

# S02.03-EL-01-I.3

## I - Total Equity (Share Capital + Reserves + Non-controlling interests): General principles

### 3. Valuation and Recognition

#### 3.1. Share capital

##### *Recognition*

- Share capital should be recognised in accordance with legal requirements. Shares should be recognized at the moment the right is transferred to the shareholder.
- Shares issued as part of business combinations should be recognized on the date of exchange, or on the date when control over the net assets and operations acquired is transferred to the acquirer.
- Shares issued as part of share-based payment operations should be recognized as a separate component of equity.

##### *Valuation on initial recognition*

- Share capital should be valued at the net amount of the fair value of proceeds received, less external costs directly attributable to the share issue such as legal issuance expenses and for outside experts.
- In the case of issuance with an issue premium, the proceeds of the par value of the shares are recorded in share capital and the difference up to the amount effectively received is recognised in the account "Additional paid-in capital".
- If the contribution of shareholders is conducted through a contribution in kind or by exchanging shares, the capital increase is valued at the fair value of the items received.

##### *Measurement at the balance sheet date/after recognition*

Share capital should not be valued subsequently at the balance sheet date.

##### *Additional paid-in share capital*

Additional paid-in share capital, representing the difference between the amount received and the face value of shares issued, should not be valued subsequently on the balance sheet date.

#### 3.2. Operations with treasury shares

- A contract requiring a company to buy its own equity instruments in exchange for cash or another financial asset creates a financial liability equal to the discounted amount of the purchase value.  
For example, the discounted value of the forward-based purchase price, option exercise price or other purchase value.
  - This is the case even if the contract is itself an equity instrument. One example is the commitment of a company by virtue of a forward-based contract to buy its equity instruments for cash.
  - Upon initial recognition of the financial liability, its fair value (the discounted amount of the purchase value) is reclassified as a deduction to equity. The financial liability is then valued in accordance with [IAS 39 - Financial Instruments: Recognition and Measurement](#). If the contract expires or matures without delivery, the carrying value of the financial liability is reclassified in equity.
- If the entity purchases its own equity instruments (treasury shares), these must be deducted from equity in the amount paid, including transaction costs.
- No profit or loss upon the purchase, sale, issuance or retirement of the entity's equity instruments should be recognized in results. Such treasury shares may be acquired and held by the entity or other members of the consolidated group. This consideration paid or received must be recognized directly in equity.
- The amount of treasury shares held is disclosed separately in either the balance sheet or the notes.

#### 3.3. Share options

See note to the consolidated financial statements related to share-based payments.

#### 3.4. Dividends

##### *Dividends on ordinary shares*

Dividends paid net of tax should be recognized directly in reserves.

Dividends announced but unpaid at the balance sheet date should be recognized as a debt and deducted from equity.

##### *Dividends on financial instruments classified as debt*

Dividends paid on financial instruments classified as debt should be recorded as an expense on the income statement.

##### *Note*

The classification of a financial instrument as a financial liability or an equity instrument determines whether interest, dividends, losses and gains relating to that instrument are recognized as income or expense in P/L.

Thus, **dividend payments on shares wholly recognized as liabilities are recognized as reserves** in the same way as interest on a bond.

Similarly, gains and losses associated with redemptions or refinancings of financial liabilities are recognised in profit or loss, **whereas redemptions or refinancings of equity instruments are recognized as changes in equity**.

Changes in the fair value of an equity instrument are not recognized in the financial statements.

### **3.5. Non-controlling interests (NCI)**

The portion of NCI should be calculated for all subsidiaries not 100%-owned by the Group.

**Recognition at acquisition date:** The portion of NCI is calculated based on the value of net assets at acquisition date.

**Measurement on the balance sheet date:** At each balance sheet date the share of NCI should be calculated in accordance with results for the period ended 31 December, year N.