

Financial reporting for publicly listed companies



The Securities Trading Act (verdipapirhandelloven) and related regulation have, among other things, incorporated EU's Transparency Directive into Norwegian legislation. This changes the requirements for financial reporting for publicly listed companies. This publication provides an overview of the most important rules which were applicable from 2008.

Quarterly Financial Report

In accordance with the Securities Trading Act § 5-5, publicly listed companies shall prepare a quarterly financial report for each of the four quarters of the year. This means that interim financial statements must also be prepared for the fourth quarter in addition to the annual financial statements. Companies that are required to prepare consolidated financial statements shall prepare a condensed set of interim financial statements in accordance with IAS 34 Interim Financial Reporting.

Interim financial statements in accordance with IAS 34 consist, at a minimum, of the following:

- a condensed statement of financial position
- a condensed statement of comprehensive income, presented as either:
 - a condensed single statement; or
 - a condensed separate income statement and a condensed statement of comprehensive income.
- a condensed statement of changes in equity
- a condensed statement of cash flows
- selected explanatory notes.

The statements and accounting periods to be presented are summarized in the following table using the second quarter 2008 (Q2) as an example. The table applies correspondingly to reporting for the first, third and fourth quarter.

	Q2-08	YTD -08	Q2-07	YTD-07	2007
Statement of comprehensive income	x	x	x	x	no**
Balance sheet		x		no**	x
Statement of cash flows		x		x	
Statement of changes in equity		x		x	
Statement of cash flows (last 12 months)		suggested*		suggested*	
Statement of changes in equity (last 12 months)		suggested*		suggested*	

x) Existing and previous requirement.

*) Suggested if companies have significant seasonal variations.

***) These statements were required in 2007 reporting (Norwegian specific).

As illustrated in the table, the requirement for comparative figures for prior periods has changed from 2008. Governed by "Continuing Obligations of Stock Exchange Listed Companies" issued by the Oslo Børs (the "Oslo Stock Exchange"), it was previously required to present the balance sheet for the prior year interim balance sheet date, as well as an income statement for the prior year annual financial statements. These rules have been taken out of effect as of 1 January 2008, and the legal basis for financial reporting is now the Securities Trading Regulations (verdipapirforskriften) § 5-5.

There are no changes to the requirements for note disclosures in quarterly financial statements in relation to the previous regulations. As regulations on quarterly reporting are now governed by the regulations of the Securities Trading Act and not the "Continuing Obligations of Stock Exchange Listed Companies" of the Oslo Stock Exchange, a quarterly report is required by law to be in accordance with IAS 34, including note disclosures. In practice, this could increase the extent of note disclosures compared to previous years.

IAS 34 requires that only consolidated figures are reported. However, certain companies are also required by law to report figures for the parent company. When parent company figures are required, these must be reported for the same periods as the consolidated figures, as specified in the table above.

If the company is not required to prepare consolidated financial statements, but only company figures, the quarterly report should at least include a condensed balance sheet and a condensed statement of income with explanatory notes. The same accounting periods as shown in the table above are required.

When preparing quarterly financial statements, the issuer shall follow the same principles for recognition and measurement as for preparing its annual financial statements.

There is no requirement for an audit or review of the quarterly financial statements. If an audit report or review report has been issued, it should be included in the quarterly financial report. If there was no audit or review performed on the quarterly financial statements, this should be clearly stated in the quarterly financial report.

The quarterly financial report should be made public as soon as possible and no later than two months after the accounting period ends. The issuer shall ensure that the quarterly financial report remains available to the public for at least five years.

Half-yearly Financial Report

In accordance with the Securities Trading Act § 5-6, listed companies are required to prepare a half-yearly report that comprises:

- a condensed set of financial statements
- an interim management report and
- a statement from the board of directors and managing director.

Half-yearly reporting is comprised of interim financial statements for the second quarter supplemented with an interim management report and statement from the board of directors and managing director, as described below.

The half-yearly financial report shall be made public as soon as possible and no later than two months after the end of the accounting period. The issuer shall ensure that the half-yearly financial report remains available to the public for at least five years.

It is worth mentioning that for the fourth quarter the company is only required to prepare an ordinary quarterly financial report. The fourth quarter report does not need to contain the half-yearly financial report or a statement from the board of directors and managing director.

Half-yearly Financial Statements

The half-yearly financial statements are interim financial statements as described in the quarterly reporting section above. The requirements are the same for the statements

to be presented, the periods to be shown, consistent use of accounting principles, requirement for audit or review, etc.

Interim Management Report

In addition to the half-year financial statements, the half-yearly report must include an interim management report. The requirements are in stated in the Securities Trading Act § 5-6, section 4:

”The Interim Management Report shall include at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the half-yearly financial statements, together with a description of the principle risks and uncertainties for the remaining six months of the financial year. For issuers of shares, the interim management report shall also include major related parties transactions. ”

Based on the legal requirements, the board of directors must, as when preparing the annual board of directors’ report, make an assessment of what information is material to the reader of the financial information. The report must cover the entire first half of the year, even though events that occurred in the first quarter have already been commented on in the first quarter financial statements.

Important events are events that have or in the future might have a significant impact on the financial statements. Examples of such events may be the acquisition and sale of significant assets or businesses, entering into/lapsing of important contracts, new financing of the business, significant effects of foreign currencies or derivatives, or other one-time events or unusual transactions. The description must be sufficient to provide the reader with an understanding of the impact of these events on the financial



statements. For businesses that are significantly influenced by seasonal variations, a description of this would contribute to a better understanding of the contents of the financial statements, although such disclosure is also required by IAS 34.

The interim management report must contain a description of principal risks and uncertainties. This should be a description of those risks that the business is exposed to and the directors and management are focused on, rather than undifferentiated statements about risks in a particular industry in general. It would be appropriate to consult the corresponding requirement to give a description of risk factors in the board of directors' report in the annual report.

The Securities Regulations § 5-3, specifies requirements for information about related party transactions. All related party transactions during the six-month period that have had a significant impact on the company's financial position or results during the period, must be disclosed in the report. Additionally, any changes in related party transactions described in the latest annual report that could have a significant impact on the company's financial position or results in the period must also be disclosed.

IAS 24 Related Party Disclosures is applicable for annual financial statements and requires extensive disclosure on related parties and transactions with these parties, even when these transactions are regular in pattern and at arm's length. The interim disclosures primarily focus on major related party transactions, which is also consistent with IAS 34, paragraph 17.

We would also like to mention that any information stating that transactions with related parties were carried out at arm's length



according to IAS 24, paragraph 21, can only be given if such terms can be substantiated. This must also apply to the half-yearly report.

Statement From Board of Directors and Managing Director

The half-yearly financial report shall include a statement made by "the persons responsible within the issuer" covering the interim management report as well as the half yearly financial statements. In this context, "persons responsible" are the board of directors and managing director, as stated in the Securities Regulations § 5-2. All members of the board of directors' as well as the managing director must sign the statement. It is not sufficient that the chairman of the board signs on behalf of the entire board.

The requirement is stated in the Securities Trading Act § 5-6 as follows:

"Statements made by the persons responsible within the issuer, clearly stating their names and job titles, to the effect that

- a) to the best of their knowledge, the condensed set of financial statements which has been prepared in accordance with applicable accounting standards and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the group taken as a whole and that
- b) to the best of their knowledge, the interim management report includes a fair review of the information mentioned in subsection (4)."

The information required by the Securities Trading Act § 5-6, section 4 and referred to in b) is described above.

The statement must be published as an integral part of the half-yearly financial report and cover the same financial information that is presented in the interim financial report. As mentioned above, most listed companies present consolidated figures only. If the company elects to or is required to present accounts for the parent company, the statement would also need to cover this information.

Examples of the statement from the board of directors and managing director are presented at the end of this publication.

Annual Report

According to the Securities Trading Act § 5-5, the annual report of publicly listed companies is comprised of the following:

- financial statements for the group
- financial statements for the parent company
- board of directors' report
- statement from the board of directors and managing director.

In addition, the Oslo Stock Exchange requires that the annual report contains a report on corporate governance.

The group accounts are required to be prepared in accordance with IFRS. When preparing the parent company accounts, companies can choose between IFRS, so-called "simplified IFRS", and Norwegian generally accepted accounting principles (god regnskapskikk (GRS)).

The new Securities Trading Act, which was effective on 1 January 2008, requires less extensive comparative information in the annual financial statements. Previously, "Continuing Obligations of Stock Exchange Listed Companies" issued by the Oslo Børs " required that companies present two years of comparable figures for the income statement and one year of comparable figures for the balance sheet. According to the new regulations, only one year of comparable figures are required (ref. Securities Trading Act, § 5-5 and Securities Regulations, Chapter 5).

The annual financial statements are required to be audited. For the parent company, the financial statements consist of both the financial statements for the parent company and the group accounts. In addition, the auditor must report on whether the information in the board of directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit are consistent with the financial statements and comply with laws and regulations. There is no requirement for an audit of other information in the annual report, of the statement from the board of directors and managing director, or of the report on corporate governance. The audit report shall be published together with the annual report.

The issuer shall publish its annual report within four months after the end of each financial year. The deadline applies to both issuers of shares and bonds. The issuer shall ensure that the annual report remains publicly available for at least five years.

The Board of Directors' Report

The board of directors' report covers both the parent and consolidated financial statements. The requirements for the content of the annual report are stated in the Accounting Act § 3-3a. The directors' report shall, among other things, include:

- A true overview of the development and results of the enterprise's operations and of the enterprise's position, together with a description of the main risks and uncertainty factors facing the enterprise. This overview shall be a balanced, complete analysis of the developments in and results of the enterprise's operations and of the enterprise's position, taking into account the size and complexity of its operations.
- An account that provides a basis for assessing the enterprise's future outlook. Enterprises that have stated target results or other information on expected developments in previous directors' reports or annual accounts shall state whether the results for the year agree with these expectations and give reasons for any discrepancy.
- Information on financial risk that is significant to the evaluation of the enterprise's assets, liabilities, financial position and results. This information shall include goals

and strategies that have been determined for managing the financial risk, including the strategy for hedging each main type of planned transaction for which a hedging assessment has been used. An account shall be given of the enterprise's exposure to market risk, credit risk and liquidity risk.

- Information regarding the going concern assumption.

Statement From the Board of Directors and Managing Director

The annual report shall include a statement on the financial statements and board of directors' report. The statement shall be given by the board of directors and managing director.

The requirement is stated in the Securities Trading Act § 5-5 as follows:

"Statements made by the persons responsible within the issuer, whose names and functions shall be clearly indicated, to the effect that

a) to the best of their knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the group taken as a whole and that

b) the management report includes a true and fair review of the development and performance of the business and the position of the issuer and the group taken as a whole, together with a description of the principal risks and uncertainties that they face."



The required content of the statement is identical to the corresponding statement to the half-yearly financial statements as far as the statement regarding the annual financial statements is concerned (point a). However, the statement regarding the board of directors' report (point b) is on several points different from the statement to the interim management report. These differences may be summarized as follows:

Statement on interim report	Statement on annual report
Focuses on important events in the accounting period (six month period) and their impact on the half-yearly financial statements	Should cover the annual board of directors' report description and analysis of developments, operations and financial position of the company and the group
Focuses on the main risks and uncertainty factors facing the enterprise in the next accounting periods (the next six month period)	Should cover the annual board of directors' report description of the main risk factors facing the enterprise – both the next 12 month period and if relevant, beyond that period
Should cover major transactions with related parties	No requirement to discuss

The reasoning behind the differences is assumed to be the more comprehensive and specific requirements for the content of the annual financial statements and the corresponding board of directors' report, compared to the requirements for the half-yearly financial statements and the interim management report. This influences the content of the statement of the board of directors and managing director.

Another difference is that the statement to the annual board of directors' report and the annual financial statements should cover both the parent company and group accounts, while the corresponding half-yearly statement only covers the accounts as reported in the half-yearly report (usually only group accounts).

Reporting Requirements for Foreign Companies listed on the Oslo Stock Exchange

Which reporting requirements apply?

EU's Transparency Directive introduced the principle of home state supervision within the European Economic Area for issuers of financial instruments listed on a regulated market. This means that the scope of the rules on periodic reporting is limited to include issuers with Norway as their home state (ref. Securities Trading Act § 5-4, section 1).

As a general rule, Norway is the home state for Norwegian companies and for companies outside the European Economic Area that are listed on the Oslo Stock Exchange, and the host state for other companies that have other European countries as a home state. Consequently, the reporting rules that apply to companies listed on the Oslo Stock Exchange may be different depending on where the company is resident. The Oslo Stock Exchange has stated that it will follow the EU directives regarding home state regulation, so that its listing agreement will never require financial reporting incremental to that required by another home state.

This means for example that an English company listed on the Oslo Stock Exchange will have to follow rules in their home state (England) for their financial reporting. Listed companies in England are not required to report quarterly figures; however they are required to publish a so-called "Interim Management Statement" (IMS). The regulations for the half-yearly report and the annual report are, however, mainly equivalent to Norwegian regulations. An English company listed on Oslo Stock Exchange will therefore need to publish an annual report, half-yearly financial statements and Interim Management Statements to Oslo Stock Exchange, according to the reporting directives as applicable in England.

All companies listed on Oslo Stock Exchange must have a home state in the EU-/European Economic Area. This also applies to companies that are resident in countries outside the EU-/European Economic Area (third country issuers). These issuers must choose the EU-/European Economic Area state where the relevant securities are offered or listed for the first time after implementing EU's Prospectus Directive on 1 January 2005, as their home state. In most cases, the rules of the Securities Trading Act § 5 will also apply to these companies; therefore they will have the same reporting requirements as Norwegian companies listed on the Oslo Stock Exchange. In some cases, it would be appropriate to apply the corresponding reporting rules that apply in the country where the company is resident.

Interim Management Statement - a short description

The EU Transparency Directive does not require quarterly financial reporting. A number of EU countries such as England, have therefore not incorporated requirements for quarterly financial reports into their national legislation. In these countries, however, an Interim Management Statement is required:

An issuer of shares that, according to national legislation, rules of regulated markets or on their own initiative, does not publish quarterly financial reports in accordance with such legislation or rules, should according to the Transparency Directive make public a statement by its management called an Interim Management Statement. Such a statement should be made during the first six-month period of the financial year and another statement during the second six-month period of the financial year. Such statement shall be made in a period between ten weeks after the beginning and six weeks before the end of the relevant six-month period. For calendar year reporting companies, this means the period from 11 March to 19 May and

the period 8 September to 19 November. The statement shall contain information covering the period between the beginning of the relevant six month period and the date of publication of the statement. Such a statement shall provide:

- an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer and its controlled undertakings, and
- a general description of the financial position and performance of the issuer and its controlled undertakings during the relevant period.

The Interim Management Statement is a minimum requirement as defined in the Transparency Directive. The requirements incorporated in each national legislation could therefore vary.

Periodic Reporting to the Oslo Stock Exchange and the Financial Supervisory Authority of Norway

Reporting rules for foreign companies listed on the Oslo Stock Exchange are extensive and depend on the country defined as the home state, according to the Securities Trading Act. For further information relating to the reporting requirements for foreign companies listed on the Oslo Stock Exchange, see a separate publication from PricewaterhouseCoopers, where this topic is discussed in detail.

Periodic Reporting to the Oslo Stock Exchange and the Financial Supervisory Authority of Norway

The Oslo Stock Exchange is designated as the official storage mechanism (OAM), and in accordance with the Securities Trading Act § 5-12, periodic financial reporting shall be submitted to the Oslo Stock Exchange. The financial reporting must be filed directly in the OAM. It is therefore not acceptable to save a link to another web site where the financial reporting is available.

Statutory submission of periodic financial reporting to the Financial Supervisory Authority in Norway (Kredittilsynet) (ref. Securities Trading Act § 5-12, section 2) is satisfied by the filing of the information in the OAM. This applies to the submission of the annual report (Securities Trading Act § 5-5), the half-yearly financial report (Securities Trading Act § 5-6) and the quarterly financial reports (ref. Securities Regulation § 5-5, section 5). It is not necessary to submit these reports separately to the Financial Supervisory Authority in Norway or to inform them of the reports. Other submissions of financial related reporting to the Financial Supervisory Authority in Norway that are governed by laws and regulations are not covered by these regulations and must be sent directly to the Financial Supervisory Authority in Norway.

Examples of Statements

Below are examples of possible ways to formulate the statement by the board of directors and managing director. We would, however, emphasize that each individual company must formulate the statement in such a manner that it is adequate and appropriate for the company's actual situation. The examples shall not be perceived to be a standard template or recommended wording from PricewaterhouseCoopers.

Statements to the Half-Yearly Financial Report and the Interim Management report

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 200x has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the (Company's and) Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Place, date

Signatures (Board of Directors and Managing Director)

Statement to the Annual Report and Board of Directors' Board

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 200x have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Place, date

Signatures (Board of Directors and Managing Director)

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