedge accounting, is recognised in other income and costs.

At the end of 2024, 57% of the forecasted energy spend for 2025 was hedged. A 50% increase in commodity prices would negatively impact the forecasted unhedged energy spend by approximately EUR 40 million (2023: EUR -43 million). If the forecasted energy prices were 50% higher at 31 December 2024, a gain of EUR 42 million (2023: EUR +48 million) would positively impact other comprehensive income.

For other physical supplier contracts covering ingredients and packaging primarily depend on a fluctuating official price index.

Power purchase agreements

Arla has signed power purchase agreements covering 549 GWh (2023: 446 GWh), of which a yearly production of 194 GWh was in operation at 31 December 2024 (2023: 83 GWh). In 2024, an additional five agreements covering 126 GWh were signed. Compared to last year, one agreement in Sweden has been adjusted downwards by 10 GWh to eliminate a possible conflict with the own use criteria. The committed quantity of 549 GWh is intended for own use, however, due to seasonality and intraday production fluctuations, the sale and purchase of imbalance between production and consumption might take place.

Power purchase agreements that went into operation in 2024 are expected to cover 10% of the yearly electricity consumption in Europe (based on 2024 numbers), and 14% of the yearly electricity consumption coming from renewable sources in Europe (based on 2024 numbers).

All agreements include green electricity certificates for the electricity produced, and the certificates are received monthly. The certificates are held for own use and not traded.

The average price per MWh, including green electricity certificates for the agreements, is EUR 72 (2023: EUR 67).

The majority of the agreements do not contain price adjustment clauses like indexation. Only a few of the low quantity agreements have an indexation element with a maximum increase included, however, no indexation of the agreed prices was made in 2024.

Under normal circumstances, none of the agreements are terminable during the contract period. However, termination can happen in case of default related to various circumstances. In general, termination does not affect the parties' obligation and liability to fulfil obligations accrued during the term of the agreements. Termination in case of default will most likely result in a termination payment by the defaulting party to the non-defaulting party.

Table 4.1.4.a Contracted power purchase agreements

Country	Annual MWh of energy contracted	Price terms	Average duration	Operating	Objective	Classification
2024						
Denmark	323,400	Fixed	10 years	2023 - 2027	Own use	Executory contracts
Sweden	90,000	Fixed	10 years	2025	Own use	Executory contracts
Germany	91,703	Fixed	12 years	2024 - 2025	Own use	Executory contracts
UK	43,727	Fixed	16 years	2024 - 2026	Own use	Executory contracts
Total	**548,830**					

Type of energy	
Solar	289,524
Wind	259,306
Total	**548,830**

Country	Annual MWh of energy contracted	Price terms	Average duration	Operating	Objective	Classification
2023						
Denmark	276,630	Fixed	10 years	2023 - 2025	Own use	Executory contracts
Sweden	100,000	Fixed	10 years	2025	Own use	Executory contracts
Germany	49,207	Fixed	12 years	2024 - 2025	Own use	Executory contracts
UK	19,732	Fixed	15 years	2024	Own use	Executory contracts
Total	**445,569**					

Type of energy	
Solar	286,754
Wind	158,815
Total	**445,569**

4.1 FINANCIAL RISKS (CONTINUED)

Similar to last year, the accounting classification of new contracts entered during the year was assessed through a structured process based on the latest available guidance and suggestions from IASB as well as involvement of external expertise. It was concluded that all contracts are physical and for the purpose of own use and are therefore classified as executory supplier contracts. Existing contracts were reassessed using the latest available guidance.

At 31 December 2024, contractual obligations covering power purchase agreements amounted to EUR 408 million (2023: EUR 308 million). For additional information covering contractual obligations, please refer to Note 5.5.

Risk mitigation

Risk

The group is exposed to commodity risks related to the production and distribution of dairy products. Increased commodity prices negatively impact production and distribution costs.

Fair value sensitivity

A change in commodity prices will impact the fair value of the group's hedged commodity derivative instruments, measured through other comprehensive income and the unhedged energy consumption through the income statement. Table 4.1.4.b shows the sensitivity of a 50% increase in commodity prices for both hedged and unhedged commodity purchases. A decrease in commodity prices would have the opposite effect.

Policy

According to the Treasury and Funding Policy, the forecasted consumption of electricity, natural gas and diesel can behedged for up to 48 months, of which 100% can be hedged for the first 18 months, with a declining proportion thereafter.

How we act and operate

Energy commodity price risks are managed by the Treasury function. Commodity price risks are mainly hedged by entering into financial derivative contracts, which are independent of the physical supplier contracts. Arla is also exploring other commodities relevant for financial risk management.

Arla's energy exposure and hedging are managed as a back-to-back setup across energy type and country. Not all energy commodities can be effectively hedged by matching the underlying costs, but Arla aims to minimise the basic risk.

Dairy derivative markets in the EU, the USA and New Zealand remain small, but are evolving. The group has engaged in hedging activities for a small part of the group's dairy commodity trading volume. As the dairy derivative market develops, we expect this to play an increasing role in managing fixed price contracts with customers in the coming years.

Table 4.1.4.b Hedged commodities

			Potential accounting impact	
	Sensitivity	Carrying amount	Income statement	Other comprehensive income
2024				
Diesel/natural gas	50%	9	-20	38
Electricity	50%	-	-20	4
Total		**9**	**-40**	**42**
2023				
Diesel/natural gas	50%	-9	-26	30
Electricity	50%	-9	-17	18
Total		**-18**	**-43**	**48**

4.1 FINANCIAL RISKS (CONTINUED)

4.1.5 CREDIT RISK

Financial comments

In 2024, the group continued to experience very limited losses from defaulting counterparties such as customers, suppliers and financial counterparties.

All major financial counterparties had satisfactory credit ratings at year-end. The Arla requirement is a credit rating of at least A-/A-/A3 from either S&P, Fitch or Moody's either for the financial counterparty or its parent company. In a small number of geographical locations which are not serviced by our relationship banks and where financial counterparties with a satisfactory credit rating do not operate, the group deviated from the rating requirement. Out of the EUR 30 million (2023: EUR 59 million) placed in weaker speculative grade, EUR 20 million (2023: EUR 37 million) was restricted surplus cash in Argentina invested in securities.

Further information on trade receivables is provided in table 2.1.c.

The maximum exposure to credit risk is approximately equal to the carrying amount.

As in previous years, the group continuously worked with credit exposure and experienced a very low level of losses arising from customers.

To manage the financial counterparty risk, the group uses master netting agreements when entering into derivative contracts. Table 4.1.5 shows the counterparty exposure for those agreements covered by entering into netting agreements that qualify for netting in case of default.

Risk mitigation

Risk

Credit risks arise from operating activities and engagement with financial counterparties. Furthermore, a weak counterparty credit quality can reduce their ability to support the group going forward, thereby jeopardising the fulfilment of our group strategy.

Policy

Counterparties for financial contracts are selected based on a relationship bank strategy. New financial counterparties must be approved by the Executive Board (CEO and CFO), following a recommendation from Treasury. A minimum long-term rating of A3 from Moody's, A- from S&P or A- from Fitch is needed for a counterparty (or its parent company). If credit is solely obtained from the counterparty, no rating is necessary. If the counterparty has multiple credit ratings, the average rating is used (rounded up). However, in geographies without sufficient coverage from our relationship banks, Treasury may deviate from these requirements.

How we act and operate

The group has a comprehensive Credit Risk Policy and utilises credit insurance and trade financing products extensively for exports. In some emerging markets, obtaining the required credit coverage may be challenging, but the group strives to secure the best available coverage. This is considered an acceptable risk due to the group's investments in emerging markets. If a customer payment is delayed, internal procedures are followed to minimise losses. The group works with a select few financial counterparties and continuously monitors their credit ratings.

Credit rating of financial assets placement

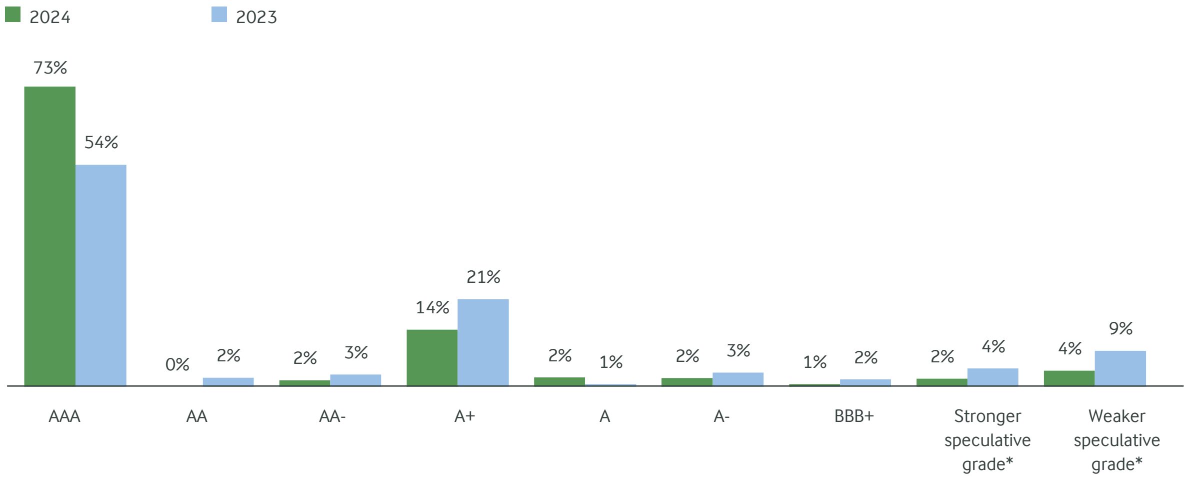


Table 4.1.5 Credit rating of financial assets placement
(EUR million)

	AAA	AA	AA-	A+	A	A-	BBB+	Stronger speculative grade*	Weaker speculative grade*	Total
2024										
Securities	557	-	-	-	-	-	-	-	20	577
Cash	-	-	8	24	17	16	4	12	10	91
Derivatives	-	-	4	82	-	-	1	3	-	90
Total	**557**	**-**	**12**	**106**	**17**	**16**	**5**	**15**	**30**	**758**
2023										
Securities	366	-	-	-	-	-	-	-	37	403
Cash	-	15	5	30	4	22	11	29	22	138
Derivatives	-	-	15	114	-	1	1	1	-	132
Total	**366**	**15**	**20**	**144**	**4**	**23**	**12**	**30**	**59**	**673**

**Definition based on S&P rating scale. Stronger speculative grade: BB+ to B- and weaker speculative grade: CCC+ to D.*

4.2 FINANCIAL ITEMS

Financial comments

Financial items decreased by EUR 10 million to EUR 135 million mainly due to the development in exchange rate gains/losses, however, partly offset by an increase in interest expenses.

Net interest expenses amounted to EUR 148 million, representing an increase of EUR 51 million compared to last year driven by an increase in net interest-bearing debt and to some degree higher interest rates.

Average interest expenses, excluding interest related to pension assets and liabilities, were 4.4% (2023: 3.9%). Interest cover decreased to 7.5 (2023: 11.1) as a result of an increase in net interest expenses. For a definition of average interest expenses, excluding interest related to pension assets and liabilities, and interest cover, please refer to the glossary.

Accounting policies

Financial income and financial costs as well as capital gains and losses are recognised in the income statement at amounts that can be attributed to the year. Financial items comprise realised and unrealised value adjustments of securities and currency adjustments of financial assets and financial liabilities as well as the interest portion of financial lease payments. Additionally, realised and unrealised gains and losses on derivatives not classified as hedging contracts are included. Borrowing costs from general borrowing, or loans that directly relate to the acquisition, construction or development of qualified assets are attributed to the costs of such assets and are therefore not included in financial costs.

Capitalisation of interest was performed by using an interest rate matching the group's average external interest rate in 2024. For 2024, an interest rate of 4.4% was used (2023: 4.0%). Financial income and financial costs relating to financial assets and financial liabilities were recognised using the effective interest method.

Table 4.2 Financial income and financial costs

(EUR million)	2024	2023
Financial income:		
Interest securities, cash and cash equivalents	34	57
Foreign exchange rate gains	137	74
Fair value adjustments and other financial income	12	4
Total financial income	**183**	**135**
Financial costs:		
Interest on financial instruments measured at amortised cost	-178	-151
Foreign exchange rate losses	-141	-136
Interest on pension liabilities	-4	-3
Interest transferred to property, plant and equipment	18	14
Fair value adjustments and other financial costs	-13	-4
Total financial costs	**-318**	**-280**
Net financial costs	**-135**	**-145**

4.3 NET INTEREST-BEARING DEBT

Financial comments

Net interest-bearing debt, excluding pension liabilities, increased to EUR 3,367 million (2023: EUR 2,683 million). The development was driven by increased net working capital, the acquisition of Volac's Whey Nutrition business and investments in our dairies and warehouses.

Pension liabilities decreased by EUR 1 million to EUR 166 million. Net interest-bearing debt, including pension liabilities, amounted to EUR 3,533 million (2023: EUR 2,850 million). The UK pension scheme net assets were EUR 11 million (2023: EUR 21 million). The net pension asset position in the UK was excluded from the calculation of net interest-bearing debt including pension liabilities, hence also leverage.

Arla's leverage ratio was 3.2, an increase of 0.6 compared to last year, driven by an increase in net interest-bearing debt. The result of 3.2 was slightly above expectations, however, still within the long-term target range of 2.8-3.4. Leverage adjusted for business combinations was 2.9.

The average maturity of interest-bearing borrowings decreased by 1.0 year to 3.9 years. Average maturity is impacted by a lapse of time to maturity, the level of net interest-bearing debt and offset by new facilities.

The equity ratio decreased to 33% (2023: 36%).

Funding

The group applies a diversified funding strategy to balance the liquidity and refinancing risk with the aim of achieving low financing costs. Major business combinations or investments are funded separately.

A diverse funding strategy includes diversification of markets, currencies, instruments, banks, lenders and maturities to secure broad access to funding and to ensure that the group is independent of one single funding partner or one single market. All funding opportunities are benchmarked against the three-month EURIBOR rate, and derivatives are applied to match the currency of our funding needs. The interest profile is managed with interest rate swaps independently of the individual loans. At 31 December 2024, 33% (2023: 24%) of the total interest-bearing borrowings was covered by interest rate swaps.

The credit facilities contain financial covenants on equity/total assets (equity ratio) of at least 20% and minimum equity of EUR 750 million as well as standard non-financial covenants. Reporting of covenants varies from quarterly, semi-annually to annually. At 31 December 2024, the carrying amount of credit facilities containing covenants was EUR 2,098 million with 19% maturing within one year, 35% maturing between one to five years and 46% after five years. The group did not default on or fail to fulfil any loan agreements in 2024. Arla expects to meet all required covenants within the next 12 months.

During 2024, the group's most significant funding activities were:

- Bond issue of SEK 1,500 million with maturity in July 2027.
- Bridge facility of EUR 500 million with maturity in January 2027.
- Maturity extended to 2026 on various overdraft facilities totalling EUR 330 million.
- Facility of EUR 100 million with an original maturity in 2024 which was extended to 2027.
- Five-year long-term loan of EUR 50 million with maturity in July 2029.
- Arla has a commercial paper programme in Sweden denominated in SEK and EUR. The average utilisation in 2024 was EUR 148 million (2023: EUR 144 million).
- During the year, Arla entered into sale and repurchase arrangements based on its holdings of listed AAA-rated Danish mortgage bonds. Please refer to Note 4.6 for more details.

3.2

Leverage in 2024 (2.9 adjusted for business combinations)

(2023: 2.6)

Net interest-bearing debt consists of current and non-current liabilities, less interest-bearing assets.

The definition of leverage is the ratio between net interest-bearing debt, including pension liabilities and EBITDA, and expresses the group's capacity to service its debt.

The group's long-term target range for leverage is between 2.8 and 3.4.

Net interest-bearing debt
(EUR million)

4.3 NET INTEREST-BEARING DEBT (CONTINUED)

Table 4.3.a Net interest-bearing debt

(EUR million)	2024	2023
Long-term borrowings	2,808	2,369
Short-term borrowings	1,204	813
Securities, cash and cash equivalents (excluding restricted securities and cash)	-634	-488
Other interest-bearing assets	-11	-11
Net interest-bearing debt excluding pension liabilities	**3,367**	**2,683**
Pension liabilities	166	167
Net interest-bearing debt including pension liabilities	**3,533**	**2,850**

Table 4.3.b Borrowings

(EUR million)	2024	2023
Long-term borrowings:		
Issued bonds	419	407
Mortgage credit institutions	1,118	1,201
Bank borrowings	734	251
Schuldschein	351	350
Lease liabilities	186	160
Total long-term borrowings	**2,808**	**2,369**
Short-term borrowings:		
Issued bonds	105	128
Commercial papers	153	103
Mortgage credit institutions	85	11
Bank borrowings	238	161
Repurchased liability	547	337
Lease liabilities	66	63
Other current liabilities	10	10
Total short-term borrowings	**1,204**	**813**
Total interest-bearing borrowings	**4,012**	**3,182**

Table 4.3.c Cash flow, net interest-bearing debt

		Cash flow	**Non-cash changes**					
(EUR million)	1 January	Included in financing activities	Additions	Reclassifi-cations	Foreign exchange movements	Fair value changes	Restricted cash and securities	31 De-cember
2024								
Long-term borrowings	2,369	54	132	269	-10	-6	-	2,808
Short-term borrowings	813	480	-	-58	-31	-	-	1,204
Pension liabilities	167	-23	-	-6	-5	33	-	166
Total interest-bearing debt	3,349	511	132	205	-46	27	-	4,178
Securities	-366	25	-	-205	4	2	-17	-557
Cash and cash equivalents	-122	49	-	-	-2	-	-2	-77
Other interest-bearing assets	-11	-	-	-	-	-	-	-11
Net interest-bearing debt	2,850	585	132	-	-44	29	-19	3,533

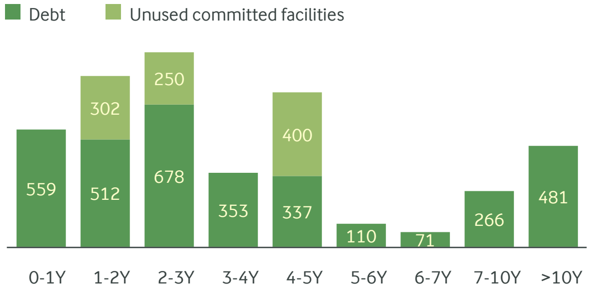
Long- and short-term borrowings payments of EUR 534 million (EUR 480 million and EUR 54 million, respectively) can be reconciled to the cash flow statement as new loans obtained (EUR 54 million), other changes in loans (EUR 557 million) and lease payments (EUR -78 million)

(EUR million)	1 January	Included in financing activities	Additions	Reclassifi-cations	Foreign exchange movements	Fair value changes	Restricted cash and securities	31 De-cember
2023								
Long-term borrowings	2,640	-27	76	-335	2	13	-	2,369
Short-term borrowings	727	-241	-	335	-8	-	-	813
Pension liabilities	161	-22	-	9	-	19	-	167
Total interest-bearing debt	**3,528**	**-290**	**76**	**9**	**-6**	**32**	**-**	**3,349**
Securities	-432	17	-	-	3	-5	37	-366
Cash and cash equivalents	-106	-40	-	-	8	-	16	-122
Other interest-bearing assets	-4					7		-11
Net interest-bearing debt	**2,986**	**-313**	**76**	**9**	**5**	**34**	**53**	**2,850**

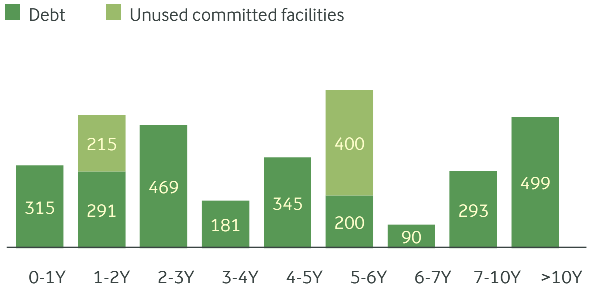
Long- and short-term borrowings payments of EUR -268 million (EUR -241 million and EUR -27 million, respectively) can be reconciled to the cash flow statement as new loans obtained (EUR 777 million), other changes in loans (EUR -967 million) and lease payments (EUR -78 million)

4.3 NET INTEREST-BEARING DEBT (CONTINUED)

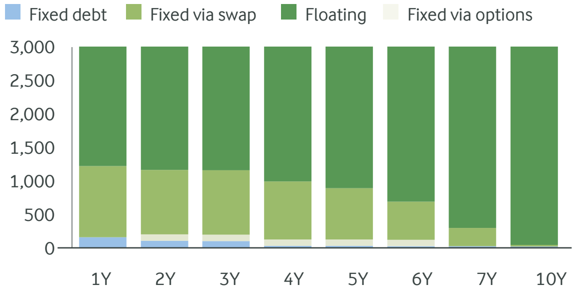
Maturity of net interest-bearing debt excluding pension liabilities at 31 December 2024
(EUR million)



Maturity of net interest-bearing debt excluding pension liabilities at 31 December 2023
(EUR million)



Interest profile for net interest-bearing debt excluding pension liabilities at 31 December 2024
(EUR million)



Interest profile for net interest-bearing debt excluding pension liabilities at 31 December 2023
(EUR million)

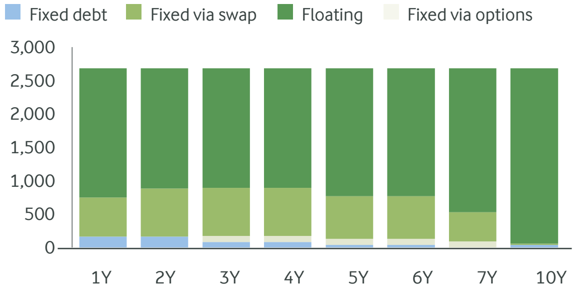


Table 4.3.d Net interest-bearing debt excluding pension liabilities and the effect of hedging, maturity

(EUR million)	Total	2025	2026	2027	2028	2029	2030	2031	2032-2034	After 2034
2024										
DKK	998	88	65	63	66	72	73	66	236	269
SEK	688	266	176	132	114	-	-	-	-	-
EUR	1,483	101	235	466	162	259	13	5	30	212
GBP	21	-13	11	10	6	2	5	-	-	-
Other	177	117	25	7	5	4	19	-	-	-
Total	**3,367**	**559**	**512**	**678**	**353**	**337**	**110**	**71**	**266**	**481**

	Total	2024	2025	2026	2027	2028	2029	2030	2031-2033	After 2033
2023										
DKK	982	-9	99	60	59	64	76	66	215	352
SEK	671	239	116	187	5	120	4	-	-	-
EUR	930	79	14	209	108	156	112	24	78	150
GBP	34	5	8	7	6	3	5	-	-	-
Other	66	1	54	6	3	2	3	-	-	-3
Total	**2,683**	**315**	**291**	**469**	**181**	**345**	**200**	**90**	**293**	**499**

Table 4.3.e Currency profile of net interest-bearing debt excluding pension liabilities*

(EUR million)	Original principal	Effect of swap	After swap
2024			
DKK	998	-	998
SEK	688	-549	139
EUR	1,483	-259	1,224
GBP	21	485	506
Other	177	323	500
Total	**3,367**	**-**	**3,367**
2023			
DKK	982	-	982
SEK	671	-570	101
EUR	930	64	976
GBP	34	506	558
Other	66	-	66
Total	**2,683**	**-**	**2,683**

Before and after derivative financial instruments

4.3 NET INTEREST-BEARING DEBT (CONTINUED)

Table 4.3.f Interest rate risk excluding effect of hedging

(EUR million)	Interest rate	Average interest rate	Fixed for	Carrying amount	Interest rate risk
2024					
Issued bonds:					
Commercial papers	Fixed	3.2%	0-1 year	153	Fair value
1,200 mSEK maturing 16.06.2025	Floating	3.8%	0-1 year	105	Cash flow
500 mSEK maturing 14.01.2026	Floating	4.0%	1-2 years	44	Cash flow
1,500 mSEK maturing 17.07.2026	Floating	3.7%	1-2 years	131	Cash flow
1,500 mSEK maturing 23.07.2027	Floating	4.1%	2-3 years	131	Cash flow
500 mSEK maturing 14.01.2028	Floating	4.3%	3-4 years	44	Cash flow
400 mSEK maturing 12.10.2028	Floating	4.9%	3-4 years	35	Cash flow
400 mSEK maturing 12.10.2028	Fixed	4.9%	3-4 years	34	Fair value
Total issued bonds		**3.9%**		**677**	
Mortgage credit institutions:					
Fixed-rate	Fixed	3.8%	0-1 year	71	Fair value
Floating-rate	Floating	3.7%	0-1 year	1,132	Cash flow
Total mortgage credit institutions		**3.7%**		**1,203**	
Bank borrowings:					
Fixed-rate	Fixed	3.2%	0-1 year	1,057	Fair value
Floating-rate	Floating	3.6%	0-1 year	813	Cash flow
Total bank borrowings		**3.4%**		**1,870**	
Other borrowings:					
Finance leases	Fixed	4.4%	0-20 years	252	Cash flow
Other borrowings	Floating	2.5%	0-1 year	10	Cash flow
Total other borrowings		**4.3%**		**262**	

	Interest rate	Average interest rate	Fixed for	Carrying amount	Interest rate risk
2023					
Issued bonds:					
Commercial papers	Fixed	4.4%	0-1 year	103	Fair value
652 mSEK maturing 03.04.2024	Floating	5.3%	0-1 year	59	Cash flow
750 mSEK maturing 03.04.2024	Fixed	1.6%	0-1 year	68	Fair value
1,200 mSEK maturing 16.06.2025	Floating	5.2%	1-2 years	109	Cash flow
500 mSEK maturing 14.04.2026	Floating	5.5%	2-3 years	45	Cash flow
1,500 mSEK maturing 17.07.2026	Floating	4.8%	2-3 years	137	Cash flow
500 mSEK maturing 14.01.2028	Floating	5.8%	4-5 years	45	Cash flow
400 mSEK maturing 12.10.2028	Floating	5.9%	4-5 years	36	Cash flow
400 mSEK maturing 12.10.2028	Fixed	4.9%	4-5 years	36	Fair value
Total issued bonds		**4.7%**		**638**	
Mortgage credit institutions:					
Fixed-rate	Fixed	3.8%	1-2 years	71	Fair value
Floating-rate	Floating	4.7%	0-1 year	1,141	Cash flow
Total mortgage credit institutions		**4.6%**		**1,212**	
Bank borrowings:					
Fixed-rate	Fixed	3.8%	0-1 year	402	Fair value
Floating-rate	Floating	4.7%	0-1 year	697	Cash flow
Total bank borrowings		**4.4%**		**1,099**	
Other borrowings:					
Finance leases	Fixed	3.8%	0-20 years	223	Cash flow
Other borrowings	Floating	3.0%	0-1 year	10	Cash flow
Total other borrowings		**3.7%**		**233**	

4.3 NET INTEREST-BEARING DEBT (CONTINUED)

Accounting policies

Financial instruments

Financial instruments are recognised at the date of trade. The group ceases to recognise financial assets when the contractual rights to the underlying cash flows either cease to exist or are transferred to the purchaser of the financial asset, and substantially all risks and rewards related to ownership are also transferred to the purchaser.

Financial assets and liabilities are offset, and the net amount is presented in the balance sheet when, and only when, the group has a legal right of offsetting and either intends to offset or settle the financial asset and the liability simultaneously.

Financial assets

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through the income statement.

The classification of financial assets on initial recognition depends on the financial asset's contractual cash flow characteristics and how these are managed.

Financial assets where the group intends to collect the contractual cash flow are classified and measured at amortised cost.

Financial assets that are part of liquidity management are classified and measured at fair value through other comprehensive income. All other financial assets are classified and measured at fair value through the income statement.

Financial assets measured at amortised cost

Financial assets measured at amortised cost consist of readily available cash at bank and deposits, together with exchange-listed debt securities with an original maturity of three months or less, which have an insignificant risk of change in value and can be readily converted to cash or cash equivalents.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income consist of mortgage credit bonds, which correspond in part to raised mortgage debt.

Financial assets are measured on initial recognition at fair value plus transaction costs. The financial assets are subsequently measured at fair value with adjustments made in other comprehensive income and accumulated in the fair value reserve in equity.

Interest income, impairment and foreign currency translation adjustments of debt instruments are recognised in the income statement on a continuous basis under financial income and financial costs. In connection with the sale of financial assets classified at fair value through other comprehensive income, accumulated gains or losses previously recognised in the fair value reserve are recycled to financial income and financial costs.

Financial assets measured at fair value through profit or loss

Securities classified at fair value through the income statement consist primarily of listed securities which are monitored, measured and reported continuously in accordance with the group's Treasury and Funding Policy. Changes in fair value are recognised in the income statement under financial income and financial costs.

Liabilities

Upon initial recognition, debt to mortgage credit and credit institutions as well as issued bonds are measured at the trade date at fair value plus transaction costs. Subsequently, liabilities are measured at amortised cost with the difference between loan proceeds and the nominal value recognised in the income statement over the expected life of the loan.

Capitalised residual lease obligations related to leases are recognised under liabilities and measured at amortised cost. Other financial liabilities are measured at amortised cost. For details on pension liabilities, please refer to Note 4.7.

4.4 DERIVATIVES

Financial comments
The group has entered into derivative contracts to secure a stable cash flow in future years. The value of cash flow hedges decreased by EUR 27 million to EUR 43 million. The decrease was due to lower values of currency and interest rate contracts, while the value of commodity hedge contracts has increased.

Currency contracts
The value of currency contracts decreased by EUR 45 million compared to last year. The lower value was due to changed currency exchange rates combined with maturing of existing contracts and value adjustments of new contracts.

Interest rate contracts
The value of interest rate contracts used for hedging decreased by EUR 9 million compared to last year. The lower value was a result of lower long-term interest levels and utilisation of interest hedges during the year.

Commodity contracts
The value of commodity contracts used for hedging increased by EUR 27 million compared to last year. The higher value was a result of market prices increasing to levels above the hedged prices combined with maturing of existing contracts and value adjustments of new contracts.

Hedging of future cash flows
The group uses currency forwards to hedge currency risks on expected future net revenue and costs. Interest rate swaps are used to hedge risks against movements in expected future interest payments, and commodity swaps are used for energy hedging.

Fair value of hedge instruments not qualifying for hedge accounting (financial hedge)
The group uses currency options which hedge forecasted sales and purchases. Some of these options do not qualify for hedge accounting and the fair value adjustment is therefore recognised directly in the income statement.

Currency swaps are used as part of the daily liquidity management. The objective of the currency swaps is to match the timing of the in- and outflow of foreign currency cash flows.

Accounting policies
Derivatives are recognised from the trade date and measured in the financial statements at fair value. Positive and negative fair values of derivatives are recognised as separate items in the balance sheet.

Fair value hedging
Changes in the fair value of derivatives which meet the criteria for hedging the fair value of recognised assets and liabilities are recognised alongside changes in the value of the hedged asset or the hedged liability for the portion that is hedged.

Cash flow hedging
Changes in the fair value of derivatives that are classified as hedges of future cash flows and effectively hedge changes in future cash flows are recognised in other comprehensive income as a reserve for hedging transactions under equity until the hedged cash flows impact the income statement. The reserve for hedging instruments under equity is presented net of tax. The cumulative gains or losses from hedging transactions retained in equity are reclassified and recognised under the same item as the basic adjustment for the hedged item.

The accumulated change in value recognised in other comprehensive income is recycled to the income statement once the hedged cash flows affect the income statement or are no longer likely to be realised. For derivatives that do not meet the criteria for classification as hedging instruments, changes in fair value are recognised as they occur in the income statement under financial income and costs.

Table 4.4.a Hedging of future cash flows from highly probable forecast transactions

			Expected recognition				
(EUR million)	Carrying amount	Fair value recognised in OCI	2025	2026	2027	2028	After 2028
2024							
Currency contracts	-37	-37	-37	-	-	-	-
Interest rate contracts	71	71	23	15	13	9	11
Commodity contracts	9	9	9	-	-	-	-
Hedging of future cash flows	**43**	**43**	**-5**	**15**	**13**	**9**	**11**

			Expected recognition				
(EUR million)	Carrying amount	Fair value recognised in OCI	2024	2025	2026	2027	After 2027
2023							
Currency contracts	8	8	8	-	-	-	-
Interest rate contracts	80	80	22	21	12	11	14
Commodity contracts	-18	-18	-18	-	-	-	-
Hedging of future cash flows	**70**	**70**	**12**	**21**	**12**	**11**	**14**

Table 4.4.b Value adjustment of hedging instruments

(EUR million)	2024	2023
Deferred gains and losses on cash flow hedges arising during the year	27	-112
Value adjustments of currency hedging instruments reclassified to other operating income and costs	-25	3
Value adjustments of commodity hedging instruments reclassified to other operating income and costs	-29	-61
Value adjustments of currency hedging instruments reclassified to financial items	-1	20
Value adjustments of interest hedging instruments reclassified to financial items	1	9
Total value adjustment of hedging instruments recognised in other comprehensive income during the year	**-27**	**-141**

4.5 FINANCIAL INSTRUMENTS

Table 4.5.a Categories of financial instruments

(EUR million)	2024	2023
Derivatives	2	45
Shares	8	8
Financial assets measured at fair value through the income statement	**10**	**53**
Securities	577	403
Financial assets measured at fair value through other comprehensive income	**577**	**403**
Currency instruments	-	9
Interest rate instruments	62	66
Commodity instruments	26	12
Derivative assets used as hedging instruments	**88**	**87**
Trade receivables	1,317	1,145
Other receivables	266	309
Cash	91	138
Financial assets measured at amortised cost	**1,674**	**1,592**
Derivatives	4	2
Financial liabilities measured at fair value through the income statement	**4**	**2**
Currency instruments	37	1
Interest rate instruments	6	10
Commodity instruments	17	30
Derivative liabilities used as hedging instruments	**60**	**41**
Long-term borrowings	2,808	2,369
Short-term borrowings	1,204	813
Trade payables and other payables	1,433	1,425
Financial liabilities measured at amortised cost	**5,445**	**4,607**

Table 4.5.b Fair value hierarchy – carrying amount

(EUR million)	Level 1	Level 2	Level 3	Total
2024				
Financial assets:				
Bonds	577	-	-	577
Shares	8	-	-	8
Derivatives	-	90	-	90
Total financial assets	**585**	**90**	**-**	**675**
Financial liabilities:				
Issued bonds	-	524	-	524
Mortgage credit institutions	1,203	-	-	1,203
Derivatives	-	64	-	64
Total financial liabilities	**1,203**	**588**	**-**	**1,791**
2023				
Financial assets:				
Bonds	403	-	-	403
Shares	8	-	-	8
Derivatives	-	132	-	132
Total financial assets	**411**	**132**	**-**	**543**
Financial liabilities:				
Issued bonds	-	535	-	535
Mortgage credit institutions	1,212	-	-	1,212
Derivatives	-	43	-	43
Total financial liabilities	**1,212**	**578**	**-**	**1,790**

4.5 FINANCIAL INSTRUMENTS (CONTINUED)

Risk mitigation
Methods and assumptions applied when measuring the fair values of financial instruments:

Bonds and shares
The fair value is determined using the listed prices in an active market.

Non-option derivatives
The fair value is calculated using discounted cash flow models and observable market data. The fair value is determined as a termination price and, consequently, the value is not adjusted for credit risks.

Option instruments
The fair value is calculated using option models and observable market data such as option volatilities. The fair value is determined as a termination price and, consequently, the value is not adjusted for credit risks.

Fair value hierarchy
Level 1: Fair values measured using unadjusted listed prices in an active market.

Level 2: Fair values measured using valuation techniques and observable market data.

Level 3: Fair values measured using valuation techniques and observable as well as significant non-observable market data.

4.6 SALE AND REPURCHASE ARRANGEMENTS

Financial comments
The group has invested in listed Danish mortgage bonds underlying its mortgage debt. By entering into a sale and repurchase arrangement on the mortgage bonds, the group is able to achieve a lower interest rate compared to current market interest rates on mortgage debt. The mortgage bonds are measured at fair value through other comprehensive income.

The proceeds from these bonds create a repurchase obligation which is recognised in short-term borrowings and measured at fair value.

In addition to mortgage bonds, the group holds other securities with a carrying amount of EUR 23 million (2023: EUR 40 million).

Table 4.6 Transfer of financial assets

(EUR million)	Carrying amount	Notional amount	Fair value
2024			
Mortgage bonds	554	556	554
Repurchased liability	-547	-544	-547
Net position	**7**	**12**	**7**
2023			
Mortgage bonds	363	363	363
Repurchased liability	-337	-335	-337
Net position	**26**	**28**	**26**

4.7 PENSION LIABILITIES

Financial comments

Pension liabilities

The group's pension assets and liabilities consist primarily of defined benefit plans in Sweden and the UK.

The group also operates defined contribution plans for employees. For these defined contribution plans, the group is not subject to the same investment, interest rate, inflation or longevity risks as it is for the defined benefit plans. The benefits that employees receive are dependent on the contribution paid, investment returns and the form of benefit chosen at retirement.

Pension plans in Sweden

The recognised net pension liability in Sweden was EUR 150 million at 31 December 2024, a decrease of EUR 2 million compared to last year. While discount rates remained flat compared to last year, the inflation assumptions increased compared to last year resulting in higher pension liabilities. Despite this, we still saw lower net pension liabilities at 31 December 2024 compared to 31 December 2023 due to a stronger SEK vs EUR. Mortality assumptions remained consistent with last year. See Note 4.7.f for a summary of assumptions used.

These pension plans are contribution-based plans, guaranteeing a defined benefit pension at retirement. The plan assets are legally structured as a trust, and the group has control over the operation of the plan and the associated investments.

These pension plans do not include a risk-sharing element between the group and the plan participants.

Pension plans in the UK

The recognised net pension asset in the UK was EUR 11 million at 31 December 2024, a decrease of EUR 10 million compared to last year.

Similarly to Sweden, we saw a modest increase in inflation expectations in the UK, resulting in increased liabilities, however, this was more than offset by an increase in the discount rate assumption resulting in a net decrease in pension liabilities. Pension liabilities in the UK decreased by EUR 51 million from the previous year to EUR 881 million at 31 December 2024.

The return on plan assets in 2024 was negative with EUR 102 million. This was predominantly driven by the performance of the matching assets which are designed to track liability movements as closely as possible. Matching assets make up a significant portion of the asset portfolio and are part of the strategy to maintain stability within the pension plan. As well as this, however, we also saw decreases in the value of other plan assets. See the plan asset investments in the UK section for further details on the strategy adopted by the trustees. These decreases were partially offset by interest income, contributions to the plan and favourable exchange rate adjustments, leading to an overall net decrease in the fair value of plan assets in the UK of EUR 61 million. All values within the asset portfolio are unlisted.

The defined benefit plan in the UK is a defined benefit final salary scheme. The plan is closed to both new entrants and future accruals, but retains a salary link. The plan is a registered pension scheme, and the assets are held in legally separate, trustee-administered funds. The trustees of the plan are required by law to act in the best interests of the plan participants while at the same time administering the plan in accordance with the purpose for which the trust was created, and are responsible for drawing up the investment, funding and governance policies. A representative of the group attends trustee meetings to provide the group's view on the investment strategy, but the ultimate control lies with the trustees.

Table 4.7.a Pension liabilities recognised in the balance sheet

(EUR million)	Sweden	UK	Other	Total
2024				
Present value of funded liabilities	161	881	34	1,076
Fair value of plan assets	-12	-892	-19	-923
Deficit/(surplus) of funded plans	**149**	**-11**	**15**	**153**
Present value of unfunded liabilities	1	-	1	2
Net pension liabilities recognised in the balance sheet	**150**	**-11**	**16**	**155**
Specification of total liabilities:				
Present value of funded liabilities	161	881	34	1,076
Present value of unfunded liabilities	1	-	1	2
Total liabilities	**162**	**881**	**35**	**1,078**
Presented as:				
Pension assets	-	-11	-	-11
Pension liabilities	150	-	16	166
Net pension liabilities	**150**	**-11**	**16**	**155**
2023				
Present value of funded liabilities	162	932	31	1,125
Fair value of plan assets	-12	-953	-17	-982
Deficit/(surplus) of funded plans	**150**	**-21**	**14**	**143**
Present value of unfunded liabilities	2	-	1	3
Net pension liabilities recognised in the balance sheet	**152**	**-21**	**15**	**146**
Specification of total liabilities:				
Present value of funded liabilities	162	932	31	1,125
Present value of unfunded liabilities	2	-	1	3
Total liabilities	**164**	**932**	**32**	**1,128**
Presented as:				
Pension assets	-	-21	-	-21
Pension liabilities	152	-	15	167
Net pension liabilities	**152**	**-21**	**15**	**146**

4.7 PENSION LIABILITIES (CONTINUED)

Employer contributions are determined based on the advice of an independent qualified actuary on the basis of triennial valuation negotiations between the plan and Arla, and ultimately approved by The Pensions Regulator. The most recent triennial valuation of the plan was carried out at 31 December 2022, and on the agreed funding basis, the plan was in a surplus position.

Defined contribution plans are in place for other employees. Contributions are made both by Arla and the employee at a rate determined by Arla.

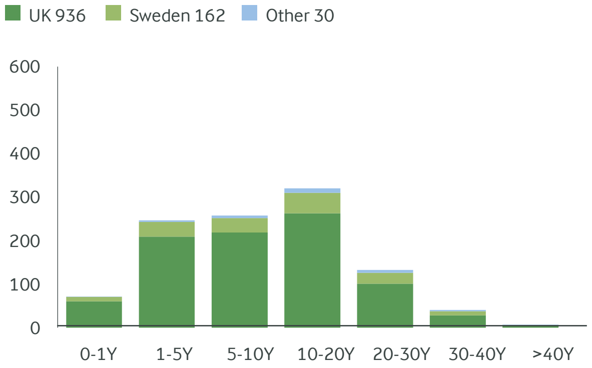
Plan asset investments in the UK

Plan assets generate returns that are used to satisfy the plan liabilities. They are not necessarily intended to be realised in the short term. The trustees invest in different categories of assets and with different allocations among those categories according to the plan investment principles.

Currently, the plan investment strategy is to maintain a balance of growth assets (property and infrastructure), income assets (comprising credit investments and corporate bonds) and matching assets (comprising a liability hedge portfolio and a buy-in annuity policy), with a weighting towards matching assets. In 2021, a strategy was adopted to reduce the plan's exposure to the UK property market, with a large portion of it being completed during 2024.

Part of the investment objective is to minimise fluctuations in the plan's funding levels due to changes in the value of the liabilities. This is primarily achieved using a Liability Driven Investment (LDI) portfolio, the main goal of which is to align movements in the value of the assets with movements in the liabilities caused by changes in market conditions. The plan has hedging in place that covers the majority of interest rate and inflation movements, as measured based on the trustees' funding assumptions which use a discount rate derived from gilt yields.

Maturity of pension liabilities at 31 December 2024
(EUR million)



Maturity of pension liabilities at 31 December 2023
(EUR million)

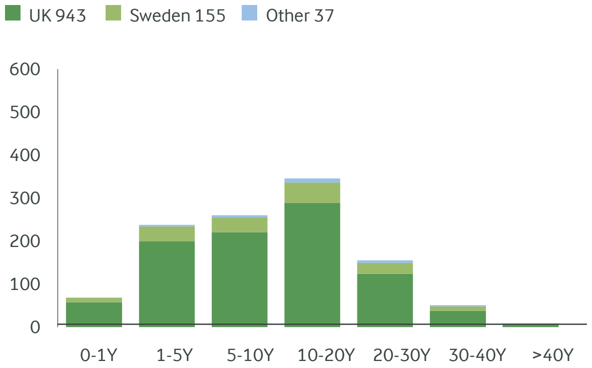


Table 4.7.b Development in pension liabilities

(EUR million)	2024	2023
Present value of liabilities at 1 January	1,128	1,135
Current service costs	-	1
Interest costs	49	50
Actuarial gains and losses from changes in financial assumptions (OCI)	-70	22
Actuarial gains and losses from changes in demographic assumptions (OCI)	1	-33
Benefits paid	-68	-65
Exchange rate adjustment	38	18
Present value of pension liabilities at 31 December	**1,078**	**1,128**

Table 4.7.c Development in fair value of plan assets

(EUR million)	2024	2023
Fair value of plan assets at 1 January	982	990
Interest income	45	47
Return on plan assets excluding amounts included in net interest on the net defined benefit liability (OCI)	-102	-30
Contributions to plans	13	12
Benefits paid	-58	-55
Exchange rate adjustments	43	18
Fair value of plan assets at 31 December	**923**	**982**
Actual return on plan assets:		
Calculated interest income	45	47
Return excluding calculated interest	-102	-30
Actual return	**-57**	**17**

The group expects to contribute EUR 23 million to the plan assets in 2025 and EUR 83 million in 2026-2029.

4.7 PENSION LIABILITIES (CONTINUED)

LDI primarily involves the use of government bonds. Derivatives such as interest rate and inflation swaps are also used. There are no annuities or longevity swaps in the LDI portfolios. The value of the LDI assets is determined based on the latest market bid price for the underlying investments, which are traded daily on liquid markets, but on aggregate are segregated mandates managed on behalf of the plan and therefore are unlisted.

Annuity policies consist of a bulk annuity contract with an insurance company. This allows the trustees to reduce their scheme's risk by acquiring an asset (annuity contract) whose cashflows are designed to exactly meet a specified set of benefit payments under the pension scheme.

Infrastructure investments are in large-scale public systems, services and facilities such as power, road and water systems. These investments aim to generate stable long-term inflation-linked cash flows.

The remainder of the plan assets consists of loans to companies or governments (debt vehicles and bonds), commercial property investments (properties) as well as insurance-linked securities and cash (other assets).

All asset values are unlisted unless otherwise specified.

Accounting policies

Pension liabilities and similar non-current liabilities

The group has post-employment pension plan arrangements with a significant number of current and former employees. The post-employment pension plan agreements take the form of defined contribution plans and defined benefit plans.

Defined contribution plans

For defined contribution plans, the group pays fixed contributions to independent pension companies. The group has no obligation to make supplementary payments beyond those fixed payments, and the risk and reward of the value of the pension plan therefore rests with plan members, and not the group. Contributions to defined contribution plans are expensed in the income statement as incurred.

Defined benefit plans

Defined benefit plans are characterised by the group's obligation to make specific payments from the date the plan member is retired, depending on, for example, the member's seniority and final salary. The group is subject to the risks and rewards associated with the uncertainty whether the return generated by the assets will meet the pension liabilities, which are affected by assumptions concerning mortality and inflation.

The group's net liability is the amount presented as a pension liability in the balance sheet.

The net liability is calculated separately for each defined benefit plan. The net liability is the amount of future pension benefits that employees have earned in current and prior periods (i.e. the liability for pension payments for the portion of the employee's estimated final salary earned at the balance sheet date) discounted to a present value (the defined benefit liability), less the fair value of assets held separately from the group in a plan fund.

The group uses qualified actuaries to annually calculate the defined benefit liability using the projected unit credit method.

Table 4.7.d Specification of plan assets

(EUR million)	2024	%	2023	%
Debt vehicles	349	38	295	30
Liability hedge portfolio	238	26	295	30
Annuity policies	200	22	211	21
Infrastructure	69	7	64	7
Properties	29	3	82	8
Bonds	6	1	9	1
Other assets	32	3	26	3
Fair value of plan assets at 31 December	**923**	**100**	**982**	**100**

Table 4.7.e Assumptions for the actuarial calculations

(%)	2024	2023
Discount rate assumptions		
Discount rate, UK	5.5	4.6
Discount rate, Sweden	3.5	3.5
Inflation assumptions		
Inflation (CPI), UK	2.7	2.4
Inflation (CPI), Sweden	1.8	1.5
Mortality assumptions (life expectancy in years at age 65)		
Male in the UK	20.4	20.3
Female in the UK	22.8	22.5
Male in Sweden	22.0	22.0
Female in Sweden	24.0	24.0

Table 4.7.f Sensitivity of gross pension liabilities to key assumptions

(EUR million)	2024	2024	2023	2023
Impact on pension liabilities at 31 December	+	-	+	-
Discount rate +/- 10 bps	-12	12	-13	13
Life expectancy +/- 1 year	37	-37	41	-41
Inflation +/- 10 bps	7	-7	8	-8

4.7 PENSION LIABILITIES (CONTINUED)

The balance sheet amount of the net liability is impacted by remeasurements, which include the effect of changes in assumptions used to calculate the future liability (actuarial gains and losses) and the return generated on plan assets (excluding interest). Remeasurements are recognised in other comprehensive income.

Interest costs for the period are calculated using the discounted rate used to measure the defined benefit liability at the start of the reporting period applied to the carrying amount of the net liability, taking into account changes arising from contributions and benefit payments. The net interest costs and other costs relating to defined benefit plans are recognised in the income statement. The net liability primarily covers defined benefit plans in the UK and Sweden.

Uncertainties and estimates

The defined benefit liability is assessed based on a number of assumptions, including discount rates, inflation rates, salary growth and mortality rates. Any changes in assumptions can have a significant impact on the net position.

The group is aware of a case in the UK in 2023 involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the group. In July 2024, the UK courts dismissed an appeal against the 2023 judgment.

The group and pension trustees are discussing the judgment, and the impact (if any) is being considered by the pension trustees' legal advisers. Until this work is complete, the group is unable to determine the impact (if any), and it will be assessed as relevant in the future. As such the figures provided in this disclosure make no allowance for the judgment.

Table 4.7.g Recognised in the income statement

(EUR million)	2024	2023
Current service costs	-	1
Recognised as staff costs	**-**	**1**
Interest costs on pension liabilities	49	50
Interest income from plan assets	-45	-47
Recognised as financial costs	**4**	**3**
Total amount recognised in the income statement	**4**	**4**

Table 4.7.h Recognised in other comprehensive income

(EUR million)	2024	2023
Actuarial gains and losses on liabilities from changes in financial assumptions (OCI)	70	-22
Actuarial gains and losses on liabilities from changes in demographic assumptions (OCI)	-1	33
Return on plan assets, excluding amounts included in net interest on the net defined benefit liability	-102	-30
Total amount recognised in other comprehensive income	**-33**	**-19**

NOTE 5. OTHER AREAS

5.1 TAX

Financial comments

Tax in the income statement
Total tax costs decreased to EUR 46 million (2023: EUR 56 million), primarily due to a decrease in total deferred tax costs.

The effective tax rate decreased to 9.8% compared to 12.3% last year, primarily driven by changes in permanent differences and the effects of companies subject to cooperative tax.

Current income tax
Cost related to current income taxes increased to EUR 45 million (2023: EUR 31 million). The increase is mainly due to the 2024 introduction of the Global Minimum Tax rules (Pillar Two), resulting in a Pillar Two top-up tax of EUR 10 million relating to our operations in the Middle East and Argentina.

Deferred tax
Costs incurred in the income statement relating to adjustments of deferred taxes amounted to EUR 1 million, representing a decrease of EUR 24 million compared to last year. The decrease was driven by lower deferred tax costs in the current year.

Net deferred tax liabilities amounted to EUR 70 million, representing a net increase of EUR 10 million compared to last year. The primary changes in gross temporary differences were driven by increased deferred tax liabilities in property, plant and equipment from acquisitions made during the year.

Deferred tax liabilities equalled EUR 101 million which mainly relate to provisions, pension liabilities and other liabilities. These were in part offset by deferred tax assets amounting to EUR 31 million relating to tax losses carried forward and other assets.

The group recognises deferred tax assets, including the value of tax losses carried forward, where management assesses that the tax assets may be utilised in the foreseeable future by offsetting against taxable income. The assessment is performed on an ongoing basis and is based on the budgets and business plans for future years.

The group recognised deferred tax assets in respect of tax losses carried forward in the amount of EUR 12 million (2023: EUR 7 million). The net increase in tax losses carried forward is mainly due to the effects of Argentinian tax rules implemented in 2024, reducing the local inflationary effects in the taxable income for companies operating in Argentina.

Deferred tax assets relating to tax losses carried forward not recognised totalled EUR 40 million, primarily related to activities in the UK, USA and Denmark.

Table 5.1.a Tax recognised in the income statement

(EUR million)	2024	2023
Current income tax		
Current income tax on profit for the year relating to:		
Cooperative tax	5	8
Corporate income tax	32	31
Pillar Two tax	10	-
Adjustments to current taxes of previous years	-2	-8
Total current income tax costs	**45**	**31**
Deferred tax		
Change in deferred tax for the year	-	23
Adjustment to deferred taxes of previous years	1	2
Impact of changes in tax rates and laws	-	-
Total deferred tax costs	**1**	**25**
Total tax costs in the income statement	**46**	**56**

Table 5.1.b Calculation of effective tax rate

(EUR million)	2024		2023	
Profit before tax		463		455
Tax applying the statutory Danish corporate income tax rate	22.0%	102	22.0%	100
Effect of tax rates in other jurisdictions	-0.2%	-1	-3.1%	-14
Effect of companies subject to cooperative taxation	-11.3%	-52	-8.1%	-37
Impact of Pillar Two tax	2.2%	10	0.0%	-
Non-deductible expenses, less tax-exempt income	-2.7%	-12	1.7%	8
Share of profit/loss after tax in associates and joint ventures	-1.3%	-6	-1.5%	-7
Adjustment for tax costs of previous years	-0.2%	-1	-1.3%	-6
Recognition and adjustments of previously unrecognised tax losses	-0.2%	-1	0.6%	3
Current year losses for which no deferred tax asset is recognised	0.8%	4	0.0%	-
Other adjustments	0.7%	3	2.0%	9
Total	**9.8%**	**46**	**12.3%**	**56**

5.1 TAX (CONTINUED)

Accounting policies

Tax in the income statement

Tax in the income statement includes current tax and adjustments to deferred tax. Tax is recognised in the income statement, except where it relates to a business combination or items (income or costs) recognised directly in other comprehensive income.

Current tax

Current tax is assessed based on tax legislation applicable to entities in the group subject to cooperative or corporate income taxation. Cooperative taxation is based on the equity of the cooperative, while corporate income tax is calculated based on the company's taxable income for the year. Current tax liabilities include the expected tax payable or receivable on the taxable result for the year, any adjustments to tax payable or receivable from previous years and tax paid on account. Current tax liabilities are disclosed as part of other current liabilities.

Deferred tax

Deferred tax is measured using the balance sheet liability method for all temporary differences between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognised for temporary differences on the initial recognition of goodwill or those arising at the acquisition date of an asset or liability that do not affect either the profit or loss for the year or taxable income, except for those arising from business combinations.

Deferred tax is determined by applying tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Changes in deferred tax assets and liabilities due to changes in the tax rate are recognised in the income statement, except for items recognised in other comprehensive income.

Deferred tax assets, including the value of tax losses carried forward, are recognised under other non-current assets at the value at which they are expected to be utilised, either by reducing tax on future earnings or by offsetting against deferred tax payable in companies within the same legal tax entity or jurisdiction.

The mandatory exception in IAS 12 regarding the recognition and disclosure of deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Uncertainties and estimates

Deferred tax

Deferred tax reflects assessments of actual future tax due on items in the financial statements, considering timing and probability. These estimates also take into account expectations about future taxable profits. Actual future taxes may differ from these estimates due to changes in expectations regarding future taxable income, future statutory changes in income taxation or the outcome of tax authorities' final review of the group's tax returns. The recognition of a deferred tax asset also depends on an assessment of the future recoverability of the asset.

Pillar Two tax

As the guidance and rules related to Pillar Two taxes are continuously being updated, the final 2024 Pillar Two top-up tax payable may differ from the cost recognised in the income statement.

Income tax treatments

Since tax legislation, case law and tax authority practice do not always provide clarity on all transactions, uncertainties exist. Arla recognises and measures uncertain tax positions in line with the IFRIC 23 standard.

Table 5.1.c. Deferred tax assets and liabilities

(EUR million)	2024	2023
Net deferred tax liability at 1 January	-60	-64
Deferred tax recognised in the income statement	-1	-25
Deferred tax recognised in other comprehensive income	5	13
Acquisitions in connection with business combinations	-15	-2
Exchange rate adjustments	1	-
Balance sheet reclassification of deferred tax assets/liabilities	-	18
Net deferred tax liability at 31 December	**-70**	**-60**
Deferred tax, by gross temporary difference		
Intangible assets	-3	-4
Property, plant and equipment	-17	4
Provisions, pension liabilities and other	-28	-31
Tax losses carried forward	12	7
Other assets/liabilities	-34	-36
Total deferred tax, by gross temporary difference	**-70**	**-60**
Recognised in the balance sheet as:		
Deferred tax assets	31	23
Deferred tax liabilities	-101	-83
Total	**-70**	**-60**

5.2 PROVISIONS

Financial comments

Provisions amounted to EUR 61 million (2023: EUR 51 million). Provisions primarily relate to provisions for insurance incidents that have occurred, but have not yet been settled.

Uncertainties and estimates

Provisions are particularly associated with estimates of insurance provisions. These are assessed based on historical records, including the number of insurance events and the related costs considered. The scope and extent of onerous contracts are also estimated.

Table 5.2 Provisions

(EUR million)	Insurance provisions	Restructuring provisions	Other provisions	Total 2024	Total 2023
Provisions at 1 January	24	4	23	51	48
New provisions during the year	18	-	7	25	7
Reversals	-	-	-	-	-3
Used during the year	-15	-	-	-15	-1
Provisions at 31 December	**27**	**4**	**30**	**61**	**51**
Non-current provisions	-	2	28	30	31
Current provisions	27	2	2	31	20
Provisions at 31 December	**27**	**4**	**30**	**61**	**51**

5.3 FEES TO AUDITORS

Fees paid to EY

EY is appointed as auditors of Arla by the Board of Representatives.

Table 5.3 Fees to auditors appointed by the Board of Representatives

(EUR million)	2024	2023
Statutory audit	1.9	1.8
Other assurance engagements	0.4	0.3
Tax assistance	0.2	0.3
Other services	1.1	0.3
Total fees to auditors	**3.6**	**2.7**

5.4 MANAGEMENT REMUNERATION AND TRANSACTIONS WITH RELATED PARTIES

Remuneration paid to management

The remuneration to the 19 registered members of the Board of Directors (BoD) is assessed and adjusted on a bi-annual basis and approved by the Board of Representatives. The BoD's remuneration was most recently adjusted in 2024. The principles applied to the remuneration of the BoD are described on page 81. Members of the BoD are paid for milk supplies to Arla Foods amba in accordance with the same terms as apply to other owners. Similarly, individual capital instruments are issued to the BoD on the same terms as apply to other owners.

In 2024, the Executive Board consisted of Chief Executive Officer Peder Tuborgh, Chief Operations Officer, Europe, Peter Giørtz-Carlsen and from 1 December 2024 Chief Financial Officer Torben Dahl Nyholm. The principles applied to the remuneration of the Executive Board are described on page 97.

Table 5.4.a includes accrued amounts related to the respective reporting period. The amount was based on reported key figures together with estimates of performance compared to peers and, consequently, the final future payout may differ.

Table 5.4.a Management remuneration

(EUR million)	2024	2023
Board of Directors		
Wages, salaries and remuneration	1.8	1.7
Total	**1.8**	**1.7**
Executive Board		
Fixed compensation	2.8	2.5
Pension and other benefits	0.5	0.5
Short-term variable incentives	0.7	0.7
Long-term variable incentives	1.4	1.0
Total	**5.4**	**4.7**

Table 5.4.b Transactions with the Board of Directors

(EUR million)	2024	2023
Purchase of raw milk	33.2	30.3
Half-year supplementary payment	0.3	0.4
Supplementary payment regarding previous years	1.1	1.1
Total	**34.6**	**31.8**
Unsettled milk deliveries in trade payables and other payables	1.8	1.2
Individual capital instruments	3.3	2.8
Total	**5.1**	**4.0**

5.5 CONTRACTUAL COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Financial comments

Contractual obligations and commitments amounted to EUR 869 million (2023: EUR 614 million). Arla signed power purchase agreements in Denmark, Germany and the UK during the year, counting an increase in contractual commitments of EUR 100 million. Commitments relating to investments in property, plant and equipment increased by EUR 85 million. Other contractual obligations and commitments consisted of IT licences, short-term and low-value leases and others and increased by net EUR 70 million.

Arla provided security on property for mortgage debt based on the Danish Mortgage Act with a nominal value of 1,209 EUR million (2023: EUR 1,216 million). Financial surety and guarantee obligations amounted to EUR 29 million (2023: EUR 18 million).

Arla is party to a small number of lawsuits, disputes and other claims. It is management's assessment that the outcome of these will most likely not have a material impact on the group's financial position beyond what has already been recognised in the financial statements.

Table 5.5 Contractual commitments*

(EUR million)	0-1 year	1-5 years	5+ years	Total
2024				
IT contracts	52	64	-	116
Short-term and low value leases	46	-	-	46
Power purchase agreements	34	157	217	408
Property, plant and equipment investment commitments	219	80	-	299
Total	**351**	**301**	**217**	**869**
2023				
IT contracts	34	31	-	65
Short-term and low value leases	27	-	-	27
Power purchase agreements	11	120	177	308
Property, plant and equipment investment commitments	187	27	-	214
Total	**259**	**178**	**177**	**614**

** Other contractual commitments not disclosed in the table include mortgaged property provided as security for mortgage loans and financial surety and guarantee obligations.*

5.6 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent events

No subsequent events with a material impact on the consolidated financial statements have occurred after the balance sheet date.

5.7 GENERAL ACCOUNTING POLICIES

Basis for preparation

The consolidated financial statements included in this annual report are prepared in accordance with IFRS Accounting Standards as adopted by the EU, and additional disclosure requirements in the Danish Financial Statements Act for large class C companies. Arla is not an EU public interest entity as the group has no debt instruments traded in a regulated EU marketplace. The consolidated financial statements were authorised for issue by the company's Board of Directors on 17 February 2025 and presented for approval by the Board of Representatives on 26 February 2025.

The functional currency of the parent company is DKK. The presentation currency of the parent company and of the group is EUR.

These consolidated financial statements are prepared in million EUR with rounding.

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. Inter-company shareholdings, balances and transactions as well as unrealised income and expenses arising from inter-company 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% 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 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%, but less than 50% 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 and whereby the customer pays with funds partly owned by the group, 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.

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

5.7 GENERAL ACCOUNTING POLICIES (CONTINUED)

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. Revenue, costs and the share of net profit or loss for the year are translated into EUR using the average monthly exchange rate, provided it 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.

Adoption of new or amended IFRS

The group has implemented all new standards and interpretations effective in the EU from 1 January 2024. The disclosures on supply chain finance programmes in Note 2.1 and loan covenants in Note 4.3 have been updated in accordance with the amendments to IFRS 7. The new standards and interpretations did not have any other material impact on the consolidated financial statements.

Future implementations

The IASB has issued a number of new or amended and revised accounting standards and interpretations which are not yet applicable. Arla will adopt these new standards when they become mandatory. The implementation of IFRS 18 from 2027 will have significant impact on Arla's consolidated financial statements from 2027 including restated comparison figures in the 2027 report. Preparation for the implementation has been initiated. It is anticipated that future implementation of other known new or amended standards will not have a material impact on the consolidated financial statements.

5.8 GROUP CHART

	Country	Currency	Group equity interest
Arla Foods amba	**Denmark**	**DKK**	**%**
Arla Foods Ingredients Group P/S	Denmark	DKK	100
Arla Foods Ingredients Energy A/S	Denmark	DKK	100
Arla Foods Ingredients Japan K.K.	Japan	JPY	100
Arla Foods Ingredients Inc.	USA	USD	100
Arla Foods Ingredients Korea, Co. Ltd.	Korea	KRW	100
Arla Foods Ingredients Trading (Beijing) Co. Ltd.	China	CNY	100
Arla Foods Ingredients S.A.	Argentina	USD	100
Arla Foods Ingredients Comércio de Produtos Alimentícios Unipessoal LTDA	Brazil	BRL	100
Arla Foods Ingredients Singapore Pte. Ltd.	Singapore	SGD	100
Arla Foods Ingredients S.A. de C.V.	Mexico	MXN	100
Volac Whey Nutrition Holdings Limited	UK	GBP	100
Volac Whey Nutrition Limited	UK	GBP	100
Volac Renewable Energy Limited	UK	GBP	100
Arla Foods Holding A/S	Denmark	DKK	100
Arla Foods W.L.L.	Bahrain	BHD	100
Arla Oy	Finland	EUR	100
Osuuskunta MS tuottajapalvelu **	Finland	EUR	35
Arla Foods Distribution A/S	Denmark	DKK	100
Cocio Chokolademælk A/S	Denmark	DKK	50
Arla Foods International A/S	Denmark	DKK	100
Arla Foods UK Holding Limited	UK	GBP	100
Arla Foods UK Farmers Joint Venture Co. Limited	UK	GBP	100
Arla Foods UK plc	UK	GBP	100
Arla Foods GP Limited	UK	GBP	100
Arla Foods Limited Partnership	UK	GBP	100
Arla Foods Finance Limited	UK	GBP	100
Arla Foods Limited	UK	GBP	100
Arla Foods Hatfield Limited	UK	GBP	100
Lockerbie Biogas Limited	UK	GBP	100
Yeo Valley Dairies Limited	UK	GBP	100
Arla Foods Cheese Company Limited	UK	GBP	100
Arla Foods Ingredients UK Limited	UK	GBP	100
Arla Foods Ingredients Taw Valley Limited	UK	GBP	100
Arla Foods UK Property Co. Limited	UK	GBP	100
Arla Foods B.V.	Netherlands	EUR	100
Arla Foods Comércio, Importacâo e Exportacão de Productos Alimenticios Ltda.	Brazil	BRL	100
Arla Foods Ltd.	Kingdom of Saudi Arabia	SAR	75
Arla Foods Finance A/S	Denmark	DKK	100
Kingdom Food Products ApS	Denmark	DKK	100
Ejendomsanpartsselskabet St. Ravnsbjerg	Denmark	DKK	100
Arla Insurance Company (Guernsey) Limited	Denmark	EUR	100
Arla Foods Energy A/S	Denmark	DKK	100
Arla Foods Trading A/S	Denmark	DKK	100
Arla DP Holding A/S	Denmark	DKK	100
Arla Foods Investment A/S	Denmark	DKK	100
Arla Senegal SA.	Senegal	XOF	100

5.8 GROUP CHART (CONTINUED)

	Country	Currency	Group equity interest
Arla Foods amba	**Denmark**	**DKK**	**%**
Tholstrup Cheese A/S	Denmark	DKK	100
Arla Foods Belgien AG	Belgium	EUR	100
Arla Foods Ingredients (Deutschland) GmbH	Germany	EUR	100
ArNoCo GmbH & Co. KG*	Germany	EUR	50
Arla Foods Kuwait Company WLL	Kuwait	KWD	49
Arla Kallassi Foods Lebanon S.A.L.	Lebanon	LBP	50
Arla Foods Qatar WLL	Qatar	QAR	40
Arla Foods Trading and Procurement Limited	Hong Kong	HKD	100
Arla Foods Sdn. Bhd.	Malaysia	MYR	100
Arla Foods Corporation	Philippines	PHP	100
Arla Foods Limited	Ghana	GHS	100
Arla Global Dairy Products Ltd.	Nigeria	NGN	100
Arla Dairy Development Company Ltd.	Nigeria	NGN	99
TG Arla Dairy Products LFTZ Enterprise	Nigeria	NGN	50
TG Arla Dairy Products Ltd.	Nigeria	NGN	100
Arl For General Trading Ltd.	Iraq	USD	51
Arla Foods AB	Sweden	SEK	100
Årets Kock Aktiebolag	Sweden	SEK	67
Arla Foods Inc.	USA	USD	100
Arla Foods Production LLC	USA	USD	100

	Country	Currency	Group equity interest
Arla Foods amba	**Denmark**	**DKK**	**%**
Arla Foods Transport LLC	USA	USD	100
Arla Foods Deutschland GmbH	Germany	EUR	100
Dofo Cheese Eksport K/S °	Denmark	DKK	100
Dofo Inc.	USA	USD	100
Aktieselskabet J. Hansen	Denmark	DKK	100
J.P. Hansen USA Incorporated	USA	USD	100
AFI Partner ApS	Denmark	DKK	100
Andelssmør A.m.b.a.	Denmark	DKK	98
Arla Foods AS	Norway	NOK	100
Arla Foods Bangladesh Ltd.	Bangladesh	BDT	90
Arla Foods Dairy Products Technical Service (Beijing) Co. Ltd.	China	CNY	100
Arla Foods FZE	UAE	AED	100
Arla Foods Hellas S.A.	Greece	EUR	100
Arla Foods Inc.	Canada	CAD	100
Arla Foods Logistics GmbH	Germany	EUR	100
Arla Foods Mayer Australia Pty, Ltd.	Australia	AUD	51
Arla Foods Mexico S.A. de C.V.	Mexico	MXN	100
Arla Foods S.A.	Spain	EUR	100
Arla Foods France S.a.r.l.	France	EUR	100
Arla Foods S.R.L.	Dominican Republic	DOP	100

5.8 GROUP CHART (CONTINUED)

	Country	Currency	Group equity interest
Arla Foods amba	**Denmark**	**DKK**	**%**
Arla Foods SA	Poland	PLN	100
Arla Global Shared Services Sp. Z.o.o.	Poland	PLN	100
Arla Foods LLC	UAE	AED	49
Arla Foods LLC	Oman	OMR	70
Cocio Chokolademælk A/S	Denmark	DKK	50
Marygold Trading K/S °	Denmark	DKK	100
Mejeriforeningen	Denmark	DKK	91
COFCO Dairy Holdings Limited **	British Virgin Islands	HKD	30
Svensk Mjölk Ekonomisk förening	Sweden	SEK	75
Svensk Mjölk AB	Sweden	SEK	100
Tillväxtbolaget för Sveriges Lantbrukare AB **	Sweden	SEK	25
Lantbrukarnas Riksförbund upa **	Sweden	SEK	24
Jörd International A/S	Denmark	DKK	100
Ejendomsselskabet Gjellerupvej 105 P/S	Denmark	DKK	100
Baby&Me ApS	Denmark	DKK	100
Svenska Ostklassiker AB	Sweden	SEK	68
Komplementarselskabet Gjellerupvej 105 ApS	Denmark	DKK	100
PT Arla Foods Indonesia	Indonesia	IDR	100
Arla Foods Arinco A/S	Denmark	DKK	90
Green Fertilizer Denmark ApS **	Denmark	DKK	25

** Joint ventures*
*** Associates*
° According to section 5 of the Danish Financial Statements Act, the company does not prepare a statutory report.
In addition, the group owns a number of entities without material commercial activities.

Financial statements of the parent company
Under section 149 of the Danish Financial Statements Act, these consolidated financial statements represent an extract of Arla's complete annual report. To make this report more manageable and user-friendly, we publish consolidated financial statements that do not include the financial statements of the parent company, Arla Foods amba. The annual report of the parent company is an integral part of the full annual report and is available at www.arla.com. Profit sharing and supplementary payments from the parent company are detailed in the equity section of the consolidated financial statements. The full annual report contains the statement by the Board of Directors and the Executive Board, as well as the independent auditor's report.

MANAGEMENT'S AND AUDITOR'S REPORTS

ARLA® CRAVENDALE

Together with Arla B.O.B, the 1-litre bottles of Arla® Cravendale produced at Stourton Dairy at the UK now use post-consumer recycled PET (rPET).

BOARD OF DIRECTORS' AND EXECUTIVE BOARD'S REPORT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Arla Foods amba for the financial year 2024. The annual report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's financial position at 31 December 2024 and of the results of the group's and the parent company's activities and cash flows for the financial year 1 January - 31 December 2024.

In our opinion, the management's review of the annual report (pages 4-99) includes a true and fair view of the development in the group's and the parent company's financial position, activities, financial matters, results for the year and cash flows as well as a description of the most significant risks and uncertainties which may affect the group and the parent company.

Arla's consolidated environmental, social and governance statements have been prepared in accordance with Arla's ESG accounting principles. In our opinion, they give a true and fair view and a balanced and reasonable presentation of the group's environmental, social and governance performance in accordance with these principles.

We hereby recommend the annual report for adoption by the Board of Representatives.

Aarhus, 17 February 2025

Jan Toft Nørgaard
Chair

Inger-Lise Sjöström
Vice Chair

Arthur Fearnall

Bjørn Jepsen

Daniel Halmsjö

George Holmes

Gustav Kämpe

Jørn Kjær Madsen

Marcel Goffinet

Marita Wolf

Markus Hübers

René Lund Hansen

Simon Simonsen

Steen Nørgaard Madsen

Florence Rollet

Nana Bule

Anders Olsson

Holger Lund

Paul Cullen

Peder Tuborgh
CEO

Torben Dahl Nyholm
CFO

INDEPENDENT AUDITOR'S REPORT

TO THE OWNERS OF ARLA FOODS AMBA

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Arla Foods amba for the financial year 1 January - 31 December 2024, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including material accounting policy information, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2024 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2024 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements' (hereinafter collectively referred to as 'the financial statements') section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements and the parent company financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 17 February 2025

EY Godkendt Revisionspartnerselskab
CVR no. 33 94 61 71

Henrik Kronborg Iversen
State Authorised Public Accountant
MNE no. 24687

Jan K. Mortensen
State Authorised Public Accountant
MNE no. 40030

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE SUSTAINABILITY STATEMENTS

TO THE STAKEHOLDERS OF ARLA FOODS AMBA

As agreed, we have performed an examination with combined reasonable and limited assurance, as defined by the International Standards on Assurance Engagements, of Arla Foods amba's Sustainability Statements in the annual report on pages 31-89 for the period from 1 January 2024 to 31 December 2024.

Specifically, we are to conclude on:

Reasonable assurance over the following KPIs identified in the Sustainability Statements (in the following referred to as 'Selected sustainability KPIs under reasonable assurance'):

- KPIs in the table on greenhouse gas emissions progress, greenhouse gas emissions (scope 1, 2, 3), GHG intensity by net revenue, energy consumption, energy intensity based on net revenue, electricity consumption in Europe and animal welfare on pages 48-50
- KPIs in the tables on accidents, number of employees (headcount) by country and gender, number of employees (headcount) by contract type, distribution of employees by age group on page 76
- KPI in the table on recalls on page 85

Limited assurance over the remaining information in the Sustainability Statements on pages 31-89 of the annual report.

In preparing the Sustainability Statements, Arla Foods Amba applied the general accounting policies on pages 31-89 and the accounting policies listed along with KPIs. The Sustainability Statements should be read and understood together with the accounting policies, which Management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate and measure the Sustainability Statements allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Management's responsibilities
Arla Foods amba's Management is responsible for selecting the accounting policies and for presenting the Sustainability Statements in accordance with the accounting policies, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Sustainability Statements, such that they are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express a conclusion based on our examinations on the presentation of the Sustainability Statements in accordance with the scope defined above.
We conducted our examinations in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation to obtain assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab applies the International Standard on Quality Management 1, ISQM1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed
In obtaining reasonable assurance over the selected sustainability KPIs under reasonable assurance, our objective was to perform such procedures and to obtain such evidence which we consider necessary in order to provide us with sufficient appropriate evidence to express an opinion with reasonable assurance.

In obtaining limited assurance over the remaining information in the Sustainability Statements, our objective was to perform such procedures so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance. The procedures performed in connection with our limited assurance engagement are less extensive than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

As part of our examination, we performed the below procedures:

- Interviewed those in charge of Sustainability Statements to develop an understanding of the process for the preparation of the Sustainability Statements and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the Sustainability Statements with a significant risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries, we evaluated the appropriateness of accounting policies used, their consistent application and related disclosures in the Sustainability Statements. This includes the reasonableness of estimates made by Management.
- Designed and performed further

procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.

In addition to the above, we performed the following procedures for the selected sustainability KPIs under reasonable assurance:

- Agreed key items and representative samples based on generally accepted sampling methodology to source information to check the accuracy and completeness of the data
- Site visits to conduct walkthroughs of data gathering, calculation and consolidation processes related to the reasonable assurance of metrics.

In our opinion, the examinations performed provide a sufficient basis for our conclusion.

Conclusion

In our opinion, the selected sustainability KPIs under reasonable assurance for the period from 1 January 2024 to 31 December 2024, which have been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the accounting policies on pages 48-50, 76 and 85.

Based on the limited assurance examinations and the evidence obtained, nothing has come to our attention that causes us to believe that the remaining information in Arla Foods amba's Sustainability Statements in the annual report on pages 31-89 for the period from 1 January 2024 to 31 December 2024 has not been prepared, in all material respects, in accordance with the general accounting policies on pages 31-89 and the accounting policies listed along with KPIs.

Copenhagen, 17 February 2025

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
Partner, State Authorised
Public Accountant
MNE no. 24687

Monica Mai Bak Larsen
Partner, Climate Change and
Sustainability Services

OTHER DISCLOSURES

LURPAK® PLANT-BASED

Free from palm oil, preservatives, colourings and other additives, Lurpak® Plant Based is suitable for cooking, baking and spreading.

UN GLOBAL COMPACT COMMITMENT

UN GLOBAL COMPACT

In early 2008, Arla signed up to the Global Compact, an initiative from the UN to promote ethical business practices. As a signatory, we are committed to observing the Global Compact's 10 fundamental principles.

Human rights

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that we are not complicit in human rights abuses

Labour

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in respect of employment and occupation

Environment

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

10. Work against corruption in all its forms, including extortion and bribery

WE SUPPORT

Since 2008, Arla has been a participant of the Global Compact's Nordic Network. In May 2009, Arla signed up to Caring for Climate, a voluntary and complementary action platform seeking to demonstrate leadership around the issue of climate change. In 2010, Arla's CEO signed a CEO Statement of Support for the Women's Empowerment Principles, an initiative from the Global Compact and UNIFEM (the UN Development Fund for Women). Read more about the Global Compact and its principles at www.unglobalcompact.org and more about Arla's Code of Conduct at arla.com.

OUR PROGRESS TOWARDS THE UN SUSTAINABLE DEVELOPMENT GOALS

Standard	UN SDGs	Page
Environmental data		
CO_2e emissions	2.3, 2.4, 12.2, 12.3, 12.5, 13.1	48
CO_2e reduction scope 1 and 2 (baseline: 2015)		48
CO_2e reduction scope 3 per kg of milk and whey (baseline: 2015)		48
Total CO_2e (mkg)		48
Energy mix		
Renewable electricity share EU (%)	7.2, 7.3	50
Waste and water	6.3, 6.4	
Solid waste (tonnes)		67
Water withdrawal (thousand m³)		60
Animal welfare	15.1	
Somatic cell count (thousand cells/ml)		50
Share of audited farmers with no major cleanliness issues		50
Share of audited farmers with no major mobility issues		50
Share of audited farmers with no major injury issues		50
Share of audited farmers with no major issues related to body condition		50
Social data		
Total share of women (%)	5.1, 5.5	77
Share of women at level director and above (%)	5.1, 5.5	77
Share of women in Executive Management Team (%)	5.1, 5.5	77
Gender pay ratio, white-collar (man to woman)	5.1, 5.5, 8.5, 8.7	77
Employee turnover (%)	8.5, 8.7	77
Food safety – number of recalls	2.1	85
Accident frequency (per 1 million working hours)	8.8	76
Governance data		
Share of women, Board of Directors (%)	5.1, 5.5	38
Non-audited targets and ambitions		
Nutrition and affordability	2.1, 3.4	80-85
Responsible sourcing	2.3, 2.4, 6.3, 6.4, 8.7, 8.8, 12.2, 12.4, 13.1, 15.1, 15.2	53-61
Anti-corruption and bribery	16.5	87-88

EU LEGISLATION DATAPOINTS

Find below a table with a list of datapoints in cross-cutting and topical standards that derive from other EU legislation as listed in ESRS 2 (Appendix 2), indicating where the data points can be found in the report.

Disclosure requirement	Data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS 2 GOV-1	21 (d)	●		●		38
ESRS 2 GOV-1	21 (e)			●		93
ESRS 2 GOV-4	30	●	●			37
ESRS 2 SBM-1	40 (d) i	●		●		not material
ESRS 2 SBM-1	40 (d) ii	●		●		not material
ESRS 2 SBM-1	41 (d) iii	●		●		not material
ESRS 2 SBM-1	42 (d) iv			●		not material
ESRS E1-1	14				●	41-43, 45
ESRS E1-1	16 (g)		●	●		50
ESRS E1-4	34	●	●	●		41-43, 45, 48
ESRS E1-5	38	●				49
ESRS E1-5	37	●				49
ESRS E1-5	40-43	●				49, 50
ESRS E1-6	44	●	●	●		48
ESRS E1-6	53-55	●	●	●		48, 49
ESRS E1-7	56				●	not material
ESRS E1-9	66			●		not material
ESRS E1-9	66 (a), 66 (c)		●			not material
ESRS E1-9	67 (c)		●			not material
ESRS E1-9	69			●		not material
ESRS E2-4	28	●				not stated
ESRS E3-1	9	●				not stated
ESRS E3-1	13	●				not stated
ESRS E3-1	14	●				not stated
ESRS E3-4	28 (c)	●				not stated
ESRS E3-4	29	●				not stated
ESRS 2-IRO1-E4	16 (a) i	●				not stated
ESRS 2-IRO1-E4	16 (b)	●				54
ESRS 2-IRO1-E4	16 (c)	●				54
ESRS E4-2	24 (b)	●				50, 60
ESRS E4-2	24 (c)	●				not stated
ESRS E4-2	24 (d)	●				50, 60

Disclosure requirement	Data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Page
ESRS E5-5	37 (d)	●				67
ESRS E5-5	39	●				67
ESRS 2-SBM3-S1	14 (f)	●				75
ESRS 2-SBM3-S1	14 (g)	●				75
ESRS S1-1	20	●				37, 71, 75, 78
ESRS S1-1	21			●		78
ESRS S1-1	22	●				78
ESRS S1-1	23	●				71, 79
ESRS S1-3	32 c	●				79
ESRS S1-14	88 (b), 88 (c)	●		●		not stated
ESRS S1-14	88 (e)	●				not stated
ESRS S1-16	97 (a)	●		●		not stated
ESRS S1-16	97 (b)	●				not stated
ESRS S1-17	103 (a)	●				78
ESRS S1-17	104 (a)	●		●		75
ESRS 2-SBM3-S2	11 (b)	●				75
ESRS S2-1	17	●				71, 73, 78, 79
ESRS S2-1	18	●				78
ESRS S2-1	19	●		●		78, 79
ESRS S2-1	19			●		78, 79
ESRS S2-4	36	●				75
ESRS S3-1	16	●				not material
ESRS S3-1	17	●		●		not material
ESRS S3-4	36	●				not material
ESRS S4-1	16	●				37, 75, 78, 84, 85
ESRS S4-1	17	●		●		75, 78
ESRS S4-4	35	●				75
ESRS G1-1	10 (b)	●				78, 79
ESRS G1-1	10 (d)	●				78, 79
ESRS G1-4	24 (a)	●		●		88
ESRS G1-4	24 (b)	●				88

GLOSSARY

A

Arlagården® is the name of our quality assurance programme.

Arla® Nutrition Criteria are our guidelines to ensure the nutritional quality of our products.

Average interest expenses excluding interest related to pension assets and liabilities. The net interest expense is calculated as a total of interest expenses excluding cash discounts and default interest, plus borrowing charges and interest on finance leases, and reduced by interest income on securities. To calculate the average interest expense, the net interest expense is divided by net interest-bearing debt excluding pension assets and liabilities.

B

BEPS is an abbreviation referring to base erosion and profit shifting. These are tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

Biogas is the mixture of gases produced by the break-down of organic matter in the absence of oxygen, primarily consisting of methane and carbon dioxide. In Arla, biogas is primarily produced from cow manure.

Biomass is plant or animal material used for energy production. It can be purposely grown energy crops, wood or forest residues, waste from food crops, horticulture, food processing, animal farming or human waste from sewage plants.

BoD is an abbreviation of Board of Directors. In Arla, it consists of 14 farmer owners, three employee representatives chosen by Arla's employees and two external members elected by the BoR. The BoD represents a diverse group of interests and is responsible for managing Arla in the best interests of the farmer-owners.

C

CapEx is an abbreviation of capital expenditure.

Capacity cost is defined as the cost of running the general business, and includes staff costs, maintenance, energy, cleaning, IT, travel, consultancy etc.

Carbon pricing describes a mechanism that places a financial cost on carbon dioxide and other greenhouse gas emissions, thereby financially incentivising low-carbon investments and more sustainable solutions.

Carbon sequestration refers to a natural or artificial process by which carbon dioxide is removed from the atmosphere and held in solid or liquid form.

CoCS is an abbreviation of Arla's Code of Conduct for Suppliers.

COD is an abbreviation of Carbon Oxygen Demand, a measure of the amount of organic compounds in water, used to assess water quality.

CPI is an abbreviation of Consumer Price Index.

CSRD is an abbreviation of Corporate Sustainability Reporting Directive and is a regulatory framework proposed by the European Commission. It aims at improving the transparency, comparability and reliability of companies' sustainability disclosures on environmental, social and governance matters.

D

DCF is an abbreviation of deforestation- and conversion-free.

Digital engagement is defined as the number of interactions consumers have across digital channels. The interaction is measured in a number of different ways, for example by viewing a video on all media channels for more than 10 seconds, visiting a webpage, commenting, liking or sharing on our social media channels.

Digital reach is defined as engagement with Arla's digital content, i.e. spending more than two minutes on our website, watching our videos to the end on YouTube and liking or commenting on content on our social media platforms.

E

EBIT is an abbreviation of earnings before interest and tax, and is a measure of earnings from operations.

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

EBIT margin measures EBIT as a percentage of total revenue.

EMEA is an abbreviation of Europe, the Middle East and Africa.

EMT is an abbreviation of Executive Management Team. In Arla, the team consists of the Executive Board, a manager for each of the European and International commercial segments and four functional heads.

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

ESRS is an abbreviation of European Sustainability Reporting Standards and refers to a proposed set of reporting standard for sustainability-related disclosures by companies operating in the European Union. This standard is developed by the European Financial Reporting Advisory Group and aims to provide a common framework for companies to disclose their environmental, social and governance performance.

ETS is an abbreviation of Emission Trading System, a market-based approach used to control pollution by providing economic incentives for achieving reductions in the emissions of pollutants.

F

FarmAhead™ Technology is a toolbox of data-driven and science-based technologies consisting of the FarmAhead™ Check, the FarmAhead™ Incentive, the FarmAhead™ Innovation and the FarmAhead™ Customer Partnership. It is designed to enable our farmer owners to measure, understand and advance their individual sustainability transitions on the farm.

FMCG is an abbreviation of fast-moving consumer goods.

Fortification is the process of adding essential vitamins and minerals to foods to enhance their nutritional value. This is often done to address nutrient deficiencies in a population and improve public health.

Free cash flow is defined as cash flow from operating activities after deducting cash flow from investing activities.

FTE is an abbreviation of full-time equivalents. FTEs are defined as the contractual working hours of an employee compared to a full-time contract in the same position and country. The FTE figure is used to measure the active workforce counted in full-time positions. An FTE of 1.0 is equivalent to a full-time worker, while an FTE of 0.5 equals half of the full workload.

G

GDPR is an abbreviation of the General Data Protection Regulation, which regulates data protection and privacy in the European Union (EU) and the European Economic Area (EEA). It also addresses the transfer of personal data outside the EU and EEA areas. The GDPR aims primarily to give control to individuals over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU.

Global industry share is 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.

Greenhouse Gas Protocol (GHGP) provides accounting and reporting standards, sector guidance and calculation tools to account for greenhouse gas emissions. It establishes a comprehensive, global, standardised framework for measuring and managing emissions from private and public sector operations, value chains, products, cities and policies.

I

IFRS is an abbreviation of International Financial Reporting Standards which are a globally recognised set of accounting standards developed and maintained by the International Accounting Standards Board (IASB).

Incoterms refer to International Commercial Terms. These are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in international commercial transactions or procurement processes, and their use is encouraged by trade councils, courts and international lawyers.

Innovation pipeline is defined as the net incremental revenue generated from innovation projects up to 36 months from their launch.

Interest cover is the ratio of EBITDA to net interest costs.

L

LCA is an abbreviation of life-cycle assessment.

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

M

MBB is an abbreviation of milk-based beverages.

MENA is an abbreviation of the Middle East and North Africa.

Meal kits are a subscription service food business model where a company sends customers pre-portioned and sometimes partially prepared food ingredients and recipes to prepare homecooked meals.

Milk volume is defined as total intake of raw milk in kg from owners and contractors.

N

Net interest-bearing debt is defined as current and non-current interest-bearing liabilities less securities, cash and cash equivalents and other interest-bearing assets. Securities, cash and cash equivalents defined as restricted are not included when deducting liabilities with securities, cash and cash equivalents.

Net interest-bearing debt inclusive of pension liabilities is defined as current and non-current interest-bearing liabilities less securities, cash and cash equivalents and other interest-bearing assets plus pension liabilities. Securities, cash and cash equivalents defined as restricted are not included when deducting liabilities with securities, cash and cash equivalents.

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

Net working capital excluding owner milk is defined as capital that is tied up in inventories, trade receivables and trade payables excluding payables for owner milk.

Non-GMO means non-genetically modified organisms, for example non-genetically modified feed crops for cows.

O

OCI is an abbreviation of other comprehensive income. OCI includes revenue, expenses, gains and losses that have yet to be realised.

OECD refers to the Organisation for Economic Cooperation and Development.

On-the-go refers to food consumed while on the go, and also to packaging solutions supporting this food consumption trend.

Other supported brands are brands other than Arla®, Lurpak®, Puck®, Castello® and milk-based branded beverages that contribute to strategic branded volume-driven revenue growth.

P

Performance price for Arla Foods is defined as the pre-paid milk price plus Arla Foods amba's share of profit for the period divided by total member milk volume intake. It measures the value creation per kg of owner milk including retained earnings and supplementary payments.

PPA is an abbreviation of power purchase agreements which are contractual agreements between two parties, typically a power producer and a buyer, for the purchase and sale of electricity.

Pre-paid milk price is the cash payment farmers receive per kg of milk delivered during the settlement period.

Private label refers to retail brands which are owned by retailers, but produced by Arla based on contract manufacturing agreements.

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

Profit share is a measure of profit relative to revenue, calculated as Arla Foods amba's share of profit for the period divided by total revenue.

PPWR is an abbreviation of the Packaging and Packaging Waste Regulation. It refers to regulations aimed at managing the environmental impact of packaging and packaging waste, promoting recycling and reducing waste generation to protect the environment.

Q

QEHS stands for Quality, Environmental, Health and Safety. It is a function within Arla's supply chain safeguarding the quality and safety of production.

R

Risk commodities refer to commodities that are associated with environmental, social and governance risks throughout their supply chains.

S

SBTi is an abbreviation of the Science Based Targets initiative that helps companies set greenhouse gas emission reduction targets aligned with climate science and the Paris Agreement, aiming to limit global warming to well below 2°C and pursue efforts to limit it to 1.5°C.

SCC is an abbreviation of somatic cell count.

SEA is an abbreviation of South-East Asia.

SMP is an abbreviation of skimmed milk powder

Strategic brands are defined as products sold under branded products such as Arla®, Lurpak®, Castello®, Puck® and Starbucks™.

Strategic branded volume-driven revenue growth is defined as revenue growth associated with growth in volumes from strategic branded products while keeping prices constant. It is also referred to in the report as branded volume growth.

U

UNGP is an abbreviation of United Nations Guiding Principles on Business and Human Rights. These principles provide a global standard for preventing and addressing the adverse human rights impacts of business activities.

UN SDGs is an abbreviation of United Nations Sustainability Development Goals. The United Nations established these 17 goals in 2015 with the aim of providing a comprehensive framework to address various social, economic and environmental challenges and to guide global efforts towards sustainable development by 2030.

USD-related currencies are currencies which move in the same direction as the USD (i.e. when the USD depreciates against the EUR, it also depreciates against the EUR). Currencies in the MENA region are typical examples.

V

Value-added protein segment contains products with special functionality and compounds, compared to standard protein concentrates with a protein content of approximately 80%.

Volume-driven revenue growth is defined as revenue growth associated with growth in volumes while keeping prices constant.

W

Whey protein hydrolysate is a concentrate or isolate in which some of the amino bonds have been broken by exposure of the proteins to heat, acids or enzymes. This pre-digestion means that hydrolysed proteins are more rapidly absorbed in the gut than either whey concentrates or isolates.

WMP is an abbreviation of whole milk powder.

CORPORATE CALENDAR

FEB
26-27
Board of Representatives meeting

FEB
27
Publication of the consolidated annual report for 2024

JUN
17-18
Extraordinary Board of Representatives meeting

AUG
28
Publication of the consolidated half-year results for 2025

SEP-OCT
30-1
Board of Representatives meeting

Arla Foods amba Sønderhøj 14
DK-8260 Viby J.
Denmark

CVR: 25 31 37 63
Phone: +45 89 38 10 00
E-mail: arla@arlafoods.com

www.arla.com

Arla Foods UK plc
4 Savannah Way
Leeds Valley Park
Leeds, LS10 1 AB
England

Phone: +44 113 382 7000
E-mail: arla@arlafoods.com

www.arlafoods.co.uk