



ANNUAL REPORT

2023/24

Friland A/S
Danish Crown Vej 1, 8940 Randers SV
CVR-no. 15 88 91 01

Approved at the general meeting on 29 November 2024

Frederik Ørneköll Kristoffersen
Chair of the meeting

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STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management have today considered and adopted the annual report of Friland A/S for the financial year 1 October 2023 – 30 September 2024.

The financial statements has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements gives a true and fair view of the company's assets, liabilities and financial position at 30 September 2024 and of the result of the company's activities for the financial year 1 October 2023 – 30 September 2024.

We believe that the management's review contains a fair review of the development in the company's activities and financial affairs, net profit for the year, the company's financial position as well as a description of the most important risks and uncertainties facing the company.

We recommend the annual report for adoption by the annual general meeting.

Randers, 21 November 2024
Executive Management

Søren Dalum Tinggaard
CEO

Board of Directors

Peter Fallesen Ravn
Chair

Allan Juel Thomsen
Vice chair

Niels Schelde Jensen

Bo Bastian Bejer

Esben Møller Xu

Ole Feldbjerg Jakobsen

Finn Klostermann

Niels Agergaard Thing

Mette Schacht Færch

Marie-Louise Boisen Lendal

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Friland A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2024, and of the results of the Company's operations for the financial year 1 October 2023 to 30 September 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Friland A/S for the financial year 1 October 2023 to 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 Financial Statements" section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with 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 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 Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the 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 these Financial Statements.

As part of an audit conducted in accordance with ISAs and the 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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, 21 November 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-nr. 33771231

Rune Kjeldsen

State Authorised Public Accountant

mne34160

Christian Fjordvald Mikkelsen

State Authorised Public Accountant

mne47884

MANAGEMENT'S REVIEW

Company information

Company details

Friland A/S
Danish Crown Vej 1
8940 Randers SV

Website: www.friland.com
E-mail: frilandinfo@friland.dk
Phone: +45 8919 2760

CVR-no.: 15 88 91 01
Established: 1 January 1992
Financial year: 1 October – 30 September
Municipality: Randers

Board of Directors

Peter Fallesen Ravn, Chair
Allan Juel Thomsen, Vice chair
Niels Schelde Jensen
Bo Bastian Bejer
Esben Møller Xu
Ole Feldbjerg Jakobsen
Finn Klostermann
Niels Agergaard Thing
Mette Schacht Færch
Marie-Louise Boisen Lendal

Executive Management

Søren Dalum Tinggaard, CEO

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Jens Chr. Skous Vej 1
8000 Aarhus C

MANAGEMENT'S REVIEW

Financial highlights

DKKt	2023/24	2022/23	2021/22	2020/21*	2019/20*
Gross profit	58,930	54,315	54,224	18,992	16,167
Operating profit	1,455	1,511	2,435	2,679	1,968
Result from financial items	7,006	4,754	5,146	8,730	-900
Profit for the year	8,082	5,852	7,140	10,854	640
Balance sheet total	110,996	104,598	116,486	122,244	136,163
Equity	27,022	28,959	33,089	25,955	15,105
Key figures					
Return on equity	28.9%	18.9%	24.2%	52.9%	4.3%
Solvency ratio	24.3%	27.7%	28.4%	21.2%	11.1%

*The comparative figures from 2021/22 have been adjusted due to a change in accounting policy from an income statement by type to an income statement by function. It has not been practically possible to adjust the comparative figures from 2020/21 and 2019/20.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on equity $\frac{\text{Profit for the year}}{\text{Average equity}}$

Solvency ratio $\frac{\text{Equity}}{\text{Total assets}}$

MANAGEMENT'S REVIEW

Business review

The company's main activity consists of the sale and marketing of supplier's free-range pigs, organic livestock and other meat products that are produced with special consideration for animal welfare and the environment.

Financial review

The operating profit is lower than last year but is within expectations. Overall, the Financial Statements are considered satisfactory given an unstable market situation.

Outlook

The gross profit for the coming year is expected to be realised at a similar level as this year. Sale is expected to be impacted by a slight reduction in available quantities. The result for the upcoming financial year, excluding the result from equity investments, is expected to be in the range of DKK 0 to 1.5 million.

Special risks

Friland's supply security particularly depends on the individual suppliers maintaining various certifications regarding organic production and animal welfare, which are carried out by third parties. The risk for Friland is minimised as it falls on the individual supplier and is thus spread across the number of suppliers.

Knowledge resources

Friland possess significant expertise in the meat trade market, with a special focus on organic production and animal welfare. This knowledge is distributed among multiple individuals within the organisation to minimise the key risks associated with the loss of this expertise.

Environmental conditions

Through various concepts, Friland maintains a heightened focus on animal welfare and also aims to contribute to reducing environmental impact across all stages of the value chain. The goal is, through collaboration with our suppliers and partners, to develop profitable and environmentally friendly production methods within the framework of animal-friendly and organic meat production.

Income statement
1 October - 30 September

DKKt	Note	2023/24	2022/23
Gross profit		58,930	54,315
Distribution costs	1	-41,559	-37,202
Administration costs	1	-15,916	-15,602
Operating profit		1,455	1,511
Income from investments in subsidiaries		6,820	4,586
Income from investments in participating interests		-284	-244
Financial income	2	1,004	724
Financial costs	3	-534	-312
Profit before tax		8,461	6,265
Tax on profit for the year	4	-379	-413
Net profit for the year		8,082	5,852

Balance sheet - assets
30 September

DKKt	Note	30.09.2024	30.09.2023
Equity investments in subsidiaries	6	11,691	10,473
Equity investments in participating interests	6	2,485	2,769
Financial fixed assets		14,176	13,242
Fixed assets		14,176	13,242
Inventories	7	508	449
Trade receivables		55,174	47,061
Receivables from group enterprises		40,666	41,857
Deferred tax assets	8	21	27
Other receivables		451	1,962
Receivables		96,312	90,907
Total non-fixed assets		96,820	91,356
Total assets		110,996	104,598

Balance sheet - equity and liabilities
30 September

DKKt	Note	30.09.2024	30.09.2023
Share capital	9	1,230	1,230
Reserve for net revaluation according to equity method		7,449	6,515
Retained earnings		8,343	11,214
Proposed dividends		10,000	10,000
Equity		27,022	28,959
Trade payables		4,033	2,540
Payables to group enterprises		59,609	48,160
Payables to participating interests		219	203
Corporation tax payable		381	400
Other payables		19,732	24,336
Current liabilities		83,974	75,639
Total liabilities other than provisions		83,974	75,639
Total equity and liabilities		110,996	104,598
Proposed distribution of profit	5		
Contingent liabilities	10		
Related parties	11		
Accounting policies	12		

Statement of changes in equity
30 September

DKKt	Share- capital	Reserve for net revaluation of equity	Retained earnings	Proposed dividend	Total
Equity at 01.10.2023	1,230	6,515	11,214	10,000	28,959
Paid out dividends	0	0	0	-10,000	-10,000
Foreign currency translation adjustment	0	-19	0	0	-19
Dividends from subsidiaries	0	-5,583	5,583	0	0
Profit for the year	0	6,536	-8,454	10,000	8,082
Equity at 30.09.2024	1,230	7,449	8,343	10,000	27,022

NOTES

Note 1 Staff costs

DKKt	2023/24	2022/23
Salaries and wages	16,905	15,087
Pensions	820	678
Other social security costs	130	123
Other staff costs	0	479
	17,855	16,367

Staff cost are distributed as follows:

Distribution costs	7,748	7,322
Administration costs	10,107	9,045
	17,855	16,367

Of which:

Remuneration for the Board of Directors	602	
Remuneration for the Executive Management	2,262	
	2,864	2,615

Remuneration for board of Directors and Executive Management amounted in 2022/23 to at total of DKK 2,615 thousand. Remuneration was shown as a total to not show remuneration to a single member of the Executive Management.

Certain members of the Board of Directors are employed by the parent company Danish Crown A/S. The remuneration for their work is paid through the management fee.

Average no. of employees	14	12
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The Executive Management is covered by a short-term bonus program based on annual performance.

Note 2 Financial income

DKKt	2023/24	2022/23
Group enterprises	1,000	721
Other interest	4	3
	1,004	724

Note 3 Financial costs

DKKt	2023/24	2022/23
Group enterprises	514	293
Other interest	20	19
	534	312

NOTES

Note 4 Tax on profit for the year

DKKt	2023/24	2022/23
Current tax	381	400
Change in deferred tax	7	10
Adjustment concerning previous years	-9	3
	379	413

Note 5 Proposed distribution of profit

DKKt	2023/24	2022/23
Proposed dividend	10,000	10,000
Revaluation reserve according to the equity method	6,536	4,342
Retained earnings	-8,454	-8,490
	8,082	5,852

Note 6 Financial fixed assets

DKKt	Equity investments in subsidiaries	Equity investments in participating interests	Total
Cost at 01.10.2023	3,852	2,875	6,727
Cost at 30.09.2024	3,852	2,875	6,727
Value adjustments at 01.10.2023	6,621	-106	6,515
Foreign currency translation adjustments	-19	0	-19
Share of net profit	6,820	-284	6,536
Dividend	-5,583	0	-5,583
Value adjustments at 30.09.2024	7,839	-390	7,449
Carrying amount at 30.09.2024	11,691	2,485	14,176

Equity investments in subsidiaries includes:

Name	Domicile	Ownership-%
Friland Deutschland GmbH	Germany	100
Friland Udviklingscenter ApS	Denmark	100

Equity investments in participating interests includes:

Name	Domicile	Ownership-%
Center for Frilandsdyr K/S	Denmark	48

NOTES

Note 7 Inventories

DKKt	2023/24	2022/23
Manufactured goods and goods for resale	508	449
	508	449

Note 8 Deferred tax

DKKt	2023/24	2022/23
Property, plant and equipment	-21	-27
	-21	-27
Movements of the year		
Deferred tax at 01.10.2023	-27	-37
Recognised in the income statement	6	10
Deferred tax at 30.09.2024	-21	-27

Note 9 Share capital

The share capital consists of 1,230 shares with a nominal value of DKK 1,000 each, totaling DKK 1,230 thousand. No shares have any special rights. There have been no changes in the share capital over the past 5 years.

Note 10 Contingent liabilities

Friland A/S has provided a guarantee to Preussag Immobilien GmbH for EUR 16 thousand in connection with a lease in Germany.

The company has entered into leasing agreement with an annual payment of DKK 67 thousand, the leasing agreement has a remaining obligation of DKK 234 thousand.

Danish Crown Group's Danish companies are jointly liable for the tax on the group's jointly taxed income, etc. The group's Danish companies are also jointly liable for Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any subsequent adjustments to corporate taxes and withholding taxes may result in the company's liability amounting to a larger sum.

Friland A/S has committed to indemnify Danish Crown for any losses on organic or free-range contract debtors, for the part that exceeds the corresponding purchase price for conventional contract debtors, but liability is limited to a maximum of DKK 2 million per year.

NOTES

Note 11 Related parties

The company is a wholly-owned subsidiary of Danish Crown A/S. It is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which is the ultimate parent company.

The consolidated financial statements can be obtained at www.cvr.dk (CVR no. 21 64 39 39) or at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

In addition, the company's related parties include the Executive Management and the Board of Directors.

The annual report discloses only transactions with related parties that are not conducted on market terms. No such transactions were carried out during the financial year.

NOTES

Note 12 Accounting policies

Reporting class

The 2023/24 annual report for Friland A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium reporting class C entities.

The accounting policies used in preparation of the financial statements are consistent of those of last year.

Reporting currency

The annual report is presented in Danish kroner (DKK) rounded to nearest thousand.

Consolidated financial statements

In accordance with section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared, as reference is made to the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which are publicly available at the Danish Business Authority under CVR no. 21 64 39 39.

The consolidated financial statements can be obtained at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

Cash flow statement

Friland A/S has, with reference to section 86(4) of the Danish Financial Statements Act, omitted the preparation of a cash flow statement, as this is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates applicable at the balance sheet date. Foreign exchange differences arising between the transaction date's exchange rate and the rate on the payment data, or the balance sheet date rate, are recognised in the income statement under net financials.

On recognition in the financial statements of enterprises reporting in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates unless these deviate significantly from the actual exchange rates applicable at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates applicable at the balance sheet date. Goodwill is regarded as belonging to the business acquired and is translated at the exchange rate applicable at the balance sheet date. Exchange rate differences arising on translation of the balance sheet items of foreign enterprises at the beginning of the year at the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates using the exchange rates applicable at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of receivables from or liabilities to subsidiaries that are considered part of the overall investment in the subsidiary are recognised directly in equity.

NOTES

Note 12 Accounting policies (continued)

Tax

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit for the year and directly in equity with the portion attributable to transactions directly in equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

The company is jointly taxed with all Danish subsidiaries and other group-related Danish companies, with Danish Crown A/S acting as the administrative company. The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their taxable income (full allocation with reimbursement concerning tax losses).

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and where the temporary difference ascertained at the time of initial recognition neither affects the carrying amount nor the taxable income.

Deferred tax is recognised on temporary differences related to equity investments in subsidiaries and associates, unless the parent company is able to control when the deferred tax is realised, and it is likely that the deferred tax will not crystallise as current tax within a foreseeable future.

The deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised in the balance sheet at the value at which the asset is expected to be realised, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable incomes. At each balance sheet date, it is estimated whether it is likely that sufficient future taxable income will be generated to utilise the deferred tax asset.

In connection with international trade between subsidiaries, disputes may arise with local tax authorities with respect to compliance with transfer pricing rules. Management assesses the possible outcome of such disputes, and the most likely outcome is used to calculate the resulting tax liability. Management believes that the provision for uncertain tax positions is sufficient to cover liabilities relating to non-settled disputes with local tax authorities.

The actual liabilities following the resolution of disputes may differ from the amounts provided for, however, depending on the outcome of legal disputes and settlements reached with the tax authorities in question.

NOTES

Note 12 Accounting policies (continued)

Income statement

Gross profit

The items revenue and production costs have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

Revenue

Revenue is recognised in the income statement when delivery and transfer of risk to the buyer have taken place. The revenue is recognised measured at the fair value of the agreed consideration less VAT, duties and discounts and plus export refunds.

Production cost

Production costs include direct and indirect costs incurred to generate revenue. Production costs comprise costs for traded goods, transport, and insurance of debtors, as well as depreciation and write-downs on tangible and intangible assets and leased assets used in the productions process.

Distribution cost

Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution personnel, advertising costs, as well as depreciation and write-downs on tangible and intangible assets and leased assets used in the distribution process.

Administration cost

Administration costs comprise costs incurred for the management and administration of the company, including costs for administrative staff and management as well as office expenses and depreciation and impairment of property, plant and equipment and lease assets used in the administration of the company.

Income from investments in subsidiaries and participating interests

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

Net financials

Net financials comprise interest income and costs, the interest element of lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies as well as surcharges and allowances under the Danish Tax Prepayment Scheme ("acontoskatteordningen").

Balance Sheet

Equity investments in subsidiaries and participating interests

Equity investments in subsidiaries and participating interests are measured according to the equity method.

On initial recognition, equity investments in subsidiaries and participating interests are measured at cost. The cost is allocated in accordance with the acquisition method.

NOTES

Note 12 Accounting policies (continued)

The parent's share of the profits or losses of the subsidiaries and participating interests is recognised in the income statement after elimination of unrealised intra-group profits and losses minus amortisation of goodwill on acquisition. Dividend received is deducted from the carrying amount.

Net revaluation of equity investments in subsidiaries and participating interests is taken to the reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Equity investments in subsidiaries and participating interests with a negative net asset value are recognised to the extent that the parent company has a legal or actual obligation to cover the subsidiary's and participating interests' liabilities. Receivables and other long-term financial asset considered part of the overall investment in these companies are written down by any remaining negative net asset value. Receivables are only written down if they are deemed unrecoverable.

Inventories

Inventories are measured at the lower of cost, using the FIFO-method, and net realisable value.

The cost of trading goods comprises the purchase price plus cost of transporting the goods to the place of business.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale.

Receivables

Receivables comprise trade receivables, intercompany balances and other receivables.

On initial recognition, receivables are measured at fair value and subsequently at amortised cost, which usually corresponds to nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of the simplified expected credit loss model, according to which the expected credit loss over the lifetime of the asset is recognised immediately in the income statement based on a historical loss rate. To this is added any additional write-downs based on knowledge of the underlying customer relations and general market conditions.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities with an insignificant price risk less any overdrafts that form an integral part of the cash management. The company participates in a cash pool arrangement with other group-related companies through the group's bank connections. These cash pool accounts are presented as receivables from group enterprises.

Equity

Reserve for net revaluation according to the equity method

Net revaluation of equity investments in subsidiaries is recognised at cost in the reserve for net revaluations according to the equity method. The reserve can be eliminated in case of losses, realisation of equity investments or changes in accounting estimates. The reserve cannot be recognised at a negative amount.

NOTES

Note 12 Accounting policies (continued)

Proposed dividend

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Other financial liabilities

Other financial liabilities comprise bank debt, intercompany balances, trade payables and other payables to public authorities etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial expense in the income statement over the loan period.