NASDAQ STOCKHOLM

MONITORING OF PERIODIC FINANCIAL INFORMATION 2017

Nasdaq

Contents

This version in English is a summary of the official report in Swedish, which is available on the Exchange´s website (see last page).

SUMMARY

Nasdaq Stockholm AB (the "Exchange") is responsible for monitoring regular financial information published by entities listed on Nasdaq Stockholm. In 2017, 94 (compared to 97 last year) entities were reviewed in relation to the provisions of the IAS Regulation and the Swedish Annual Accounts Act.

The number of cases resulting in a requirement for correction is slightly lower than last year (10 vs 14). Descriptions of these cases show that the areas of non-compliance are spread over various IFRS'. Combined with the cases that have resulted in remarks and other comments, the ESMA Guidelines for Alternative Performance Measures (APM Guidelines), IAS 1, *Presentation of financial statements* and IAS 19 *Employee benefits* have been identified as the main areas where the issuers' application of the standard needs improvement. Disclosures for impairments (IAS 36) are also an area where improvement is still needed. IAS 1 changed as of 2016 as part of IASB's Disclosure Project to improve financial reports as a better means of communication. The changes clarified that disclosures need to be relevant, entity specific and material. The Exchange notes that many issuers still haven't used these opportunities and that there is still room for development. In that field the findings indicate a risk that Swedish annual reports could be lagging behind in that respect, relative to other European countries. The Exchange urges the issuers to review their efforts in this area.

2018 will see the application of two new standards being introduced: IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers.* Both standards are complex and will affect the financial reporting of all issuers. IAS 8 requires disclosures about the effects during 2017 and that details and quantification is available at the latest in the 2017 annual reports. ESMA and the Exchange have noted that the disclosures regarding such effects in the 2016 annual reports and the interim reports for 2017 have in general not been fully compliant. The Exchange has therefore informed all issuers that the effects of the new standards, both qualitative and quantitative, have to be described in the issuer's reports for the fourth quarter of 2017.

Thematic reviews, desk research and detailed questions in this year´s reviews show that there is a widespread variation in the accounting for defined benefit pension arrangements. The discount rates applied vary more than one could expect and the methods used for building yield curves and the underlying data show a wider variation than requirements in IAS 19 seem to allow. The Exchange will therefore include IAS 19 as a priority in the 2018 reviews and monitor both measurement and disclosures.

Also during 2017, the Exchange performed a thematic review of all annual reports aiming at gathering information about certain topics, which has been used to provide statistics and information to the issuers, through this report, but that can be also be used as input to the selection of issuers. The review is presented, on a high level, on page 6 and the topics include information on the new standards, the use of alternative performance measures and discount rates for pension obligations.

As has been referred to previously, the Swedish government in 2013 initiated an inquiry in order to propose a future organization of the surveillance of regular financial information. A memorandum of the Swedish Financial Supervisory Authority ("Finansinspektionen") published mid 2017 suggests that a private organization will monitor the financial reports of listed issuers, whereas the FSA will be responsible for actions in case of non-compliance. The proposal is that the new scheme will start on January 1, 2019. The Exchange will therefore monitor the financial reporting also under 2018 for the annual reports for 2017.

Stockholm, December 21, 2017

INTRODUCTION

Nasdaq Stockholm AB (the "Exchange") is by law[1] responsible for monitoring regular financial information published by entities listed on Nasdaq Stockholm. The responsibility includes verifying that the regular financial reports are published in a timely manner and prepared in accordance with the applicable rules, including the IAS Regulation and the Swedish Annual Accounts Act. The purpose with the monitoring is to protect investors and to promote public confidence in the securities market.

The Exchange is required to publish a report each year regarding the review performed, which must contain information regarding the monitoring activities and the results of the review. The report was published, in Swedish, by year-end 2017 in order to give the listed entities the opportunity to use the results in the preparation of their upcoming annual accounts. Conclusions in this report have been presented at a seminar that the Exchange arranged on December 11, 2017.

Observations described in this report are based on breaches noted in the individual instances. Since the Exchange only examines a selection of annual reports, equivalent breaches may also have occurred in other companies' annual reports. The Exchange always assesses the relevant breach on the basis of materiality, which affects the final decision of the Exchange and the requirement for measures to be taken by the company.

Ultimately, determining which information is material is largely specific to each company and it is therefore difficult to consider the remarks as having general application. An observation of a breach in respect of a small entity or a certain industry sector may be material, whilst an equivalent observation in respect of another entity, which operates in a different industry sector or is of a different size, may clearly not be material. The aim of publishing this report is to facilitate for the entities to develop and improve the way in which they provide information externally. It is up to the individual entity to decide whether the Exchange´s observations could or should affect the entity's financial statements if the entity was not included in this year's review.

SELECTION

The population of entities that has been reviewed by the Exchange during 2017 is based on a combination of risk-based and rotation-based selections in accordance with ESMA's[2] guidelines on enforcement of financial information[3]. The annual rotation-based selection should ensure that all listed entities are reviewed every fifth year.

The risk-based selection is made continuously and is, to a large extent, based on observations and notes made in relation to the Exchange's continuous monitoring of price sensitive information as well as the periodic financial information published by the listed entities. Such review does sometimes generate questions directly related to accounting issues such as provisions, impairment charges, acquisitions and non-recurring items. Other factors that may impact the risk-based selection are financial difficulties, major changes in the entity's business model or ownership, unusually high

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[1] The responsibility stems from the provisions contained in Chapter 16 of the Securities Market Act (2007:528) and the Swedish Financial Supervisory Authority's Regulations (FFFS 2007:17).

[2] European Securities and Markets Authority

[3] ESMA/2014/1293

media attention, unusually high valuation or volatility in share prices as well as general deficiencies in the entity's information provided to the market participants.

The selection may also include a follow-up of enforcement actions from previous years. The Exchange may also choose to monitor specific areas for a larger group of listed entities, for example a specific industry.

The ESMA Guidelines distinguish between an unlimited scope examination and a focused examination of financial reports. An unlimited scope examination may involve annual financial statements or an interim financial report. A focused examination involves the examination of only a specific area. An example is where only the impairment of goodwill has been examined. The Exchange classifies the follow-up of last year's non-public reprimands and remarks as well as the examination of an interim financial report as focused examinations. The number of listed entities examined in 2017 is presented in the table below:

	2017	2016	2015
Unlimited scope examination	58	60	53
Focused examination	36	37	32
(whereof follow-up of last year)	(14)	(21)	(17)
Total	**93**	**97**	**85**
In process by 31 December	2	1	5
Finalized	**91**	**96**	**80**

The following issuers have been examined in 2017 (excluding follow-up of enforcement actions from previous years):

Unlimited scope	Unlimited scope (cont.)	Focused examination
Acando AB	KappAhl AB	Bravida Holding AB
ACTIVE Biotech AB	Medivir AB	BioGaia AB
Addnode Group AB	Mekonomen AB	Bong AB
Alfa Laval AB	MQ Holding AB	Capio AB
Arise AB	MSC Group AB	Collector AB
Avanza Bank Holding AB	NAXS AB	Com Hem Holding AB
Bergman & Beving AB	Nobia AB	Concordia Maritime AB
Beijer Electronics Group AB	Nolato AB	D. Carnegie & Co AB
Betsson AB	Nordea Hypotek AB	Eltel AB
Bilia AB	Oasmia Pharmaceutical AB	Fingerprint Cards AB
BillerudKorsnäs AB	Odd Molly International AB	G5 Entertainment AB
BlackPearl Resources Inc	Orexo AB	Hexagon AB
BTS Group AB	Pandox AB	Husqvarna AB
Byggmax Group AB	Peab AB	JM AB

Unlimited scope	Unlimited scope (cont.)	Focused examination
Catella AB	ProfilGruppen AB	NCC AB
CellaVision AB	SAS AB	Nordax Group AB
Consilium AB	SBAB Bank AB	Scandi Standard AB
Duni AB	Softronic AB	SSAB AB
Enea AB	Sveaskog AB	Trention AB
Eniro AB	Swedavia	
eWork Group AB	Swedish Match AB	
Förvaltnings AB Framtiden	Tele2 AB	
Gränges AB	Telefonaktiebolaget LM Ericsson	
Havsfrun Investment AB	Telia Company AB	
ICA Gruppen AB	Tobii AB	
Image Systems AB	Trention AB	
Indutrade AB	Vasakronan AB	
Landshypotek Bank AB	Venue Retail Group AB	
Lindab International AB	Volvofinans Bank AB	

THEMATIC REVIEW

Annual reports for almost all entities (264) have been subject to a thematic (desk) review. Only Swedish entities have been included due to differences in both accounting framework and practice in other countries.

The review looked at the following items:

- Size and structure of the various parts in annual reports
- Information about the new standards
- Alternative performance measures
- The new audit report
- Discount rate used for defined benefit plans

The review of the first item was a repeat from last year, resulting in statistics and showed, as expected, differences depending on the size of the entities (large, mid and small cap). Differences compared to last year's statistics are, apart from on average 3 more pages for the audit report, minor. Some increase in the general information, apparently at cost for the management report, could be noticed.

A remarkably high portion of the issuers have reported that no effects were expected from the introduction of IFRS 9 and especially IFRS 15 (see further on page 12).

The review shows that EBITDA is the most commonly used APM. Around 60 % of the issuers use some kind of adjusted result, normally EBITDA, but very few use this or other adjusted figures in the income statements. 16 issuers use line items or subtotals that are labelled as EBITDA before and after amortization and impairment.

The new audit report, in which the auditors present key audit matters, was used for the first time in the 2016 financial statements. The majority of issuers appear to have 2 or 3 such key matters, with a few examples of up to 6 or 7. Goodwill, revenue and acquisitions are the most common areas.

The review has comprised 69 issuers that have disclosed discount rates for their Swedish pension plans, ranging from 0,5 % to 3,35 %. See further page 14.

More information (including the statistics) can be found in the Swedish version of the report.

EUROPEAN COOPERATION

Note: some more information about ESMA, the European Enforcers Coordination sessions and our involvement is included in the Swedish version of the report, but have not been repeated here.

FOCUS AREAS FOR FINANCIAL STATEMENTS 2017

ESMA published on 27 October 2017 a public statement[4] that describes the enforcement priorities for 2017 financial statements. The focus areas are:

- disclosures of the impact of the new IFRS standards
- specific recognition, measurement and disclosure issues of IFRS 3 *Business Combinations*
- specific issues of IAS 7 *Statement of Cash Flows*

The full public statement is available on the Exchange´s website.

The Exchange will examine the financial statements for 2017 with the same prioritized areas in focus. Following the outcome of this year´s and earlier reviews, the Exchange will also focus on the following areas:

- Measurement and disclosures of pension liabilities (IAS 19, see page 14)
- Goodwill and impairment tests (IAS 36, see page 18)

The Exchange will also follow up on this year's decisions that resulted in a requirement for a corrective note or corrections in future financial statements.

RESULT OF THIS YEAR´S REVIEW

At the time of this report, not all of the 93 reviews initiated in 2017 (see table on page 5) were finalized. Two reviews are not yet concluded. One review started in 2016 was concluded in 2017, bringing the total of closed cases to 92. The table shows how these cases (number of issuers) are distributed over the various categories of actions:

	2017	2016
1 No comments	82	86
2 Required corrections	10	5
3 Non-public reprimand	0	9

[4] Public Statement European common enforcement priorities for 2017 financial statements, ESMA32-63-340

4 Disciplinary action	0	0
	92	**100**

Category 1 (no comments) includes 14 (21) entities that were followed up based on last year´s review. The Exchange concludes that earlier comments have been taken into account by the entities.

The final letter can include both reprimand and remarks, but is categorized based on the more serious outcome. In all final letters, regardless of category, the Exchange may include comments that are less material ("*Other comments*"). Most entities that have been subject to an unlimited scope examination have received such comments. Some of the remarks do not meet the IFRS criterion for materiality and are therefore, like other comments, serve as a help for issuers to improve the quality of their reporting.

Remarks that met the materiality criterion, together with non-public reprimands (none this year) result in a sanction, as per the ESMA Guidelines, to correct the issue, mostly as a required correction in future financial statements as is shown in more detail in the next part.

SANCTIONS 2017

The 10 cases where issuers were sanctioned (see above) refer to the following standards:

	Correction in future financial statements
IAS 36	2
Guidelines for Alternative Performance Measures	1
IAS 1	2
IAS 7	1
IAS 24	1
IFRS 5	2
IFRS 8	1
IFRS 9	1
IFRS 13	2
	13

The total number adds to 13 as some issuers were sanctioned with regard to breaching more than one standard. A summarized description of these cases, as published anonymous and shortened on the website of the Exchange is given below.

The description below is a summary of the version in Swedish included in the official report

Decision 01/17: infringement of IAS 1, IAS 24 and APM Guidelines

The issuer did not disclose assumptions as per IAS 1 paragraph 125 about major sources of estimation uncertainty, although material amounts for goodwill, brands, inventory and deferred tax losses were carried. The issuer did not disclose information required in IAS 24 on management compensation, related party transactions and the outstanding balances. The issuer presented performance measures such as adjusted EBITDA without presenting a definition of the non-comparable items that those measures were adjusted for, thus infringing the APM Guidelines.

Decision 02/17: infringement of IFRS 13

The issuer discloses changes in fair value (Level 3) in various notes in different ways. The Exchange found that the explanation given by the issuer, when asked by the Exchange, should have been presented more clearly in the notes and that the amounts presented should be clearly linked to the income statement and other changes such as repayments in order to meet the requirements of IFRS 13 para 93.

Decision 03/17: infringement of IFRS 5

The issuer produces and sells through shops that are owned by the group, franchised or owned by third parties. As part of the regular operations, some shops are closed, new ones are established and some are acquired with the purpose to sell or when that is not possible to close thesm. The issuer acquired a number of shops in 2014 from franchisees and accounts for these discontinued operations/assets held for sale. At year-end 2016 some were still unsold. The Exchange found that the shops did not qualify as a component that fulfills the requirements in paragraph 32 (not a major line of business) and the fact that an individual shop is embedded in a legal entity does not make it a subsidiary for which the third element of paragraph 32 is intended. By year-end 2015 and 2016 the one year period mentioned in IFRS 5 par 9 had been utilized and one of the shops was closed rather than sold. Requirements for any extension as per Appendix B are not fulfilled and the assets should therefore have been reclassified.

Decision 04/17: infringement of IFRS 13

The issuer values its real estate in accordance with IFRS 13 (Level 3). The notes disclose the effect on income of a change in the fair value. The Exchange notes that this disclosure does not meet the requirement in IFRS 13 paragraph 93h on disclosure of the sensitivity of the fair value measurement to changes in the unobservable inputs.

Decision 05/17: infringement of IAS 7 and IAS 8

The issuer presented blocked amounts as part of its cash in breach of the requirements in IAS 7. The issuer further infringed the requirements of IAS 8 by continuing this accounting despite its undertaking to correct the presentation in its next interim report.

Decision 06/17: infringement of IFRS 8

The issuer presents a segment called ”Other” that includes activities with revenues in access of the 10 % threshold in paragraph 13, together with corporate costs. The segment should therefore have been reported separately. Corporate costs are not a segment and should be presented a part of the reconciliation in relation to reported IFRS totals. Moreover, the Exchange found that the specific circumstances around these activities are such that the issuer should have disclosed the basis for its judgement that it is a principal rather than an agent and that gross revenue thereby can be presented. The issuer should therefore improve its disclosure of the judgements and adjust its segment reporting in order to comply with IFRS 8.

Decision 07/17: infringement of IAS 1

The issuer has changed its strategy and as a result reports a large part of its activities as discontinued operations in the income statement, as per IFRS 5 para 33. The note on the accounting principles includes, under the heading “Discontinued operations”, the sentence: “Information in the notes refers to the group´s total operations including discontinued operations if not mentioned otherwise.” As a consequence none of the amounts of the line items in the income statement (except “result from discontinued operations”) concur with the amounts in the notes that they are cross-referenced to. The exchange note that the disconnection between the income statement and the notes is a breach of the more general requirement in IAS 1 §112 and the specific requirement in IAS 1 §113. The issuer is required to ensure that the information for the comparative year 2016, in its 2017 financial statements, is in agreement with the standards.

Decision 08/17: infringement of IAS 36 and IFRS 3

The issuer reported a goodwill impairment in its interim report for the first quarter of 2017. The issuer explained that the goodwill arose from an acquisition of investment property in the previous year and exists of two components, the deferred tax arising as a consequence of the provisions of IAS 12 and other synergies that are not included in the fair value of the properties. The Exchange noted that disclosures in accordance with IFRS 3 para B64 had not been presented previously and especially not the specifics that the goodwill had those two components. The issuer had not performed an impairment test as required by IAS 36, but accounted for the impairment based on the judgement that the synergies concerned were now included in the fair value of the properties. The issuer is required to adjust the accounting in its next financial statements in accordance with the requirements of IAS 36 and IFRS 3.

Decision 09/17: infringement of IFRS 9 and IFRS 7

The issuer reported in its interim report for the first quarter of 2017 that is has applied IFRS 9 earlier. The application results in a higher amount for expected credit losses, that was subsequently reported as an adjustment to equity as per January 1 2017. The issuer did not present the required disclosures as per IFRS 7 on the transition to IFRS 9. The Exchange further noted that the issuer presented the expected credit losses as a provision rather than as a valuation adjustment of the financial assets concerned. The issuer is required to present the required disclosures and the presentation of the expected credit losses in its next financial statements.

Decision 10/17: infringement of IAS 1

The issuer presents in its report on changes in equity the acquisition of a non-controlling interest as well as a distribution to the non-controlling interest. Reference is made to a note that partly refers to another note. These notes however do not directly refer to the amounts presented in the statement of changes in equity. The issuer was requested to supply a more detailed specification of the amounts concerned. The Exchange found that the amount presented as distribution also includes the effects of a renegotiated loan. The referencing between the notes furthermore complicates the understanding of the transactions. The information that was supplied to the Exchange, in response to the inquiry performed, is of the nature as discussed in IAS 1 paras 106 and 122 and should therefore have been included in the financial statements. The issuer is required to describe the transactions in accordance with the detailed information supplied to the Exchange in its next financial statements.

REMARKS AND OTHER COMMENTS

Cases where the decisions of the Exchange have resulted in a sanction have been dealt with in the previous chapter. As a consequence, the final letters to the issuers do no longer give a distinction between remarks and other comments. However for the individual issuers that have been reviewed, the wording used in the letter should be clear that some remarks are “less immaterial” than others. As in previous years, the final letter includes a list of items where the issuers in their correspondence already have mentioned that changes will be made. Remarks and other comments should always be judged considering what is relevant and material for the coming financial statements of the individual issuer. The Exchange supports the communications of the IASB and the ESMA that financial reports should be entity specific. The Exchange has in many final letters expressed that answers received on its questions would result in more entity specific information if included in the notes to the financial reports. Disclosures should be relevant and the changes in IAS 1 that apply from January 1, 2016 make clear how structure and materiality should be judged. The Exchange´s remarks and other comments should be considered as tools for the improvement of financial reports.

The most commonly found issues in this year´s review are presented on the following pages. Similar issues that are mentioned in the chapter Sanctions, are not repeated. In all, the issues mentioned in this report could serve as a help for issuers that want to ascertain the quality of their financial reports.

The following issues are summarized (though some more than other) as compared to the original report in Swedish

ESMA Guidelines on Alternative Performance Measures (APM)

The APM Guidelines have now been in force for more than a year. ESMA has recently published an updated Q and A document[5] with 17 Q&As. The Exchange has noted that in many cases improvements are needed to comply with the Guidelines. Some of the important issues are dealt with below.

Guideline 17 defines an APM as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Since IFRS does not define or specify many measures (see IAS 1), many common measures (for example ”operating profit”) are APMs under the Guidelines. Guidelines 21 and 22 require disclosure of definitions in a clear and readable way with labels reflecting their content and basis of calculation.

The Exchange has noted that definitions have not been disclosed for all APMs or not in a clear and readable way. For example the definitions of “Adjusted EBITDA” often include other APMs such as non-comparative items or one-off items that are not defined. EBITA or EBITDA are sometimes used whereas it first from reading the definitions is clear that these are adjusted. Such labels do not comply with Guideline 22.

APMs like ”operational results” should reflect their contents. Excluding items that are part of the issuers’ normal operations may therefore be misleading under IFRS (IAS 1 paragraph BC56). ESMA[6] has also pointed out that it is unlikely that for example restructuring costs or impairments can be labelled as ”one-off” items as they may have or will occur relatively often. The Exchange has noted that details requested about such items often show that similar items were present in earlier years. Separate presentation of such one-off items can also be questioned in relation to the thresholds that issuers use for materiality on other occasions.

The Exchange noted that certain situations may require that APMs used in loan covenants should be disclosed and defined.

Guideline 26 requires reconciliation to the most directly reconcilable IFRS item. Reconciliation is not required if the APM is directly identifiable in the financial statements. That exception would be possible for EBITDA if used as a subtotal in the income statement showing the expenses by nature. In all other cases it may conflict with other requirements in IFRS. The Exchange has noted that reconciliations are missing in a relative high number of cases. Some issuers defend this by referring to the definitions that would give readers the possibility to reconcile the APM by themselves. This is unlikely to be in compliance with Guideline 26.

The Exchange has noted an increased use of boiler plate language, where issuers use an introductory paragraph to the list of definitions. This paragraph intends to cover all APMs, as a means to comply with the requirement in Guidelines 33 and 34 that the use of each APM should be explained. It can be questioned whether these requirements are really met in such cases. It is also noted that some

[5] Questions and answers ESMA Guidelines on Alternative Performance Measures (APMs), ESMA32-51-479, 30 October 2017

[6] ESMA Public Statement European common enforcement priorities for 2016 financial statements.

APMs are presented, but not used in for example the segment information, which is strange since IFRS 8 allows presentation ”through the eyes of management”.

In some cases, the Exchange has required further details with regards to statements that loan covenants are based on ”normal” or ”common” APMs. The actual loan agreements have in some cases showed that those covenants were not at all common, but very specifically defined. Disclosures may be needed as margins to such covenants are reduced.

Information on new standards (IAS 8)

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* will be applicable from January 1, 2018, IFRS 16 *Leasing* from January 1, 2019. ESMA has in its Enforcement Priorities 2016 published how issuers are expected to comply with the requirements in IAS 8 for disclosure of the effects of new IFRS. ESMA published on October 27 the results[7] of a review about these disclosures that concluded that information published by issuers at that point was not satisfactory.

The Exchange has noted earlier that many issuers did not present other information than that the effects are under investigation. Our thematic review of the 2016 financial statements gives the following results (number of issuers):

	IFRS 9	IFRS 15	IFRS 16
No information	4	4	11
Not started	39	29	69
Preliminary judgement no effects	148	140	42
Uncertain about effects	72	89	137
Mentions affected area/some quantification	1	2	5
Total	264	264	264

Issuers under a full scope examination were asked about progress and when detailed information is expected. In some cases the issuer was asked to present the documentation underlying a statement that no effects are expected. Desk review of issuers in the OMX30 index revealed that interim reports for the second and third quarter generally did not include more information.

Financial statements for 2017 are published in about the same period as the first quarterly reports for 2018, which should be compliant with the new IFRSs. The Exchange has therefore informed all issuers on 29 September that the final description of the transitional effects including the quantitative information should be published not later than in the interim report for the fourth quarter of 2017.

Other issues on IAS 8

Paragraph 39 requires disclosure of the nature and amount for changes in estimates. These were not disclosed by an issuer that started amortisation of intangible assets that previously were presented as having an indefinite lifespan.

[7] Summary of Findings, Results of the fact-finding exercise on disclosure of the impact of the new accounting standards in the 2016 annual and 2017 interim IFRS financial statements (ESMA32-63-364)

Presentation of financial statements (IAS 1)

IAS 1 *Presentation of Financial Statements* changed as part of IASBs ”Disclosure Project”´. The revised standard allows a number of changes in order to improve financial reporting. Disclosures are not required if not material and there is a certain freedom for the presentation of accounting principles and notes.

The Exchange notes however that the changes have not yet had a significant effect. The Exchange reviewed the effect for 43 issuers for which an unlimited scope examination was carried out (the remaining being foreign issuers and real estate entities). None of these made changes in the income statement. Only 3 issuers changed the presentation of the accounting principles, one by an improved structure, the other two by combining the accounting principles with the respective notes. Developments in other countries seem to imply the Swedish issuers are not utilizing the possibilities in this area to the extent that others are.

Other issues on IAS 1

It is common for real estate entities to present changes in the value of interest rate derivatives outside financial results, even if risk management policies describe the use of derivatives as a means to mitigate the effects of interest rate changes. The Exchange repeats its comments that this presentation is not common in the rest of Europe and has asked issuers to consider this presentation. Any further action is not taken however, pending the outcome of IASB´s project on Performance Reporting.

Paragraph 26 describes that a wide range of factors needs to be assessed on the going concern assumption. Where financial problems exist, more disclosure may be needed.

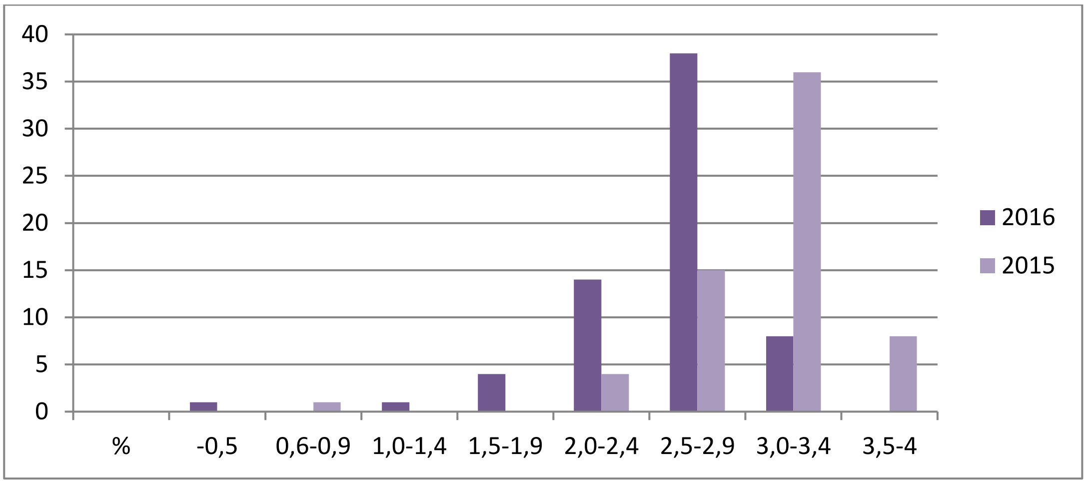
Paragraph 38 requires comparative information. Comparatives are often missing, most common in the notes on segments, pensions and impairment tests.

Paragraph 41 requires disclosures on changes in presentation or classification of items. Such changes are, especially in the statement of cash flows, relatively common. Disclosures are often missing, whereas disclosure of the reasons behind the changes is most important.

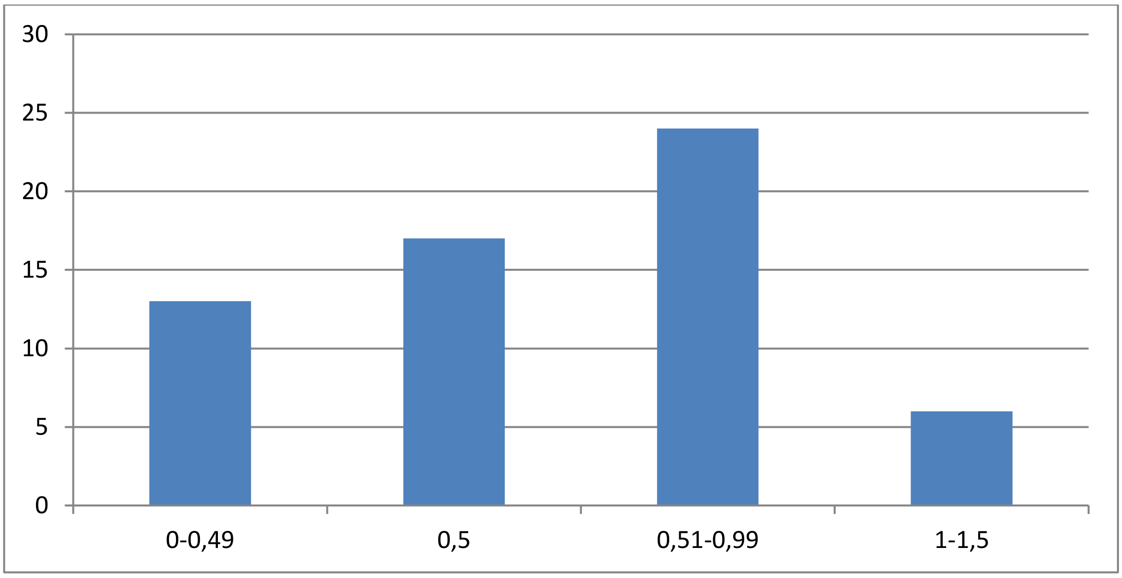
The Exchange notes that disclosures as required by paragraphs 122 and 125 on judgements with the application of the accounting principles and sources of estimation uncertainty are boiler plated, in some case incomplete and in others over complete. One case involved the lack of disclosure of the amounts concerned and the source of the uncertainty.

Pension liabilities (IAS19)

Last year´s examination showed a need for improvement in the disclosures as well as a relatively wide spread in the discount rates used. The application of IAS 19 has therefore been a focus area during this year´s examination, both by means of the thematic review and as part of the full scope examinations. We identified 69 issuers that have Swedish defined benefit pension plans. Four out of these present average discount rates for various countries, which limits our analysis till 65 issuers. The discount rates used for 2016 and 2015 are as follows (number of issuers per range):

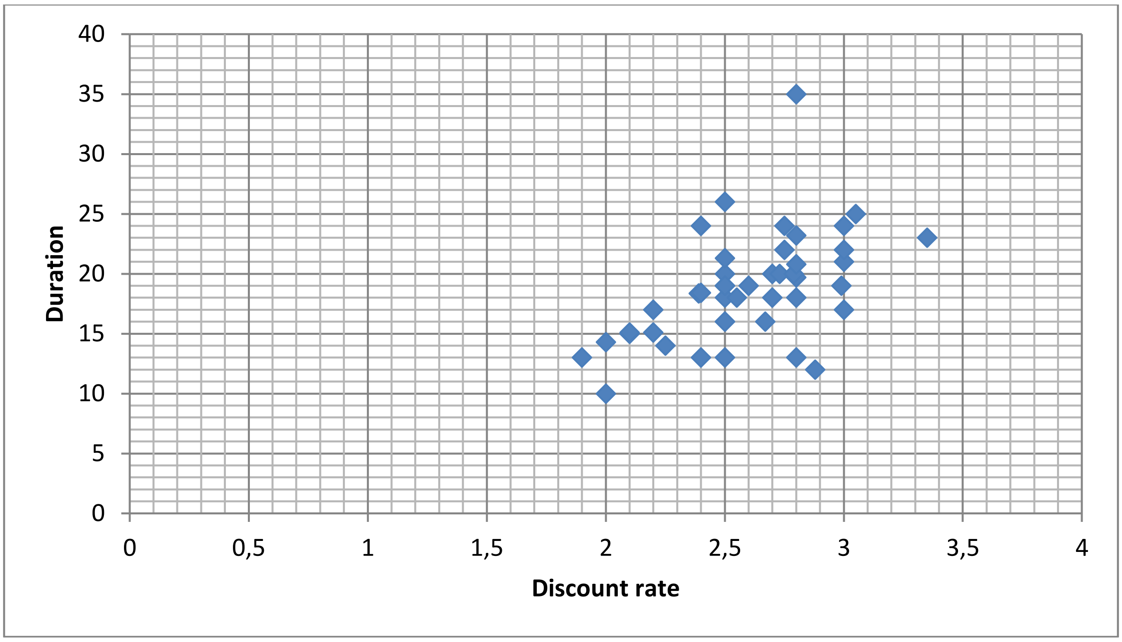


Most issuers (60) present a decrease in the discount rate used from 2015 to 2016. Two issuers use a higher rate, two use the same rate and one issuer did not supply comparative information. Decreases reported by the 60 issuers are as follows:



The diagram shows that the discount rate most commonly decreased with 50 bps (of 26 issuers within the range 45 -65 bps, 15 decreased with 50 bps).

The variation in the rates between 0,5 and 3,35 % is quite wide and cannot be explained by the differences in the duration of the pension liabilities. The correlation between duration and discount rates is shown for 47 of the 65 issuers in the following graph.



The graph is limited to the 47 issuers that disclosed the duration. The others did not present the information, although it is required by paragraph 147c of IAS 19. Two issuers have presented further information by means of a maturity analysis. Only 27 of the 47 issuers provided comparable information for 2015 (as required by IAS 1 paragraph 38). The remaining 20 issuers did not supply the information or used wording that is unclear as to whether the duration given is for 2016 or both years.

The duration presented varies between 10 and 35 years with an average of 18.7 and median of 19 year. The graph shows however a wider variation than could be expected.

For a number of issuers with large pension obligations, more detailed information has been required about the underlying information used for the discount rate. That information shows a wide variation in the underlying data for the yield curve used.

Changes in the discount rate and the often large amounts presented for in the OCI are difficult to understand without further explanation, for example about the methodology used for extrapolation of the discount rate. In some cases, the Exchange has noted that changes were made in the methodology without disclosure in the financial statements. Sensitivity analysis is another area where improvements are needed. Supplying sensitivity information per country is not very meaningful in cases where the discount rate is given for a range of plans and not with the same granularity. Information about the expenses for the following years was sometimes missing.

The outcome of this year´s review leads to the conclusion that application of IAS 19 for defined benefit plans will also be a focus area in next year´s examinations.

Business combinations (IFRS 3)

Paragraph B67a requires disclosure as to why the initial accounting for the acquisition is preliminary and for which assets or liabilities this is the case. This information is often not disclosed, especially in interim reports.

Paragraph B64q requires disclosure of the amounts of revenue and profit and loss since the acquisition date and from the beginning of the year. This disclosure is often limited to the revenue part.

Information about contingent consideration (paragraph B64g) is often limited, which does not contribute to the understanding of future re-measurements. The standard requires a description of the arrangement, an estimate of the range of possible outcomes and the basis for determining the amounts of the payment.

Paragraph B64f requires disclosure of the fair value of equity instruments including the method used for measuring the fair value (see also IFRS 13).

Financial instruments: disclosures (IFRS 7)

IFRS 7 includes wording that explains the need for the disclosures. Paragraph 7 states that disclosures should enable users of the entity´s financial statements to evaluate the significance of financial instruments for its financial position and performance. Paragraph 31 states that disclosures should enable the users to evaluate the nature and extent of risks arising from financial instruments. Meeting those requirements may require disclosure over and above the detailed disclosures required in the other paragraphs of the standard. Examples noted refer to presentation of instruments that generally are of a long term nature as short term and the other way around. The Exchange has in such cases noted that improvements in the disclosures are needed.

Paragraph 40 requires a sensitivity analysis for each type of market risk. The Exchange has noted that for example for currency risk the disclosures present the effect of a 1 % change. In most cases however, it is unlikely that a 1 % change can be regarded as a “reasonably possible change”.

Other issues on IFRS 7

- Lack of disclosure of the methods and assumptions used in preparing the sensitivity analysis (paragraph 40b)
- Incomplete maturity analysis (excluding interest) of financial liabilities (paragraph 39 and B11)

Operating segments (IFRS 8)

The most common area for comments is the lack of information for the entity as a whole (paras 31-34). A disclosure on the revenue for each product or service is often lacking, even where other parts of the annual report show information on more than one product area.

The Exchange has noted that descriptions for the reasons to present only one segment may need improvement, for example as compared with detailed descriptions of the entity´s activities in other parts of the annual report and with regard to the new requirements on aggregation (paragraph 22aa).

Fair value (IFRS 13)

Paragraph 93h requires a sensitivity analysis for recurring measurements in Level 3. The analysis should refer to the sensitivity for changes in the unobservable inputs. Paragraph 94 requires disclosures for each class of asset. The Exchange has noted lack of information per class, ranges that are too wide and in one case lacking of the sensitivity analysis. Information per class of asset is needed for example in real estate entities, where the different properties are prone to risks that vary with the type of property.

A description of the valuation techniques is required in accordance with paragraph 93d. The Exchange noted that such description was not included in a number of cases, mostly for fair value measurements in Level 2, but even for contingent consideration resulting from a business combination.

Disclosure of fair values is not required for certain financial instruments (IFRS 7 paragraph 29). The Exchange found in one case that this exemption was unlikely to be met where the instrument carried fixed interest.

Income taxes (IAS 12)

Paragraph 34 requires that a deferred tax asset is recognized to the extent that it is probable that unused tax losses can be used. The Exchange has asked issuers to improve the disclosures with the specific circumstances that motivate the accounting for example by including the information given as answer to the Exchange´s questions in the notes.

Paragraph 81c requires an explanation of the relationship between tax expense and accounting profit. The Exchange has noted that the items mentioned in such reconciliations are often boiler plate wordings. Issuers were even this year reminded that answers given to the Exchange are often equally relevant as information to other users.

Other issues on IAS 12

- The nature of the items may preclude net settlement of taxes as allowed by paragraphs 71 and 74.
- Lack of compliance with paragraph 81f in case of application of the exemption in paragraph 39 on temporary differences associated with certain investments.

Share-based Payment (IFRS 2)

The standard applies for all share-based payments and includes disclosure requirements even when the scheme itself does not result in expenditure. The Exchange noted that disclosures on for example the number of outstanding options and the movements in it were not presented in a few cases.

The Exchange has noted that some issuers did not disclose information with the argument that the options were issued at market prices. In a number of cases this argument was not accepted as the underlying documentation, such as the agreements voted by the AGM, show that the option prices were in part subsidized by the issuer.

Impairment of assets (IAS 36)

As in previous years, the Exchange has found disclosures as required by paragraph 134 (and 130) to be incomplete. Reference is made to our report for 2016 and earlier years that can be accessed on the website.

The number of issuers where improvements are needed led to the conclusion that application of IAS 36 will be a focus area also next year, especially for issuers that are large carrying values for goodwill and other indefinite live intangibles.

Earnings per share (IAS 33)

Paragraph 2 does not require application of the standard where no shares are listed. The Exchange noted however that a few issuers with only listed bonds, presented EPS information without following the disclosure requirements in IAS 33. If EPS numbers are presented voluntarily, IAS 33 has to be applied in these situations.

Other issues on IAS 33

- Lack of disclosure on the number of shares (paragraph 70)
- Lack of disclosure of potential diluting instruments that are not included (paragraph 70c)
- Disclosure of adjusted EPS on the income statement rather than in the notes (paragraph 73)

CONTACT

Nasdaq Stockholm AB
Tullvaktsvägen 15
105 78 Stockholm
iss@nasdaq.com
Telefon +46 8 405 70 50

Website:
www.nasdaqomx.com/nordicsurveillance (click to: Redovisningstillsyn)