



FINANSTILSYNET

THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

The Board of Directors of AutoStore Holdings Ltd.
Stokkastrandvegen 85
5578 NEDRE VATS

Our reference
24/18708
Your reference

09.04.2025

Review of financial reporting

1. Introduction

In accordance with the Securities Trading Act section 19-1 subsection (2), Finanstilsynet has reviewed certain topics related to the financial reporting of AutoStore Holdings Ltd. (AutoStore or the Company). Reference is made to previous correspondence and meeting, most recently the issuer's reply dated 3 March 2025 and the meeting on 27 February 2025.

2. Finanstilsynet's summary

AutoStore presents the financial measures Order intake and Order backlog in its financial reporting. The Company does not consider these measures to be alternative performance measures (APMs).

Finanstilsynet is of the opinion that these measures are APMs according to paragraph 17 of the ESMA Guidelines on Alternative Performance Measures¹ (guidelines) and therefore should comply with the requirements in the guidelines. Finanstilsynet has not, however, found grounds for requiring the company to classify the measures as APMs, but considers it worthy of criticism that the company intends to continue its practice in future financial reporting. Finanstilsynet reached this conclusion in part due to the fact that AutoStore proposes to include additional disclosure on these measures in future financial reporting. Finanstilsynet assumes that the Company will provide a more detailed definition and an explanation of the use of the measures to allow users to better understand their relevance and reliability.

The review also revealed that the Company does not disclose that it applies the practical expedient in IFRS 15 *Revenue from Contracts with Customer* paragraph 121 related to providing disclosures on remaining performance obligations. Finanstilsynet takes note of the fact that the Company will incorporate required disclosures in the financial statements going forward.

In points 3 and 4 below Finanstilsynet provides a detailed assessment of the matters covered by the review.

With this letter, Finanstilsynet considers the review to be closed.

¹ [ESMA Guidelines on Alternative Performance Measures](#)

3. Classification of the financial measures Order intake and Order backlog

3.1 Background

The Company presents the financial measures Order intake and Order backlog in the financial reporting. In the financial reporting², the measures are defined as follows:

Order intake is defined as value of projects where a distribution partner has received a purchase order or verbal confirmation that a specific installation will be ordered.

Order backlog is defined as the total value of order intake not yet shipped and for which revenue has not yet been recognized.

The Company does not consider these measures to be alternative performance measures. However, given the content of the measures, Finanstilsynet has questioned whether these measures are APMs according to paragraph 17 of the guidelines and therefore should comply with the requirements in the guidelines.

3.2 The Company's assessment

Background information and a summary of AutoStore's business model:

The AutoStore system consists of various modules for warehouse storage and handling, including, but not limited to: Grid, Bin, Port, Robot, AutoStore Control System and spare parts, collectively referred to as components of the AutoStore system. AutoStore sells the system to distribution partners, who then contract separately with the end user ("end customer") of the system. AutoStore currently has 23 distribution partners, who comprise AutoStore's customers. By collaborating closely with the Company's distribution partners, AutoStore can scale efficiently across global markets and ensure that installations meet the unique requirements of each end user. This partnership-based model allows AutoStore to focus on developing and refining its core technology, while partners handle installation, integration and ongoing support to the end customer. Revenue from components of the AutoStore system is recognized at a point in time when the distributor obtains control over the components, which is generally upon shipment.

Whilst the Company's distribution partners contract with end customers, AutoStore requires these partners to populate its sales pipeline with details of the opportunities being pursued by partners and the status of those discussions. This way, AutoStore retains a close and up-to-date insight into the status of end customer orders and potential orders.

In AutoStore's previous annual and interim financial statements, the definition and calculation of Order intake focuses on orders received by the distribution partner from the end customer, meaning only a portion of these orders will meet the definition of a contract with a customer under IFRS 15.9 for AutoStore.

Classification of Order intake and Order backlog:

AutoStore acknowledge the significance of APMs in the Company's reporting practices, and the classification of Order intake and Order backlog has been a topic of discussion for AutoStore since the Company's listing and initial public offering in 2021 (the IPO).

Based on a thorough analysis, AutoStore has concluded that these measures do not fall under the definition of APMs. These measures cannot be directly converted into revenue on a one-to-one basis, thereby not fulfilling the criteria for measuring future financial performance, nor can they be readily reconciled to an equivalent IFRS based measure. This ambiguity arises from the nature of

² [AutoStore Quarterly report Q2 2024](#)

the order values, which may fluctuate prior to revenue recognition due to contract clauses. Additionally, the sale may be subject to translation effects upon reporting. AutoStore observes similar inconsistencies when the company researched how other market participants classify Order intake and Order backlog. In the prospectus prepared by AutoStore in connection with its IPO, the financial measures Order backlog and Order intake were, after careful consideration and for the reasons set out herein, treated as "other performance indicators" and not as APMs. For the sake of good order, the Company notes that Finanstilsynet did not have any comments to the classification of those financial measures in its review of the prospectus in 2021.

Following the IPO, AutoStore has, in its financial reporting, continued to treat Order backlog and Order intake as "other performance indicators", consistent with the prospectus, and has also consistently provided clear and transparent definitions of these measures. AutoStore acknowledges that there has been a noticeable increase in recent years in the amount of companies which classify Order intake and Order backlog as APMs, which has also been something the company has taken into consideration in its ongoing assessments of the topic. AutoStore has carried out a renewed assessment following the receipt of the letter from Finanstilsynet.

With reference to the ESMA European common enforcement priorities for 2024 corporate reporting published in October 2024, it is noted that information required by paragraph 120 of IFRS 15 (often referred to as "backlog") is an area of focus. ESMA reminds issuers that, when including backlog measures in the management report, they *may* need to comply with the ESMA Guidelines on alternative performance measures (APMs).

The definition of backlog utilized by ESMA appears to include only elements that meet the definition of customer contracts under IFRS 15. In contrast, the definition of Order backlog utilized by AutoStore as an "other performance indicator" is more expansive providing a look-through to the end market as noted above and includes projects where a distribution partner has received a purchase order or verbal confirmation to be placed from the end customer. This does not meet the definition of a contract under IFRS 15 for AutoStore.

The Company believes that the use of purchase orders or verbal confirmations received by the distribution partners is appropriate due to the high visibility AutoStore has throughout the contracting process and the historically high conversion rate into orders placed by the distribution partner with AutoStore. AutoStore and the distribution partners utilize a shared sales platform to track the progress of ongoing opportunities, and there are several formal communications required in the sales process, which are outlined in the framework agreement AutoStore hold with each distribution partner. Based on AutoStore's high visibility in the contracting process of the Company's distribution partners, Autostore is confident in the reliability of the measures that the Company shares with stakeholders, and believes they gain value from the additional insight into the development of the end market.

ESMA has included in their definition that an APM is usually derived from the financial statements prepared in accordance with the applicable financial reporting framework. AutoStore recognizes the importance of the requirements set forth in the APM Guidelines, and AutoStore has a structured, transparent and consistent approach to how the Company defines and discloses adjustments to its IFRS financial statements in the form of APMs. These APMs have been consistent since the Company first listed on the Oslo Stock Exchange in October 2021. AutoStore's practice and strong preference is to reconcile APMs to figures presented in the IFRS financial statements. As discussed, this is not directly possible for Order intake and Order backlog as defined by AutoStore.

The Company acknowledges the findings and opinions expressed in Finanstilsynet's preliminary assessment, and AutoStore understands that Finanstilsynet expects companies to apply the principles in the guidelines when there is doubt about whether a measure is an APM. The Company has also considered Finanstilsynet's view that paragraph 17 of the guidelines should not be interpreted as requiring measures to be directly convertible into revenues (or other IFRS

components) on a one-to-one basis, in order to be considered financial measures of future performance or cash flows. However, after due consideration in light of the dialogue with Finanstilsynet, AutoStore continues to believe, for the reasons set out above, that the presentation of Order intake and Order backlog as other performance indicators remains appropriate.

Finally, the Company acknowledges Finanstilsynet's observation that AutoStore's published definitions do not fully explain the uncertainty related to conversion and the factors that may prevent orders from being converted into revenues. The Company believes that investors and analysts understand (and value) that the order backlog measure presented provides transparency into the distribution partners' look-through pipeline and does not convert directly into revenue under IFRS 15. However, AutoStore will review its disclosures and consider whether further explanation of these other performance indicators would enhance the reader's understanding of these measures.

AutoStore proposes to include additional disclosures on Order intake and Order backlog in future reporting to further enhance transparency and ensure that the definitions of these measures are clear to the market.

3.3 Finanstilsynet's assessment

According to paragraph 17 of the guidelines, *an APM is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.*

The following was expressed in Finanstilsynet's thematic review on alternative performance measures³: "In the opinion of Finanstilsynet, order reserves stated in monetary units is an alternative performance measure." This view is consistent with Decision EECS/0125-08 from the Report 29th Extract from the FRWG (EECS)'s Database of Enforcement⁴.

In the thematic review, it was also stated that Finanstilsynet expects companies, in cases of doubt regarding whether a measure is an APM, to apply the principles in the guidelines.

AutoStore has in its assessment referred to the ESMA European common enforcement priorities for 2024 corporate reporting published in October 2024, and it is noted by the Company that ESMA reminds issuers that, when including backlog measures in the management report, they *may* need to comply with the ESMA Guidelines on alternative performance measures.

Furthermore, the Company points out that the definition used by ESMA appears to only include elements that meet the definition of customer contracts under IFRS 15, and that the Company's definitions are more expansive.

The section referred to in ESMA European common enforcement priorities for 2024 covers priorities related to IFRS financial statements and in this case remaining performance obligations. Remaining performance obligations is a measure defined or specified in the applicable financial reporting framework and as such is not an APM according to paragraph 17 of the guidelines. It is Finanstilsynet's understanding that the reason ESMA is using the word *may* in relation to the need to comply with the guidelines is that companies sometimes, both inside and outside the financial statements, only use remaining performance obligations as defined in the applicable financial reporting framework as its backlog measure. Backlog measures that deviate from remaining performance obligations as defined in IFRS 15 are in the view of Finanstilsynet APMs. The Company's backlog measures deviate from remaining performance obligations as defined in IFRS 15.

³ [TEMATILSYN OM ALTERNATIVE RESULTATMÅL, 2017](#)

⁴ [Report 29th Extract from the FRWG \(EECS\)'s Database of Enforcement](#)

It is clear that these measures are financial measures. Furthermore, it is Finanstilsynet's understanding that such measures generally are presented with the purpose of providing useful information and insight regarding future potential revenues and cash inflows. According to AutoStore the measures used by the Company are more expansive and are providing a look-through to the end market.

When such measures are used by AutoStore, they must also be assessed from the Company's perspective. It must be assumed that information about activity in the end market is considered relevant to present because it provides insights into AutoStore's expected future activity level. This is, therefore, useful information in relation to the company's future activity and revenues. The company has not provided Finanstilsynet with any other explanation as to why the measures are presented in relation to Autostore. Finanstilsynet also observes that analysts following the company relate the measures to future revenues and seem to utilise them as input when estimating AutoStore's future revenues and cash inflows.

In Finanstilsynet's view, paragraph 17 of the guidelines should not be understood as a strict and absolute requirement that measures must be directly convertible into revenues on a one-to-one basis, to be seen as financial measures of future financial performance or cash flows. Rather, an assessment should be based on the purpose for using the measures, on what the measures provide insight into, and on what the measures are used to analyse and estimate by users such as investors and analysts. As such, it is Finanstilsynet's opinion that Order intake and Order backlog, as used and defined by AutoStore despite being more expansive than customary order reserves, primarily must be seen as measures of future financial performance and cash inflow.

The fact that the measures are not reconcilable to measures presented in the financial statements is not a strong argument for Order intake and Order backlog not being APMs. The guidelines state that measures that are not derived from (or based on) the financial statements can also constitute APMs. Paragraph 32, amongst else, illustrates this and contains other disclosure requirements for such cases. The Company's practice and preference may lead to misclassifications, resulting in financial measures that qualify as APMs after paragraph 17 not being properly identified.

Finanstilsynet is of the opinion that the financial measures Order intake and Order backlog presented by the Company in financial reporting are APMs according to paragraph 17 of the guidelines. For measures that are APMs, the guidelines require certain information to be disclosed in addition to the other requirements set out in the guidelines.

The Company's financial reports do not contain information regarding explanations on the use (paragraph 33-34) nor an explanation about the consistency of the APMs with the accounting policies applied by the issuer in the financial statements (paragraph 32).

In addition, the definitions provided by the company do not contain a sufficient level of detail to comply with paragraphs 20-21 of the guidelines. Finanstilsynet also observes through media coverage that some analysts have commented on and asked the company questions regarding the quality of the order book, its duration, and the cancellation of orders. This indicates that analysts consider these measures to be important and suggests that they do not have sufficient information for their analyses.

In Finanstilsynet's view, the definitions provided by the company do not provide a sufficient explanation of the uncertainty that the company describes in its letter related to conversion and the factors that lead to or can lead to orders not being converted into revenues/cash inflows. As investors and analysts use the measures as input when estimating future revenues, it is important that they are aware of the factors that can lead to orders not being converted into revenues/cash inflows. Furthermore, it is not sufficiently explained that the Company's Order backlog includes orders that are currently with distribution partners, and what implications and uncertainties this entails.

In summary, Finanstilsynet is of the opinion that these measures are APMs according to paragraph 17 of the guidelines and therefore should comply with the requirements in the guidelines.

Finanstilsynet has not, however, found grounds for requiring the company to classify the measures as APMs, but considers it worthy of criticism that the company intends to continue its practice in future financial reporting. Finanstilsynet reached this conclusion in part due to the fact that AutoStore proposes to include additional disclosure on these measures in future financial reporting. Finanstilsynet assumes that the Company will provide a more detailed definition and an explanation of the use of the measures to allow users to better understand their relevance and reliability.

4. Disclosures for remaining performance obligations in accordance with IFRS 15

4.1 Background

In accordance with IFRS 15.120, an entity shall, for its remaining performance obligations, disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period.

IFRS 15.121 has a practical expedient to disclosing the information required by IFRS 15.120. However, when using the practical expedient an entity shall in accordance with IFRS 15.122 explain qualitatively whether it is applying the practical expedient.

As the Company presents material amounts relating to Order backlog (USD 447 million as of 31.12.2023) and has no information about remaining performance obligations in the financial statements, Finanstilsynet has asked the Company's for its assessment of disclosures in accordance with IFRS 15 paragraph 120-122.

4.2 The Company's assessment

AutoStore has identified the distribution partners as the Company's customers in accordance with IFRS 15.6. AutoStore maintains framework agreements with all distribution partners, which contain standard clauses outlining the process for agreements with end customers and the obligations of both AutoStore and the distribution partner. According to the clauses within the framework agreement, AutoStore has an obligation to the distribution partner only when a customer order acknowledgment (COA) is issued from AutoStore to the distribution partner. The COA includes specifications for AutoStore modules, price and delivery. The framework agreement protects AutoStore from implicit obligations.

As of December 31, 2023, all material purchase orders that meet the definition of a contract with a customer under IFRS 15.9 had a duration, measured from when the contract criteria were met until all performance obligations were satisfied, of less than twelve months. On that basis, AutoStore applied the practical expedient in IFRS 15.121(a). However, AutoStore acknowledges that it did not disclose that the Company had taken advantage of this expedient as required by IFRS 15.122.

Required disclosures on remaining performance obligations will be incorporated in the Company's reporting going forward.

4.3 Finanstilsynet's assessment

Finanstilsynet takes note of the fact that the Company will incorporate required disclosures on remaining performance obligations in the financial statements going forward.

5. Closing

Finanstilsynet refers to the securities legislation regarding the requirement to disclose inside information in accordance with the Regulation (EU) No 596/2014 (market abuse regulation) article 17 no. 1, cf. article 7, cf. Securities Trading Act section 3-1 subsection (1). Finanstilsynet expects the Company to consider its treatment of information in accordance with this legislation.

Finanstilsynet requests AutoStore to inform Finanstilsynet in writing, and within 2 weeks:

- after publishing its financial report for the first quarter for 2025, about where the additional disclosures on Order intake and Order backlog have been implemented compared to the financial report for the fourth quarter of 2024.
- after publishing its annual financial statements for 2024, about where and how the matter in point 4 regarding remaining performance obligations have been rectified compared to the annual financial statements for 2023.

The information provided should be concrete and show how disclosures have been improved and in which note(s)/section additional information has been provided.

Issuers are required to provide information to Finanstilsynet in accordance with the Securities Trading Act section 19-2 subsection (7); cf. the Regulation to the Securities Trading Act section 17-6. According to these provisions, the issuer is required to provide Finanstilsynet with information necessary to perform the review. Issuers may appeal against the requirement to provide such information. An appeal should be made to Finanstilsynet immediately, and within three days at the latest; cf. the Public Administration Act section 14.

Finanstilsynet has forwarded a copy of this letter to the issuer's appointed auditor.

On behalf of Finanstilsynet

Lars Jacob Braarud
Head of Section

Kim Wangen
Senior Adviser

This document is electronically approved.