European Securities and Markets Authority

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PRESS RELEASE

ESMA consults on Guidelines for issuers performance measures

The European Securities and Markets Authority (ESMA) has launched a consultation on Guidelines on Alternative Performance Measures (APMs). The aim of the guidelines is to encourage European issuers to publish transparent, unbiased and comparable information on their financial performance in order to provide users with a better understanding of their performance. Some examples of APMs include EBIT (Earnings Before Interest & Tax), EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), free cash flow, underlying profit or net-debt.

The Consultation Paper follows on from ESMA's decision to review and replace the 2005 CESR Recommendation on APMs with Guidelines under Article 16 of the ESMA Regulation to tackle concerns about APMs used by issuers. Those relate mainly to APMs being used in such a manner as to present a confusing or optimistic picture of their performance by removing certain negative aspects, or even where this is not the case, APMs can be misleading if they are inconsistently calculated or presented.

The proposed guidelines set out the principles that issuers should follow when presenting APMs, and are based on the requirements applicable to financial statements, as required by the IAS Regulation, mainly referring to their labelling, calculation, presentation and comparability.

Steven Maijoor, ESMA Chair, said:

> "The proposed guidelines aim to improve the transparency and comparability of financial information published by issuers. APMs presented in an appropriate way may reduce information asymmetry among the users of financial statements.
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> "These guidelines will ensure that APMs are used and presented in a coherent fashion across the EU, which will in turn contribute to restoring confidence in the accuracy and usefulness of financial information and improve investor protection."

The proposed guidelines would apply to issuers with securities traded on regulated markets and all competent authorities and other bodies in the EU that undertake enforcement activities under the Transparency Directive. The proposed guidelines are aligned with other regulations and guidance issued by securities regulators in the United States, Australia and Canada on this matter.

The closing date for responses to this consultation is 14 May 2014 and ESMA expects to publish the final guidelines in the fourth quarter of 2014.

Notes for editors

1. 2014/175 Consultation Paper - ESMA Guidelines on alternative performance measures.

2. CESR 05-178b Recommendation on Alternative Performance, October 2005.

3. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).

4. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

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