

Parent Company Management's Review

Principal activities

Arla Foods amba operates dairy activities in Denmark and purchases milk from the company's owners in seven countries. Milk weighed in outside Denmark is resold to foreign subsidiaries in the Arla Foods Group.

This structure ensures that all owners receive milk payments according to common guidelines and that they get influence in the owner democracy, including election to the Board of Representatives and the Board of Directors, in accordance with the rules laid down in the statutes and merger agreements.

Developments of the year

The activity level of Arla Foods amba increased further in 2014 mainly due to organic growth. Revenue rose by EUR 1.2 billion to a total EUR 7.5 billion in 2014.

The year began with a strong economic tailwind, but the situation changed significantly over the summer as global supply began to outgrow demand. Chinese consumption ebbed off as inventories were full, and in August Russia imposed a ban on Western dairy products, resulting in declining world market prices.

Profit for the year amount to EUR 0.3 billion (EUR 0.3 billion in 2013). Dividends from subsidiaries and associates of EUR 0.1 billion (EUR 0.1 billion in 2013) are recognised in the income statement as a consequence of measuring investments in subsidiaries and associates at cost in Arla Foods amba.

The investment in Arla Foods Deutschland GmbH has been impaired by EUR 50 million matching the capital injected to cover operating loss in 2014.

Outlook

At the moment, the dairy industry is at the bottom of an economic cycle. The organisation will continue to focus on increasing the sale of milk to existing and new customers in the retail and food service sectors as well as streamlining operations.

For more details, please see the Management's Review in the Consolidated Financial Statements.

PRIMARY STATEMENTS

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Parent Company **Income Statement 1 January - 31 December**

(EURm)	NOTE	2014	2013
Revenue		7,520	6,270
Production costs	1.1-1.3	-6,689	-5,589
Gross profit		831	681
Sales and distribution costs	1.1-1.3	-377	-348
Administration costs	1.1-1.3	-154	-133
Impairment of investment in subsidiary		-50	-
Other operating income and costs		-14	21
Earnings before interest and tax (EBIT)		236	221
Specification:			
Earnings before interest, tax, depreciation and amortisation (EBITDA)		340	325
Depreciation, amortisation and impairment losses	1.3	-104	-104
Earnings before interest and tax (EBIT)		236	221
Financial income and costs	4.1	101	85
Profit before tax		337	306
Tax	5.1	-1	-9
Profit for the period		336	297

Parent Company **Statement of Comprehensive Income 1 January - 31 December**

(EURm)	NOTE	2014	2013
Profit for the period		336	297
Other comprehensive income			
Items that may be reclassified subsequently to the income statement:			
Value adjustment of hedging instruments		-50	21
Foreign exchange adjustments		2	2
Other comprehensive income, net of tax		-48	23
Total comprehensive income		288	320

Parent Company **Balance Sheet 31 December**

(EURm)	NOTE	2014	2013	1/1 2013
ASSETS				
Non-current assets				
Intangible assets	3.1	82	58	47
Property, plant and equipment	3.2	640	609	557
Investments in subsidiaries		874	821	372
Investments in associates		262	250	244
Other non-current assets	3.3	613	624	901
Total non-current assets		2,471	2,362	2,121
Current assets				
Inventories	2.1	250	291	253
Trade receivables	2.2	177	194	194
Amounts owed by subsidiaries		947	783	770
Amounts owed by associates		2	2	-
Derivatives		11	22	31
Receivable for non-paid equity instruments		-	15	-
Other receivables		35	36	31
Securities		188	166	166
Cash at bank and at hand		1	7	5
Total current assets		1,611	1,516	1,450
TOTAL ASSETS		4,082	3,878	3,571

Parent Company **Balance Sheet 31 December**

(EURm)	NOTE	2014	2013	1/1 2013
EQUITY AND LIABILITIES				
EQUITY				
Equity before proposed supplementary payments to owners		1,996	1,776	1,512
Proposed supplementary payments to owners		104	121	149
Total equity		2,100	1,897	1,661
LIABILITIES				
Non-current liabilities				
Loans	4.2	524	531	665
Total non-current liabilities		524	531	665
Current liabilities				
Loans	4.2	388	407	286
Trade payables		506	485	404
Amounts owed to subsidiaries		311	415	386
Provisions	3.6	2	2	3
Derivatives		101	29	35
Current tax		-	3	1
Other current liabilities		132	84	114
Deferred income		18	25	16
Total current liabilities		1,458	1,450	1,245
Total liabilities		1,982	1,981	1,910
TOTAL EQUITY AND LIABILITIES		4,082	3,878	3,571

Parent Company **Changes in Equity 1 January - 31 December**

(EURm)	CAPITAL ACCOUNT	DELIVERY-BASED OWNER CERTIFICATES	CONTRIBUTED CAPITAL	RESERVE FOR SPECIAL PURPOSES	RESERVE FOR VALUE ADJUSTMENT OF HEDGING INSTRUMENTS	RESERVE FOR FOREIGN EXCHANGE ADJUSTMENTS	PROPOSED SUPPLEMENTARY PAYMENTS TO OWNERS	TOTAL
Equity at 1 January 2014	1,103	107	323	261	-13	-5	121	1,897
Profit for the period	23	-	39	170	-	-	104	336
Other comprehensive income	-	-	-	-	-50	2	-	-48
Total comprehensive income	23	-	39	170	-50	2	104	288
Capital issued to new owners	23	-	24	-	-	-	-	47
Payments to owners	-	-6	-4	-	-	-	-	-10
Supplementary payments to owners	-	-	-	-	-	-	-122	-122
Foreign exchange adjustments	-1	-	-	-	-	-	1	-
Total transactions with owners	22	-6	20	-	-	-	-121	-85
Equity at 31 December 2014	1,148	101	382	431	-63	-3	104	2,100

Equity at 1 January 2013 (mDKK)	8,151	835	1,628	969	-252	-50	1,112	12,393
Equity at 1 January 2013 (mEUR exchange rate 7,4604)	1,093	112	218	130	-34	-7	149	1,661
Profit for the period	2	-	43	131	-	-	121	297
Other comprehensive income	-	-	-	-	21	2	-	23
Total comprehensive income	2	-	43	131	21	2	121	320
Capital issued to new owners	5	-	67	-	-	-	-	72
Payments to owners	-	-4	-3	-	-	-	-	-7
Supplementary payments to owners	-	-	-	-	-	-	-150	-150
Foreign exchange adjustments	3	-1	-2	-	-	-	1	1
Total transactions with owners	8	-5	62	-	-	-	-149	-84
Equity at 31 December 2013	1,103	107	323	261	-13	-5	121	1,897

Profit appropriation (EURm)	2014	2013
Profit for the period	336	297
Proposed profit appropriation:		
Supplementary payment for milk	101	119
Interest on contributed capital	3	2
Supplementary payment, total	104	121
Transferred to equity:		
Capital account	23	2
Reserve for special purposes	170	131
Contributed capital	39	43
Transferred to equity, total	232	176
Appropriated profit, total	336	297

Parent Company **Cash Flow Statement 1 January - 31 December**

(EURm)	NOTE	2014	2013
Earnings before interest and tax (EBIT)		236	221
Depreciation, amortisation and impairment losses		104	104
Impairment of investment in subsidiary		50	-
Change in working capital		-99	47
Other operating items without cash impact		-1	19
Dividends received		72	81
Interest paid		-21	-46
Interest received		50	51
Tax paid		-2	-7
Total cash flow from operating activities		389	470
Investment in intangible fixed assets	3.1	-41	-27
Investment in property, plant and equipment	3.2	-120	-141
Sale of property, plant and equipment		3	4
Total operating investing activities		-158	-164
Free operating cash flow		231	306
Investment in financial assets		-104	-178
Acquisition of companies	3.4	-	-
Total financial investing activities		-104	-178
Total cash flow from investing activities		-262	-342
Total free cash flow		127	128
Cash flows from financing activities:			
Supplementary payment regarding the previous financial year		-122	-150
Pain in funds from new owners		47	53
Paid out from equity regarding terminated membership contracts		-10	-7
Loans obtained, net		-7	-140
Change in current liabilities		-19	119
Net change in marketable securities		-22	-1
Total cash flow from financing activities		-133	-126
Net cash flow		-6	2
Cash and cash equivalents at 1 January		7	5
Foreign exchange adjustments of cash funds		-	-
Cash and cash equivalents at 31 December		1	7

Note 1 Operating Profit

NOTE 1.1 TOTAL COSTS

(EURm)

	2014	2013
Production costs	-6,689	-5,589
Sales and distribution costs	-377	-348
Administration costs	-154	-133
Total	-7,220	-6,070

of this:

Cost of raw milk	-4,559	-3,607
Staff costs	-394	-367
Depreciation, amortisation and impairment losses	-104	-104
Other costs	-2,163	-1,992
Total	-7,220	-6,070

Research and development cost incurred amounts to 23 18

NOTE 1.2 STAFF COSTS

(EURm)

	2014	2013
Wages, salaries and remuneration	-360	-336
Pensions	-32	-29
Other social security costs	-2	-2
Total staff costs	-394	-367

Staff costs relate to:

Production costs	-260	-255
Sales and distribution costs	-47	-42
Administration costs	-87	-70
Total staff costs	-394	-367

Average number of full time employees 5,403 5,346

NOTE 1.3 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

(EURm)

Depreciation, amortisation and impairment losses

Intangible assets, amortisation	-17	-16
Property, plant and equipment, depreciation	-87	-85
Property, plant and equipment, impairment losses	0	-3
Total depreciation, amortisation and impairment losses	-104	-104

Depreciation/amortisation and impairment losses relate to:

Production costs	-86	-86
Sales and distribution costs	-3	-2
Administration costs	-15	-16
Total depreciation, amortisation and impairment losses	-104	-104

Note 2 Net Working Capital

NOTE 2.1 INVENTORY	2014	2013
(EURm)		
Inventory, gross	259	301
Write-downs	-9	-10
Total inventory	250	291
Raw materials and consumables	110	102
Work in progress	49	59
Finished goods and goods for resale	91	130
Total inventory	250	291
NOTE 2.2 TRADE RECEIVABLES	2014	2013
(EURm)		
Trade receivables before provisions for bad debts	180	198
Write-downs for bad debts	-3	-4
Total trade receivables, net	177	194
Write-down for bad debts at 1 January	4	3
Additions	-	1
Write-downs used	-1	-
Write-down for bad debts at 31 December	3	4

Note 3 Other Operating Assets and Liabilities

NOTE 3.1 INTANGIBLE ASSETS – IT DEVELOPMENT	2014	2013
(EURm)		
Cost at 1 January	149	157
Additions	41	27
Disposals	-37	-35
Cost at 31 December	153	149
Amortisation and impairment losses at 1 January	-91	-110
Amortisation for the year	-17	-16
Amortisation on disposals	37	35
Amortisation and impairment losses at 31 December	-71	-91
Carrying amount at 31 December	82	58

NOTE 3.2 PROPERTY, PLANT AND EQUIPMENT (EURm)	LAND AND BUILDINGS	PLANT AND MACHINERY	FIXTURE AND FITTING, TOOLS AND EQUIPMENT	ASSETS IN COURSE OF CONSTRUCTION	TOTAL
2014					
Cost at 1 January	378	894	46	63	1,381
Additions	-	-	-	120	120
Transferred from assets in course of construction	5	118	10	-133	-
Disposals	-	-16	-	-	-16
Cost at 31 December	383	996	56	50	1,485
Depreciation and impairment losses at 1 January	-201	-540	-31	-	-772
Depreciation for the year	-16	-64	-7	-	-87
Impairment losses for the year	-	-	-	-	-
Depreciation of disposals	-	14	-	-	14
Depreciation and impairment losses at 31 December	-217	-590	-38	-	-845
Carrying amount at 31 December	166	406	18	50	640
Of which assets held under finance lease	9	12	-	-	21

2013					
Cost at 1 January	376	797	39	52	1,264
Additions	-	8	4	129	141
Transferred from assets in course of construction	18	96	4	-118	-
Disposals	-16	-7	-1	-	-24
Cost at 31 December	378	894	46	63	1,381
Depreciation and impairment losses at 1 January	-196	-485	-26	-	-707
Depreciation for the year	-16	-63	-6	-	-85
Impairment losses for the year	-	-3	-	-	-3
Depreciation of disposals	11	11	1	-	23
Depreciation and impairment losses at 31 December	-201	-540	-31	-	-772
Carrying amount at 31 December	177	354	15	63	609
Of which assets held under finance lease	9	5	-	-	14

NOTE 3.3 OTHER NON-CURRENT ASSETS

(EURm)	2014		2013	
	SUBORDINATED LOANS TO SUBSIDIARIES	OTHER SECURITIES, ETC.	SUBORDINATED LOANS TO SUBSIDIARIES	OTHER SECURITIES, ETC.
Cost at 1 January	692	14	924	16
Additions	-	-	32	-
Disposals	-10	-12	-264	-2
Cost at 31 December	682	2	692	14
Adjustments at 1 January	-86	4	-43	4
Exchange rate adjustments	11	-1	-19	-1
Result	-	1	-	1
Other adjustments	-	-	-24	-
Adjustments at 31 December	-75	4	-86	4
Carrying amount at 31 December	607	6	606	18

NOTE 3.4 BUSINESS COMBINATIONS

Reference to consolidated financial statements.

NOTE 3.5 ASSETS HELD FOR SALE

Reference to consolidated financial statements.

NOTE 3.6 PROVISIONS

(EURm)

	2014	2013
Provisions at 1 January	2	3
New provisions during the year	2	-
Reversals	-1	-
Used during the year	-1	-1
Provisions at 31 December	2	2

Note 4 Financial Matters**NOTE 4.1 FINANCIAL INCOME AND COSTS**

(EURm)

	2014	2013
<i>Financial income:</i>		
Interest, securities	2	1
Dividends from subsidiaries	72	81
Interest from subsidiaries	39	49
Foreign exchange gains (net)	8	-
Fair value adjustment	1	1
Total financial income	122	132
<i>Financial costs:</i>		
Financial costs on financial instruments measured at amortised cost	-26	-23
Foreign exchange losses (net)	-	-24
Interest transferred to property, plant and equipment	5	-
Total financial costs	-21	-47
Net financial items	101	85

NOTE 4.2 NET INTEREST-BEARING DEBT

Note 4.2.a Borrowings	2014	2013
(EURm)		
<i>Long-term borrowings:</i>		
Issued bonds	159	169
Mortgage credit institutions	348	346
Bank borrowings	10	10
Finance lease liabilities	2	-
Other non-current borrowings	5	6
Total	524	531
<i>Short-term borrowings:</i>		
Mortgage credit institutions	2	7
Bank borrowings	189	243
Commercial papers	194	155
Finance lease liabilities	1	-
Other current borrowings	2	3
Total	388	408
Total long-term and short-term borrowings	912	939

Note 4.2.b Net interest-bearing debt	2014	2013
(EURm)		
Securities, cash and cash equivalents	-1	-7
Other interest-bearing assets	-188	-166
Current liabilities	388	407
Non-current liabilities	524	531
Net interest-bearing debt	723	765

Note 4.2.c Net interest-bearing debt, maturity

(EURm)

31 December 2014	TOTAL	2015	2016	2017	2018	2019	2020	2021	2022-2024	AFTER 2024
DKK	371	5	18	16	14	13	13	21	70	201
EUR	-	-	-	-	-	-	-	-	-	-
SEK	352	194	158	-	-	-	-	-	-	-
Total	723	199	176	16	14	13	13	21	70	201

31 December 2013	TOTAL	2014	2015	2016	2017	2018	2019	2020	2021-2023	AFTER 2023
DKK	366	4	11	20	19	18	17	17	79	181
EUR	75	75	-	-	-	-	-	-	-	-
SEK	324	155	-	169	-	-	-	-	-	-
Total	765	234	11	189	19	18	17	17	79	181

NOTE 4.3 FINANCIAL RISKS**Financial risk management**

Financial risks are an inherent part of Arla operating activities and hence, Arla's yearly profit is impacted by the developments in currencies, interest rates and certain types of commodities. Both the Global and national financial and commodity markets remain volatile and thus, it is critical for Arla to have a

well implemented financial risk management system in order to protect farmers against short term market volatilities while at the same time achieving the highest possible milk price. Arla Financial Management is described in the consolidated report on page 95.

Note 4.3.a Funding and liquidity risk

Arla manages liquidity risk by ensuring the availability of sufficient operating liquidity and credit facilities for operations. Any major acquisitions or investments are funded separately. Arla Liquidity management is described in the consolidated report on page 95.

The below table shows the maturity analysis for the financial liabilities recognised as at 31 December 2014.

Assumptions:

The contractual cash flows are based on:

- the earliest possible date at which Arla can be required to settle the financial liability
- the interest rate cash flows are based on contractual interest rate. Floating interest rate payments have been determined using the current floating rate for each tenure at the reporting date.

Note 4.3.a Liquidity reserves

(EURm)

	2014	2013
Cash refunds	1	7
Securities (free cash flow)	2	1
Unutilised committed loan facilities	322	249
Other unutilised loan facilities	401	471
Total	726	728

Note 4.3.b Gross Financial liabilities

(EURm)

Non-discounted contractual cash flows

31 December 2014	CARRYING VALUE	TOTAL	2015	2016	2017	2018	2019	2020	2021	2022- 2024	AFTER 2024
Issued bonds	159	158	-	158	-	-	-	-	-	-	-
Mortgage credit institutions	350	360	3	12	13	13	13	13	20	70	203
Credit institutions	412	412	395	6	5	3	2	1	-	-	-
Interest expense - interest bearing debt	-	51	11	7	4	3	3	3	3	7	10
Trade payables etc.	817	817	817	-	-	-	-	-	-	-	-
Derivative instruments	101	160	58	27	18	17	14	8	8	10	-
Total	1,839	1,958	1,284	210	40	36	32	25	31	87	213

31 December 2013	CARRYING VALUE	TOTAL	2014	2015	2016	2017	2018	2019	2020	2021- 2023	AFTER 2023
Issued bonds	169	168	-	-	168	-	-	-	-	-	-
Mortgage credit institutions	353	360	8	7	17	17	17	17	17	79	181
Credit institutions	409	408	398	3	2	2	1	1	1	-	-
Interest expense - interest bearing debt	-	60	15	10	10	3	3	2	2	6	9
Trade payables etc.	900	900	900	-	-	-	-	-	-	-	-
Derivative instruments	29	52	26	9	6	4	4	3	-	-	-
Total	1,860	1,948	1,347	29	203	26	25	23	20	85	190

Note 4.3.c Currency risks

The currency risks primarily arise from transaction risks in the form of future commercial payments. Arla risk management policies are described on page 97 in the consolidated group report.

The aggregate currency exposure is composed of all assets and liabilities denominated in foreign

currencies, and economic hedged projected cash flows for unrecognised firm commitments, and anticipated transactions.

The sensitivity above presents the impact before tax of a reasonable change in the currency rates. The sensitivity analysis only include currency exposures

arising from financial instruments and thus, the analysis does not included the hedged commercial transactions. The applied change in the exchange rate is based on the historical currency fluctuations and the sensitivity analysis assumes unchanged interest rate levels.

(EURm)

Currency risk 31 December 2014	EUR/DKK	USD/DKK *)	GBP/DKK	SEK/DKK
Applied sensitivity	1%	5%	5%	5%
Impact on profit or loss	-	-3	2	3
Impact on OCI	-	-11	-8	-2
Currency risk 31 December 2013	EUR/DKK	USD/DKK	GBP/DKK	SEK/DKK
Applied sensitivity	1%	5%	5%	5%
Impact on profit or loss	-1	-1	2	-1
Impact on OCI	-	-6	-6	-1

*) incl. SAR and AED

Note 4.3.d Interest rate risk

Arla is exposed to interest-rate risks on borrowings, issued bonds and deposits. The risk management policy is described in the consolidated report on page 99.

Fair value sensitivity

A change in interest rates will impact the fair value of Arla's interest rate derivative instruments and debt

instruments measured at either fair value through profit or loss or other comprehensive income.

Cash flow sensitivity

A change in interest rates will impact the interest rate payments on Arla's unhedged floating rate debt.

Note 4.3.e Credit risk

Arla's exposure towards credit risk arises from its operating activities and its financial contracts with financial intuitions. Arla's risk management policies are described on page 101.

The maximum exposure to credit risk is approximately equal to the carrying value as at 31 December 2014 and 2013.

Further information on trade receivables is provided in note 2.2.

NOTE 4.4 DERIVATIVE FINANCIAL INSTRUMENTS**Fair value of hedge instruments not qualifying for hedge accounting (economic hedge)**

When hedging fair value that does not meet the criteria for hedge accounting, recognition at fair value takes place in the balance sheet and value adjustments are recognised in the income statement as financial items.

Arla uses currency option strategies, which are hedging forecast sales and purchases. These option strategies does not qualify for hedge accounting and hence, the fair value adjustment is recognised directly in profit or loss.

Currency swaps are used as part of the daily liquidity management. The objective of the currency swaps is to match the timing of in- and outflow of foreign currency cash flows.

Note 4.4.a Hedging of future cash flow from highly probable forecast transactions

The Group uses forward currency contracts to hedge currency risks regarding expected future revenue and costs.

(EURm)

Expected recognition

	FAIR VALUE		Expected recognition					LATER THAN 2018
	CARRYING VALUE	RECOGNISED IN OCI	2015	2016	2017	2018		
2014								
Currency contracts	-10	-10	-10	-	-	-	-	-
Interest rate contracts	-41	-41	-5	-6	-7	-7	-	-16
Commodity contracts	-12	-12	-8	-4	-	-	-	-
	FAIR VALUE	RECOGNISED	Expected recognition					LATER
	CARRYING VALUE	IN OCI	2014	2015	2016	2017	THAN 2017	
2013								
Currency contracts	2	2	2	-	-	-	-	
Interest rate contracts	-14	-14	-8	-5	-2	-3	4	
Commodity contracts	-1	-1	-1	-	-	-	-	

NOTE 4.5 FINANCIAL INSTRUMENTS DISCLOSED**Note 4.5.a Categories of financial instruments**

(EURm)

	2014	2013
Available for sale financial assets	187	166
Loans and receivables	949	984
Financial assets measured at fair value through profit or loss	16	33
Financial liabilities measured at fair value through profit or loss	101	29
Financial liabilities measured at amortised cost	1,428	1,829

The fair value of financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying value.

Note 4.5.b Fair value hierarchy – Accounting value

The table below shows the classification of financial instruments that are measured at fair value according to the following fair value hierarchy:

Level 1: Fair values measured using unadjusted quoted 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 a significant non-observable market data.

(EURm)

31 December 2014	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<i>Financial assets</i>				
Bonds	187	-	-	187
Shares	5	-	-	5
Derivatives	-	11	-	11
Total financial assets	192	11	-	203
<i>Financial liabilities</i>				
Issued bonds	-	159	-	159
Mortgage credit institutions	350	-	-	350
Derivatives	-	101	-	101
Total financial liabilities	350	260	-	610

31 December 2013	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<i>Financial assets</i>				
Bonds	166	-	-	166
Shares	4	-	-	4
Derivatives	-	22	-	22
Total financial assets	170	22	-	192
<i>Financial liabilities</i>				
Issued bonds	-	176	-	176
Mortgage credit institutions	353	-	-	353
Derivatives	-	29	-	29
Total financial liabilities	353	205	-	558

Methods and assumptions applied when measuring fair values of financial instruments:

Bonds and shares

The fair value is determined using the quoted prices in an active market.

Non-option derivatives

The fair value is calculated using discounted cash flows models and observable market data. The fair value is determined as a termination price and hence, 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 hence, the value is not adjusted for credit risks.

NOTE 4.6 TRANSFER OF FINANCIAL ASSETS

Arla has invested in the mortgage bonds underlying its mortgage debt. The reason for investing in the mortgage bonds is that Arla is able to achieve a lower interest rate than the current market interest rate on mortgage debt by entering into a sale and repurchase agreement on the listed Danish mortgage bonds. The net interest rate payable by Arla when financing through this kind of sale and repurchase is the interest rate inherent in the sale and repurchase agreement and the contribution to the mortgage institute.

Due to the repurchase agreement the risks and rewards arising from the ownership of the transferred mortgage bonds have been retained by Arla.

The received proceeds have been recognised as a repurchase liability. If Arla is not able to settle the repurchase liability, the counterparty only has collateral in the transferred mortgage bonds and hence, the counterparty is not able to seek any other form for recourse from Arla.

Transfer of financial assets

(EURm)

	CARRYING VALUE	NOTIONAL VALUE	FAIR VALUE
31 December 2014			
Mortgage bonds	187	194	187
Repurchase liability	186	194	186
Net position	1	-	1
	CARRYING VALUE	NOTIONAL VALUE	FAIR VALUE
31 December 2013			
Mortgage bonds	166	172	166
Repurchase liability	-166	-172	-166
Net position	-	-	-

Note 5 Other Areas

NOTE 5.1 TAX

Note 5.1.a Tax in the income statement	2014	2013
(EURm)		
Tax on taxable equity	-5	-9
Adjustments regarding previous years, actual tax	4	0
Total corporation tax	-1	-9

Note 5.1.b Calculation of effective tax rate	2014	2013
Statutory corporate income tax rate in Denmark	24.5%	25.0%
Adjustment for cooperative tax	-24.2%	-22.1%
Effective tax rate	0.3%	2.9%

NOTE 5.2 FEES TO AUDITORS APPOINTED BY THE BOARD OF REPRESENTATIVES	2014	2013
(EURm)		
Statutory audit	0.4	0.4
Tax assistance	0.1	0.7
Other services	0.1	0.9
Total fees to auditors	0.6	2.0

NOTE 5.3 MANAGEMENT REMUNERATION AND TRANSACTIONS

Remuneration for the Executive Board is proposed by the chairmanship and approved by the Board of Directors. Remuneration for the Board of Directors is approved by the Board of Representatives. Remuneration is negotiated on an annual basis. The Board of Directors and Executive Board exercise a significant influence.

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

Note 5.3.a Management remuneration

Reference to consolidated financial statements.

Note 5.3.b Transactions with the Board of Directors	2014	2013
(EURm)		
Board of Directors		
Purchase of goods	13.4	11.9
Supplementary payments received regarding previous years	0.4	0.5
Trade payables	1.0	1.2
Owner accounts	2.1	1.2

NOTE 5.4 CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES (EURm)	2014	2013
Surety and guarantee commitments	1,609	1,043
0-1 year	8	7
1-5 years	14	12
Over 5 years	14	17
Operating rent commitments	36	36
0-1 year	10	7
1-5 years	10	9
Over 5 years	-	1
Operating lease commitments	20	17
Commitments in relation to agreements on the purchase of property, plant and equipment	59	60
Other guarantees and commitments	6	7

The Company is party to a small number of lawsuits, disputes, etc. The management believes that the outcome of these lawsuits will not significantly impact the company's financial position beyond what is recognised in the balance sheet and/or disclosed in the annual report.

NOTE 5.5 CO-OPERATIVE MEMBER'S LIABILITY

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