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Airlines

Are you ready for IFRS 18?



IFRS® Accounting Standards

November 2026

Are you ready?

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective from 1 January 2027 and applies retrospectively, with comparatives restated.

This guide discusses some of the potential impacts for airlines as they prepare to transition to IFRS 18. Get into the detail and think about how the new requirements apply to your specific circumstances.

The impact may depend on current presentation practices. Our observations are informed by regular discussions with airlines.

As the date of initial application approaches, you need to:

- assess the potential impacts of IFRS 18;
- develop a detailed implementation roadmap for transition-related activities; and
- communicate the impact to investors, including how IFRS 18 may change non-GAAP measures.

Practice is evolving; this guide is based on current information at the time of release. Monitor standard-setting and IFRS Interpretations Committee discussions as you progress your implementation efforts. Also consider the impact of heightened uncertainty on your financial reporting.

See Insights into IFRS®, our IFRS 18 hub and our guide Airlines: Financial reporting in uncertain times for further insights.

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Your path to readiness

Glossary

What's new?

More structured income statement



- New subtotals including 'operating profit'
- Income and expenses classified into three new categories – operating, investing, financing
- Main business activities and nature of asset or liability drive classification
- Analysis of operating expenses is on the face of the income statement

Disclosed and audited MPMs



- MPMs are now disclosed in the financial statements and subject to audit
- MPMs capture some but not all non-GAAP measures
- New disclosures may involve additional effort

Enhanced aggregation and disaggregation of information



- Newly defined roles for primary financial statements and notes to guide on where to provide material information
- Enhanced principles of aggregation vs disaggregation based on shared vs non-shared characteristics
- New disclosures for operating expenses by function and items labelled as 'other'

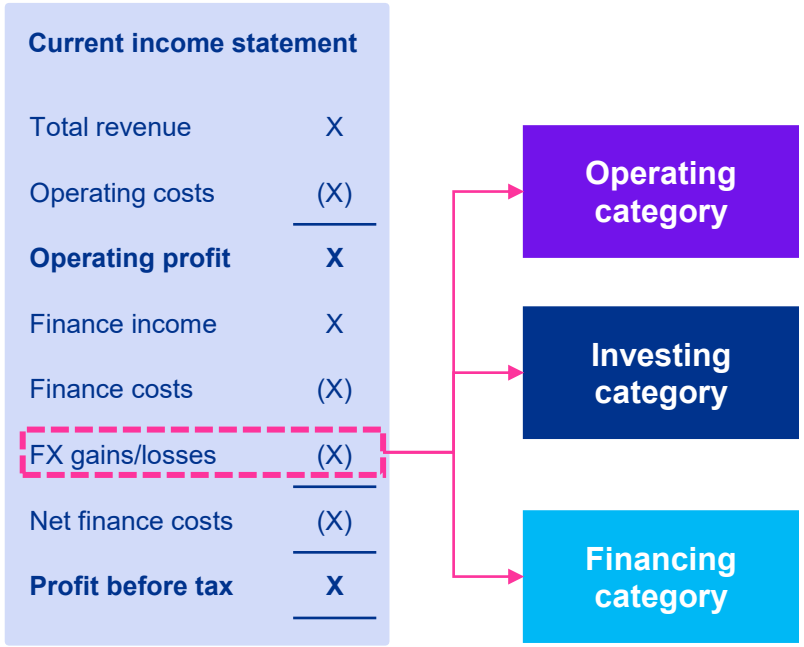
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How do you classify FX differences?

Potential impacts

- Currently, practice varies across airlines. Many present FX differences below operating profit – e.g. in net finance costs or non-operating costs – but some present them in operating costs.
- FX differences will now follow the related income and expenses, so additional effort may be required to identify the income or expenses giving rise to FX differences and classify those differences appropriately.
- Judgement will be required when classifying FX differences on other liabilities – e.g. lease liabilities – as the related income or expenses might be classified in multiple categories, but the FX needs to be in a single category.
- For FX differences on intercompany balances, there is an accounting policy choice to classify them:
  - in operating ('default category'); or
  - in the same category as the related income and expenses were classified before elimination.

Follow the related income and expenses



Actions to consider

- Identify the sources of FX differences.
- Classify FX differences in the appropriate category.
- Assess whether the chart of accounts, reporting systems and controls need updating to track FX differences and map them to the relevant category.

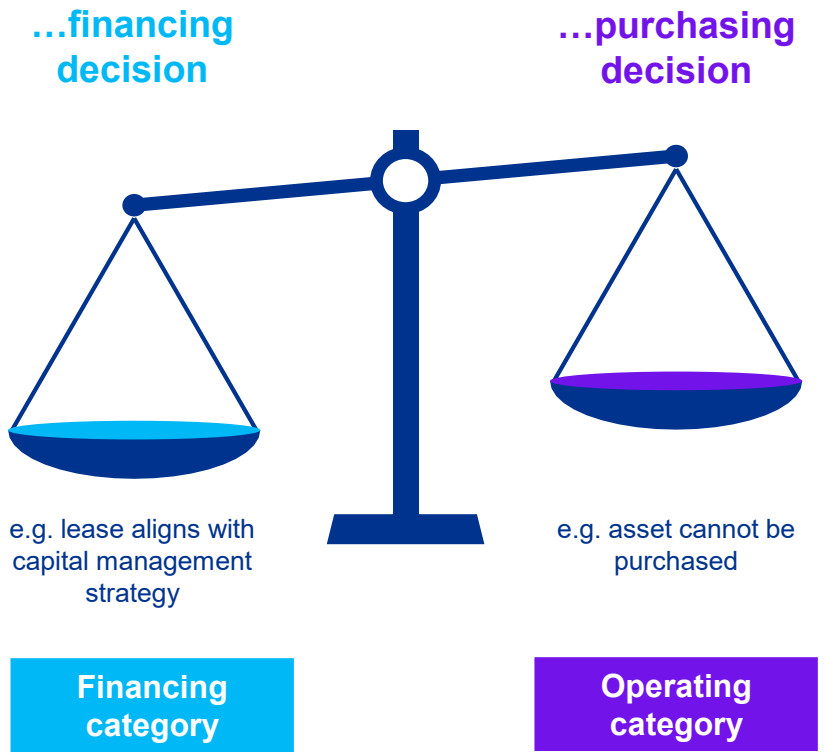
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How do you decide where FX on leases goes?

Potential impacts

- Lease liabilities give rise to income or expenses that might be classified in multiple categories under IFRS 18 – depreciation on an ROU asset in operating and interest expense in financing. But the related FX differences will need to be classified in one of those categories.
- Judgement will be required when classifying FX differences on lease liabilities based on specific facts and circumstances. This includes considering whether the FX differences arise from financing or purchasing decisions.
- Airlines will typically classify FX differences on leases in financing because aircraft lease arrangements are often driven by financing or capital management decisions. However, sometimes operating may be appropriate.

Consider if the lease transaction is a...



Actions to consider

- Determine whether lease arrangements reflect financing or purchasing decisions.
- Ensure the classification is supported by and consistent with your strategy.
- Assess whether the chart of accounts, reporting systems, processes and controls need updating to classify FX differences on leases in the relevant category.

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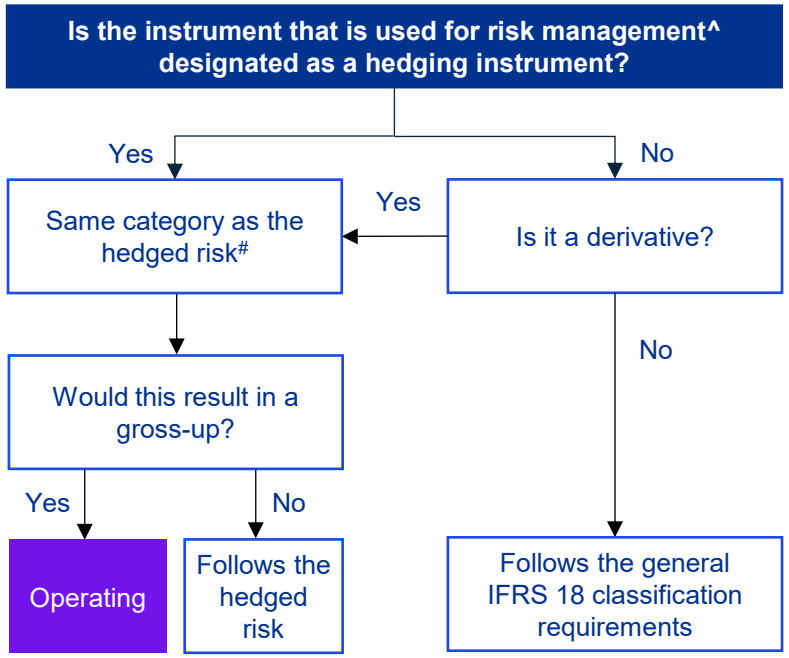
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Where do you put gains & losses on derivatives?

Potential impacts

- Many airlines use derivatives to manage risks arising from their investments or other sources. For example, airlines commonly use derivatives to hedge jet fuel prices.
- Some derivatives are designated in a hedging relationship*, whereas others are not. Gains and losses on all derivatives used to manage risks will now be classified in the same category as the hedged item#.
- If volatility in jet fuel markets causes hedges of jet fuel prices to become ineffective, then the ineffective portion of the gain or loss will also be classified in the same category as the effective portion.

Risk management drives classification



Actions to consider

- Identify the purpose of derivatives – i.e. risk management or other uses.
- Ensure the classification of gains and losses is supported and consistent with risk management documentation.
- Assess whether the chart of accounts, reporting systems, processes and controls need updating to classify the gains and losses in the relevant category.

* Designated under IFRS 9 *Financial Instruments*.
# Gains and losses on economic hedges are subject to an undue cost or effort relief to classify them in the operating category.

^ If the derivative is held for a purpose other than managing risk, then the classification depends on whether the transaction involves financing and is related to an SMBA of providing financing to customers.

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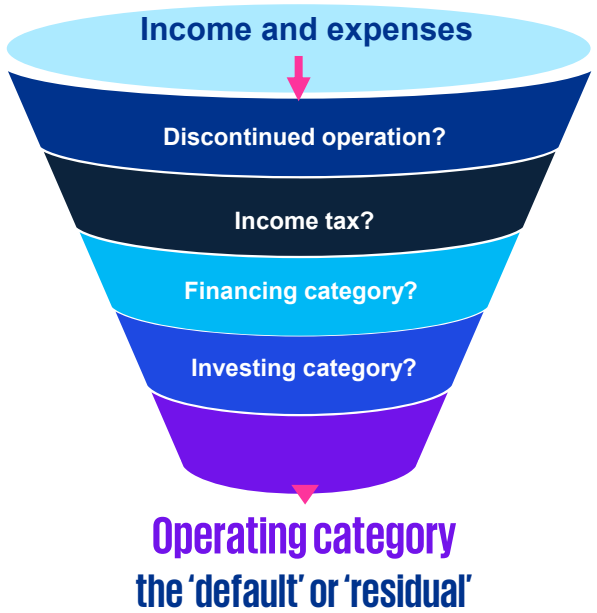
How does your operating profit change?

Potential impacts

- Many airlines currently present a self-defined operating profit subtotal, but definitions vary. Under IFRS 18, all companies will need to present the newly defined operating profit subtotal.
- Airlines will now classify items of income and expenses in operating, unless IFRS 18 requires their classification in another category.
- Results of equity-accounted associates and joint ventures will now be classified in investing, below operating profit.
- Current practice on the presentation of non-income taxes varies. The IASB is considering amending IFRS 18 to provide specific guidance on presentation of such taxes.
- Operating profit may become more volatile because certain items – e.g. some FX differences and gains/losses on derivatives – may now be classified in operating. Income and expenses cannot be excluded because they are volatile or unusual.

It depends on…

…main business activities and nature of assets and liabilities



Operating category
the 'default' or 'residual'

Actions to consider

- Assess in which category to classify income and expenses.
- Evaluate whether changes to operating profit affect debt covenants, remuneration, budgeting, and internal performance reporting.
- Consider the impact on existing and potential non-GAAP measures.
- Monitor the expected amendments to IFRS 18 for presentation of non-income taxes and assess their potential impact.

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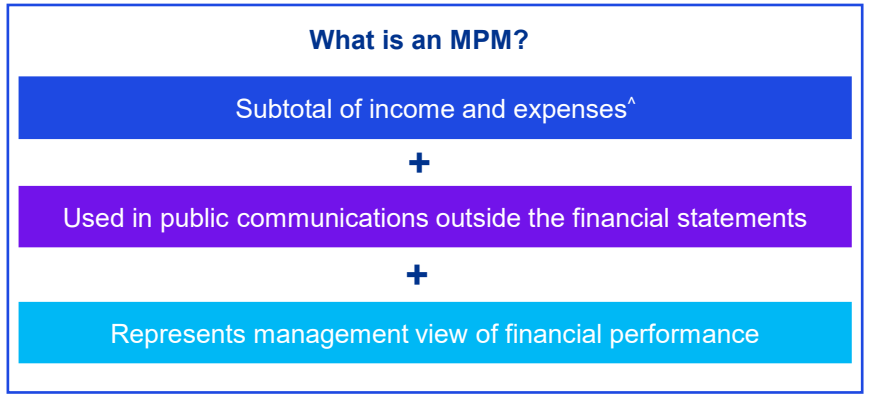
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Which of your non-GAAP measures are MPMs?

Potential impacts

- Many non-GAAP measures used by airlines may not meet the MPM definition, because they are not subtotals of income and expenses – e.g. ASK, CASK/CASM, on-time performance.
- Other non-GAAP measures will meet the MPM definition – e.g. adjusted or underlying EBIT or EBITDA, operating profit before exceptional items.
- Non-GAAP measures that meet the MPM definition will now be disclosed in the financial statements and subject to audit. A detailed reconciliation to IFRS measures will be required, including tax and non-controlling interest effects.
- Airlines will need to ensure that adjusted profit measures that meet the MPM definition are clearly labelled and explained. They will also need to clearly explain descriptions used – e.g. exceptional or non-recurring items.

Only subtotals of income and expenses



^ Subtotal of income and expenses that is either a subtotal required by IFRS Accounting Standards or a common subtotal listed in IFRS 18 is not an MPM.

Actions to consider

- Assess which of your non-GAAP measures are MPMs.
- Reassess whether current non-GAAP measures remain relevant in the context of the new income statement structure.
- Review current non-GAAP disclosures, including reconciliations, and identify where additional information is needed.

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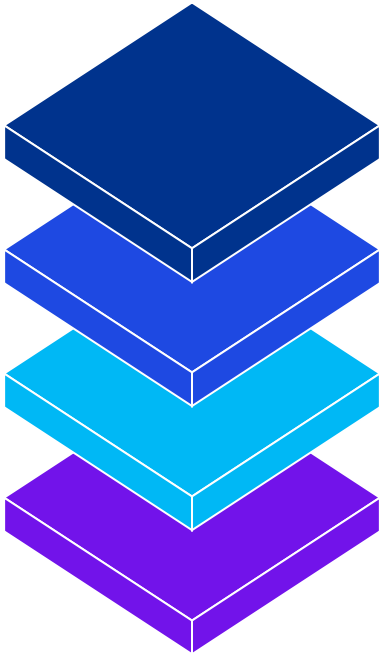
How do you analyse operating expenses?

Potential impacts

- The analysis of operating expenses is now required on the face of the income statement – i.e. the option to disclose this analysis only in the notes is removed.
- Most airlines currently analyse operating expenses by nature or on a mixed basis. Airlines will now need to determine which method – function, nature or mixed – provides the most useful structured summary, considering four new factors.
- Airlines will need to consider emerging peer practice in presentation methods, as consistency across the sector would help users to compare operating expenses.
- For operating expenses presented by function, airlines will need to disclose information about five specified nature expenses^ in the notes. This will be more granular than current practice and may require additional data collection.

^ Depreciation, amortisation, employee benefits, impairment losses (and reversals) in scope of IAS 36 *Impairment of Assets* and inventory write-downs (and reversals).

Provide the most useful structured summary



What are the main **drivers** or components of **profitability**?

How do you **manage** and report operating expenses **internally**?

How do your **peers** typically analyse their operating expenses?

Would **allocation** of particular expenses to functions be **arbitrary**?

Actions to consider

- Select the analysis of operating expenses that provides the most useful structured summary.
- If the selected method includes any line items by function, then prepare the new nature expenses disclosure.
- Assess whether the chart of accounts, reporting systems, processes and controls need updating to capture data for the new disclosure.

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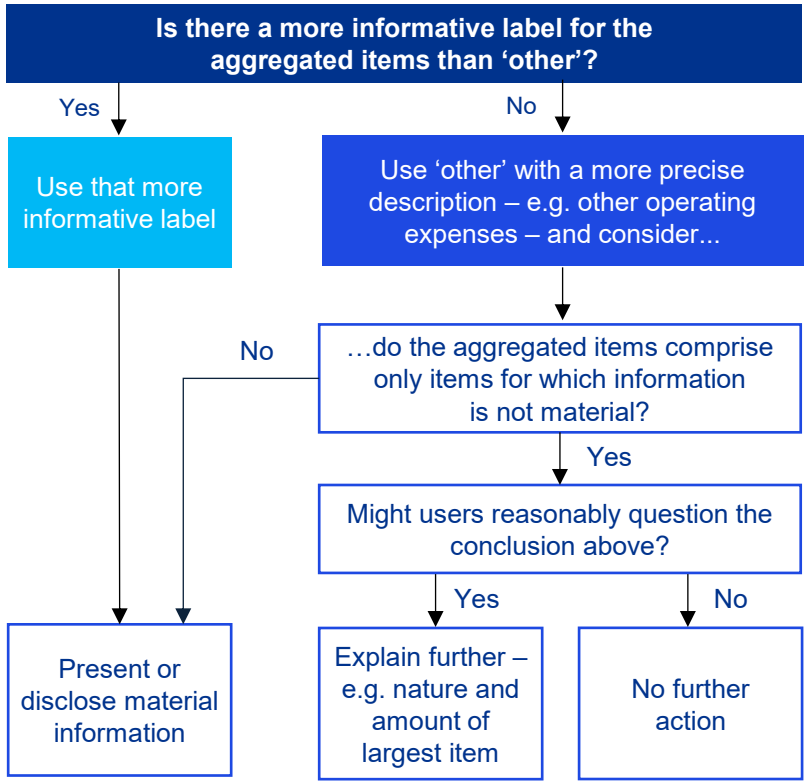
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How does your grouping and labelling change?

Potential impacts

- Airlines often present highly aggregated line items using labels such as ‘other’ without providing further explanatory information – e.g. ‘other revenue’ or ‘other operating costs’.
- The level of disaggregation in the income statement also varies significantly across airlines, which can make sector comparisons more difficult.
- IFRS 18 introduces enhanced guidance on aggregation and disaggregation based on shared characteristics. It also discourages the use of ‘other’ labels and requires more informative labels for aggregated items.
- Airlines will need to reassess how items are grouped, whether the level of detail presented or disclosed remains appropriate, and whether labels used are sufficiently informative.

More informative and specific use of ‘other’



Actions to consider

- Reassess whether current financial statement line items and note disclosures provide sufficient aggregation or disaggregation.
- Evaluate possible enhancements to improve the usefulness of information presented or disclosed.
- Assess whether the charts of accounts, reporting systems, processes and controls need updating to capture more granular data.

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Your path to readiness

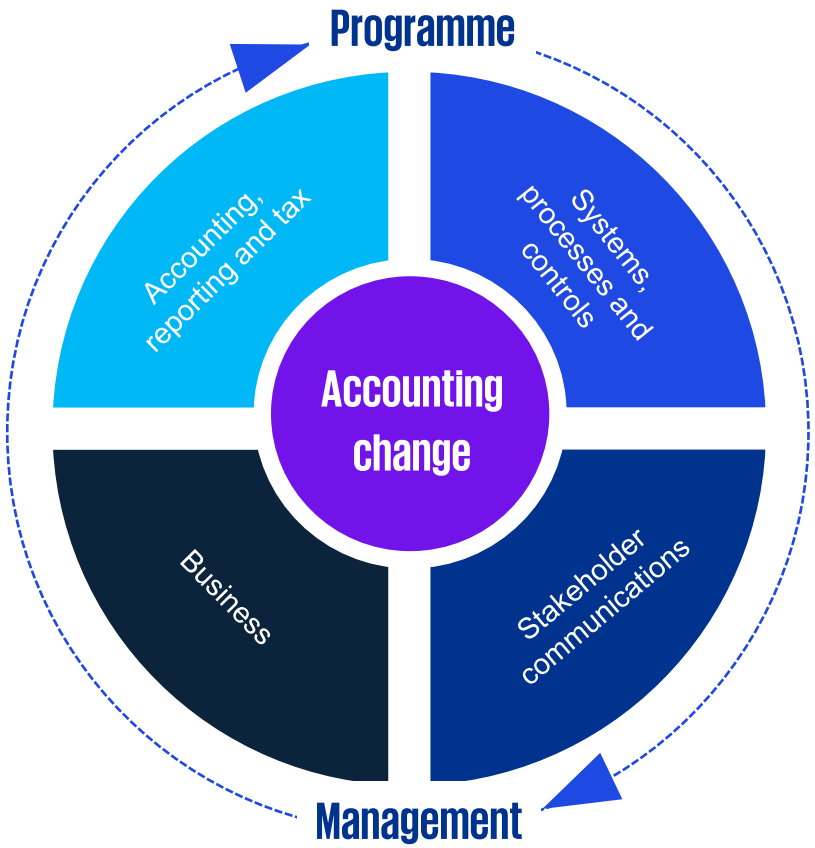
IFRS 18 readiness is a change programme, not just a reporting update. Impacts go beyond the financial statements to include systems, processes and controls, contracts linked to financial performance measures and stakeholder communications.

Airlines need to plan for timely implementation and engage with relevant stakeholders – e.g. investor relations, tax – to align scope, timelines and governance.

Our global network of airline professionals combines deep industry expertise and practical experience to help airlines navigate the implementation of IFRS 18.

Key actions for transition

Assess	• Assess impacts on the financial statements and MPMs, including new judgements • Assess knock-on impacts on covenants, remuneration and other arrangements linked to performance measures
Design	• Identify data requirements and changes needed to systems (source systems, ERPs, consolidation tools), processes and controls • Develop future-proof and audit-ready solutions • Plan approach for comparatives and additional data requirements
Engage	• Engage the Board, Audit Committee, auditors and investors • Communicate key impacts and transition plans • Explain changes to performance measures
Implement	• Test output from updates to systems, processes and controls • Finalise IFRS 18 financial statements and disclosures, including supporting internal documentation



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Glossary

Abbreviations

ASK
Available seat kilometres

CASK/CASM
Cost per available seat kilometre/mile

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortisation

FX
Foreign exchange

IASB
International Accounting Standards Board

MPM
Management-defined performance measure

ROU asset
Right-of-use asset

SMBA
Specified main business activity

Key terms

Other liabilities
Liabilities that arise from transactions that do not only involve the raising of finance – e.g. lease liabilities and pension liabilities.

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Keeping in touch



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