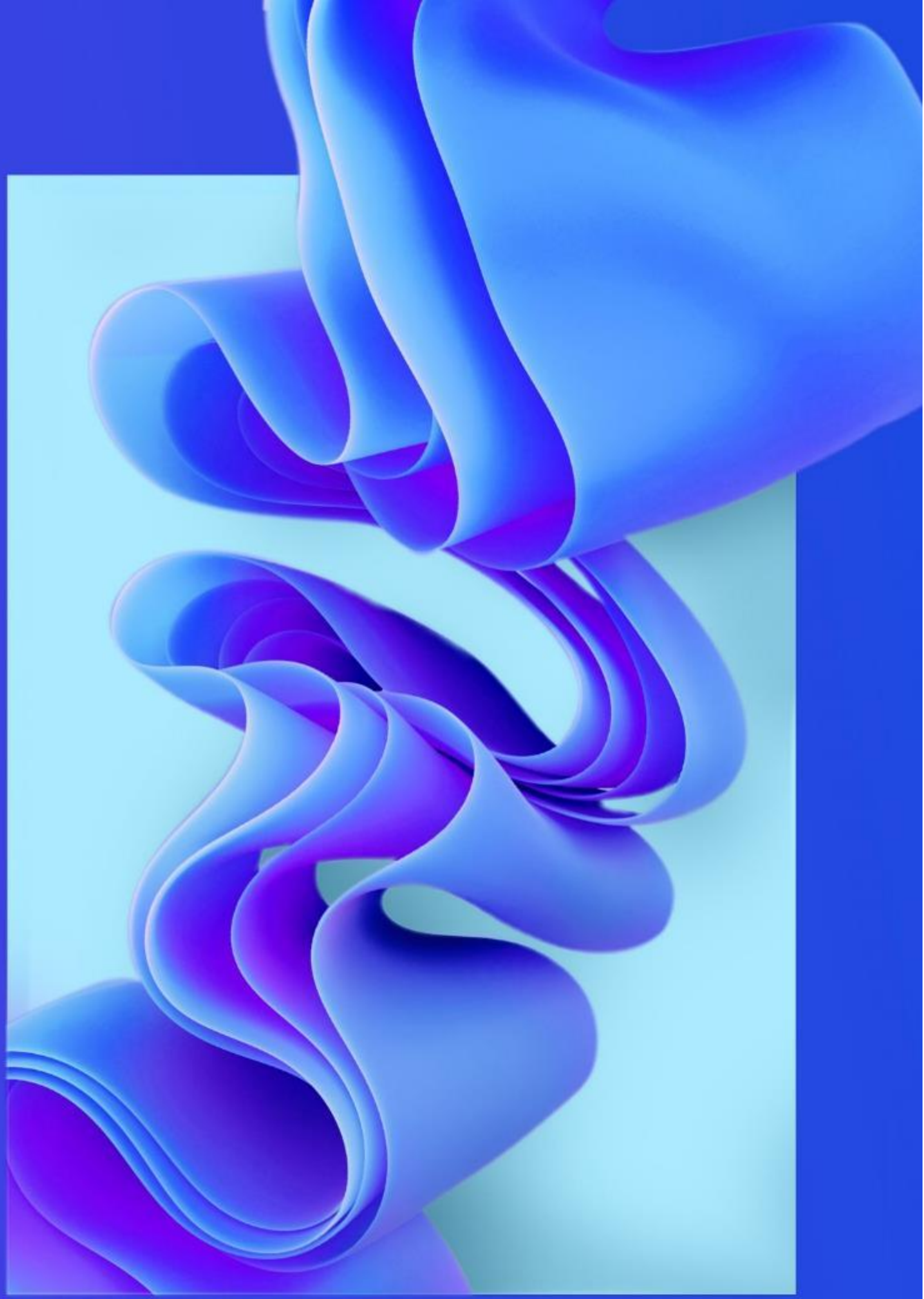
IFRS 18 Presentation and Disclosure in Financial statements

Presentation for the 2025 SBN Conference in Oslo

22 October 2025



Agenda – IFRS 18 SBN Conference

Today's presenters

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Overview of IFRS 18

- Will replace old Presentation and Disclosure standard (IAS 1)
- Will not impact recognition and measurement (profit for the period unchanged)
- Effective for annual reporting periods beginning on or after 1 January 2027, with comparative information required

Why IFRS 18: Investors told the IASB

Income statements vary in structure and content which makes it difficult to compare companies.

Non-GAAP measures are useful, but not all companies explain these measures in a clear and transparent way.

Companies should provide more granular information and group information in a way that provides better inputs for our analysis.

01 More structured income statement

02 Management-defined performance measures (MPMs)

03 Enhanced requirements on aggregation and disaggregation of information

01

Structure of income statement

A more structured income statement

Illustrative income statement (IFRS 18)
Companies without specified main business activities (SMBAs)

Operating category	Revenue	X
	Operating expenses (analysed by nature, function or both as appropriate)	(X)
	Operating profit	**X**
Investing category	Share of profit or (loss) of equity-accounted investees	X
	Income from other investments	X
	Interest income from cash and cash equivalents	X
	Profit or loss before financing and income tax	**X**
Financing category	Interest expense on borrowings and lease liabilities	(X)
	Interest expense on pension liabilities	(X)
	Profit before tax	**X**
	Income tax	(X)
	Profit for the year	**X**

New subtotals

Required subtotals

What about FX?

What about derivatives?

What about interests?

IFRS 18 introduces some key changes for the income statement, including:

- **two new subtotals** on the face of the income statement.
- income and expenses classified into **three new categories**, depending on a company's **main business activities.**
- **results of equity-accounted investees** can no longer be presented as part of operating profit (now always in the investing category).

A company will continue to present separate **income taxes** and **discontinued operations** categories on the income statement.

What about SMBAs?

Entities with specified main business activities of 'investing in assets' (e.g. insurers, investment property companies) or providing financing to customers (e.g. banks) classify additional income and expenses in the operating category, which would otherwise be classified in the investing or financing category.

Illustrative income statement key findings

Current structure	
Sales	934,278
Cost of sales	(613,680)
Gross profit	**320,598**
Sales and marketing	(110,170)
Research and development	(68,387)
General and administration	(73,161)
Other operating income	6,693
Other operating expenses	0
Operating profit	**75,573**
Financial income	5,357 1
Finance cost	(3,317) 2
Net foreign exchange gains	664 3
Profit/(loss) before tax	**78,277**
Income taxes	(10,613)
Profit for the period	**67,664**

*Illustrative structure under IFRS 18**	
Sales	934,278
Cost of sales	(613,680)
Gross profit	**320,598**
Sales and marketing	(110,170)
Research and development	(68,387)
2 General and administration	(73,306)
Other operating income	6,693
Other operating expenses	0
3 Gains/(losses) on FX derivatives	(7,555)
Operating profit	**67,873**
2 1 Interest income from investments	5,307
Profit before financing and income tax	**73,180**
2 Finance cost	(3,122)
3 Net foreign exchange (losses)/gains	8,219
Profit/(loss) before tax	**78,277**
Income taxes	(10,613)
Profit for the period	**67,664**

Foreign exchange - which category? (Not SMBAs)

Items that generated FX gains or losses	Operating	Financing	Investing
Trade receivables	X		
Other liabilities (e.g. trade payables, provisons)	X	(X)	
Borrowings in foreign currencies		X	
Deferred consideration to seller in a business combination		X	
Contingent consideration in a business combination	X		
Holdings of bonds in a foreign currency at amortised cost			X
Liability for NCI put option in foreign currency		X	
Lease liability in a foreign currency	X	(X)	

FX on intercompany balances in consolidated FS 1)	Operating	Financing	Investing
Intra-group trade receivables	X		
Intra-group lending	X	(X)	(X)
Intra-group leasing, trade payable	X	(X)	

1) Consolidated financial statements

Derivatives & hedging

Key questions:

- Are the financial instruments used to manage identified risks?
- Are the financial instruments derivative or non-derivative?
- Are they designated as hedging instruments under IFRS 9?

Purpose and hedging designation		Gains and losses on derivatives	Gains and losses on non-derivatives
Used for managing identified risks	**Designated as hedging instruments**	Same category as income and expenses affected by the hedged risk. No grossing up → Operating	
	Not designated as a hedging instruments	Same as above. Unless undue cost and effort → Operating	Follow general rules on classification → Ignore the economic hedge
Not used for managing identified risks		Operating Unless it involves only the raising of finance → Financing	Follow general rules on classification

02

Aggregation and disaggregation of information

Enhanced requirements on aggregation and disaggregation

Applies to the entire financial statements

Specific consideration on …

01

Presentation of operating expenses

- Either by function, by nature or on a mixed basis
- Select based on the method that reflects the most useful structured summary

Not free choice

Enhanced requirements on aggregation and disaggregation

Applies to the entire financial statements

Specific consideration on …

01

Presentation of operating expenses

- Either by function, by nature or on a mixed basis
- Select based on the method that reflects the most useful structured summary

Not free choice

Income statement

By function*

Revenue	X
Cost of goods sold	(X)
Gross profit	X
R&D expenses	(X)
Admin expenses	(X)
Operating profit	**X**

By nature

Revenue	X
Purchases of materials	(X)
Transport costs	(X)
Depreciation	(X)
Employee costs	(X)
Operating profit	**X**

Mixed*

Revenue	X
Cost of goods sold	(X)
Gross profit	X
Impairment expenses	(X)
Admin expenses	(X)
Operating profit	**X**

* New disclosures apply.

Enhanced requirements on aggregation and disaggregation

Applies to the entire financial statements

Specific consideration on …

01

Presentation of operating expenses

- Either by function, by nature or on a mixed basis
- Select based on the method that reflects the most useful structured summary

Not free choice

02

Disclosure of nature expenses

For by function line items:

- the total amount of specified nature of expenses included in the line item
- further disclosure to break down total amount between operating and non-operating categories

03

Enhanced aggregation and disaggregation

- newly defined 'roles' for the primary financial statements and notes
- Based on shared vs. non-shared characteristics
- A single dissimilar characteristic can result in disaggregating items, if material.

04

Use of 'other'

- Discouraged – need to use more informative labels
- Additional disclosures apply for items labelled as 'other'

Enhanced requirements on aggregation and disaggregation

Applies to the entire financial statements

Some system implications from each of these changes…

01

Presentation of operating expenses

- Introduction of cost centers or functional tags, allocation rules, etc.
- Update reporting templates, build reconciliation reports, etc.

Relevant if IFRS 18 leads to a change

02

Disclosure of nature expenses

For by function line items:

- Build and update reconciliation reports
- Update disclosure managements tools with new requirements

03

Enhanced aggregation and disaggregation

- Remapping in primary statements (e.g. balance sheet)
- Remapping of accounting in the notes

04

Use of 'other'

- New trial balance accounts at consolidated level
- More accounts needed from the reporting units

03

Management-defined performance measures (MPMs)

Which 'non-GAAP' are MPMs?

Performance measures

Financial performance measures

Subtotals of income & expenses

MPMs

- Adjusted profit or loss
- Adjusted operating profit
- EBITDA
- Adjusted EBITDA

IFRS-specified

- Operating profit
- Operating profit before depreciation amortisation and specified impairments (OPDAI)
- Gross profit

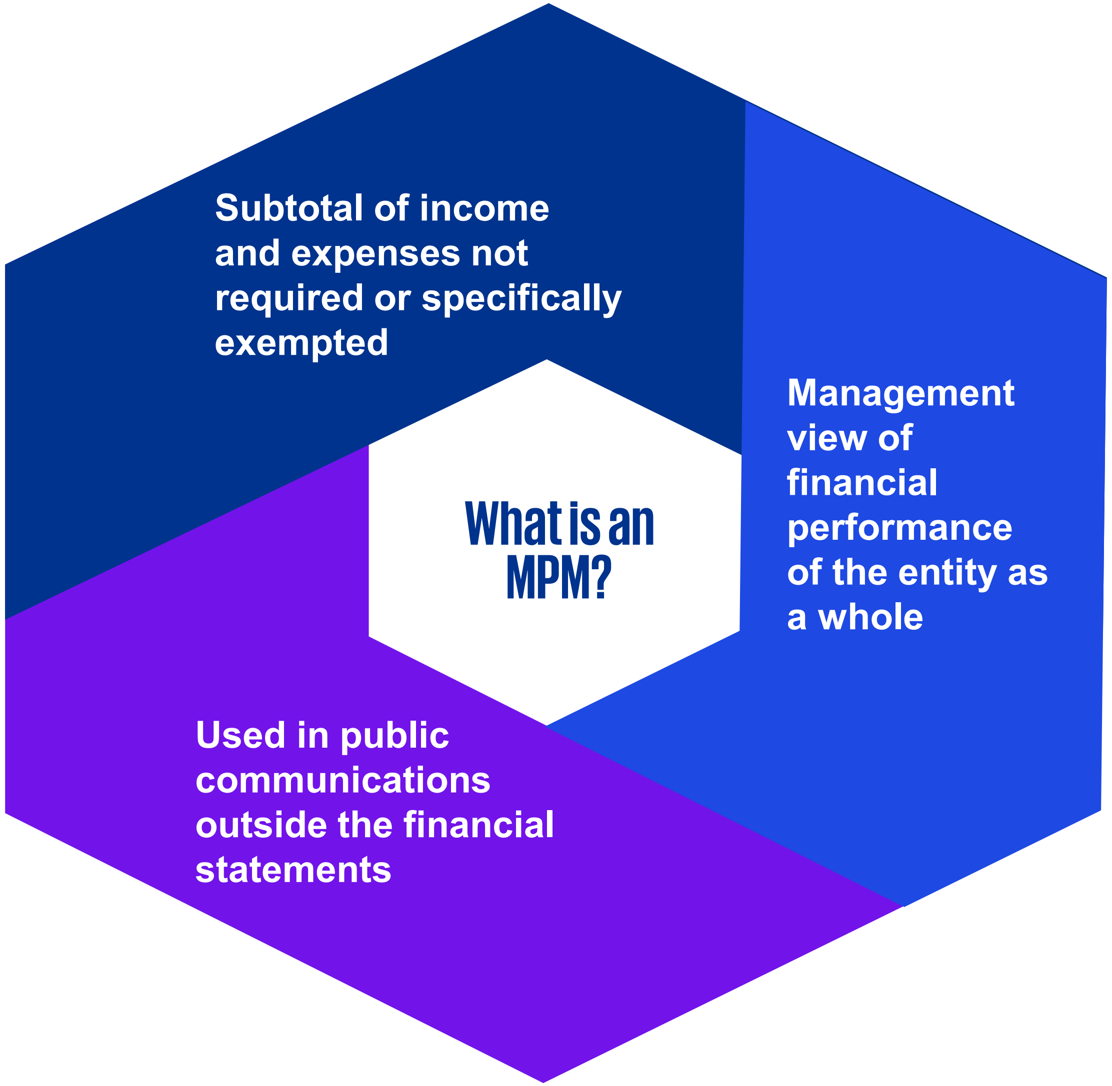
Other measures that are not subtotals of income and expenses

- Free cash flow
- Return on capital employed
- Equity per share

Non-financial performance measures

- Number of subscribers
- Customer satisfaction
- Leased area

Management-defined performance measures (MPMs)



What are the new disclosures for MPMs?

In a **single note** in the financial statements, a company:

- states that the MPM provides **management's view** of the company's financial performance and is not necessarily comparable to MPMs of other companies;
- explains **why** the MPM provides useful information and **how** it is calculated;
- **reconciles** the MPM to a total/subtotal specified in IFRS Accounting Standards, including the tax and non-controlling interest effects for each reconciling item; and
- explains any **changes** – e.g. changes to calculations and any new MPMs.

Notes to the financial statements

	IFRS	Impairment losses	Re-structuring expenses	MPM
General and administrative expenses		-	3 800	
Goodwill impairment loss		4 500	-	
Operating profit / Adjusted operating profit	**57 000**	**4 500**	**3 800**	**65 300**
Income tax expense		-	(589)	
Profit attributable to non-controlling interests		305	161	

04

Transformation journey

Potential systems and processes implications

Disclosing the information required by IFRS 18 could require significant changes to existing systems, processes and controls that would be costly and time consuming

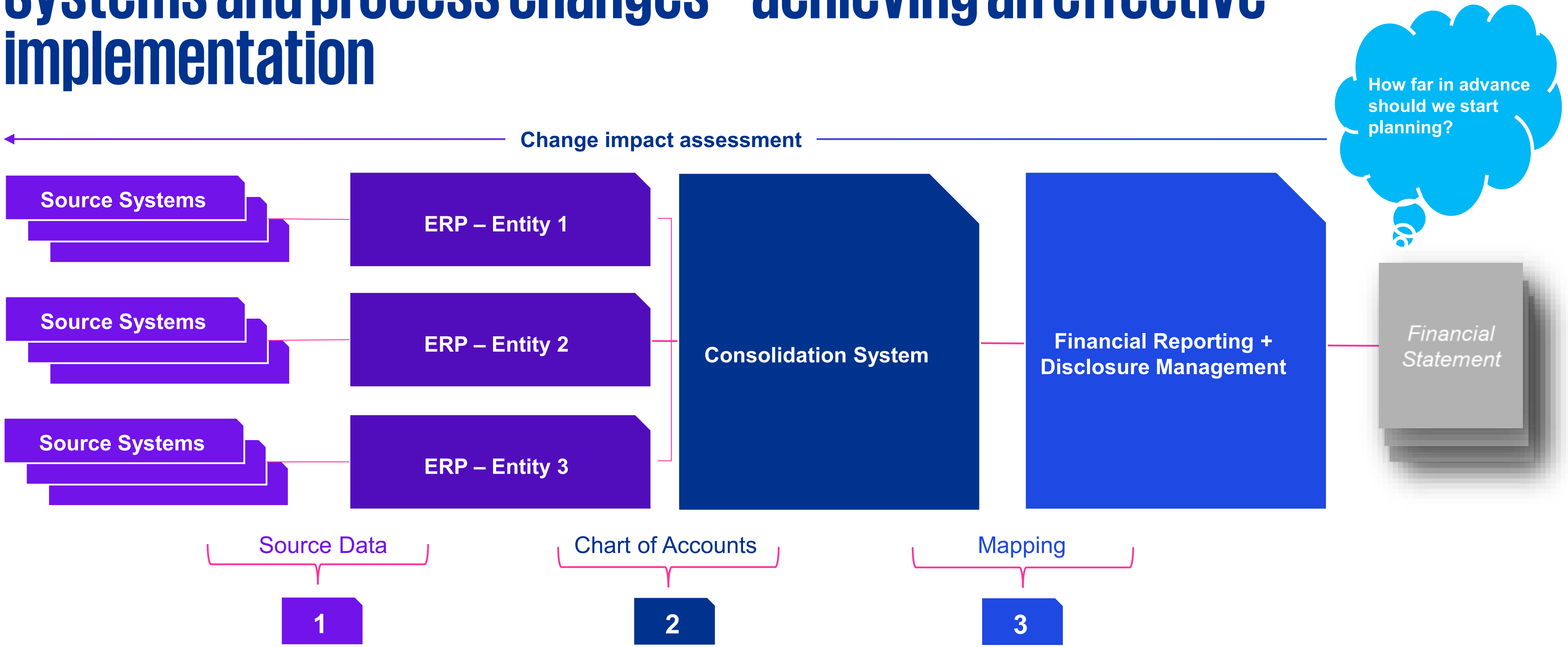
01 Chart of accounts

02 Consolidation

03 ERP / source systems

04 Controls

Systems and process changes – achieving an effective implementation



Working right to left to understand the change impact

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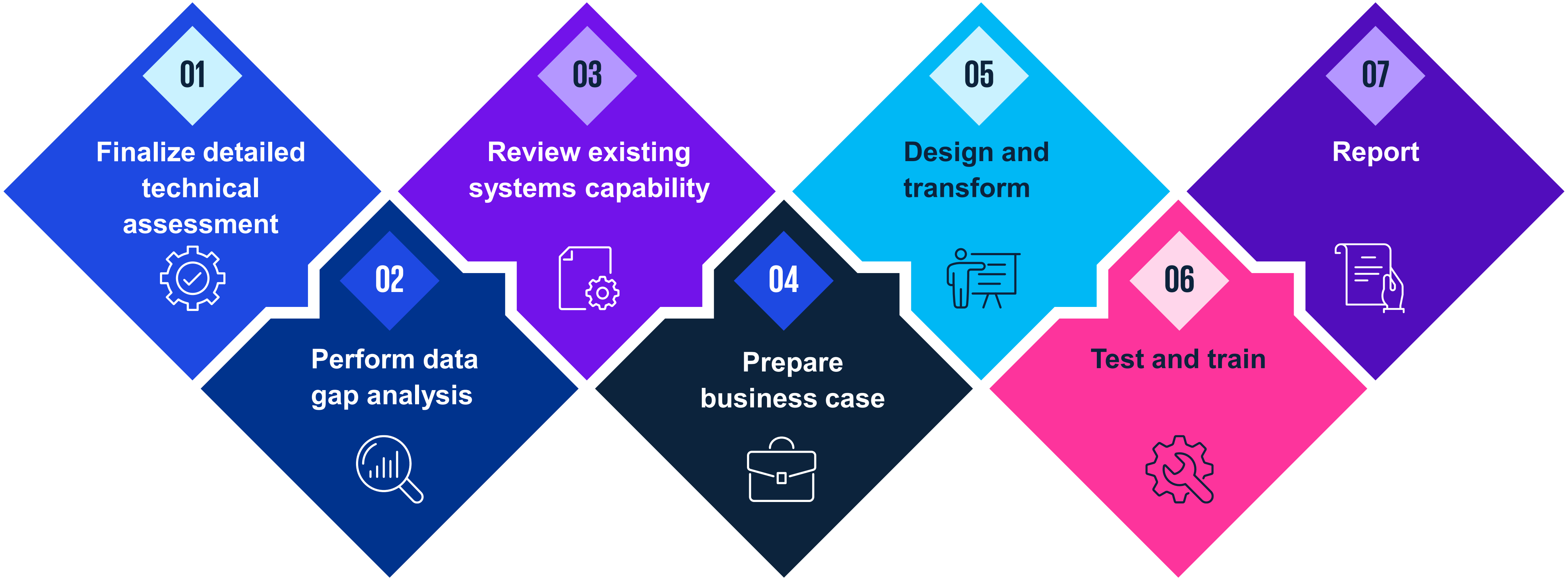
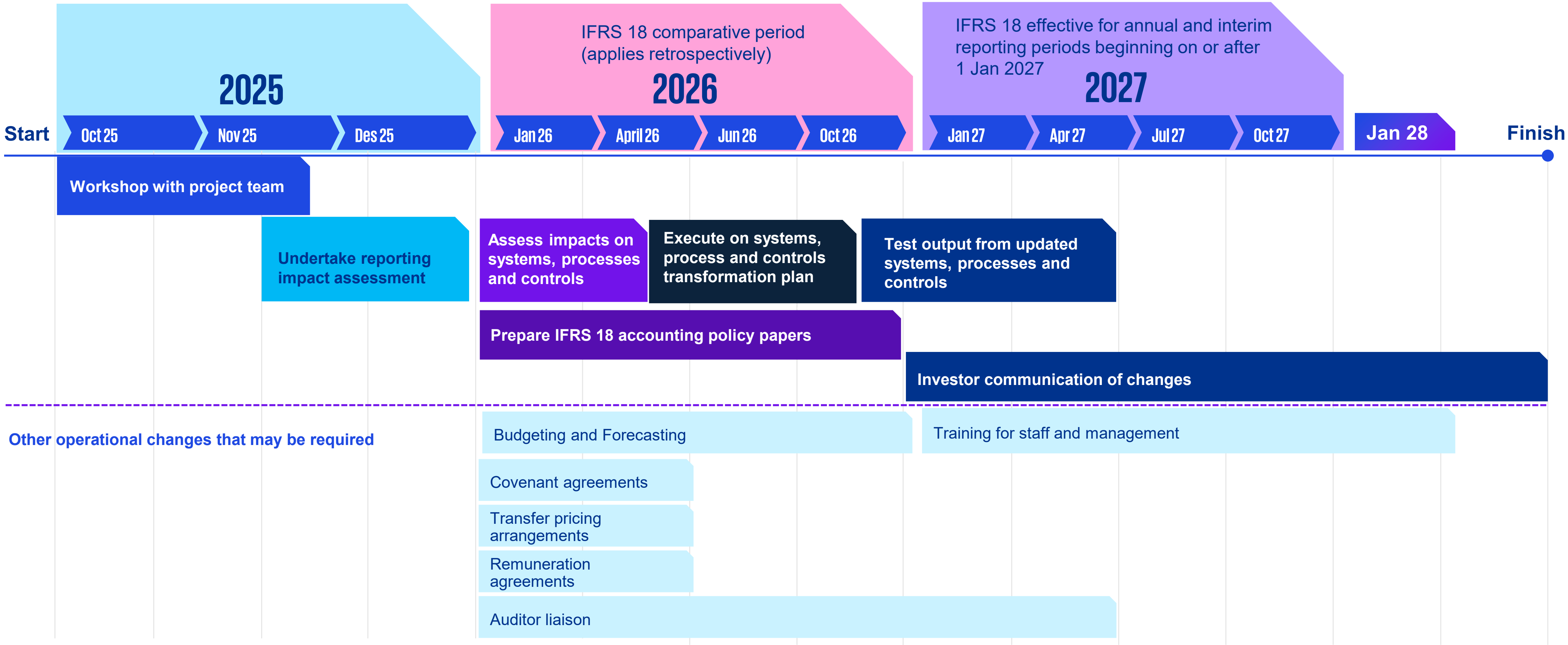
Transformation journey - Operationalizing IFRS 18



Illustrative roadmap to adoption for a December YE reporter

By FY26 reporting, we expect companies to have completed their transformation unless they are planning to adopt early. Companies should anticipate a work effort to understand the impacts and then design & implement requisite changes throughout FY25 and early FY26.



05

Key takeaways so far

What should you take with you

IFRS 18 is the most consequential change in IFRS since IFRS 16 (and IFRS 17 in the case of insurers), and it is highly recommended to early identify topics, particularly those affecting systems.

01 Effects are not just limited to reallocating items in the income statement

IFRS 18 effects go beyond, and can potentially affect all primary statements, note disclosures, and information currently outside of the financial statements such as non-GAAP measures.

02 Make sure you involve all relevant parties during the entire process, from the board to your auditors. And make sure you allocate enough time.

It is unlikely than only one team can solve all the issues. Different departments will need to come to joint discussions and solutions (reporting, investor relations, legal, etc.).

03 IFRS 18 will have wider implications beyond the accounting side of it

Companies need to consider effects these changes have in KPI-linked compensation, covenant agreements, earn-out calculations, etc.

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