IFRS 18 at Equinor – our implementation journey and early lessons learned

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Phuong Lam
Equinor

Agenda

Project plan

Q2 – Q4 2024
Impact assessment and gap analysis completed

Initial stakeholder communication

Internal alignment roadshow

Q1 2025
Project team established

Core workstreams launched

Q2-Q4 2025
Detailed analysis

Interpretations and principles clarified

Implementation impacts assessed

Internal control impacts assessed

CoA analysis

Preliminary P&L structure and CF defined

Q1 2026
Further interpretation, clarifications and alignments

Change proposals submitted

Q2-Q4 2026
Finalise remaining clarifications and alignments.

Continue with remaining change proposals

Change proposals implemented

Interpretation embedded

Internal controls implemented

Comparative setup prepared

Q1 2027
Go-live with comparatives

Q2-Q4 2027
Change to quarterly reports and annual report 2027 with restated comparatives

Project set up

Structured, cross-functional IFRS 18 implementation combining policy clarity, system enablement, and strong governance.

Implementation approach

❑ Cross-functional collaboration
- Policy, reporting, controlling, investor relations, systems/ IT, and internal control.

❑ External engagement
- Active participation in peer working group
- Regular exchange with Regnskapsforum for storbedrifter on IFRS 18 implementation and emerging practices.

❑ Core workstreams:
- Accounting policies and key judgements (P&L structure, cash flow, MPMs, segments, note disclosures)
- Reporting & disclosures
- Systems & data (CoA, data model, tagging, mapping, alignment)
- Internal controls & governance

❑ Transition & comparatives
- Retrospective application
- Reconciliation for comparatives periods
- Transition disclosures/ documentation

Governance & decision-making framework

❑ Steering committee and Disclosures Committee alignment

❑ Decision framework:
- Technical compliance
- Audit defensibility
- Market communication

❑ Audit engagement
- Ongoing dialogue with auditors on key judgement areas

Key impacts – where IFRS matters for Equinor

This slide provides a high-level overview of the main areas affected by IFRS 18.

#1. P&L

New structure P&L:

- **Three** new categories: Operating, Investing and Financing

-**Two** new sub-totals: Operating profit and Profit before financing and income tax

#2. P&L

Share of profit from equity accounted investments no longer part of operating profit.

Now always in **Investing category**.

#3. P&L

Foreign exchanges differences:

To be classified in the same category as the related income/expense (or operating category unless undue cost and effort).

#4. NOTES

Disclosure requirements for operating expenses presented by function.

Challenge: data capture

#5. NOTES

MPMs – to be disclosed in a separate note in annual report (subject to audit) and Q-reports.

#6. NOTES

Potential change of structure in segment reporting (due to new structure of P&L.

#7. CF

Impact on cash flow statement – especially cash flow from operating activities.

#8. BS

Goodwill - separate line in balance sheet required (materiality).

#9. COMPARATIVE

Comparative figures:

- Annual report 2027: 2026&2025.
- Q-reports 2027: 2026 Q/YTD figures.

#10. RECON

Reconciliation of each line item in P&L between IFRS 18 and IAS 1, both for annual and Q-reports in 2027.

#11. APMs

- Alignment MPMs and APMs.
- Dual reporter's practical implications
- Potential impact due to changes to CF statement (CFFO, Net CF).

#12. OTHER

- MD&A,
- Reporting segment performance
- 20F/ Parent company's FS
- XBRL/ ESEF, ESG reporting
- Remuneration measures?

SIGNIFICANT IMPACT ON SYSTEMS, PROCESSES AND CONTROLS

An illustration of IFRS 18 income statement

CONSOLIDATED STATEMENT OF INCOME - (YTD)

(unaudited, in USD million)	2025 IAS 1	
Revenues	105 828	
Net income/(loss) from equity accounted investments	18	(1)
Other income	616	(5)
Total revenues and other income	106 462	
Purchases [net of inventory variation]	(55 164)	
Operating expenses	(11 571)	
Selling, general and administrative expenses	(1 207)	
Depreciation, amortisation and net impairments	(12 318)	(5)
Exploration expenses	(849)	(5)
Total operating expenses	(81 109)	
Net operating income/(loss)	25 352	
Interest income and other financial income	1 175	(3)
Interest expenses and other financial expenses	(1 436)	(4)
Other financial items	(3)	(2)
Net financial items	(265)	
Income/(loss) before tax	25 088	
Income tax	(20 030)	
Net income/(loss)	5 058	

CONSOLIDATED STATEMENT OF INCOME

Category	(unaudited, in USD million)
Operating	Revenues
Operating	~~Net income/(loss) from equity accounted investments~~
Operating	Other operating income
Operating	Total revenues and other income
Operating	Purchases [net of inventory variation]
Operating	Depreciation, amortisation and net impairments
Operating	Exploration expenses
Operating	Selling, general and administrative expenses
Operating	Operating expenses
Operating	Foreign exchange gains/ (losses)
Operating	Total operating expenses
	Operating profit
Investing	Net income/(loss) from equity accounted investments
	Operating profit incl share of profit/ (loss) from equity accounted investments
Investing (3)	Interest income and other financial income
Investing	Gains/ (losses) financial investsments
Investing	Foreign exchange gains/ (losses)
	Profit before financing and income tax
Financing (4)	Interest expenses and other financial expenses
Financing	Gains/ (losses) other derivative financial instruments
Financing	Foreign exchange gains/ (losses)
	Profit before income tax
	Income tax expense
	Foreign exchange gains/ (losses)
	Profit or loss from continuing operations
	Profit or loss

New mandatory P&L structure with 3 new categories: Operating, Investing and Financing.

(1) Net income /(loss) from equity accounted investment moves to the new **investing** category

(2) FX effects (currently included in Other financial items) → to be classified in the same category as the related income/ expense.

(3) Interest income on cash and cash equivalents, dividends received etc. to be classified in the new **investing** category.

(4) Interest expenses including interest expense on lease and pension liabilities to be classified in the **financing** category (as today)

(5) To be disaggregated/ aggregated or relabeled

= Mandatory subtotals Red text = new/ modified accounting lines

Impact from IFRS 18 on statement of cash flows

This slide shows the conceptual impact - how IFRS 18 changes the presentation of operating cash flow.

Start with the new subtotal **Operating profit**

Dividends received - reclassified to **Investing** activity

Interest received - reclassified to **Investing** activity

Interest paid - reclassified to **Financing** activity

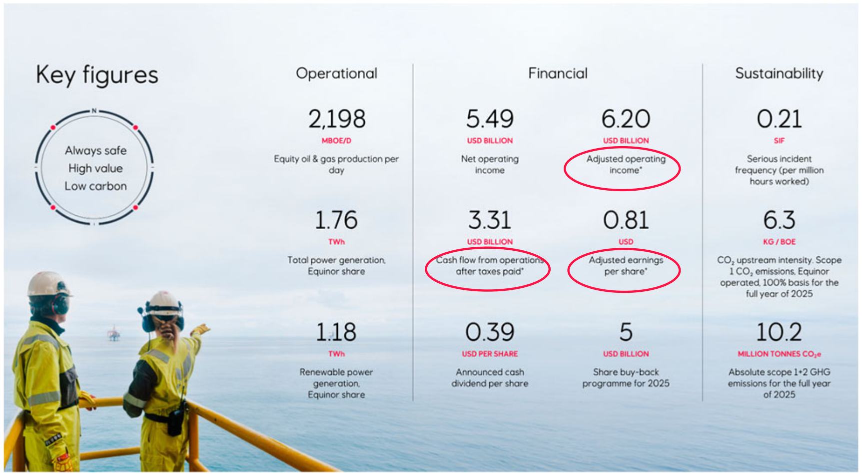
Consolidated statement of cash flows

(in USD million)	Note	Full year 2025	Full year 2024	Full year 2023
~~Income/(loss) before tax~~		**25,088**	30,986	37,884
Depreciation, amortisation and net impairments, including exploration write-offs	12, 13, 14	**12,473**	9,906	10,581
(Gains)/losses on foreign currency transactions and balances		**135**	(166)	(852)
(Gains)/losses on sale of assets and businesses	6	**(287)**	(772)	8
(Increase)/decrease in other items related to operating activities		**(58)**	(2,335)	(1,313)
(Increase)/decrease in net derivative financial instruments	28	**(429)**	(86)	1,041
Cash collaterals for commodity derivative transactions[1]		**962**	(645)	4,556
Interest received		**1,221**	1,841	1,710
Interest paid[3]		**(665)**	(891)	(1,042)
Cash flows provided by operating activities before taxes paid and working capital items		**38,439**	37,838	52,572
Taxes paid		**(20,460)**	(20,592)	(28,276)
(Increase)/decrease in working capital		**1,992**	2,218	4,960
Cash flows provided by operating activities		**19,971**	19,465	29,257
Cash used in business combinations	6	**(26)**	(1,710)	(1,195)
Capital expenditures and investments[3]	6	**(13,994)**	(12,177)	(10,575)
(Increase)/decrease in financial investments[2]		**1,571**	9,364	443
(Increase)/decrease in derivative financial instruments		**283**	143	(1,266)
(Increase)/decrease in other interest-bearing items		**114**	(623)	(87)
Proceeds from sale of assets and businesses	6	**2,456**	1,470	272
Cash flows provided by/(used in) investing activities		**(9,596)**	(3,532)	(12,409)

(in USD million)	Note	Full year 2025	Full year 2024	Full year 2023
New finance debt	21	**5,915**	–	–
Repayment of finance debt	21	**(2,400)**	(2,592)	(2,818)
Repayment of lease liabilities	25	**(1,459)**	(1,491)	(1,422)
Dividends paid	20	**(4,791)**	(8,578)	(10,906)
Share buy-back	20	**(5,916)**	(6,013)	(5,589)
Net current finance debt and other financing activities		**(2,875)**	933	2,593
Cash flows provided by/(used in) financing activities	21	**(11,526)**	(17,741)	(18,142)
Net increase/(decrease) in cash and cash equivalents		**(1,150)**	(1,808)	(1,294)
Foreign currency translation effects		**284**	(359)	(87)
Cash and cash equivalents at the beginning of the period (net of overdraft)[1]	19	**5,903**	8,070	9,451
Cash and cash equivalents at the end of the period (net of overdraft)[1]	19	**5,036**	5,903	8,070

Corresponding impact on related non-GAAP measures - CFFO and Net CF

Overview of APMs and MPMs



	MPM			
APM (Current)	a subtotal of income and Expenses	**117(a)** Public communications outside financial statements.	**117(b)** Management's view on financial performance.	**117(c)** Not required by IFRS standards.
Net debt to capital employed ratio, Net debt to capital employed ratio adjusted, including lease liabilities and Net debt to capital employed ratio adjusted		X	X	X
Return on average capital employed (ROACE)	Numerator	X	X	X
Organic Capital Expenditures		X	X	X
Gross Capital Expenditures (Gross Capex)		X	X	X
Cashflow from operations after taxes paid (CFFO after tax)		X	X	X
Net cash flow before capital distribution and net cash flow		X	X	X
Adjusted Operating Income	X	X	X	X
Adjusted operating income after tax	X	X	X	X
Adjusted Net Income	X	X	X	X
Adjusted EPS	Numerator	X	X	X

Alignment - IFRS 18 MPM requirements, ESMA APM Guidelines and SEC non-GAAP rules

IFRS 18 MPM requirements

Scope & definition: MPM = **subtotal of income/expenses** used in public communications outside FS, representing management's view of financial performance; disclosed inside audited FS, in a single note.

Disclosure principles: Label and describe each MPM, reconcile to closest IFRS subtotal with tax and NCI effects, explain purpose

Presentation: Inside FS in a single note, not as primary subtotals in income statement.

Audit : part of audited FS, increasing credibility.

ESMA APM Guidelines

Scope & definition: APM = any financial measure not defined by IFRS or GAAP; applies to regulated info outside FS.

Disclosure principles: Clear definition, basis of calculation, reconciliation to IFRS, explain usefulness and ensure consistency.

Presentation: outside FS, APMs must not have undue prominence vs IFRS figures.

Audit : generally outside audited FS.

SEC non-GAAP Rule

Scope & definition: Non-GAAP = numerical measure adjusting GAAP; applies to disclosures outside audited FS.

Disclosure principles: Non-GAAP measures require comparable GAAP presentation; quantitative reconciliation; and no misleading adjustments.

Presentation: outside FS only, cannot be disclosed inside audited FS or notes.

Audit : not audited, subject to disclosure controls.

Practical challenges and early lessons learned (so far)

KEY CHALLENGES:

- **Classification of income and expenses**

–> determining the underlying driver for the classification.

- **FX- related complexities**

-> Internal positions and facilities with fluctuating positive/ negative balances

- **MPM boundary judgements**

-> identification of MPM

- **Disaggregation vs aggregation**
- **Data and disclosure requirements**

-> Employee expenses disclosures and data capture challenges

- **Cross-functional alignment**

-> Ensuring consistency across policy, controlling, reporting, IR and systems.

- **Volume and complexity of restatements**

-> Retrospective application across three years

LESSONS LEARNED:

- **Start earlier than you think** – IFRS 18 is a maturing journey
- **Data requirements can be more extensive then expected**
- **Start with CoA and systems**
- **Potential more impact on cash flow statement than anticipated**,

-> Particularly from a communication and messaging perspective.

- **Walk through key metrics and assess which ones to retain and which to discontinue**
- **Early alignment with IR and controlling is critical**
- **IFRS 18 is a communication change as much as a reporting change**
- **Identify opportunities to combine with adjacent changes**

-> e.g. reporting simplification, CoA clean up, APM reassessment

- **Engage auditor early and maintain open dialog**

Takk for oppmerksomheten!