



Danish Crown

ANNUAL REPORT

2024/25

Danish Crown A/S
Danish Crown Vej 1, 8940 Randers SV
CVR-no. 26 12 12 64

Approved at the general meeting on 28 November 2025

Andreas Due Simonsen
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 Danish Crown A/S for the financial year 1 October 2024 – 30 September 2025.

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 2025 and of the result of the company's activities for the financial year 1 October 2024 – 30 September 2025.

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, 20 November 2025

Executive Management

Niels Ulrich Duedahl
Group CEO

Anders Aakær Jensen
Group CFO

Board of Directors

Søren Skou
Chair

Daniel Overgaard Pedersen
Vice chair

Ulrik Bremholm

Niels Ulrich Duedahl

Anders Aakær Jensen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Danish Crown 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 2025, and of the results of the Company's operations for the financial year 1 October 2024 to 30 September 2025 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Danish Crown A/S for the financial year 1 October 2024 to 30 September 2025, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("The 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.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business units as a basis for forming an opinion on the Financial Statements. We are responsible for the direction, supervision and review of the audit work performed. 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, 20 November 2025
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Tue Stensgård Sørensen
State Authorised Public Accountant
mne32200

Rune Kjeldsen
State Authorised Public Accountant
mne34160

MANAGEMENT'S REVIEW

Company information

Company details

Danish Crown A/S
Danish Crown Vej 1
8940 Randers SV

Website: www.danishcrown.com

E-mail: dc@danishcrown.dk

Phone: +45 8919 1919

CVR-no.: 26 12 12 64

Established: 1 July 2001

Financial year: 1 October – 30 September

Municipality: Randers

Board of Directors

Søren Skou, Chair
Daniel Overgaard Pedersen, Vice chair
Ulrik Bremholm
Niels Ulrich Duedahl
Anders Aakær Jensen

Executive Management

Niels Ulrich Duedahl, Group CEO
Anders Aakær Jensen, Group CFO

Auditors

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

MANAGEMENT'S REVIEW

Financial highlights

DKKm	2024/25	2023/24	2022/23	2021/22	2020/21
Revenue	26,149	29,194	30,186	28,791	27,393
Operating profit (EBIT)	230	613	57	220	-91
Result from financial items	-485	-644	52	661	919
Profit for the year	-239	-97	214	801	822
Balance sheet total	22,568	22,744	24,450	23,263	20,201
Investments in property, plant and equipment	437	344	692	617	570
Equity	4,041	4,276	4,265	4,058	3,443
Average number of employees	6,166	6,244	7,287	7,943	7,927
Key figures					
EBIT margin	0.9%	2.1%	0.2%	0.8%	-0.3%
Return on equity	-5.7%	-2.3%	5.1%	21.4%	23.7%
Solvency ratio	17.9%	18.8%	17.4%	17.4%	17.0%

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

EBIT margin
$$\frac{\text{Operating profit (EBIT)}}{\text{Revenue}}$$

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

Solvency ratio
$$\frac{\text{Equity}}{\text{Balance sheet total}}$$

MANAGEMENT'S REVIEW

Business review

The company's activities include the operation of pig and cattle slaughterhouses in Denmark, as well as the sale of meat products both domestically and internationally. The company's activities also include the production and marketing of processed and fresh meat products, as well as plant-based products, primarily for retail and foodservice sectors in both Danish and international markets. Additionally, the company is the parent company for the group's other production and sales companies. For a comprehensive description and assessment of the Danish Crown Group's activities, please refer to the annual report for the parent company, Leverandørselskabet Danish Crown AmbA.

Financial review

Following last year decrease in the supply of slaughter animals from our owners, we saw another year of decreasing supply. Pig supplies from owners decreased with 11%, while cattle supplies from owners decreased with 4%. Therefore, we focused our efforts on paying the highest possible quotation while at the same time implementing our cost savings initiatives and other restructuring measures. This is all reflected in our results for 2024/25.

The drop in supply led to a drop in sales volumes of 10% resulting in our revenue dropping to DKK 26 billion. Production costs were negatively impacted by paying a higher quotation during the year reducing gross profit. In September 2025, the Chinese authorities imposed significant extra tariffs on import of pork meat into China from Denmark and other specific countries. While we worked with the customers to reduce the impact on our business, gross profit was negatively impacted by a 3-digit million DKK amount as it was not possible to redirect goods already produced and on its way to China. The gross profit compared to revenue has decreased by DKK 0.7 billion and the gross profit percentage decreased by one percentage points. Distribution costs decreased by 11% partly due to the volume drop, but also due to the fact that we sold more in local markets in Europe and less overseas. Administration costs have decreased by 15%, which mainly is driven by the adjustment of the organisation in October 2024.

Overall, the operating profit has decreased by DKK 0.4 billion.

The majority of the company's subsidiaries contribute positively to earnings. This is particularly true for the food companies Sokołów and KLS, with earnings still under pressure in the casing company DAT-Schaub driven by the decreasing market prices for heparin and mucosa. Additionally, our German subsidiaries continued to be challenged due to high raw material prices and a competitive market. Furthermore, we are currently looking either to divest or close some of our production facilities resulting in impairment of DKK 0.2 billion relating to these. The effect from these changes are included in loss from investments in subsidiaries.

Overall, earnings from subsidiaries was positively affected by DKK 0.4 billion but the increase was still not sufficient to turn the contribution to positive figures.

The company's financing costs have decreased, primarily due to the reduction in interest rates together with the reduction in net interest-bearing debt during the year.

The year's result has decreased from DKK -0.1 billion to DKK -0.2 billion. This was below expectations but heavily impacted by the many activities to set up Danish Crown for the future and by the negative development on the trade tariffs, especially in China. If results from assets impaired and closure costs are excluded the year's result would have increased by DKK 0.1 billion.

Total assets decreased by DKK 0.2 billion, mainly investments being below the level of depreciation.

MANAGEMENT'S REVIEW

Outlook

We will continue to focus on adding value to our products and delivering sustainable, high-quality food. This approach aligns with evolving consumer preferences and market demand for environmentally responsible products. The meat prices increased during 2024/25, and we expect to see a continuing stable high price level. Towards the end of the year, pork meat prices started to decrease as a consequence of disturbance in world markets for pork meat. Together with higher volumes we expect our revenue to increase to be in the range of DKK 25-27 billion in 2025/26.

Our transformation initiatives have improved our competitiveness. We will continue to pay out the transformation results on a current basis giving our farmers a quotation at a high level. Therefore, we project EBIT to be within the current level of DKK 0.0 billion.

Special risks

Currency risk

Being an international export business and with operations abroad Danish Crown is exposed to currency exchange risk. The company's main sales currencies are GBP, JPY, USD, SEK, PLN and EUR as well as DKK. 59% of revenue is invoiced in DKK or EUR carrying no or very low currency risk.

The group's currency policy is to regularly hedge the commercial risk that exchange rate changes affect future cash flows in DKK within a framework approved by the Board of Directors.

In addition to the commercial currency risk, Danish Crown has a number of investments in foreign subsidiaries and is exposed to exchange rate fluctuations in connection with the translation of these subsidiaries' equity to DKK. The group hedges some of this currency risk by raising loans in the relevant currency. This applies to net investments in EUR, GBP, SEK, USD and PLN.

Interest rate risk

Interest rate risk includes the risk of changes in market value of assets and liabilities due to changes in interest rates. The risk mainly relates to liabilities as the company has no long term interest carrying assets. In order to hedge interest rate risk instruments such as interest swaps.

Environmental conditions

The Danish Crown Group focuses on contributing to reducing the environmental impact from all parts of the value chain. The goal is to reduce CO₂e emissions by reducing the consumption of water and energy, reducing waste water, and reducing the consumption of hazardous substances and the waste of refrigerants to the atmosphere.

For a more detailed description of initiatives to improve environmental conditions we refer to the management's review in the 2024/25 annual report of Leverandørselskabet Danish Crown AmbA.

MANAGEMENT'S REVIEW

Statement on corporate social responsibility

The statement on the company's corporate social responsibility, in accordance with section § 99a of the Danish Financial Statements Act, is included in the annual report of Leverandørselskabet Danish Crown AmbA, where the statutory statement on social responsibility is integrated. Reference is made to the annual report of Leverandørselskabet Danish Crown AmbA, which is publicly available at the Danish Business Authority at www.cvr.dk under CVR no. 21 64 39 39.

Statement on data ethics policy

Danish Crown's values must be reflected in the way we collect, handle, and use data. The Danish Crown Group has established a group-wide data ethics policy with applicable principles. The policy describes how data ethics are considered and incorporated into the use of data, as well as the design and implementation of technologies used to process data within the group. The Danish Crown Group will use a risk-based approach to select and train relevant employees in data ethical dilemmas.

INCOME STATEMENT
1 October - 30 September

DKKm	Note	2024/25	2023/24
Revenue	1	26,149	29,194
Production costs	3,4,5	-23,421	-25,742
Gross profit		2,728	3,452
Distribution costs	3,4	-1,762	-1,974
Administration costs	2,3,4	-736	-865
Operating profit (EBIT)		230	613
Profit/loss from investments in subsidiaries		-232	-621
Profit/loss from investments in participating interests		5	309
Financial income	6	514	446
Financial costs	7	-772	-778
Profit before tax		-255	-31
Tax on profit for the year	8	16	-66
Profit for the year		-239	-97

BALANCE SHEET - ASSETS
30 September

DKKm	Note	30.09.2025	30.09.2024
Goodwill	10	226	244
Software	10	30	52
Acquired trademarks etc.	10	53	78
Intangible assets		309	374
Land and buildings	11	1,878	2,010
Plant and machinery	11	944	911
Other fixtures and fittings, tools and equipment	11	55	69
Assets under construction	11	463	424
Lease assets	12	86	95
Property, plant and equipment		3,426	3,509
Equity investments in subsidiaries	13	3,960	4,251
Receivables from group enterprises	13	5,077	5,181
Equity investments in participating interests	13	146	141
Investments		9,183	9,573
Fixed assets		12,918	13,456
Inventories	14	1,414	1,347
Trade receivables		2,110	2,094
Receivables from group enterprises		5,715	5,478
Receivables from participating interests		19	42
Corporation tax receivable		17	0
Other receivables		331	293
Prepayments	15	44	34
Receivables		8,236	7,941
Non-fixed assets		9,650	9,288
Total assets		22,568	22,744

BALANCE SHEET - EQUITY AND LIABILITIES
30 September

DKKm	Note	30.09.2025	30.09.2024
Share capital	16	38	38
Reserve for foreign currency translation adjustments		17	68
Reserve for value adjustments of hedging instruments		-8	-52
Retained earnings		3,994	4,222
Equity		4,041	4,276
Pension obligations	17	22	23
Deferred tax liabilities	18	268	248
Other provisions	19	151	195
Provisions		441	466
Subordinated loan capital	20	2,500	2,500
Mortgage debt	20	2,711	2,738
Bank debt	20	3,931	3,162
Other debt, issued bonds	20	2,539	4,655
Lease debt	20	53	53
Non-current liabilities		11,734	13,108
Short-term part of long term debts	20	2,130	285
Bank debt	20	101	379
Trade payables		1,220	1,206
Payables to group enterprises		1,857	1,616
Corporation tax payable		0	205
Other payables		1,027	1,203
Accruals		17	0
Current liabilities		6,352	4,894
Total liabilities other than provisions		18,086	18,002
Total equity and liabilities		22,568	22,744
Special items	5		
Proposed distribution of profit	9		
Financial instruments	21		
Lease liabilities	22		
Contingent liabilities	23		
Security	24		
Related parties	25		
Accounting policies	26		

STATEMENT OF CHANGES IN EQUITY
30 September

DKKm	Share capital	Reserve for net revaluation of equity	Reserve for foreign currency translation adjustments	Hedging reserve	Retained earnings	Total
Equity at 01.10.2024	38	0	68	-52	4,222	4,276
Foreign currency translation adjustments	0	14	-66	0	-52	-104
Fair value adjustments of financial instruments	0	0	0	56	0	56
Other entries on equity	0	-14	1	0	63	50
Tax on other entries on equity	0	0	14	-12	0	2
Profit for the year	0	0	0	0	-239	-239
Equity at 30.09.2025	38	0	17	-8	3,994	4,041

NOTES

Note 1 Revenue

DKKm	2024/25	2023/24
Revenue distributed by markets		
Denmark	8,091	8,007
Other EU-countries	9,019	10,192
Other European countries	3,965	4,427
Other countries	5,074	6,568
	26,149	29,194
Revenue distributed by activities		
Pork	15,806	19,178
Beef	4,193	3,680
Processed products	6,150	6,336
	26,149	29,194

Note 2 Fees to the auditors appointed by the Board of Representatives

In accordance with section 96(3) of the Danish Financial Statements Act, the company has not disclosed the fee for the auditor elected at the general meeting, as the company's financial statements are fully consolidated into the financial statements of Leverandørselskabet Danish Crown AmbA.

NOTES

Note 3 Staff costs

DKKm	2024/25	2023/24
Salaries and wages	3,207	3,560
Pensions	310	329
Other social security costs	145	144
	3,662	4,033
Staff cost are distributed as follows:		
Production costs	2,861	3,115
Distribution costs	193	203
Administration costs	606	713
Transferred to fixed assets	2	2
	3,662	4,033
Of which:		
Remuneration for the Board of Directors	2	6
Remuneration for the Executive Management	29	82
	31	88
Average no. of employees	6,166	6,244

The remuneration to the Executive Management does not include pension but includes costs for long-term bonuses in 2024/25 of DKK 3 million (2023/24: DKK 0 million). In addition, the remuneration includes severance payment of DKK 0 million (2023/24: DKK 39 million). Last year, the Executive Management consisted of three persons against two persons during this year.

The management is covered by a short-term bonus program based on annual performance. Additionally, certain members of the management are covered by a long-term bonus program based on long-term value-creation targets at the group level.

Note 4 Depreciation, amortisation and impairment

DKKm	2024/25	2023/24
Depreciation of intangible assets	73	68
Depreciation of property, plant and equipment	466	493
Depreciation of lease assets	48	47
	587	608
Depreciation and impairment are distributed as follows:		
Production costs	468	493
Distribution costs	59	45
Administration costs	60	70
	587	608

NOTES

Note 5 Special items

Special items include significant income and expenses that are of a particular nature compared to the company's earnings-generating operating activities.

The process of divesting or closing non-core and non-value adding activities including facility closure to increase capacity optimisation has led to profit on divestment, impairment of the fixed assets and closure costs.

The special items for the year are specified below, including where they have been recognised in the income statement.

DKKm	2024/25	2023/24
Income		
Gain from sale of activities	56	288
Costs		
Impairment on facilities	140	546
Demolition and closure costs	15	211
Specific items are part of following lines in the annual report		
Production costs	0	-419
Profit/loss from investments in subsidiaries	-99	-338
Profit/loss from investments in participating interests	0	288
Result of specific items, net	-99	-469

Note 6 Financial income

DKKm	2024/25	2023/24
Group enterprises, income	375	400
Other interest, income	130	32
Foreign currency gain	9	14
	514	446

Note 7 Financial costs

DKKm	2024/25	2023/24
Group enterprises, cost	228	230
Interest, lease debt	2	3
Other interest, cost	542	545
	772	778

NOTES

Note 8 Tax on profit for the year

DKKm	2024/25	2023/24
Current tax	-2	184
Change in deferred tax	19	-122
Adjustment concerning previous years	-34	2
Tax on other income not subject to income tax	1	2
	-16	66

Note 9 Proposed distribution of profit

DKKm	2024/25	2023/24
Retained earnings	-239	-97
	-239	-97

Note 10 Intangible assets

DKKm	Goodwill	Software	Acquired trademarks etc.	Total
Cost at 01.10.2024	359	572	246	1,177
Reclassifications	0	6	0	6
Additions	0	2	0	2
Disposals	0	-9	0	-9
Cost at 30.09.2025	359	571	246	1,176
Depreciation and impairment at 01.10.2024	-115	-520	-168	-803
Depreciation for the year	-18	-30	-25	-73
Depreciation and impairment on sold assets	0	9	0	9
Depreciation and impairment at 30.09.2025	-133	-541	-193	-867
Carrying amount at 30.09.2025	226	30	53	309

NOTES

Note 11 Property, plant and equipment

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 01.10.2024	7,576	4,842	351	424	13,193
Reclassifications	1	13	0	-5	9
Completion of assets under construction	47	169	7	-223	0
Additions	60	98	12	267	437
Disposals	-73	-129	-5	0	-207
Cost at 30.09.2025	7,611	4,993	365	463	13,432
Depreciation and impairment at 01.10.2024	-5,566	-3,931	-282	0	-9,779
Reclassifications	0	-12	-1	0	-13
Depreciation for the year	-206	-209	-30	0	-445
Impairment for the year	-22	17	1	0	-4
Depreciation and impairment on sold assets	61	86	2	0	149
Depreciation and impairment at 30.09.2025	-5,733	-4,049	-310	0	-10,092
Carrying amount at 30.09.2025	1,878	944	55	463	3,340
Recognised interests	25	0	0	0	25

NOTES

Note 12 Lease assets

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 01.10.2024	13	76	122	211
Reclassifications	0	-6	0	-6
Additions	-1	8	47	54
Disposals	-3	-14	-54	-71
Cost at 30.09.2025	9	64	115	188
Depreciation and impairment at 01.10.2024	-8	-37	-71	-116
Reclassifications	0	5	0	5
Depreciation for the year	-2	-13	-33	-48
Depreciation and impairment on sold assets	2	10	45	57
Depreciation and impairment at 30.09.2025	-8	-35	-59	-102
Carrying amount at 30.09.2025	1	29	56	86

Lease debt is detailed in note 20.

Note 13 Investments

DKKm	Equity investments in subsidiaries	Receivables from group enterprises	Equity investments in participating interests	Total
Cost at 01.10.2024	4,151	5,409	155	9,715
Foreign currency translation adjustments	-49	-20	0	-69
Additions	412	-98	0	314
Cost at 30.09.2025	4,514	5,291	155	9,960
Value adjustments at 01.10.2024	100	-228	-14	-142
Foreign currency translation adjustments	63	0	0	63
Share of net profit	-239	0	15	-224
Dividend	-378	0	0	-378
Investments with negative equity value written down on receivables, net adjustments	-14	14	0	0
Investments with negative equity value transferred to provisions, net adjustments	-40	0	0	-40
Other adjustments	-46	0	-10	-56
Value adjustments at 30.09.2025	-554	-214	-9	-777
Carrying amount at 30.09.2025	3,960	5,077	146	9,183

NOTES

Note 13 Investments (continued)

Equity investments in subsidiaries includes:

Name	Domicile	Ownership-%
ESS-FOOD A/S	Denmark	100
ESS-FOOD Brazil servicos de Consultoria Ltda.	Brazil	100
Overberg Food Distributors Proprietary Limited	South Africa	100
ESS-FOOD (Shanghai) Company Limited	China	80
Danish Crown Holding GmbH	Germany	100
Danish Crown GmbH *)	Germany	90
Danish Crown Fleisch GmbH	Germany	100
Danish Crown Schlachtzentrum Nordfriesland GmbH *)	Germany	90
Danish Crown Teterower Fleisch GmbH	Germany	100
WestCrown GmbH	Germany	50
Friland A/S	Denmark	100
Friland Udviklingscenter ApS	Denmark	100
Center for Frilandsdyr K/S *)	Denmark	2
Center for Frilandsdyr K/S *)	Denmark	48
Friland Deutschland GmbH	Germany	100
DAT-Schaub A/S	Denmark	100
DAT-Schaub Portugal, Indústria Alimentar, Lda.	Portugal	100
DAT-Schaub France S.A.S	France	100
DAT-Schaub Finland Oy	Finland	100
Thomeko Eesti OÜ	Estonia	100
DAT-Schaub AB	Sweden	100
DAT-Schaub (Deutschland) GmbH	Germany	100
Gerhard Küpers GmbH	Germany	100
DIF Organveredlung Gerhard Küpers GmbH & Co.KG	Germany	100
CKW Pharma-Extrakt Beteiligungs- und Verwaltungsgesellschaft GmbH	Germany	50
CKW Pharma-Extrakt GmbH & Co.KG	Germany	50
Ventrum Holding B.V.	Netherlands	70
Selo Verpakking B.V.	Netherlands	100
Selo Belgium BVBA	Belgium	100
DAT-Schaub Holdings USA Inc.	USA	100
DCW Casing LLC	USA	100
DAT-Schaub Polska Sp. Z o.o.	Poland	100
DAT-Schaub (UK) Ltd.	Great Britain	100
Oriental Sino Limited	Hong Kong	45
Yangcheng Lianyi Casing Products Co. Ltd.	China	73
Jiangsu Chongan Plastic Manufacturing Co. Ltd	China	59
Yangcheng Xinyu Food Products Ltd.	China	73
Yangcheng Huawei Food Products Ltd.	China	73
DAT-Schaub Spain Holding S.L.U.	Spain	100
Procesadora Insuban SpA	Chile	100
Andes Biotech Solutions SpA	Chile	50
Tripera Paraguaya S.A.	Paraguay	100
Elaboradora de Subprodutos de Origem Animal do Brasil Ltda.	Brazil	100
BRC Tripas - Comercio de Tripas Ltda.	Brazil	100
DAT-Schaub Colombia S.A.S.	Columbia	100
DAT-Schuab Spain S.L.U.	Spain	100
DAT-Schaub Norge AS	Norway	100

NOTES

Note 13 Investments (continued)

Name	Domicile	Ownership-%
Shanghai Natuaral Casing Co., Ltd	China	51
Sokolów S.A.	Poland	100
Sokolów-Logistyka Sp. Z o.o.	Poland	100
Agro Sokolów Sp. Z o.o.	Poland	100
Sokolów-Services Sp. Z o.o.	Poland	100
Agro Sokolów F1 Sp. Z o.o.	Poland	100
Sokolów Net Sp.Z o.o.	Poland	100
KLS Ugglarps AB	Sweden	100
Charkprodukter i Billesholm AB	Sweden	100
Charkuterifabriken Sverige AB	Sweden	100
DC Pork Rønne ApS	Denmark	100
NordicSpoor A/S	Denmark	100
Scan-Hide A/S	Denmark	97
Slagter Munch ApS	Denmark	100
SPF-Danmark A/S	Denmark	100
Kolding Export Center A/S	Denmark	51
Danish Crown Norway AS	Norway	100
Danish Crown Jönköping AB	Sweden	100
Danish Crown Sweden AB	Sweden	100
Pölsemannen AB	Sweden	100
Danish Crown Foods Germany GmbH	Germany	100
Danish Crown Foods Oldenburg GmbH	Germany	100
Danish Crown GmbH *)	Germany	10
Danish Crown Schlachtzentrum Nordfriesland GmbH *)	Germany	10
Danish Crown Netherlands B.V.	Netherland	100
Danish Crown Haarlem B.V.	Netherland	100
Danish Crown UK Limited	Great Britain	100
Danish Crown GBS Sp. Z o.o.	Poland	100
Danish Crown (Switzerland) SA	Switzerland	100
Danish Crown/Beef Division SA	Switzerland	100
Danish Crown France S.A.S.	France	100
Danish Crown Division Porc S.A.S.	France	100
Danish Crown España S.A.	Spain	100
Danish Crown Italy S.r.L.	Italy	100
Danish Crown USA Inc.	USA	100
Danish Crown Japan Co., Ltd.	Japan	100
Danish Crown Korea LLC	Korea	100
Danish Crown B2B Ltd.	Hong Kong	100
Danish Crown (Shanghai) Trading Co. Ltd	China	100
Danish Crown (China) Co. Ltd.	China	100

NOTES

Note 13 Investments (continued)

Equity investments in participating interests includes:

Name	Domicile	Ownership-%
Daka Denmark A/S	Denmark	43
Green Fertilizer Denmark ApS	Denmark	25
AgroGas ApS	Denmark	25
Anpartsselskabet af 5.1.2024	Denmark	33
K/S af 5.1.2024 I	Denmark	33
Danske Slagterier ◊)	Denmark	92
Svineslagteriernes Varemærkeselskab ApS ◊)	Denmark	92

*) Appears more than once in the group structure.

◊) Due to provisions of the articles of association requiring important decisions to be unanimous, the group does not exercise control despite an ownership interest of more than 50 per cent.

Note 14 Inventories

DKKm	2024/25	2023/24
Raw materials and consumables	172	155
Semi-finished goods	132	142
Finished foods and goods for resale	1,110	1,050
	1,414	1,347

Note 15 Prepayments

Prepayments consists of prepaid expenses related to insurance premiums and licenses etc.

Note 16 Share capital

The share capital consists of 38,000 shares with a nominal value of DKK 1,000 each, totaling DKK 38 million. No shares have any special rights. There have been no changes in the share capital over the past five years.

Note 17 Pension obligations

Provisions for pensions, include a defined benefit plan that is not covered by ongoing contributions to the plan and relates to pensions for already retired employees and their survivors. The plan is closed for new entrants.

NOTES

Note 18 Deferred tax liabilities

DKKm	2024/25	2023/24
Intangible assets	9	22
Property, plant and equipment	-2	-35
Non-fixed assets	25	20
Non-current liabilities	58	60
Current liabilities	-61	-58
Others	239	239
	268	248
Movements of the year		
Deferred tax at 01.10.2024	248	371
Changes in respect of previous years	7	0
Recognised in the income statement	12	-122
Recognised on equity	1	-1
Deferred tax at 30.09.2025	268	248

Note 19 Other provisions

Other provisions include costs for legal proceedings and complaints as well as restructurings and provisions regarding subsidiaries.

Note 20 Long-term liabilities

DKKm	Within 1 year	Between 1 and 5 years	After 5 years	Total
Subordinated loans	0	2,500	0	2,500
Mortgage debt	25	107	2,604	2,736
Bank debt	101	3,791	140	4,032
Other debt, issued bonds	2,071	2,539	0	4,610
Lease debt	34	53	0	87
	2,231	8,990	2,744	13,965

Lease assets are detailed in note 12.

The company has taken out a subordinated loan with maturity date of 1 July 2027, at a variable interest of 3-month CIBOR +3.86%. The subordinated loan ranks after other creditors.

The total undiscounted future minimum lease payments under non-cancellable lease contracts amount to DKK 90 million (2023/24: DKK 31 million).

NOTES

Note 21 Financial instruments

As part of securing recognised and unrecognised transactions, the company uses hedging instruments such as foreign exchange forward contracts.

Recognised transactions

Hedging of recognised transactions primarily includes receivables and payables.

DKKm	Receivables	Sales orders	Liabilities	Hereof hedged by forward contracts	Herof hedged by loan and bank overdrafts	Net position
EUR	1,043	734	-346	0	-1,902	-471
GBP	336	297	-1	-162	-441	29
JPY	190	195	-1	-316	-65	3
SEK	84	52	-5	-145	57	43
USD	619	485	-31	-1,844	786	15
Other	184	134	-25	-470	162	-15
	2,456	1,897	-409	-2,937	-1,403	-396

Expected transactions

The company hedges expected currency risks related to sales of goods over a shorter time horizon using currency forward contracts.

DKKm	Contractual value 2024/25	Contractual value 2023/24	Gain and loss recognised in the equity 2024/25	Gain and loss recognised in the equity 2023/24
Forward exchange contracts	2,937	3,691	1	-4

Note 22 Lease liabilities

DKKm	2024/25	2023/24
Obligations under rental or leasing contracts until maturity in total	4	4

NOTES

Note 23 Contingent liabilities

Guarantee obligations relate to guarantees for subsidiaries. The guarantees are maximised to DKK 96 million (2023/24: DKK 150 million).

Danish Crown Group's Danish companies are jointly and severally liable for tax on the group's jointly taxed income, etc. The group's Danish companies are also jointly and severally 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 higher amount.

The group is involved in a few lawsuits and disputes. Management is of the opinion that the outcome of these will not have any significant impact on the group's financial position.

Purchase commitments

The company has entered into mutually binding agreements with its suppliers for delivery of goods and other services during the financial year 2025/26 amounting to approx. DKK 1.0 billion.

Leverandørselskabet Danish Crown AmbA has an ongoing obligation to purchase livestock from its cooperative members. This obligation is passed on to Danish Crown A/S and is not based on a fixed contractual period or a predetermined price but arises from the parent company's Articles of Association and the mutual relationship with its members. The purchase price is determined continuously based on market conditions.

As neither the quantity, price, nor time horizon can be determined in advance, it is not possible to quantify the total obligation. However, the obligation is considered material to the company's operations and forms an integral part of its business model.

Note 24 Security

For mortgage debt and other long-term debt collateral have been pledged in property, plant and equipment etc. for nominal DKK 2,767 million (2023/24: DKKt 2,767 million).

The total carrying value of the assets mortgaged constitutes DKK 2,722 million (2023/24: DKK 2,749 million).

Note 25 Related parties

The company is a wholly-owned subsidiary of Leverandørselskabet Danish Crown AmbA. 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 company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions were carried out during the financial year.

NOTES

Note 26 Accounting policies

Reporting class

The 2024/25 annual report for Danish Crown A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large 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 million.

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

Danish Crown 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.

Business combinations

Newly acquired or newly established businesses are recognised in the financial statements from the date of acquisition or establishment of such businesses, respectively. The date of acquisition is the date when control of the business actually passes to the company. Businesses divested or wound up are recognised in the financial statements until the date of divestment or winding up of such business, respectively. The date of divestment is the date when control of the business actually passes to a third party.

On acquisition of new businesses where the company comes to exercise control over the acquired business, the acquisition method is used, according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired businesses are measured at fair value on the date of acquisition. Non-current assets which are acquired with the intention to sell them are, however, measured at fair value less expected costs to sell. Restructuring costs are only recognised in the acquisition balance sheet if they constitute a liability for the acquired business. Allowance is made for the tax effect of revaluations. The purchase price of a business consists of the fair value of the consideration paid for the acquired business. If the final determination of the price is contingent on one or more future events, such events are recognised at their fair values at the date of acquisition. Costs which are directly attributable to the acquisition of the business are recognised directly in the income statement when incurred.

Positive differences (goodwill) between, on the one hand, the consideration for the acquiree, the value of non-controlling interests in the acquired entity and the fair value of any previously acquired equity investments and, on the other hand, the fair value of the assets, liabilities and contingent liabilities acquired are recognised as goodwill under "Intangible assets". Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of each acquired company's customer composition, the expected life time of contracts and the lifetime of synergies from the business combination. Based on this, goodwill is considered

NOTES

Note 26 Accounting policies (continued)

to have an expected lifetime of up to 20 years. Negative differences (negative goodwill), which correspond to an expected unfavourable development in the respective companies, are recognised in the income statement at the date of acquisition.

Acquisitions of shares in an already existing subsidiary are treated as an equity transaction and the difference between the consideration and the book value is allocated to equity.

If, on the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase consideration, initial recognition is based on provisionally determined amounts. The provisionally determined amounts can be adjusted or additional assets or liabilities can be recognised until 12 months after the acquisition to reflect new information obtained about facts and circumstances that existed at the date of acquisition and, if known, would have affected the calculation of the amounts at the date of acquisition. Changes in estimates of contingent consideration are, as a general rule, recognised directly in the income statement.

Intra-group business combinations

In connection with intra-group business combinations, the pooling-of-interest method is used, according to which assets and liabilities are transferred at the carrying amounts at the beginning of the financial year. The difference between the consideration paid and the carrying amount of the transferred assets and liabilities is recognised in the equity of the acquiring enterprise.

Comparative figures are restated to reflect the enterprises as if they had been combined for the entire period during which they have been under joint control.

Gains or losses on the divestment or winding up of subsidiaries and participating interests

Gains or losses on the divestment or winding up of subsidiaries and participating interests which entail a loss of control or significant influence, respectively, are calculated as the difference between the fair value of the sales proceeds or the winding-up amount and the fair value of any remaining equity investments on the one hand, and the carrying amount of the net assets at the date of divestment or winding up, including goodwill, less non-controlling interests (if any) on the other. The gain or loss thus calculated is recognised in the income statement together with the accumulated foreign currency translation adjustments that are recognised in equity.

In connection with the divestment of ownership interests in participating interests and jointly controlled enterprises which are fully or partly paid for by ownership interests in the acquiring company, meaning that significant influence still exists after the transaction, a specific assessment is made of the transaction. If the transaction has commercial substance, i.e. if the divestment significantly affects the future cash flows from the ownership interests in terms of risks, timing and size, the gain or loss is recognised without proportionate elimination.

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 date, or the balance sheet date rate, are recognised in the income statement under net financials along with hedging elements.

NOTES

Note 26 Accounting policies (continued)

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are measured at cost at the settlement date.

After initial recognition, the derivative financial instruments are measured at fair value on the balance sheet date. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as hedges of the fair value of a recognised asset, a recognised liability or a firm commitment are recognised in the income statement together with changes in the value of the hedged item. Changes in the fair value of derivative financial instruments classified as and qualifying for recognition as effective hedges of future transactions are recognised directly in equity. The ineffective part is recognised immediately in the income statement. When the hedged transactions are realised, the cumulative changes are recognised as part of the cost of the transactions in question. Derivative financial instruments which do not qualify for hedge accounting are regarded as trading portfolios and measured at fair value with ongoing recognition of fair value adjustments under net financials in the income statement.

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).

NOTES

Note 26 Accounting policies (continued)

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.

Income statement

Revenue

The company has chosen IFRS 15 as the basis for recognising revenue.

The company's revenue comprises the sale of meat and meat-related products.

The revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation.

Revenue from the sale of goods for resale and finished goods is thus recognised in the income statement when control of the product passes to the customer. The main part of revenue is recognised when the goods are handed over to the carrier. Due to the nature of the products, the volume of returned goods is insignificant. The revenue recognised is measured at the fair value of the agreed consideration plus export refunds and less VAT, duties and discounts.

Information is provided on business segments and geographic markets. The segment information follows the group's accounting practices and internal financial management reporting.

NOTES

Note 26 Accounting policies (continued)

Production cost

Production costs comprises costs incurred to generate revenue. Production cost comprise costs for traded goods, transport, insurance of debtors and maintenance as well as depreciation, amortisation and impairment of property plant and equipment, intangible assets and lease assets recognised under IFRS 16 which are used in the production process. Variable lease payments, low-value lease assets and short-term leases concerning lease assets used in production are also recognised in production costs at the time of payment or on a straight-line basis over the term of the contract.

Distribution cost

Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs, depreciation and impairments of tangible assets, as well as leased assets recognised according to IFRS 16, used in the distribution process. Variable lease payments, low-value assets and short-term leases concerning lease assets used in distribution are also recognised in distribution costs at the time of payment or straight-line basis over the term of the contract.

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 costs and depreciation and impairment of property, plant and equipment and lease assets recognised under IFRS 16 which are used in the administration of the company. Variable lease payments, low-value lease assets and short-term leases concerning lease assets used for administrative purposes are also recognised in administration costs at the time of payment or on a straight-line basis over the term of the contract.

Other operating income and costs

Other operating income and costs include income and costs of a secondary nature in relation to the company's main activity.

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").

Interest income and interest expenses are accrued on the basis of the principal amount and the effective rate of interest. The effective rate of interest is the discount rate used to discount the expected future payments related to the financial asset or the financial liability in order for the present value of these to correspond to the carrying amount of the asset and the liability, respectively.

Dividend from equity investments is recognised when a definitive right to the dividend has been obtained. This typically takes place when the general meeting approves the distribution of dividend from the company concerned.

NOTES

Note 26 Accounting policies (continued)

Balance Sheet

Intangible assets

Intellectual property rights, such as software and acquired trademarks and customer relations are measured at cost less accumulated amortisation and impairment. Software, trademarks and customer relations are amortised on a straight-line basis over the useful lives. If the actual useful life is shorter than either the remaining contract period or of the expected useful life, amortisation is done over the shorter period.

Amortisation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Software:	3-5 years
Acquired trademarks and customer relations:	10-20 years

Intellectual property rights acquired are written down to the lower recoverable amount, if relevant, as described in the section on impairment below.

Property, plant and equipment

Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment. Land is not depreciated. Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use. For assets constructed in-house, cost comprises costs directly attributable to the construction of the asset, including materials, components, sub-suppliers and wages and salaries.

Interest costs on loans for financing the construction of property, plant and equipment are included in cost if they relate to the construction period. Other borrowing costs are recognised in the income statement. If the acquisition or use of the asset requires the group to incur costs for the demolition or reestablishment of the asset, the estimated costs of such measures are recognised as a provision and a part of the cost of the asset concerned, respectively.

The basis of depreciation is the cost of the asset less the residual value. The residual value is the amount expected to be obtained if the asset was sold today less selling costs if the asset already had the age and was in the condition that the asset is expected to be in at the end of its useful life. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Land:	is not depreciated
Buildings:	20-40 years
Special installations:	10-20 years
Plant and machinery:	5-10 years
Other fixtures and fittings, tools and equipment:	3-5 years

Depreciation methods, useful lives and residual values are subject to an annual reassessment.

NOTES

Note 26 Accounting policies (continued)

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount as described in the section on impairment below.

Lease assets

The group leases various assets, including buildings and warehouses, retail premises, lorries, trucks and cars, etc. No leases have been made for investment purposes.

Lease assets are recognised at the commencement of the lease, which is the date on which the asset is brought into use.

The lease asset is recognised at cost corresponding to the present value of the calculated lease liability adjusted for direct costs at inception of the lease and expected reestablishment costs on expiry and lease payments made before the asset was brought into use. Lease assets are depreciated on a straight-line basis over the shorter of the term of the lease and the expected useful life of the asset and are subsequently measured at cost less accumulated depreciation and impairment. Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

The expected useful lives for lease assets are as follows:

Buildings:	20-40 years
Plant and machinery:	5-10 years
Other fixtures and fittings, tools and equipment:	3-5 years

Impairment of property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets with definite useful lives are reviewed at the balance sheet date to determine if there are any indications of impairment. If this is the case, the recoverable amount of the asset is calculated to determine whether the asset should be written down and, if so, the amount of the impairment loss.

If the asset does not generate cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit in which the asset is included.

The recoverable amount of the asset or cash-generating unit is calculated as the higher of its fair value less selling costs and its value in use. When determining value in use, estimated future cash flows are discounted to present value applying a discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset or cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, any goodwill amounts are written down first, and any remaining impairment loss is allocated to the other assets in the unit, provided that no individual asset is written down to a value lower than its fair value less expected selling costs.

NOTES

Note 26 Accounting policies (continued)

Impairment losses are recognised in profit or loss. In any subsequent reversal of impairment losses resulting from changes in the assumptions used to determine the asset's recoverable amount, the carrying amount of the asset or cash-generating unit is increased to the revalued recoverable amount, but not exceeding the carrying amount which the asset or cash-generating unit would have had, had no impairment loss been recognised. Impairment of goodwill is not reversed.

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.

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.

Goodwill is measured as the difference between the cost of the shares and the proportionate share of the acquired assets and liabilities determined at fair value at the time of acquisition. The amortisation method for goodwill is usually 5-10 years, but in certain cases can be up to 20 years for strategically acquired companies with a strong market position and long-term earnings profile, if the longer amortisation period is considered to better reflect the usefulness of the resources in question. Shares in subsidiaries and participating interests are written down to recoverable amount if this is lower than the carrying amount. When acquiring subsidiaries and equity interests, the acquisition method is used, cf. the section on business combinations.

Other securities and equity investments (financial fixed assets)

Other securities are measured at amortised cost.

Inventories

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

The cost of goods for resale, raw materials and consumables comprises the purchase price plus cost of transporting the goods to the place of business. The cost of manufactured goods and semi-manufactured goods comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

Variable production overheads comprise indirect materials and labour and are distributed on the basis of estimates of the goods actually produced.

NOTES

Note 26 Accounting policies (continued)

Fixed production overheads comprise costs relating to maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the technical plant.

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 include amounts due from the sale of goods and services, intercompany balances and other receivables.

On initial recognition, receivables are measured 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.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Other securities and equity investments (non-fixed assets)

Other securities are measured at amortised cost.

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.

Reserve for foreign currency translation adjustment

The reserve for foreign currency translation adjustment comprises of the translation differences arising during the recognition of the group's investments in foreign companies.

Reserve for value adjustment of hedging instruments

The reserve for value adjustment of hedging instruments comprises of the fair value adjustment of financial assets and liabilities where the hedged transaction has not yet been realised.

NOTES

Note 26 Accounting policies (continued)

Proposed dividends

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.

Pension obligations

Under the defined contribution plans, the company makes regular, defined contributions to independent pension companies and the like. The contributions are recognised in the income statement in the period in which the employees have performed the work entitling them to the pension contribution. Payments due are recognised in the balance sheet as a liability.

Under the defined benefit plans, the company is required to pay a defined benefit in connection with the comprised employees retiring, for example a fixed amount or a percentage of their final pay.

Under defined benefit plans, the net present value of vested future benefits to which the employees are entitled through past service to the group, and which will become payable under the plan, is determined annually using an actuarial valuation method. The projected unit credit method is used to determine the net present value. Net present value is calculated on the basis of market assumptions of the future development in pay levels, interest rates, inflation, mortality and disability, among other things.

The net present value of pension obligations less the fair value of any plan assets is recognised in the balance sheet under pension assets and pension obligations, respectively, depending on whether the net amount constitutes an asset or a liability, see below.

In the event of changes in the assumptions concerning the discount rate, inflation, mortality and disability or differences between the expected and realised return on plan assets, actuarial gains or losses will occur. Such gains and losses are recognised in equity. If the pension plan constitutes a net asset, the asset is recognised only if it equals the present value of any repayments from the plan or reductions in future contributions to the plan.

Other provisions

Other provisions are recognised when the group has a legal or constructive obligation resulting from events in the financial year or previous years, and it is likely that settling the obligation will result in an outflow of the group's financial resources.

Provisions are measured as the best estimate of the costs required to settle the obligations at the balance sheet date. Provisions that are expected to be used more than a year after the balance sheet date are measured at present value.

For goods sold that are subject to a right of return, provisions are made to cover the profit on those goods which are expected to be returned and any costs relating to the returns. For planned restructurings of the group's activities, provisions are made only for liabilities concerning restructurings which had been decided at the balance sheet date.

NOTES

Note 26 Accounting policies (continued)

Mortgage debt

Mortgage debt is measured at fair value at the time of borrowing less any transaction costs. Mortgage and bond debt is subsequently measured at amortised cost. This means that the difference between the proceeds from the borrowing and the amount which must be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Lease debt

Lease debt is recognised at the commencement of the lease, which is the date on which the asset is brought into use.

On initial recognition of the lease debt, future cash flows are discounted using an interest rate reflecting the lease asset's category, currency in the contract and the risk assessment of the cash-generating unit which has leased the asset. Future cash flows include both fixed payments and indexed payments. If it is deemed highly probable that options on extension, termination or buyout will be exercised, such options are taken into account. Variable lease payments are recognised in profit or loss in the period to which they relate and are not included in the lease debt.

Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

For all types of leases which are composite contracts with e.g., an associated service or maintenance contract, this contract will be accounted for separately and will not form a part of the lease debt.

On subsequent recognition, lease debt is measured at amortised cost. Residual value guarantees or reestablishment/dismantling obligations are recognised as provisions.

All lease debt is considered on an ongoing basis with a view to determining whether reassessments should be made due to changes in underlying assumptions.

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 costs in the income statement over the loan period.

NOTES

Note 26 Accounting policies (continued)

Fair value measurement

The fair value measurement is based on the primary market. If a primary market does not exist, the most advantageous market is used as the basis. This is the market that maximises the price of the asset or liability, net transaction and/or transportation costs. All assets and liabilities measured at fair value or for which fair value is disclosed, are categorised according to the fair value hierarchy, as described below:

- Quoted prices in an active market for identical instruments (level 1).
- Quoted prices in an active market for similar assets or liabilities or other valuation methods according to which all significant inputs are based on observable market data (level 2).
- Valuation methods according to which any significant inputs are not based on observable market data (level 3).

Derivatives financial instruments

Forward exchange contracts are valued using generally accepted valuation methods based on relevant observable swap rates and exchange rates.

The fair value of the derivative financial instruments is recognised under other payables/other receivables and set off against the foreign currency translation adjustments of the hedged assets and liabilities in the equity statement.