Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik “ESMA Guidelines on the use of Alternative Performance Measures (APMs)“ stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:

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In brief
A look at current financial reporting issues

14 July 2015

ESMA Guidelines on the use of Alternative Performance Measures (APMs)

Issue

The European Securities and Markets Authority (ESMA) has recently issued its 'Guidelines on Alternative Performance Measures (APMs)' for listed issuers. The objective of the guidelines is to encourage European issuers to publish transparent, unbiased and comparable information on their financial performance. This should provide users with a comprehensive understanding of their performance.

Impact

The guidelines set out the principles and requirements that entities should follow when they report APMs.

To whom, and to what, do the APM guidelines apply?

The guidelines apply to APMs disclosed in regulated information published by issuers with securities traded on regulated markets. This means that the guidelines will apply to APMs presented in the 'front half' of annual reports and interim financial reports. They also apply to APMs in other regulated information published by an entity, for example, management reports disclosed to the market under the Transparency Directive, and disclosures under the requirements of article 17 of the Market Abuse Regulation (for example, ad-hoc disclosures including financial earnings). The guidelines also apply to prospectuses issued under the Prospectus Directive.

The guidelines do not apply to APMs disclosed in financial statements, including half-year financial statements and additional periodic financial information prepared in accordance with GAAP and disclosed in accordance with the Transparency Directive or the Prospectus Directive. This is because ESMA believes that the IASB's recent amendments to IAS 1 and its project on disclosure principles will address many of the issues identified in respect of APMs disclosed in financial statements.

The guidelines also do not apply to APMs that legislation (other than GAAP) requires an entity to disclose. So, for example, they do not apply to measures included in prospectuses such as pro forma financial information, related party transactions, profit forecasts and estimates, working capital statements and capitalisation and indebtedness statements, as required by the prospectus regime. Similarly, the guidelines do not apply to prudential measures, including those defined in the Capital Requirements Directive and Regulations (CRD IV/CRR).

Member states' Competent Authorities (in Germany = BaFin) will have to implement the guidelines as part of their supervisory activities.

From when do the guidelines apply?

The guidelines apply as above to APMs disclosed in information published on or after 3 July 2016 (aligned with the effective date of the new EU Market Abuse Regulation). The guidelines will thus, for example, apply to the half-yearly reports prepared by entities with 31 December 2016 year ends.

What is an APM?

Under the guidelines, an APM is 'a financial measure of historical or future performances, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework'. That is, an APM is a performance measure which is not defined or specified in the GAAP under which the entity is reporting.

Principles for disclosing APMs

Where entities use APMs in a relevant document, they should disclose the definitions of each APM in a clear and readable way, including their components, the basis of calculations and any material hypotheses or assumptions used. They should give APMs meaningful labels reflecting their content and the basis of calculation. They should also indicate whether the APM or any of its components relate to past or expected future performance.

To avoid misleading users, the guidance cautions that entities should not:
- use overly-optimistic or positive labels, such as 'guaranteed profit' or 'protected returns';
- use labels, titles or descriptions that are the same as, or confusingly similar to, measures defined in GAAP; or
- mis-label items as non-recurring, infrequent or unusual where they affected past periods and will likely affect future periods (such as impairment losses or restructuring costs).

Reconciliations

Entities should include a reconciliation of each APM to the amounts presented in the financial statements, separately identifying and explaining the material reconciling items. Users should be able to identify the reconciling items in the financial statements. Where an amount cannot be extracted directly from the financial statements, the entity should disclose how it is calculated.

Where an APM cannot be reconciled to the financial statements because, for example, it is a profit estimate, future projection or profit forecast, the entity should explain the consistency of the APM with its financial statements' accounting policies so that users can understand the derivation of the numbers.

Entities' use of APMs

An entity should explain why it uses APMs, to enable users to understand their relevance and reliability - in particular why the entity believes that an APM provides useful information on its financial position, cash flows or financial performance, together with the purposes for which it uses the specific APM within the business.

The prominence given to APMs

Entities should not display APMs with more prominence, emphasis or authority than, nor distract from, measures directly stemming from financial statements.

Consistency over time

Entities should maintain consistent definitions and calculations of APMs over time. Re-definitions of APMs should occur only exceptionally. An entity should explain any changes and why it considers the changes result in reliable and more relevant information. It should also restate the APM's comparative amounts.

If an entity ceases to disclose an APM, it should explain why it considers that the APM no longer provides relevant information. Similarly where it replaces an APM, it should explain why the new APM provides reliable and more relevant information.