

Adjusted earnings on the Stockholm Stock Exchange

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Abstract:

We investigate the usage of adjustments among the large cap firms listed on Nasdaq OMX Stockholm, and how it has changed between the years 2006 and 2014. We do this by identifying firms who make adjustments in their year-end reports to communicate earnings that are different from the IFRS earnings. There is an increase in the frequency of firms using adjustments in their year-end reports, and also an increase in the frequency of firms using the adjustments to communicate improved earnings, compared to IFRS earnings. We also find a trend in that the size of adjustments made have increased, but the sample size is too small for us to come to any conclusive evidence.

Key words: street earnings, non-GAAP earnings, non-recurring items, extraordinary items, special items.

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1 Introduction

In a speech called the The Numbers Game, former chairman of the United States Securities and Exchange Commission (SEC) Arthur Levitt had this to say about earnings management:

A gray area where the accounting is being perverted; where managers are cutting corners; and, where earnings reports reflect the desires of management rather than the underlying financial performance of the company. (Levitt, 1998)

Prior research finds that over the last 20 years there has been a significant increase in the frequency and magnitude of classifications and thereby exclusion of items, primarily expenses but also revenues, as special items among the US-based companies in their earnings reports (Bradshaw and Sloan 2002). In these modified earnings reports also called “street earnings” (also known as “non-GAAP” or “pro forma” earnings) managers of firms have the flexibility to choose earnings numbers and exclude items that they deem not representative of what they want they want to communicate to the firm’s stakeholders.

Among US firms street earnings have become a viable alternative to the standard GAAP earnings for the measurement of “core” earnings (Collins et al. 2005). The focus of both management and analysts have been shifted from the traditional generally accepted accounting principles (GAAP) earnings, which do not recognize classification of items as special, to the street earnings, which has no objective definition or framework and might exclude items otherwise required under GAAP.

Trust in financial reporting is essential for well-functioning capital markets, and therefore it is important that earnings management issues are studied. Company share prices are traditionally closely correlated to the economic performance of the firm. The economic performance of a given entity is measured according to accounting principles and rules which are reported to the market in the form of financial statements. The reliability of capital markets depends on credible financial reporting. Financial managers have some flexibility in external reporting with regard to timing of revenues, expenses, gains and losses and the selection of measurement methods of assets and liabilities which may mask the true economic performance of their firms (Ortega and Grant, 2003). Several high-profile scandals in recent

decades, e.g. Enron 2001, WorldCom 2002, Freddie Mac 2003, American Insurance Group 2005, and Lehman Brothers 2008, clearly demonstrate management's ability and capacity to purposefully manipulate earnings numbers. (The Accounting Degree Review, no date).

Prior research has primarily paid particular attention to accrual management, e.g. improving current earnings by borrowing earnings from future periods, and misrepresentation of real economic activities, e.g. increasing sales by providing different kinds of promotions and cutting discretionary expenditures, as earnings management tools. However, according to the current accounting rules and standards (International Financial Reporting Standards/International Accounting Standards or IFRS/IAS in Sweden and Generally Accepted Accounting Principles or GAAP in the US, henceforth IFRS/IAS and GAAP respectively) managers also have the flexibility to purposefully within constraints of law misclassify items within the financial statements, i.e. income statement, as non-recurring, extraordinary, or special in order to maximize reported performance. As this kind of classification shifting has no impact on the real IFRS/IAS or GAAP earnings numbers, there is limited scrutiny by auditors and regulators. Even though applying these new accounting treatments is not illegal in itself, previous research finds that the amounts of items left outside are economically significant and potentially misrepresent the firms' real economic performance to its stakeholders (McVay, 2006). Henceforth in this study we will use the term adjustments as a collective term for items classified as non-recurring, extraordinary or special within the financial statements of the firms.

As street earnings result in higher valuations, because of the exclusion of a variety of items compared to the GAAP requirements, there is a clear incentive for analysts and managers of firms to emphasize reporting the higher street earnings. Managers of US-based firms tend to exclude items that have predictive value for future earnings (Doyle and Soliman, 2005). As excluded items tend not to be included in analyst earnings definitions, some managers even use street earnings as a tool to meet earnings targets and analyst forecasts (Lougee and Marquardt, 2004; Doyle, Jennings and Soliman, 2013). This misrepresentation of real economic performance by managers in the US is consistent with opportunistic earnings management. Other papers find that managers tend to employ and emphasize metrics within street earnings that portray a more favorable picture of the firm performance (Bowen, Davis, and Matsumoto, 2005).

In recent years the issue of classification shifting and misclassification of items within financial statements have gained recognition and attracted lots of attention in both academic and regulatory circles in the US.

As a result of concerns over street earnings potentially misleading investors and other stakeholders, the SEC (Securities and Exchange Commission) in the US have issued a warning, which advises firms to fully disclose the details of any transaction that is omitted from GAAP earnings. In addition, non-GAAP earnings measures are also regulated in Section 401(b) of the Sarbanes-Oxley Act of 2002, which require firms to present the most directly comparable GAAP measure. It would be interesting to find the extent of this recent phenomena among large cap companies listed on Nasdaq OMX Stockholm.

As Sweden is a member of the EU, firms listed on the Nasdaq OMX Stockholm stock exchange are required to apply IAS/IFRS rules and standards in their financial reporting (European Union, 2006). IAS/IFRS rules do not recognize “extraordinary” income or expenses, which means that there is no particular way in which these have to be presented. These items can be disclosed on the face of the income statement or separately in the notes, and this form of disclosure offers some flexibility in the reporting.

Although similar studies have been undertaken in the US, this study is, to the best of our knowledge, the first of its kind with regard to the use of adjustments among Swedish listed firms. We will shed light on the usage of adjustments in Sweden, and we believe our results will point to future trends in research undertaken on this topic. In order to find the extent of this recent phenomena among large cap companies listed on Nasdaq OMX Stockholm we focus on the allocation of adjustments within the fiscal year-end earnings reports.

1.1 Purpose & research question

The aim of this study is to determine and compare the frequency, magnitude and type of adjustments, also called “non-recurring charges”, “special items” or “comparison distortion items”, during and between the years 2006 and 2014 among firms listed on Nasdaq OMX Stockholm large cap. Hence our research question is:

How has the frequency, magnitude, and type of earnings adjustments changed over time among listed large cap firms on Nasdaq OMX Stockholm?

1.2 Limitations of scope

Our sample is limited to the fiscal year-end earnings reports of firms listed on Nasdaq OMX Stockholm large cap years 2006 and 2014. This study investigates the frequency, magnitude and type of adjustments presented only within the year-end reports.

2 Literature review and previous research

2.1 Earnings management

There is little consensus among academics on the definition of earnings management. Healy and Wahlen (1999) provide a rather negative definition:

Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers. (Healy and Wahlen, 1999)

Ronen and Yaari (2008, p.25) provide three alternative definitions, as can be seen in table 2.1, which they call the “three strands of thought” (Ronen and Yaari, 2008, p.26).

TABLE 2.1 <i>Types of earnings management (source: Ronen and Yaari, 2008, p.25).</i>		
White	Gray	Black
Earnings management is taking advantage of the flexibility in the choice of accounting treatment to signal the manager’s private information on future cash flows.	Earnings management is choosing an accounting treatment that is either opportunistic (maximizing the utility of management only) or economically efficient.	Earnings management is the practice of using tricks to misrepresent or reduce transparency of the financial reports.

If we were to include Healy and Wahlen’s (1999) definition in Ronen and Yaari’s table, it would fall under the black category.

In table 2.1, there is in fact only two kinds of earnings management, i.e. two different intentions behind applying the different methods of earnings management, with the gray definition being a mix of the white and black ones. The white definition is consistent with efficient earnings management, where managers are trying to convey information about the

firm's potential for future cash flows, while the black definition is consistent with opportunistic earnings management, where managers are acting out of self-interest.

The idea behind efficient earnings management is to take advantage of the flexibility offered in selecting accounting policies to inform the market participants about managers' knowledge about the firm's future cash flows (Ronen and Yaari, 2008, p.25). Thus, efficient earnings management can contribute to more efficient markets while opportunistic earnings management has the opposite consequence, i.e. more inefficient markets.

The purpose behind opportunistic accounting treatment is to maximize the utility of the management only while efficient accounting treatment signals the manager's private information on future cash flows (Ronen and Yaari, 2008, p.25).

With this in mind, it is worth pointing out that the intention with earnings management does not necessarily have to be to misrepresent the economic performance of a firm, as is exemplified in the white, efficient, definition.

2.1.1 Different methods of earnings management

Previous research has documented different methods of earnings management, i.e. methods for either opportunistic or efficient use of earnings management, and accrual management is one of those methods. Accrual management has been studied thoroughly (Jones 1991; Phillips, Pincus, and Rego, 2003). Examples of accrual management are accelerating current revenues or decelerating current expenses. By applying accrual management, a manager can improve current earnings by borrowing earnings from future. The disadvantage associated with the accrual management, besides cost of detection, is reduced earnings in the future because future earnings have been accelerated to current earnings (McVay, 2006).

A second method of earnings management is the manipulation of real economic activities of the firm. Current earnings can be managed, in other words improved, by e.g. increasing sales through offering price discounts and/or reducing discretionary expenditures (Bushee, 1998). As managing or manipulating real economic activities in itself is not a violation of accounting rules there may be incentive for managers of firms to turn to this type of earnings management rather than accrual management. The disadvantage with manipulating real economic activities of the firm is the consequences of those manipulations made. For

example, manipulating discretionary expenditures such as R&D could lead to future income losses related to forgone R&D opportunities.

A third method of earnings management, which is the one we investigate in our study, is the misclassification of items within the financial statements. Managers of firms have flexibility in classifying items within the financial statements as non-recurring, extraordinary, or special. This does not change the bottom-line earnings, but overstates reported “core” earnings, which is a used by both managers and analysts in measuring performance (McVay, 2006).

Compared to the two above-mentioned methods of earnings management, classification shifting as a tool for earnings management does not bring any substantial disadvantages, as there is no acceleration or deceleration of earnings or expenditures and no foregone opportunities as a result of manipulating real economic activities, such as reducing R&D expenditures. Additionally, the nature of some expense allocations can be subjective thus limiting auditors’ ability to detect inappropriate classifications. Furthermore, in some cases the overall impact on earnings might be negligible and this can lead auditors to overlook these accounts.

2.1.2 Street earnings

Bradshaw and Sloan (2002) explain that street earnings are the earnings number presented by firms in their press releases. If this sounds unspecific that is the point. As street earnings have no definition, regulatory or otherwise, they are simply the numbers that companies may choose to present instead of GAAP or IAS/IFRS earnings numbers.

2.1.3 Classification shifting as an earnings management tool

Davis (2002) finds evidence that managers influence the perception of their firm’s performance by manipulating the presentation of income statement, by looking at internet firms during the turn of the millennia and their managers maximizing reported earnings by managing and presenting special metrics. Bradshaw and Sloan (2002) find that there is a tendency among firms to present street earnings when they exceed the GAAP earnings.

Francis and Schipper (1999) document a decline in the relevance of GAAP earnings as a valuation indicator or tool for share prices while Bradshaw and Sloan (2002) find that analysts, managers and investors in the US increasingly rely on modified definitions of GAAP

net income or street earnings. Furthermore, street earnings numbers tend to be more value-relevant (Bhattacharya et al. 2003; Bradshaw and Sloan, 2002) but can also be used opportunistically by the managers of the firms (Doyle, Lundholm, and Soliman, 2003).

In the US such accounting treatments have a longer history and been noticed by both the research community and regulatory bodies, such as the Securities and Exchange Commission, relatively early compared to Sweden. Due to the concerns regarding abuse of street earnings numbers, the US SEC issued a warning in 2001 (Kolev, Marquardt, and McVay, 2008).

Kolev, Marquardt, and McVay (2008) find that as a result of the regulations put into place by regulatory bodies in the US and increased scrutiny in general, exclusions have become more transitory in nature, as intended by the regulators. But at the same time exclusions classified as “special items” have become less transitory and more recurring compared to other exclusion types, an unintended consequence of the interventions.

Heflin and Hsu (2005) find that regulation put into place by authorities in 2003 has led to fewer US firms employing non-GAAP earnings measures, both through a decline in the frequency of item exclusions and through a decline in the magnitude of exclusions.

Prior research finds that managers seek to use their subjectivity over the accounting and income statement classification in order to smoothen out earnings (Dye, 2002). These attempts can manifest themselves as inappropriate classification of real transactions (e.g. example capital lease vs. operating lease), inappropriate classification of items disclosed within the income statement (e.g. non-recurring income as ordinary income), and misclassification of expenses that otherwise would have been ordinary or extraordinary (e.g. loss on asset sales). Thus classification shifting within the financial statements is a frequently used earnings management tool among firms listed in the US, and there is evidence to suggest that managers seek to maximize their firm's expected value by allocating income to the highest P/E segments (Givoly, Hayn, and D’Souza, 2000).

At the same time the increased emphasis on street earnings in the US may also represent a genuine attempt by managers and analysts to better communicate the real firm value to investors and other stakeholders by excluding items of transitory nature from the earnings. In fact, Bhattacharya et al. (2003) find evidence suggesting that street earnings are more

informative and permanent than GAAP earnings, and that market participants believe pro forma earnings to be more representative of the core earnings than GAAP earnings.

Brown and Sivakumar (2001) find evidence that indicate earnings reported by managers can be more value relevant than traditional GAAP-earnings.

As we can see, the role and effects of street earnings in financial reporting is not a settled topic. The intention behind releasing non-GAAP earnings measures can be either to mislead or to better inform investors and other stakeholders of the firm. As earnings management by deliberate misclassifications (i.e. classification shifting) is a new phenomenon, due to the recent implementation of new accounting standards and rules, there is no conclusive evidence on which of these two interpretations offer the best explanation for this accounting treatment.

2.2 IAS/IFRS

The International Financial Reporting Standards (IFRS), formerly known as the International Accounting Standards (IAS), are a set of accounting standards that are maintained and developed by the International Accounting Standards Board (IASB). The intention for these standards are to be capable of being applied globally on a consistent basis, and for market participants to be able to make comparisons between companies applying these standards from all over the world (IFRS Foundation, no date).

IAS/IFRS rules and standards do not recognize the presentation of income or expense items as “extraordinary” in the income statement nor in the notes (Deloitte Global Services, 2016). According to IASB, the nature or function of an item, regardless of its frequency, should determine whether or not it should be treated as ‘extraordinary’ and presented within the income statement. According to the IFRS/IAS 1 income and expense items should not be presented as resulting from outside the entity’s ordinary activities and should be treated as a result of normal business risks. Consequently, the presentation of such items highlights to the users of financial statements that they should not pay too much attention to these separate components, compared to the income and expense items, in predicting a firm’s future performance. According to the IASB the purpose behind presenting such items should be to assist users of financial statements in valuing an entity. Therefore, the nature and amount of material items have to be disclosed (Deloitte Global Services, 2016).

3 Method

3.1 Sample

3.1.1 Years studied

Our sample years 2006 and 2014 have similar rules and regulations to as large an extent as possible. We choose 2006 because 2005 was the first year in Sweden firms had to comply with the new IFRS/IAS rules and standards. We allow firms to get used to the new accounting rules and standards and make the necessary changes to their routines with regard to financial reporting. We choose 2014 because all the accounting data and the complete year-end reports were available at the time of performing our research. Year 2014 is as current as possible, without missing out on reports due to timing and split financial years.

3.1.2 Selection of companies

To investigate the change in the usage of adjustments by firms we look at the large cap companies listed on the Nasdaq OMX Stockholm stock exchange, in two separate years. The first year considered in our study consists of companies listed at the end of 2006, and the second year of companies listed at the end of 2014.

3.1.3 Classification

To categorize companies within industries we use the Industry Classification Benchmark (ICB) used by Nasdaq OMX Stockholm. The ICB industries are:

- Basic Materials
- Consumer Goods
- Consumer Services
- Financials
- Health Care
- Industrials
- Oil & Gas
- Technology
- Telecommunications
- Utilities

We use the classifications as of January 4th 2016, and match these up to the companies back in time. There are 5 companies listed at the end of 2006 that are not included in the Nasdaq OMX Stockholm large cap 2016 list, therefore we have to manually assign them industry classifications. These 5 companies are:

- Höganäs (Industrials)

- Lawson Software (Technology)
- Nobel Biocare (Health Care)
- OMX (Financials)
- Saab (Industrials)

As there is no company in our sample classified as Utilities for neither 2006 nor 2014, we use 9 of the 10 available classifications. A full list of the companies and their classifications can be found in Appendix A.

Due to the difference in business characteristics and composition of income statements we choose to eliminate all companies classified as Financials according to the ICB. We also choose to eliminate companies that does not use IAS/IFRS rules and regulations in their financial reporting.

3.2 Data collection

For the purpose of this study the year-end reports of firms listed on the OMX Stockholm large cap list for the years of 2006 and 2014 have been analyzed. We choose to focus on year-end earnings reports since prior research finds a difference in the incidence of adjustments across fiscal quarters and have concluded that although all four quarter earnings indicate a slight disparity, the most notable difference occur in the fourth quarter (Burgstahler, Jiambalvo, and Shevlin, 1999), quarterly earnings announcements are important for valuation of stock/share prices (Skinner and Sloan, 1999) and because some prior papers undertaken in the US with similar research questions as ours have anticipated the difference between annual earnings reports and fourth fiscal quarter earnings reports to be the greatest (Bradshaw and Sloan, 2002).

The reports have then been carefully studied one by one with regard to frequency, magnitude and type of adjustments (i.e. “non-recurring charges”, “special items” or “comparison distortion items”). Adjustments have then been identified and the data was then entered into an Excel sheet for statistical analysis.

Our chosen time period, years 2006 and 2014, allows for making accurate comparisons and at the same time find out more about the adoption and impact of the new IFRS/IAS rules. We

identify the incidence, size and type of adjustments and whether it is a positive or negative value in each one of the reports included in our sample. Adjustments with positive value may indicate that income items with a negative impact on adjusted earnings have been excluded whereas adjustments with negative value may be an indication for the exclusion of expense items that have a positive impact on adjusted earnings.

For simplicity, we use yearly averages for each year when converting EUR and USD to SEK to get comparable numbers, from January to December. For this we downloaded data on exchange rates from USForex.

3.2.1 Adjusted earnings in our study

Due to how the topic of our research relates to what managers are trying to communicate, we define adjusted earnings in our study as the earnings that the companies would have been able to present if the numbers they present as adjustments were discounted. Within the year-end reports, usually the first page of content is a financial overview of the last quarter and the full year.

In going through the year-end reports we find that they can, roughly, be divided into three types, with regard to communicating adjustments made. The first type is where the adjustments are very clear. Figures 3.1 and 3.2 are demonstrations of what such presentations might look like. The second type is where there are adjustments, but it is not easy or clear to find or spot them and thereby be able to deduce what they are. Figure 3.3 is a good example of this, where you could miss adjustments made if you are not being attentive. Of course, the third type is when you can't see anything about any adjustments, such as in figure 3.4, in which case we interpret this as there are no adjusted earnings.

Figure 3.1 is from the very first page of AlfaLaval's 2014 year-end report. Here we can clearly see that they are trying to communicate adjusted EBITA, as the term is literally in the report.

FIGURE 3.1

Example of a report where it is clear that the company are trying communicate adjusted earnings (source: AlfaLaval, 2015).

SEK millions	Fourth quarter				Full year			
	2014	2013 *	%	% **	2014	2013 *	%	% **
Order intake	10,509	8,133	29	22	36,660	30,202	21	18
Net sales	10,775	8,609	25	19	35,067	29,801	18	14
Adjusted EBITA	1,940	1,412	37		5,895	4,914	20	
- adjusted EBITA margin (%)	18.0	16.4			16.8	16.5		
Result after financial items	1,177	1,201	-2		4,121	4,172	-1	
Net income for the period	911	871	5		2,968	3,040	-2	
Earnings per share (SEK)	2.15	2.07	4		7.02	7.22	-3	
Cash flow ***	1,690	1,230	37		5,123	4,233	21	
Impact on EBITA of:								
- foreign exchange effects	97	-45			70	-187		
Impact on result after financial items of:								
- comparison distortion items	-	-			-320	-		

* Restated to IFRS 11. ** Excluding currency effects. *** From operating activities.

For assessment of the outcome of the quarter, see the section "Integration of Frank Mohn" on page 7.

Figure 3.2 is an excerpt from the CEO's comments on the second page of the 2014 year-end report of AarhusKarlshamn, which is another good example of a report in which it is easy to see that they are trying to communicate adjusted earnings.

FIGURE 3.2

In the second paragraph of the CEO's comments it is easy to see that AarhusKarlshamn communicate adjusted earnings (source: AarhusKarlshamn, 2015).

Chief Executive's comments

Again a high operating profit

Again a high and solid operating profit was achieved. This was mainly driven by the expected and continued strong improvement in Chocolate & Confectionery Fats. Food Ingredients improved despite some continued headwinds. Total volumes were up 9 percent (8).

Operating profit, excluding non-recurring items, reached SEK 343 million (328), an improvement of 5 percent compared to the corresponding quarter in 2013.

In figure 3.3 we are able to deduce that there are no adjustments for 2014, simply because the adjustments for 2013 are very clearly communicated, and it would only follow that any adjustments for 2014 would be communicated in the same way.

FIGURE 3.3

From this report we can deduce that there are no adjustments for 2014, unlike 2013, seeing as they would have been communicated in the same way (source: AstraZeneca, 2015).

Financial Summary						
Group	Q4 2014	Actual	CER	FY 2014	Actual	CER
	\$m	%	%	\$m	%	%
Revenue	6,683	(2)	2	26,095	1	3
Core*						
Operating Profit	1,184	(40)	(33)	6,937	(17)	(13)
Earnings per Share	\$0.76	(38)	(28)	\$4.28	(15)	(8)
Reported						
Operating (Loss)/Profit	(349)	(41)	(59)	2,137	(42)	(31)
(Loss)/Earnings per Share	(\$0.25)	(40)	(69)	\$0.98	(52)	(34)

* See Operating and Financial Review on pages 6 and 8 for a definition of Core financial measures and a reconciliation of Core to Reported financial measures.

There are, of course, also firms that do not make any adjustments at all. Figure 3.4 gives an example of how such a presentation might look like. This type of communication ends up in our third category of earnings reports.

If there is no mention or indication of any adjustments in the first few pages, then we assume that the management aren't trying to communicate information about any adjustments being made.

FIGURE 3.4

From this report we can deduce that there are no adjustments for 2014, unlike 2013, seeing as they would have been communicated in the same way (source: ASSA ABLOY, 2015).

	Fourth quarter			Full year		
	2013	2014	Change	2013	2014	Change
Sales, SEK M	13,242	15,847	+20%	48,481	56,843	+17%
of which,						
Organic growth			+3%			+3%
Acquisitions			+8%			+9%
Exchange-rate effects	-134	+1,129	+9%	-1,156	+2,138	+5%
Operating income (EBIT), SEK M	2,202¹⁾	2,681	+22%	7,923¹⁾	9,257	+17%
Operating margin (EBIT), %	16.6 ¹⁾	16.9		16.3 ¹⁾	16.3	
Income before tax, SEK M	2,050 ¹⁾	2,552	+24% ¹⁾	7,381 ¹⁾	8,698	+18% ¹⁾
Net income, SEK M	1,510 ²⁾	1,889	+25% ²⁾	5,496 ²⁾	6,436	+17% ²⁾
Operating cash flow, SEK M	2,541	3,469	+37%	6,803	8,238	+21%
Earnings per share (EPS), SEK	4.08²⁾	5.10	+25%²⁾	14.84²⁾	17.38	+17%²⁾

1) Excluding items affecting comparability in 2013 amounting to SEK -1,000 M for both the quarter and the full year.

2) Excluding items affecting comparability in 2013 amounting after tax to SEK -721 M for both the quarter and the full year.

Other examples of how the adjustments are communicated are Com Hem with “underlying EBITDA” and Ericsson with “EPS (Non-IFRS)” (Com Hem, 2015; Ericsson, 2015).

3.3 Method of measuring adjustments

Due to the fact that the presentation of the year-end reports are different among the firms, the presented numbers are not always comparable. To be able to make comparisons we sum the adjustments at the EBT-level, i.e. if there are different adjustments at different levels in the income statement they are aggregated and added to/subtracted from EBT, in order to get the adjusted EBT. Some firms have adjustments that affect their income statements at the EBITDA level and then afterwards adjustments at the EBT level, and when that happens we simply sum the adjustments to get the total adjustments.

3.4 Research hypotheses and questions

Since 2005, all firms whose securities are traded in a regulated securities market in the EU, and therefore Sweden, have to comply with the IFRS/IAS rules and standards in their financial reporting (European Union, 2006). IFRS/IAS states that “extraordinary” income or expenses, i.e. adjustments, can be disclosed separately for example in the notes or on the face of income statement. As has been shown in previous research among the firms based in the

US, there is a clear incentive for managers of firms to portray a more favorable picture of their firms' performance and thereby opportunistically abuse the flexibility offered in classifying items included in their financial statements. As these adjustments/allocations often are subjective in nature and except for the cost of detection there are no scrutiny concerns from outside monitors, we expect the frequency and magnitude of these adjustments to have increased between the two years, i.e. 2006 and 2014, considered in our study. Therefore, focusing on the trend of usage of such accounting treatments since the introduction of IFRS/IAS rules and standards offers us a unique insight into the frequency and magnitude of such adjustments in Sweden. Thus, this leads us to our first hypothesis:

H_A: The usage of adjustments has increased over time.

We will examine this with a hypothesis test for the difference in the proportion of the companies using adjustments.

Using adjustments opportunistically in order to maximize the utility of the management is an attractive earnings management tool as there are no associated major costs and the risk of detection by external actors are limited compared to the other earnings management tools. Thus, our second hypothesis is:

H_B: The usage of adjustments to improve reported earnings has increased over time.

We will examine this hypothesis in the same manner as the first, with a hypothesis test for the difference in proportion of companies that use adjustments to improve earnings between the years.

As previously stated, the intention behind using adjustments as an earnings management tool in itself does not necessarily need to be to misrepresent the firm's true economic performance. The classification flexibility offered in IFRS/IAS rules and standards could in fact be used as an additional communication channel to better inform the firms' external stakeholders and the market about the prospects of future cash flows and the economic state of the firm. Thus, it would be interesting to find out the extent to which adjustments are used as a tool to manage earnings, both in order to improve reported earnings and to avoid raising future expectations of investors and other stakeholders. Therefore, we are going to determine the types or names

of adjustments made in the year-end reports for 2006 and 2014 in order to determine the degree to which they are transitory. It is hard for us to make a prediction of what we are going to see, considering that the previous research is inconclusive, and therefore we do not have any hypothesis for this.

Furthermore, in order to find out whether or not our sample firm-years have used adjustments as an earnings management tool, we are going to determine the size of adjustments, if increased or decreased between our two examined years, and if these adjustments have become more positive in value. Thus, our third and last hypothesis is:

H_C : Adjustments have increased in size and have become more positive over time.

We will examine this hypothesis by looking at the average size of the adjustments made, scaled by sales, and the standard deviation. The reason behind scaling by sales is to get a number from the income statement that is unaffected by the adjustments. We will then look at the confidence intervals for the size of the adjustments. In order to find out how adjustments affect the income statement, i.e. whether they are positive or negative, we will look at the average of the absolute value of the adjustments, scaled by sales. However, we are aware of the fact that we have to be cautious with these numbers, as the underlying probability distribution becomes different.

3.5 Statistical analysis

3.5.1 Hypothesis testing setups for H_A & H_B

To investigate our first research hypothesis, we set up the test hypothesis as:

$$H_{A;0}: P_{2006} \geq P_{2014}$$

$$H_{A;1}: P_{2006} < P_{2014}$$

where P_{2006} is the proportion of companies using adjustments in 2006 and P_{2014} is the proportion of companies using adjustments in 2014.

The setup for our second research hypothesis is as follows:

$$H_{B;0}: P_{+,2006} \geq P_{+,2014}$$

$$H_{B;1}: P_{+,2006} < P_{+,2014}$$

where $P_{+;2006}$ is the proportion of companies improving earnings by using adjustments in 2006 to the number of companies using adjustments in total 2006, and $P_{+;2014}$ is the same for 2014.

For both of these tests we use a significance level of

$$\alpha = 0.01$$

which leads to a critical value of

$$z_{crit} = -z_{0.01} \approx -2.327^1$$

3.5.2 Statistical model

Since both of these tests are of the same type we can use the same statistical models and principles for both.

According to the central limit theorem (CLT) the sum of n random variables from any probability distribution will be approximately normally distributed when n is large (Newbold, Carlson, & Thorne, 2009, 274). For a binomial distribution the proportion will equal the sum divided by n and will therefore also be normally distributed (Newbold, Carlson, & Thorne, 2009, 274). For a binomial distribution the normal distribution will be a good approximation when

$$nP(1 - P) > 5$$

(Newbold, Carlson, and Thorne, 2009, p. 238). Therefore, our proportions can be approximated as normally distributed with

$$Z = \frac{(\hat{p}_x - \hat{p}_y) - (P_x - P_y)}{\sqrt{\frac{P_x(1 - P_x)}{n_x} + \frac{P_y(1 - P_y)}{n_y}}} \quad (3.1)$$

Under the hypothesis that P_x and P_y are equal

$$Z = \frac{(\hat{p}_x - \hat{p}_y)}{\sqrt{\frac{P_0(1 - P_0)}{n_x} + \frac{P_0(1 - P_0)}{n_y}}} \quad (3.2)$$

¹ The value for $-Z_{0.01}$ is slightly larger than -2.327 , but to err on the side of caution we choose to use this value.

is approximately normally distributed, where P_0 is the common proportion, which is estimated by the pooled estimator

$$\hat{p}_0 = \frac{n_x \hat{p}_x + n_y \hat{p}_y}{n_x + n_y} \quad (3.3)$$

(Newbold, Carlson, and Thorne, 2009, p. 429).

This means that our observed value is

$$Z_{observed} = \frac{(\hat{p}_x - \hat{p}_y)}{\sqrt{\frac{\hat{p}_0(1 - \hat{p}_0)}{n_x} + \frac{\hat{p}_0(1 - \hat{p}_0)}{n_y}}} = \frac{(\hat{p}_x - \hat{p}_y)}{\sqrt{\hat{p}_0(1 - \hat{p}_0)(\frac{1}{n_x} + \frac{1}{n_y})}} \quad (3.4)$$

and that we will reject the null hypothesis

$$H_0: P_x \geq P_y$$

if

$$Z_{observed} < Z_{critical}$$

(Newbold, Carlson, and Thorne, 2009, p. 430).

3.5.3 Confidence intervals

Once again, the CLT applies. The sum of n random variables from any probability distribution will be approximately normally distributed when n is large (Newbold, Carlson, & Thorne, 2009, 274). A random sample of n observations from a normal distribution with mean μ and variance σ^2 has a $100(1 - \alpha)\%$ confidence interval given by

$$\bar{x} - z_{\alpha/2} \frac{\sigma}{\sqrt{n}} < \mu < \bar{x} + z_{\alpha/2} \frac{\sigma}{\sqrt{n}} \quad (3.5)$$

(Newbold, Carlson, and Thorne, 2009, p. 317).

For the confidence intervals we will also use a significance level of

$$\alpha = 0.01$$

4 Empirical results

Table 4.1 presents the total number of firms included in our study. For 2006 we have been unable to find the year-end report of Lawson Software. Furthermore, we eliminate Autoliv from our two observed years, 2006 and 2014, due to the fact that they prepare their statements according to US GAAP, according to their website (Autoliv, no date). This means that the number of firms is 43 for 2006 and 46 for 2014, i.e. 89 firms-years in total.

TABLE 4.1

Number of listed companies for each year together with the number of companies excluded for different reasons for each year (source: own table based on data).

Year	Number of companies	Financials	Unable to find reports	US GAAP	Final number of companies
2006	66	21	1	1	43
2014	65	18	0	1	46

4.1 Gathered data

As we can see in figure 4.1, there is an increase in both the total number of firms and number of firms which make adjustments in their year-end reports between the years 2006 and 2014.

FIGURE 4.1

Total number of firms & number of firms with adjustments, for each year (source: own figure based on data).

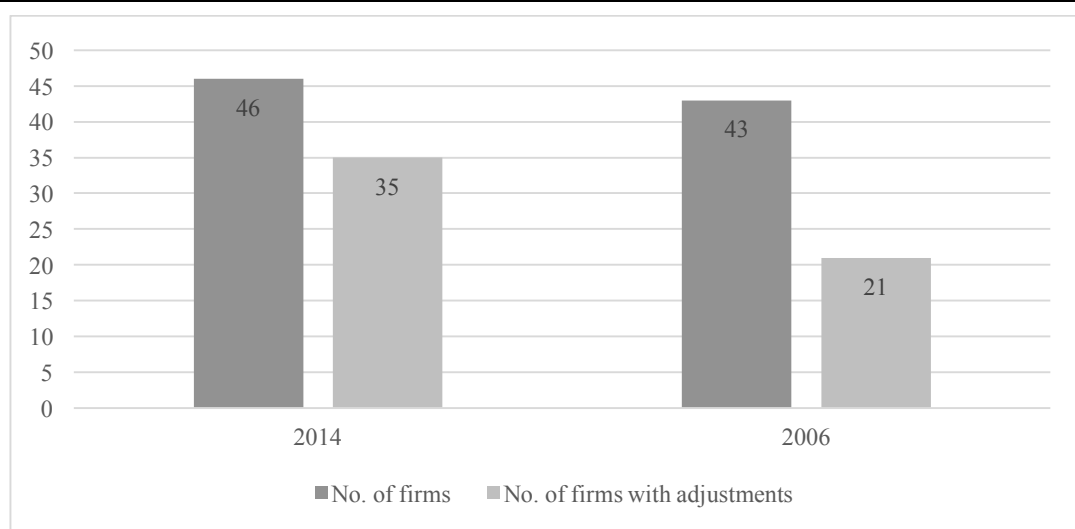


Figure 4.3 presents the percentage of firms with adjustments and the distribution of positive and negative adjustments in their 2006 year-end reports. Nearly half of the listed firms made adjustments and more than half of these adjustments were positive in value.

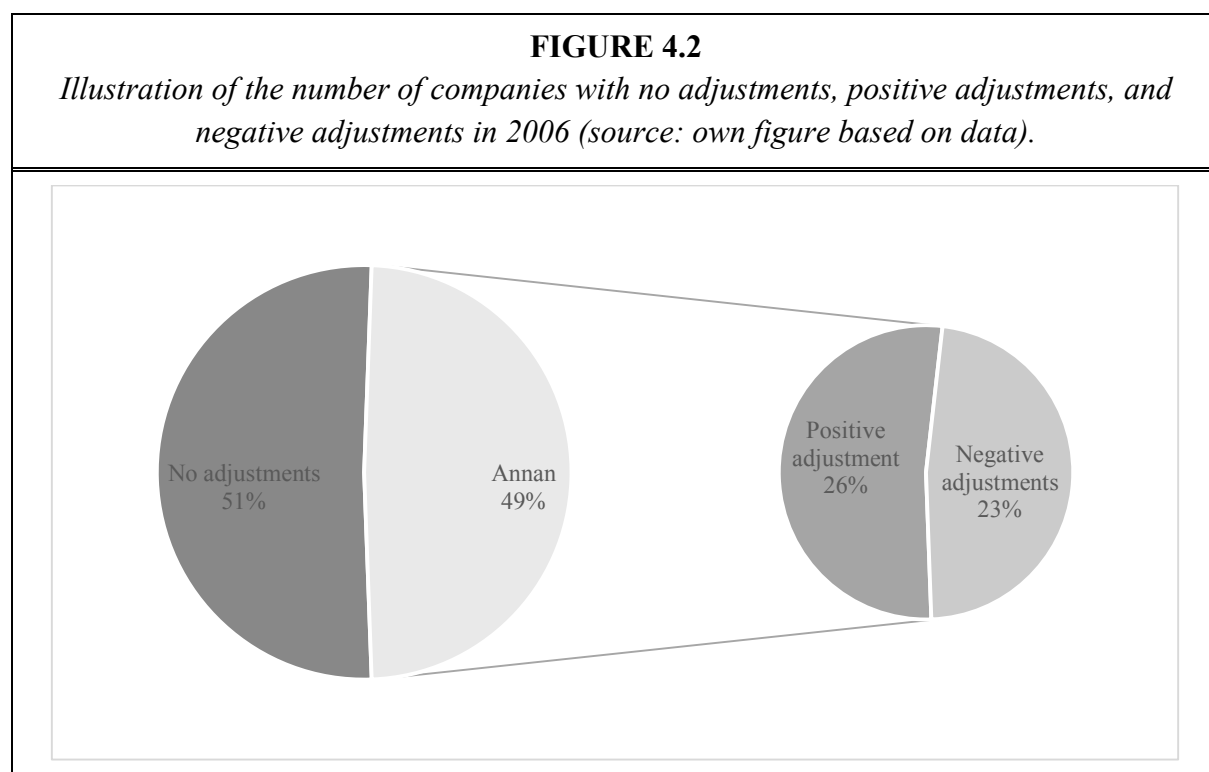
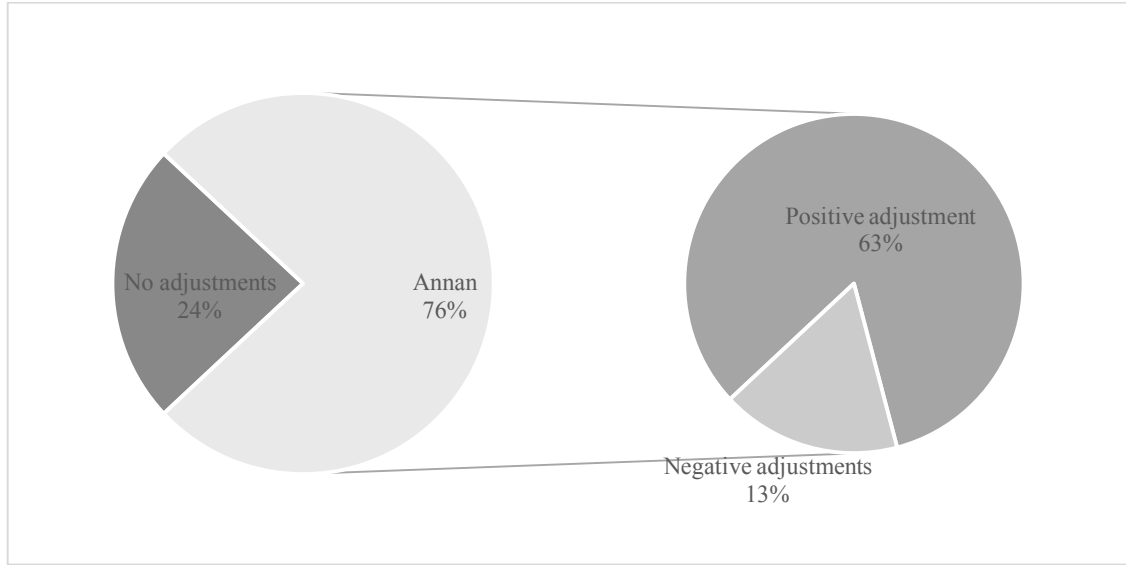


Figure 4.3 presents the percentage of firms with adjustments and the distribution of positive and negative adjustments among them in 2014 year-end reports. More than three quarters of the firms made adjustments in 2014 and more than three quarters of those adjustments were positive in value.

FIGURE 4.3

Illustration of no. of companies with no adjustments, positive adjustments, and negative adjustments in 2014 (source: own figure based on data).



4.2 The usage of adjustments

Table 4.2 presents the metrics that we use in our statistical test, accounted for in the section 3.5.2 of this paper, in order to investigate the accuracy of (either accept or reject) our first hypothesis.

TABLE 4.2

Presentation of relevant numbers for the first hypothesis test (source: own table based on data).

Year	n	\hat{p}	$\hat{p}_x - \hat{p}_y$	\hat{p}_0	$\hat{p}_0(1 - \hat{p}_0)$
$x = 2006$	43	$21/43 = 0.488$	-0.272	0.629	0.233
$y = 2014$	46	$35/46 = 0.761$			

With

$$\frac{1}{n_x} + \frac{1}{n_y} = \frac{1}{43} + \frac{1}{46} = 0.045$$

we can plug the numbers from table 4.2 into equation 3.4, and substitute $P_0(1 - P_0)$ with $\hat{p}_0(1 - \hat{p}_0)$:

$$Z_{obs} = \frac{(\hat{p}_x - \hat{p}_y)}{\sqrt{\hat{p}_0(1 - \hat{p}_0)(\frac{1}{n_x} + \frac{1}{n_y})}} = \frac{-0.272}{\sqrt{0.233 * 0.045}} = \frac{-0.284}{0.102} = -2.660$$

With a chosen critical value of -2.327 we find that

$$z_{obs} = -2.660 < -2.327$$

and we reject our null hypothesis of no difference between the years.

4.3 The usage of adjustments to improve earnings

Table 4.2 presents the metrics that we use in our statistical test, accounted for in the section 3.5.2 of this paper, in order to investigate the accuracy of (either accept or reject) our second hypothesis.

TABLE 4.3 <i>Presentation of relevant numbers for the second hypothesis test (source: own table based on data).</i>					
Year	n	\hat{p}	$\hat{p}_x - \hat{p}_y$	\hat{p}_0	$\hat{p}_0(1 - \hat{p}_0)$
$x = 2006$	43	$11/43 = 0.256$	-0.375	0.449	0.247
$y = 2014$	46	$29/46 = 0.630$			

Once again with

$$\frac{1}{n_x} + \frac{1}{n_y} = \frac{1}{43} + \frac{1}{46} = 0.045$$

we can plug the numbers from table 4.3 into equation 3.4, and substitute P_0 with \hat{p}_0 :

$$Z_{obs} = \frac{-0.375}{\sqrt{0.247 * 0.045}} = \frac{-0.375}{0.106} = -3.550$$

With the same critical value of -2.327 as in section 4.1.1 we find that

$$z_{obs} = -3.550 < -2.327$$

and our null hypothesis of no difference is rejected.

4.4 Types of adjustments

In accordance with the purpose of our study and research question we present the frequency of different names and types of adjustments made within the financial statements, i.e. income

statement, for years 2006 and 2014 in Tables 4.4 and 4.5 respectively. In their 2006 year-end reports firms listed on Nasdaq OMX Stockholm large cap used 17 different names or types of adjustments. Restructuring was the most frequently used type of adjustment and the majority of the adjustments made were expenses, i.e. lead to higher earnings if excluded. Note that, when looking at tables 4.4 and 4.5, that an adjustment for an expense item means that the adjusted earnings are higher than IFRS earnings, since the adjustment as a reversal of the item from the earnings.

TABLE 4.4		
<i>Types of adjustments and frequencies in 2006 (source: own table based on data).</i>		
Type	Income/expense item	Frequency
Brazilian VAT	-	1
Capital gains	+	7
Capital loss	-	1
Cash Handling Services related items	-	1
Change pension policy	+	2
FX gain	+	2
Goodwill write-down	-	3
Impairment	-	4
Other non-recurring	-	2
Positive one-off items	+	1
Realized loss division sale	-	3
Released tax provisions	+	1
Restructuring	-	11
Sales emission rights	-	1
Security Services related items	-	1
Tax refund	+	1
Write-downs	-	2

In their 2014 year-end reports listed firms on Nasdaq OMX Stockholm large cap used 22 different names or types of adjustments. The most frequently used type of adjustment was

restructuring and the majority of the adjustments made were expenses, i.e. lead to higher earnings if excluded.

TABLE 4.5

Types of adjustments and frequencies in 2014 (source: own table based on data).

Type	Income/expense item	Frequency
Acquisition	-	4
Acquisition costs	-	4
Acquisition net impact	+	1
Asset revaluation gain	+	2
Asset revaluation loss	-	1
B2B-costs	-	1
Capital gains sale non-current assets	+	2
Change metal prices	-	1
Change options value	+	1
Exploration	-	1
FX gain	+	3
FX loss	-	4
Goodwill impairment	-	3
Impairment	-	12
IPO-related costs	-	1
Non-recurring items	-	1
Restructuring	-	19
Russian tax claim	-	1
Subsidiary divestment	+	3
Subsidiary profit	+	3
Write-downs	-	3

4.5 Size of adjustments

The average of adjustments divided by revenues has increased multiple times between 2006 and 2014, Table 4.6 first column. Furthermore, the absolute value (ABS) of average

adjustments divided by revenues also has increased by approximately the same amount over the examined time period, Table 4.6 second column.

TABLE 4.6 <i>Descriptive statistics of the size of the adjustments and the absolute value size of the adjustments, scaled by sales (source: own table based on data).</i>					
Year	n	Adjust/revenues		ABS(adjust/revenues)	
		Average	Standard deviation	Average	Standard deviation
2006	21	0.010	0.024	0.016	0.020
2014	35	0.062	0.228	0.088	0.219

If we construct confidence intervals for the average size of adjustments for 2006 with

$$z_{\alpha/2} = 2.58$$

we get:

$$\bar{x}_{2006} = 0.010, \sigma_{2006} = 0.024$$

and the confidence interval is

$$0.010 - 2.58 * \frac{0.024}{\sqrt{21}} < \mu < 0.010 + 2.58 * \frac{0.024}{\sqrt{21}}$$

which gives us $(-0.004; 0.023)$.

Doing the same for 2014 gives:

$$\bar{x}_{2014} = 0.062, \sigma_{2014} = 0.228$$

and the confidence interval is

$$0.062 - 2.58 * \frac{0.228}{\sqrt{35}} < \mu < 0.062 + 2.58 * \frac{0.228}{\sqrt{35}}$$

which gives us $(-0.039; 0.163)$.

5 Analysis

5.1 The usage of adjustments

With hypothesis A we predict that the number of firms communicating adjustments have increased, and our results show this to be the case, as the percentage of firms reporting adjustments is higher in 2014 compared to 2006, a result which is statistically significant. Similar to the findings of previous research in the US, large cap firms listed at Nasdaq OMX Stockholm are relying more and more on modified definitions of earnings.

5.2 The usage of adjustments to improve earnings

With hypothesis B we predict that the usage of adjustments as a means to improve reported earnings has increased over the examined time period. Once again, our findings provide strong evidence for this to be the case, as we find a statistically significant difference in the proportion of companies that use adjustments in this way. In line with what previous research undertaken among US based firms document, by excluding expenses firms manage to report higher earnings than otherwise.

5.3 Types of adjustments

Managers of the firms listed on Nasdaq OMX Stockholm can classify adjustments opportunistically, in other words give adjustments names that may indicate opportunistic behavior. As our findings for this examination are qualitative, they are inconclusive, but we can see some trends. For both years studied there are several instances of restructuring adjustments. It would seem valid to questions how transitory an adjustment that shows up many of the reports really is in nature. If something occurs every third year, it could be argued that it is not a special item, but rather a cost of operations. The same goes for the impairment adjustments, to a lesser degree.

On the other end of the scale we have things like the change in pension policy, which seems like it should be a one-time thing. Somewhere in the middle on this scale we have acquisitions. Whether or not they are transitory in nature kind of depends on the strategy of the specific firm.

5.4 Size of adjustments

With hypothesis C we predict that the average size of the adjustments has increased over the examined time period. The overlapping confidence intervals mean that it is hard for us to say anything conclusive about how the size of the adjustments has changed. We do however seem to see trend. Both the average size and the average absolute value of the size have increased quite substantially, and we do not think that the problem lies with the tests or the data in itself, but rather with the sample size, as the sample for 2006 isn't big enough to fulfill the criteria for the CLT.

6 Discussion & conclusions

In this study we investigate the frequency, magnitude and type of exclusions as adjustments within the year-end earnings reports among firms listed on Nasdaq OMX Stockholm Large Cap in the years 2006 and 2014. Our results document a significant increase in the number of exclusions classified as adjustments in the year 2014 compared to the year 2006 and a corresponding increase in the size of the exclusions made, whether it be income or expense. Furthermore, we find that both the number and size of expense exclusions have increased significantly between the years 2006 and 2014 which implies that the usage of adjustments as an earnings management tool in order to improve earnings has increased significantly between these two years. Our findings are consistent with our predictions and thus both of our initial hypotheses, i.e. H_A and H_B , are supported by the evidence presented in this paper. Our results also identify the different names of classifications used for making these exclusions.

Our findings are relevant for any current or future research that includes time-series of forecast errors that have been affected by these exclusions. This study is in line with and support what previous/recent research that has been undertaken with US data has found, i.e. classification shifting is increasingly used as an opportunistic earnings management tool by the managers of the firms. Previous research has paid particular attention to the traditional forms of earnings management such as accrual management and misrepresentation of real economic activities. Thus, our results extend this line of research with new accounting treatment trends.

6.1 Generalizability

In this study we focus on classification shifting and exclusion of items that otherwise might or might not had to be included in the year-end earnings reports but similar accounting treatments could also be applied to other items in order to present a picture inconsistent with the economic reality of the firm. Thus, even though our results are primarily based on adjustments, the trend of increasing exclusions based on misclassification of items is generalizable to other types of items in the financial statements. Furthermore, the inappropriate and/or opportunistic use of accounting rules and standards in itself has already been shown in previous research to be a generalized earnings management tool and our study extends that generalizability even further to include items present in the financial statements.

6.2 Validity & reliability

The validity of our study, i.e. whether we measure what we initially aimed at measuring, is quite strong as we have used very diverse and well-established sources of previous research and information in conducting our research even though classification shifting is a quite recent phenomenon. Furthermore, these research have been put in relation to and combined with other papers in order to make their findings relevant for our purpose. We have ensured the validity of this paper by a meticulous study of relevant publications, articles and exiting accounting rules and standards. But there are still certain factors beyond our sphere of control such as the economic conditions during the time periods considered in our research. We have tried hard to diminish the impact of such macro-economic effects on our results by choosing *appropriate* time periods. Our first chosen year is 2006 since the new IFRS/IAS rules and standards were made mandatory in Sweden in 2005 and all firms had to adopt these new rules in their 2006 financial year reporting. Moreover 2006 is before the Great Recession years of 2007-08. Our second chosen year is 2014 since we sought to have a long enough time period between the two studied years. Additionally, since our research is conducted in the first half of 2016 we have not had access to all financial reports for 2015, therefore year 2014 was the latest year we could choose. So our chosen years 2006 and 2014 were the two most appropriate years to choose in all regards. Thus, we have tried to take all relevant aspects into consideration in order to make our study as valid as possible from a scientific point of view.

As far as reliability, i.e. the quality of our measurements, is concerned our research is mainly qualitative in nature and somewhat subjective. Thus the largest potential problem for reliability from a scientific point of view is our gathering and interpretation of data. We have tried to counter this by setting objective standards and rules and following them, as set out in the method chapter. Furthermore, the reliability of our study is supported by the statistical tests applied in deriving our results and ultimately the financial reports that are our source of data.

6.3 Considerations

We are aware that there are a few things we haven't accounted for. Mainly this would be the economical climate for the years. We do, however, find that the evidence for rejecting hypotheses A and B is strong enough regardless.

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8 Appendix

8.1 Appendix A - Companies & Classifications 2006

TABLE 8.1

List of large cap companies on the Stockholm Stock Exchange at the end of 2006, sorted under their respective industry classifications (source: own table based on data).

<u>Basic Materials</u>	Industrivärden	ASSA ABLOY
Boliden	Investor	Atlas Copco
Holmen	JM	Höganäs*
SSAB	Kaupthing Bank	NCC
Stora Enso	Kinnevik	Peab
<u>Consumer Goods</u>	Kungsleden	Saab*
Autoliv	Latour	Sandvik
Electrolux	L E Lundbergföretagen	Seco Tools
Husqvarna	Melker Schörling	Securitas
Nobia	Nordea	Skanska
Oriflame	Old Mutual	SKF
SCA	OMX*	Trelleborg
Swedish Match	Ratos	Volvo
<u>Consumer Services</u>	SEB	<u>Oil & Gas</u>
Axfood	Swedbank	Lundin Petroleum
Eniro	Vostok Nafta	<u>Technology</u>
H&M	<u>Health Care</u>	Ericsson
MTG	AstraZeneca	Hexagon
SAS	Elekta	Lawson Software*
<u>Financials</u>	Getinge	Nokia
Carnegie	Meda	TietoEnator
Castellum	Nobel Biocare*	<u>Telecommunications</u>
Fabege	<u>Industrials</u>	Millicom
Handelsbanken	ABB	Tele2
Hufvudstaden	AlfaLaval	Telia Sonera

*Manual industry classification.

8.2 Appendix B - Companies & Classifications 2014

TABLE 8.2

List of large cap companies on the Stockholm Stock Exchange at the end of 2014, sorted under their respective industry classifications (source: own table based on data).

<u>Basic Materials</u>	Hufvudstaden	NCC
BillerudKorsnäs	Industrivärden	Nibe Industrier
Boliden	Intrum Justitia	Peab
HEXPOL	Investor	Saab
Holmen	JM	Sandvik
Lundin Mining	Kinnevik	Securitas
Stora Enso	Latour	Skanska
<u>Consumer Goods</u>	L E Lundbergföretagen	SKF
AarhusKarlshamn (AAK)	Melker Schörling	Trelleborg
Autoliv	Nordea	Volvo
Electrolux	Ratos	<u>Oil & Gas</u>
Husqvarna	SEB	Africa Oil
Oriflame	Swedbank	EnQuest
SCA	Wallenstam	Lundin Petroleum
Swedish Match	<u>Health Care</u>	<u>Technology</u>
<u>Consumer Services</u>	AstraZeneca	Axis Communications
Axfood	Elekta	Ericsson
H&M	Getinge	Hexagon
ICA Gruppen	Meda	Tieto
MTG	Swedish Orphan Biovitrum	<u>Telecommunications</u>
<u>Financials</u>	<u>Industrials</u>	Com Hem
Atrium Ljungberg	ABB	Millicom
Castellum	AlfaLaval	Tele2
Fabege	ASSA ABLOY	Telia Sonera
Handelsbanken	Atlas Copco	

8.3 Appendix C - Categorizations of adjustments made in 2006

TABLE 8.3

List of how we have categorized the different types of adjustments made in the reports for 2006 (source: own table based on data).

Category	Label in reports	Instances
Brazilian VAT	Brazilian VAT	1
Capital gains	Capital gains	7
Capital loss	Capital loss	1
Cash Handling Services related items	Cash Handling Services related items	1
Change pension policy	Change pension policy	1
	Pension plan curtailment	1
FX gain	FX gain	2
Goodwill write-down	Goodwill adjustment	1
	Goodwill write-down	1
	Goodwill write-off	1
FX gain	FX gain	2
Impairment	Impairment	4
Other non-recurring	Other item affecting comparability	1
	Other non-recurring	1
Positive one-off items	Positive one-off items	1
Realized loss division sale	Capital loss (divestment)	1
	Capital loss divestment subsidiary	1
	Realized loss division sale	1
Released tax provisions	Released tax provisions	1
Restructuring	Restructuring	10
	Structural costs	1
Sales emission rights	Sales emission rights	1
Security Services related items	Security Services related items	1
Tax refund	Tax refund	1
Write-downs	Write-down intangible assets	1
	Write-offs	1
Total		46

8.4 Appendix D - Categorizations of adjustments made in 2014

TABLE 8.4

List of how we have categorized the different types of adjustments made in the reports for 2014 (source: own table based on data).

Category	Label in reports	Instances
Acquisition	Acquisition	4
Acquisition costs	Acquisition costs	3
	Acquisition transaction costs	1
Acquisition net impact	Acquisition net impact	1
Asset revaluation gain	Revaluation of inventory	1
	Subsidiary revaluation	1
Asset revaluation loss	Revaluation biological assets	1
B2B-costs	B2B-costs	1
Capital gains sale non-current assets	Capital gains sale non-current assets	1
	Sale manufacturing assets	1
Change metal prices	Change metal prices	1
Change options value	Change options value	1
Exploration	Exploration	1
FX gain	Change hedging instruments	1
	FX gain	2
FX loss	Change hedge options value	1
	Currency loss	1
	FX loss	2
Goodwill impairment	Amortization intangible assets	1
	Goodwill impairment	2
Impairment	Impairment	12
IPO-related costs	IPO-related costs	1
Non-recurring items	Non-recurring items	1
	Cost reduction programme (restructuring)	1
Restructuring	Production optimization	1
	Redundancy costs	1
	Restructuring	16
Russian tax claim	Russian tax claim	1
Subsidiary divestment	Divestment	3
Subsidiary profit	Associated company income	1
	Subsidiary net profit	2
Write-downs	Write-downs	2
	Write-offs	1
Total		71