Attn. of Mr. A. Barckow (Chair)
International Accounting Standards Board (IASB)
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
UNITED KINGDOM

Submitted electronically

Subject: Eumedion's response to IASB's Exposure Draft 'Business Combinations - Disclosures, Goodwill and Impairment Proposed amendments to IFRS 3 and IAS 36' (the 'ED')

Ref: B24.15

The Hague, 4 July 2024

Dear Mr. Barckow,

Eumedion appreciates the opportunity to respond to your request for views on the ED. Eumedion is the dedicated representative of the interests of 54 institutional investors, all committed to a long term investment horizon. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. We regard accounting standards as a critical part of a global financial infrastructure, especially since investors are dependent on the quality of accounting standards for allocating their own and entrusted capital. Together our participants invest over € 8 trillion of capital in equity and corporate non-equity instruments.

We consider the proposals to enhance disclosures per strategic acquisition to be very favourable for investors. Our response further asserts that reporting entities should be relieved from time consuming and costly goodwill impairment tests as the resulting reporting provides no useful information to investors. Instead, impairments of goodwill and other acquisition related intangibles can be at the discretion of management.

Please find below our detailed responses to the questions in the ED.

If the IASB or the Staff would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Martijn Bos (martijn.bos@eumedion.nl, +31 70 2040 304).

Kind regards,

Rients Abma
Executive Director

Eumedion
Zuid Hollandlaan 7
2596 AL THE HAGUE
THE NETHERLANDS

Question 1—Disclosures: Performance of a business combination (proposed paragraphs B67A–B67G of IFRS 3)
In the PIR of IFRS 3 and in responses to the Discussion Paper the IASB heard that: • users need better information about business combinations to help them assess whether the price an entity paid for a business combination is reasonable and how the business combination performed after acquisition. In particular, users said they need information to help them assess the performance of a business combination against the targets the entity set at the time the business combination occurred (see paragraphs BC18–BC21). • preparers of financial statements are concerned about the cost of disclosing that information. In particular, preparers said the information would be so commercially sensitive that its disclosure in financial statements should not be required and disclosing this information could expose an entity to increased litigation risk (see paragraph BC22). Having considered this feedback, the IASB is proposing changes to the disclosure requirements in IFRS 3 that, in its view, appropriately balance the benefits and costs of requiring an entity to disclose this information. It therefore expects that the proposed disclosure requirements would provide users with more useful information about the performance of a business combination at a reasonable cost. In particular, the IASB is proposing to require an entity to disclose information about the entity's acquisition-date key objectives and related targets for a business combination and whether these key objectives and related targets are being met (information about the performance of a business combination). The IASB has responded to preparers' concerns about disclosing that information by proposing: • to require this information for only a subset of an entity's business combinations—strategic business combinations (see question 2); and • to exempt entities from disclosing some items of this information in specific circumstances (see question 3). (a) Do you agree with the IASB's proposal to require an entity to disclose information about the performance of a strategic business combination, subject to an exemption? Why or why not? In responding, please consider whether the proposals appropriately balance the benefits of requiring an entity to disclose the information with the costs of doing so. (b) If you disagree with the proposal, what specific changes would you suggest to provide users with more useful information about the performance of a business combination at a reasonable cost?

We agree with only requiring disclosures for strategic acquisitions and certain disclosures for multiple acquisitions that exceed certain thresholds.

We disagree with the proposed 'impractical' threshold for pro forma information:

The ED states: "users of financial statements (users) need better information to help them assess the performance of a business combination."

B64(q) ".. If disclosure of any of the information required by this subparagraph [pro forma and other information] is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This IFRS uses the term 'impracticable' with the same meaning as in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors."

Appendix 1 indicates the severe and prolonged consequences for investors if pro forma annual and year-to-date information is missing. The threshold of 'impracticable' is too low a hurdle to forego on providing such pro forma information.

Not just pro forma revenue and operating profit

Investors not only need revenue and operating profit, but also depreciation, amortisation, specified impairments within the scope of IAS 36, and capital expenditures (together 'revenue and other line-items'). We support the ED's notion that it is less meaningful to require pro forma disclosures for line-items below the operating category in the income statement.

The need for quarterly YTD pro forma line items

Investors heavily rely on calculating Latest Twelve Months (LTM) for income statement and cash flow statement line-items.

The following pro forma disclosures are needed to create a faithful representation of comparable latest twelve months results:

- The annual financial report: pro forma full year revenue and other line-items for the most recent completed full year.
- The quarterly and semi-annual financial report: pro forma year-to-date revenue and other line-items for the particular quarter, and pro forma year-to-date revenue and other line-items in the previous year. The first quarterly or semi-annual financial report after a significant acquisition should also include the pro forma full year revenue and other line-items for the most recent completed full year.

Pro forma information should be required as long as past acquisitions would distort LTM amounts derived from the (semi-)annual and quarterly IFRS primary financial statements.

Explicit definition of 'Pro Forma' in the standards

The ED describes 'pro forma' calculations, but does not make reference to 'pro forma' itself. Eumedion suggest to include 'pro forma' as a definition in the IFRS Standards and require reporting entities to use this term so investors can easily identify the pro forma section and that is no diversity in practice in how these amounts are designated in financial reports.

Question 2—Disclosures: Strategic business combinations (proposed paragraph B67C of IFRS 3)
The IASB is proposing to require an entity to disclose information about the performance of a business combination (that is, information about the entity's acquisition-date key objectives and related targets for the business combination and whether these key objectives and related targets are being met) for only strategic business combinations—a subset of material business combinations. A strategic business combination would be one for which failure to meet any one of an entity's acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy. The IASB is proposing that entities identify a strategic business combination using a set of thresholds in IFRS 3—a business combination that met any one of these thresholds would be considered a strategic business combination (threshold approach) (see paragraphs BC56–BC73). The IASB based its proposed thresholds on other requirements in IFRS Accounting Standards and the thresholds regulators use to identify particularly important transactions for which an entity is required to take additional steps such as providing more information or holding a shareholder vote. The proposed thresholds are both quantitative (see paragraphs BC63–BC67) and qualitative (see paragraphs BC68–BC70). (a) Do you agree with the proposal to use a threshold approach? Why or why not? If you disagree with the proposal, what approach would you suggest and why? (b) If you agree with the proposal to use a threshold approach, do you agree with the proposed thresholds? Why or why not? If not, what thresholds would you suggest and why?

B67C A business combination is a strategic business combination if:

(a) in the most recent annual reporting period before the acquisition date:

(i) the absolute amount of the acquiree's operating profit or loss is 10 per cent or more of the absolute amount of the acquirer's consolidated operating profit or loss;[3] or

(ii) the acquiree's revenue is 10 per cent or more of the acquirer's consolidated revenue;

(b) the amount recognised as of the acquisition date for all assets acquired (including goodwill) is 10 per cent or more of the carrying amount of the total assets recognised in the acquirer's consolidated statement of financial position as at the acquirer's most recent reporting period date before the acquisition date; or

(c) the business combination resulted in the acquirer entering a new major line of business or geographical area of operations.

(a) We agree. We support the use of the proposed combination of these 10% thresholds and expect them to work well in most cases.
(b) We do note that operating profit is after goodwill and other acquisition related impairments. Since such impairments can be quite sizable, this may unduly lower the thresholds either for

target or acquiror, or even both. If an acquiring company records a significant impairment, even a small target company could become strategic. Reversely, if a target company records a sizable impairment, this criterion becomes teethless. Criterion (a)(i) could be made more robust by replacing the reference to operating profit with the IFRS 18 Primary Financial Statements defined non-mandatory subtotal Operating Profit Before Depreciation, Amortisation, and Specified Impairments within the scope of IAS 36 ('OPDAI'). This subtotal is also less often a negative amount compared to operating profit.

Question 3—Disclosures: Exemption from disclosing information (proposed paragraphs B67D–B67G of IFRS 3)
The IASB is proposing to exempt an entity from disclosing some of the information that would be required applying the proposals in this Exposure Draft in specific circumstances. The exemption is designed to respond to preparers' concerns about commercial sensitivity and litigation risk but is also designed to be enforceable and auditable so that it is applied only in the appropriate circumstances (see paragraphs BC74–BC107). The IASB proposes that, as a principle, an entity be exempt from disclosing some information if doing so can be expected to prejudice seriously the achievement of any of the entity's acquisition-date key objectives for the business combination (see paragraphs BC79–BC89). The IASB has also proposed application guidance (see paragraphs BC90–BC107) to help entities, auditors and regulators identify the circumstances in which an entity can apply the exemption. (a) Do you think the proposed exemption can be applied in the appropriate circumstances? If not, please explain why not and suggest how the IASB could amend the proposed principle or application guidance to better address these concerns. (b) Do you think the proposed application guidance would help restrict the application of the exemption to only the appropriate circumstances? If not, please explain what application guidance you would suggest to achieve that aim.

We agree with the proposed exemption. It is rather strict and that is what we would expect it to be.

Question 4—Disclosures: Identifying information to be disclosed (proposed paragraphs B67A–B67B of IFRS 3)
The IASB is proposing to require an entity to disclose information about the performance of the entity's strategic business combinations (that is, information about its acquisition-date key objectives and related targets for a strategic business combination and whether these key objectives and related targets are being met) that is reviewed by its key management personnel (see paragraphs BC110–BC114). The IASB's proposals would require an entity to disclose this information for as long as the entity's key management personnel review the performance of the business combination (see paragraphs BC115–BC120). The IASB is also proposing (see paragraphs BC121–BC130) that if an entity's key management personnel: • do not start reviewing, and do not plan to review, whether an acquisition-date key objective and the related targets for a business combination are met, the entity would be required to disclose that fact and the reasons for not doing so; • stop reviewing whether an acquisition-date key objective and the related targets for a business combination are met before the end of the second annual reporting period after the year of acquisition, the entity would be required to disclose that fact and the reasons it stopped doing so; and • have stopped reviewing whether an acquisition-date key objective and the related targets for a business combination are met but still receive information about the metric that was originally used to measure the achievement of that key objective and the related targets, the entity would be required to disclose information about the metric during the period up to the end of the second annual reporting period after the year of acquisition. (a) Do you agree that the information an entity should be required to disclose should be the information reviewed by the entity's key management personnel? Why or why not? If not, how do you suggest an entity be required to identify the information to be disclosed about the performance of a strategic business combination? (b) Do you agree that: (i) an entity should be required to disclose information about the performance of a business combination for as long as the entity's key management personnel review that information? Why or why not? (ii) an entity should be required to disclose the information specified by the proposals when the entity's key management personnel do not start or stop reviewing the achievement of a key objective and the related targets for a strategic business combination within a particular time period? Why or why not?

(a) We agree.

(b) (i) We agree.

(b) (ii) We agree.

Question 5—Disclosures: Other proposals

The IASB is proposing other amendments to the disclosure requirements in IFRS 3. These proposals relate to:
 	
New disclosure objectives (proposed paragraph 62A of IFRS 3)
 	
The IASB proposes to add new disclosure objectives in proposed paragraph 62A of IFRS 3 (see paragraphs BC23–BC28).
 	
Requirements to disclose quantitative information about expected synergies in the year of acquisition (proposed paragraph B64(ea) of IFRS 3)
 	
The IASB proposes:
 	
• to require an entity to describe expected synergies by category (for example, revenue synergies, cost synergies and each other type of synergy);
• to require an entity to disclose for each category of synergies:
    • the estimated amounts or range of amounts of the expected synergies;
    • the estimated costs or range of costs to achieve these synergies; and
    • the time from which the benefits expected from the synergies are expected to start and how long they will last; and
• to exempt an entity from disclosing that information in specific circumstances.
 	
See paragraphs BC148–BC163.
 	
The strategic rationale for a business combination (paragraph B64(d) of IFRS 3)
 	
The IASB proposes to replace the requirement in paragraph B64(d) of IFRS 3 to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for the business combination (see paragraphs BC164–BC165).
 	
Contribution of the acquired business (paragraph B64(q) of IFRS 3)
 	
The IASB proposes to amend paragraph B64(q) of IFRS 3 to improve the information users receive about the contribution of the acquired business (see paragraphs BC166–BC177). In particular, the IASB proposes:
 	
• to specify that the amount of profit or loss referred to in that paragraph is the amount of operating profit or loss (operating profit or loss will be defined as part of the IASB's Primary Financial Statements project);
• to explain the purpose of the requirement but add no specific application guidance; and
• to specify that the basis for preparing this information is an accounting policy.
 	
Classes of assets acquired and liabilities assumed (paragraph B64(i) of IFRS 3)
 	
The IASB proposes to improve the information entities disclose about the pension and financing liabilities assumed in a business combination by deleting the word 'major' from paragraph B64(i) of IFRS 3 and adding pension and financing liabilities to the illustrative example in paragraph IE72 of the Illustrative Examples accompanying IFRS 3 (see paragraphs BC178–BC181).

Deleting disclosure requirements (paragraphs B64(h), B67(d)(iii) and B67(e) of IFRS 3)

The IASB proposes to delete some disclosure requirements from IFRS 3 (see paragraphs BC182–BC183).

Do you agree with the proposals? Why or why not?

We agree.

Question 6—Changes to the impairment test (paragraphs 80–81, 83, 85 and 134(a) of IAS 36)

During the PIR of IFRS 3, the IASB heard concerns that the impairment test of cash-generating units containing goodwill results in impairment losses sometimes being recognised too late.

Two of the reasons the IASB identified (see paragraphs BC188–BC189) for these concerns were:

- shielding; and
- management over-optimism.

The IASB is proposing amendments to IAS 36 that could mitigate these reasons (see paragraphs BC192–BC193).

Proposals to reduce shielding

The IASB considered developing a different impairment test that would be significantly more effective at a reasonable cost but concluded that doing so would not be feasible (see paragraphs BC190–BC191).

Instead, the IASB is proposing changes to the impairment test (see paragraphs 80–81, 83 and 85 of IAS 36) to reduce shielding by clarifying how to allocate goodwill to cash-generating units (see paragraphs BC194–BC201).

Proposal to reduce management over-optimism

The IASB's view is that management over-optimism is, in part, better dealt with by enforcers and auditors than by amending IAS 36. Nonetheless, the IASB is proposing to amend IAS 36 to require an entity to disclose in which reportable segment a cash-generating unit or group of cash-generating units containing goodwill is included (see paragraph 134(a) of IAS 36). The IASB expects this information to provide users with better information about the assumptions used in the impairment test and therefore allow users to better assess whether an entity's assumptions are over-optimistic (see paragraph BC202).

(a) Do you agree with the proposals to reduce shielding? Why or why not?

(b) Do you agree with the proposal to reduce management over-optimism? Why or why not?

Question 7—Changes to the impairment test: Value in use (paragraphs 33, 44–51, 55, 130(g), 134(d)(v) and A20 of IAS 36)

The IASB is proposing to amend how an entity calculates an asset's value in use. In particular, the IASB proposes:

- to remove a constraint on cash flows used to calculate value in use. An entity would no longer be prohibited from including cash flows arising from a future restructuring to which the entity is not yet committed or cash flows arising from improving or enhancing an asset's performance (see paragraphs BC204–BC214).
- to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use. Instead, an entity would be required to use internally consistent assumptions for cash flows and discount rates (see paragraphs BC215–BC222).

(a) Do you agree with the proposal to remove the constraint on including cash flows arising from a future restructuring to which the entity is not yet committed or from improving or enhancing an asset's performance? Why or why not?

(b) Do you agree with the proposal to remove the requirement to use pre-tax cash flows and pre-tax discount rates in calculating value in use? Why or why not?

Eumedion response to questions 6 and 7

The ED states: *"[..] the impairment test of cash-generating units containing goodwill is complex, time-consuming and expensive and that impairment losses are sometimes recognised too late"*

We agree with this observation. We note that even though goodwill impairment losses might well be timely from a technical perspective, it is by no means necessary that a failed acquisition will soon thereafter result in a timely impairment. This is due to the construct of Cash Generating Units ('CGUs'). Upon the consummation date, the goodwill of an acquisition is allocated to CGU(s) and pooled with any existing activities that the company has. It could be the case that an impairment is triggered even if the acquisition itself fairs well, but the other activities in the CGU do not. However, it is generally the other way around: acquired activities are allocated to CGU together with existing activities, with the effect that if the acquisition does not fare well, an impairment is not yet triggered because the existing activities provide substantial additional headroom. In such case, the value of the entire CGU may for quite some time remain higher than the goodwill allocated. This fundamental shortcoming of late goodwill impairments has proven to be impossible to address in any meaningful manner through standard setting.

The ED proposes to allow reporting entities to include effects from future uncommitted restructurings and enhancements:

(b) base cash flow projections on the most recent financial budgets/forecasts approved by management~~, but shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance~~. Projections based on these budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified.

Goodwill impairments already fail to provide users with decision useful information for their analysis to engage with reporting entities, vote on AGM agenda items, or trade their securities; and the above proposed changes aggravate the situation with providing even more degrees of freedom to postpone impairments at the discretion of management.

In the meantime, the impairment tests are one of the most frequently cited key audit matters in the auditors' reports, especially because the (potential) amounts involved tend to often be quantitatively material. The definition of audit materiality is not helping here: an item is material if it is quantitatively material or qualitatively. Goodwill impairment amounts do not affect investors' decisions and are therefore not qualitative material for investors, but they are potentially large and therefore end up being frequently quantitatively material. Goodwill impairment tests draw a significant amount of attention from management of many reporting entities worldwide, those charged with governance, and securities regulators. This raises the question for whom the IASB is requiring reporting entities to perform this time consuming and rather costly circus of annual impairment tests.

The existing disclosures related to goodwill and goodwill impairments are of little use as well. They relate to Cash Generating Units for which there is no requirement to provide a clear definition. The CGUs may not be aligned with the definition of the reporting entity's operating segments. The opaque definition of the CGUs can be adjusted at the full discretion of management at any point in time. The amount of headroom per CGU is not a required disclosure. There is no breakdown that shows which acquisitions and which impairments contributed to the net amount of goodwill reported.

The current and proposed impairment tests and related disclosures fail the IFRS Conceptual Framework's fundamental qualitative characteristic of 'Relevance' as the resulting reporting does not affect investors' decisions. They also fail most of the 'Enhancing qualitative characteristics': 'Comparability and 'Understandability' are inferior since the CGUs definition is not known and can be adjusted any year without reason and without the need for comparative figures. This also affects the predictive value of the reported expected growth rates per CGU. 'Verifiability' already was challenging and is further impaired as the ED allows reporting entities to take uncommitted restructurings and enhancements into account in the valuation of CGUs; and 'Timelines' is as indicated earlier poor as well.

In the meantime, the elaborate requirements surrounding goodwill impairments do give less knowledgeable investors a false impression that there might be a relevant, reliable, and/or meaningful signalling function remaining with the existing or proposed IFRS impairment test, whereas we cannot see any.

We do commend the IASB for choosing a much more direction for investors promising by requiring disclosures that allow investors to assess both the strategic and financial rationale for a business

combination, irrespective of whether the acquisition results in no goodwill at all, or a lot of goodwill; and allow investors to track the strategic acquisition's subsequent performance irrespective whether an impairment is required, or not.

Eumedion therefore proposes to alleviate reporting entities from the cumbersome and costly goodwill impairment tests and give them full discretion to impair any goodwill. Instead, the following disclosures would provide decision useful information information:

1. Abolish the distinction between goodwill and acquisition related intangibles other than Goodwill ('ARIotGs'), like 'customer lists'. ARIotGs are from an investor perspective no different from goodwill itself. ARIotGs cannot be recognised through the normal cause of business under IFRS, only through acquisitions. Contrary to goodwill itself, IFRS demands that ARIotGs are amortised. Reporting entities are forced to look for them in any acquisition under IFRS' Purchase Price Allocation requirements. The recognition of ARIotGs gained popularity among some reporting entities because every year the amortisation thereof helped reduce the risk of a forced goodwill impairment. The distinction between goodwill and ARIotGs poses no meaningful additional useful information for investors.
2. The balance of goodwill (including any previous ARIotGs) in the financial position should provide a table in the disclosures that breaks down per 'strategic' acquisition the following:
    a. The name of the company acquired
    b. The gross amounts of goodwill (including any previous ARIotGs) recorded upon acquisition
    c. The announcement date of the acquisition
    d. The consummation date of the acquisition
    e. The amount of goodwill (including any previous ARIotGs) added in previous years
    f. The amount of goodwill added in the current reporting year
    g. The amount of goodwill (including any previous ARIotGs) impaired this year
    h. The net amount of goodwill (including any previous ARIotGs)

    This is relevant, since there is a material difference between organic growth and growth through acquisitions. Such overview would, over time, allow investors to easily identify the acquisition history from the financial statements. Thereto, reporting entities should be required to allocate any existing goodwill balances (including any remaining ARIotGs) to past acquisitions.
3. Replace the requirement of expected future growth rates per CGU with a requirement to disclose expected future growth rates per operating segment.

Question 8—Proposed amendments to IFRS X *Subsidiaries without Public Accountability: Disclosures*
The IASB proposes to amend the forthcoming IFRS X *Subsidiaries without Public Accountability: Disclosures* (Subsidiaries Standard) to require eligible subsidiaries applying the Subsidiaries Standard to disclose: • information about the strategic rationale for a business combination (proposed paragraph 36(ca) of the Subsidiaries Standard); • quantitative information about expected synergies, subject to an exemption in specific circumstances (proposed paragraphs 36(da) and 36A of the Subsidiaries Standard); • information about the contribution of the acquired business (proposed paragraph 36(j) of the Subsidiaries Standard); and • information about whether the discount rate used in calculating value in use is pre-tax or post-tax (paragraph 193 of the Subsidiaries Standard). See paragraphs BC252–BC256. Do you agree with the proposals? Why or why not?

We agree.

Question 9—Transition (proposed paragraph 64R of IFRS 3, proposed paragraph 140O of IAS 36 and proposed paragraph B2 of the Subsidiaries Standard)
The IASB is proposing to require an entity to apply the amendments to IFRS 3, IAS 36 and the Subsidiaries Standard prospectively from the effective date without restating comparative information. The IASB is proposing no specific relief for first-time adopters. See paragraphs BC257–BC263. Do you agree with the proposals? Why or why not? If you disagree with the proposals, please explain what you would suggest instead and why.

We agree.

Appendix 1: Difference between LTM revenues and Pro Forma LTM revenues

Fact pattern

1. Acquirer announces to acquire Target on 15 December 20x3.
2. Acquirer and Target have identical growth paths of 10% revenue increase per annum.
3. Acquirer has revenues of 800 per FY 20x3. Target is halve the size of Acquiror.
4. Acquirer consummates Target 15 May 20x5, i.e. mid Q2.
5. Acquirer files its quarterly statements 30 days after quarter end.
6. Book years equal calendar years.

IFRS and Pro Forma financial statements resulting from fact pattern:

Abbriviations

FY = Full Year

YTD = Year-to-Date

LTM = Latest Twelve Months, (this equals the latest FY, plus YTD this year, less YTD previous year.

Q-on-Q = Quarter-on-Quarter

			20x3	20x4				20x5				20x6			
IFRS revenue			**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**
Acquirer	(1)	Standalone YTD	800	205	420	644	880	225	461	709	968	248	508	780	1,065
	(2)	Standalone LTM					880	900	922	944	968	991	1,014	1,039	1,065
		Q-on-Q growth in LTM						2.3%	2.4%	2.4%	2.5%	2.3%	2.4%	2.4%	2.5%
		LTM growth									10%	10%	10%	10%	10%
Target	(3)	Standalone YTD	400	102	210	322	440	113	231	354	484	124	254	390	532
	(4)	Standalone LTM					440	450	461	472	484	495	507	519	532
		Q-on-Q growth in LTM						2.3%	2.4%	2.4%	2.5%	2.3%	2.4%	2.4%	2.5%
		LTM growth									10%	10%	10%	10%	10%

Acquisition of Target per mid Q2 20x5

			20x3	20x4				20x5				20x6			
Pro Forma IFRS revenue			**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**
							First report after announcement								
Combined	(1)+(3)	Pro Forma YTD	1,200	307	629	967	1,320	338	692	1,063	1,452	372	761	1,170	1,597
	(2)+(4)	Pro Forma LTM					*1,320*	*1,351*	1,383	1,417	1,452	1,486	1,521	1,558	1,597
		Pro Forma Q-on-Q growth in LTM						*2.3%*	2.4%	2.4%	2.5%	2.3%	2.4%	2.4%	2.5%
		Pro Forma LTM growth									10%	10%	10%	10%	10%
									First report after consummation						
IFRS revenue															
Combined		IFRS YTD	800	205	420	644	880	225	521	892	1,280	372	761	1,170	1,597
		Whereof contribution of Target to IFRS YTD revenue							*59*	*183*	*312*	*124*	*254*	*390*	*532*
								Note: 59 = (231 - 113) / 2							
								Note: 183 = 59 + 354 - 231							

			20x3	20x4				20x5				20x6			
Pro Forma IFRS revenue			**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**	**Q1**	**Q2**	**Q3**	**FY**
		IFRS LTM					880	900	**981**	**1,127**	**1,280**	**1,427**	1,521	1,558	1,597
		Pro Forma LTM							1,383	1,417	1,452	1,486	1,521	1,558	1,597
		Difference between Pro Forma and IFRS LTM							41%	26%	13%	4%	0%	0%	0%
		IFRS Q-on-Q growth in LTM							**8.9%**	**14.9%**	**13.6%**	**11.4%**	**6.6%**	2.4%	2.5%
		Pro Forma Q-on-Q growth in LTM							2.4%	2.4%	2.5%	2.3%	2.4%	2.4%	2.5%
		Difference between Pro Forma and IFRS LTM, in % points							6.6%	12.5%	11.1%	9.1%	4.2%	0.0%	0.0%

Timeline resulting from fact pattern

15 Dec 20x3	Announcement of acquisition.
15 May 20x4	Consummation date of acquisition.

Report Q2 20x4	Financial position fully reflects the new business combination. But, from an financial analysis, the start of an enduring mismatch with the income statement and the cash flow statement.
Reports Q2, Q3, Full Year 20x4	The YTD Income statement and the YTD Cash flow statement do not reflect the results of Q1 and the first halve of Q2 20x4 of Target.
Reports Q2, Q3, Full Year 20x4, and Q1 20x5	IFRS based Latest Twelve Months income statement and cash flow statement differ from Pro Forma.
Reports Q2, Q3 & Full Year 20x4; Q1, Q2 20x5	Growth rates in IFRS based Latest Twelve Months line-items differ from Pro Forma.

Observations

1. There is an enduring mismatch between the financial position that does fully reflect the acquisition of Target, and the income statement and cash flow statement that do not so.
2. The first date that investors are provided with IFRS primary financial statements that allow them to calculate LTM revenues that accurately represents the full year revenue potential of the combined entity is 30 days after Q2 20x6 report date, **562** days after the initial announcement of the acquisition.
3. It takes two consecutive LTMs to calculate a growth rate that is free from the effects of seasonality. Therefore 30 days after the Q3 20x6 report date a like-for-like growth can be calculated. **685** days after the initial announcement; that is, unless a newly announced acquisition distorts this information.
4. These delays affect not only revenues, but all items in the income statement and the cash flow statement, except for the cash balances in the cash flow statement itself.