



Guidelines on Alternative Performance Measures. July 2015.

ESMA has published, on 30 June 2015, a report containing Guidelines on Alternative Performance Measures (APMs), which applies to issuers of securities admitted to trading on regulated markets of the European Union who must publish regulated information according to the Transparency Directive and to persons responsible for the prospectus according to the Prospectus Directive. The report also contains the feedback to a previous consultation on APMs issued by ESMA in 2014 to replace the recommendation issued by the CESR (ESMA's predecessor body) in 2005. **APMs** are all those measures of historical or future financial performance, financial position or cash flows of an issuer not defined or specified in the compulsory accounting and financial reporting framework. Examples of commonly used APMs include EBIT (Earnings Before Interest and Taxes) and EBITDA (Earning Before Interest, Taxes, Depreciation and Amortisation).

The **aim** of these guidelines is promoting the publication by issuers and persons responsible for the prospectus in the European Union of financial measures other than those defined or specified within the accounting framework, which may enable financial information users to better understand the financial position of issuers by improving utility, transparency, neutrality and comparability of information. The **scope** includes not only issuers subject to the obligation of providing regulated information according to the Transparency Directive, but also those persons responsible for the prospectus according to the Prospectus Directive. Unlike in the previous consultation document, APMs contained in financial statements of issuers are not subject to these guidelines. Examples of documents where APMs are subject to these guidelines include management reports issued in accordance with the Transparency Directive and public disclosures issued under the requirements of Article 17 of the Market Abuse Regulation, including financial earnings results. The guidelines will **enter into force** -following the translation into the official languages of the European Union in the course of 2015- on 3 July 2016 (effective date of the Market Abuse Regulation), in order to provide sufficient time for issuers to meet the guidelines.

The guidelines contain the following sections:

.- Definition of APM. An APM is any financial measure of historical or future financial performance, financial position or cash flows of an issuer, other than those financial measures defined or specified within the regulatory framework for accounting and financial reporting applicable to the issuer.

APMs are usually obtained from figures presented in the issuer's financial statements. Examples of APMs include: operating earnings, cash earnings, earnings before one-time charges, earnings before interest, taxes, depreciation and amortisation (EBITDA), net debt, autonomous growth or other terms denoting adjustments to line items of comprehensive income, financial position or cash flow within the financial statements.

.- Public disclosure on APMs and their components. APMs are often disclosed in explanatory documents within financial statements, management reports, press releases, market announcements or presentations to investors.

. - **Disclosure principles.** Issuers or persons responsible for the prospectus should define the APMs used and their components as well as the basis of calculation used to obtain them, including details of any hypotheses or assumptions used. They should also indicate whether APMs and their components relate to the performance of a past or future period.

. - **Presentation.** The definitions of all the APMs should be disclosed in a clear and understandable way. A labelling of each APM should be disclosed, reflecting their content and basis of calculation in order to avoid being used by issuers to convey misleading messages to users or to present an excessively optimistic picture by removing certain negative aspects, or they can be misleading if they are inconsistently calculated or presented. For example, overly optimistic or positive labels such as 'guaranteed profit' or 'protected returns' should not be used.

. - **Reconciliation** to the financial statements. Reconciliation of APMs to the most directly reconcilable line item, subtotal or total, presented in the financial statements of the corresponding period should be disclosed, separately identifying and explaining the reconciling items. The most directly reconcilable line item, subtotal or total, presented in the financial statements relevant for that specific APM should also be presented.

. - **Explanation on the use** of APMs. Issuers or persons responsible for the prospectus should explain the use of APMs in order to allow users to understand their relevance and reliability, why they believe that an APM provides useful information regarding the financial performance, financial position or cash flows, as well as the purposes for which the specific APM is used.

. - **Prominence** of APMs. APMs should not be displayed with more emphasis or authority than measures directly stemming from financial statements and should not distract from the presentation of the measures directly stemming from financial statements.

. - **Comparatives.** APMs should be accompanied by comparatives for the corresponding previous periods. In situations where APMs relate to forecasts or estimations, the comparatives should refer to the last historical information available. Reconciliations for all comparatives disclosed should also be presented.

- **Consistency** of APMs. The definition and calculation of an APM should be consistent over time. In exceptional circumstances where issuers decide to redefine an APM, they should: explain the changes and the reasons why these changes result in reliable and more relevant information on the financial performance, and provide restated comparative figures. Additionally, if an issuer stops disclosing an APM, the issuer should explain the reason for considering that this APM no longer provides relevant information.

. - **Compliance by reference.** Except in the case of prospectuses which are covered by a separate scheme for incorporation by reference and except for those member states which do not permit compliance by reference, compliance with the disclosure principles set out in these guidelines may be replaced by a direct reference to other documents previously published which contain these disclosures on APMs and are readily and easily accessible to information users. In this case, compliance with the guidelines is to be assessed by analysing the documents together. Compliance by reference should not override the other principles of these guidelines.

Relevant links:

[Final report by ESMA with Guidelines on Alternative Performance Measures](#)

[Public consultation by ESMA about Guidelines on Alternative Performance Measures](#)