

LE PRESIDENT

Mr Fabrice Demarigny
Secretary General of CESR
CESR
11-13 avenue de Friedland
75008 PARIS
FRANCE

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers), is pleased to submit its contribution as part of the consultation undertaken by the Committee of European Securities Regulators (CESR) on its Recommendation Paper on Alternative Performance Measures (Ref: CESR/05-178).

SFAF represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS). Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new regulation in the field of accounting in Europe.

For this reason, our society, through its Accounting and Financial Analysis Commission, is keen to respond to your consultation on the alternative performance measures.

General comments

SFAF supports the efforts made by CESR to “encourage European listed companies to provide the financial markets with appropriate and useful performance measures”. SFAF believes indeed that it is in the interest of investors to be provided with financial information that are relevant, comparable, consistent and comprehensible, thus respecting IFRS principles.

We consider however that defined measures (revenue, profit or loss and earnings per share as mentioned in the consultation paper) may not provide investors with all the appropriate needed information for understanding the financial performance of a company. In particular, we consider that IFRS requirements for the presentation of company’s financial statements may not be sufficient to directly offer all the needed measures to understand a company performance. Therefore, we support the idea that alternative performance measures may be needed.

We support the idea that alternative performance measures should be well defined by the company, presented consistently over time with in addition an indication how these measures are relevant to improve the understanding of company performance.

We consider that these measures should be well explained and documented, with all the data used for their construction being directly extracted from the company’s audited financial statements including the annex. It seems indeed essential for financial analysts to be able to reconcile alternative performance measures with audited data that are consistently presented over time and which are relevant. It is all the more important when the measure is used as a guidance given by the Company to investors and analysts, in order to avoid misunderstandings. Relevance of data used to elaborate these measures should also be explained by the company. Otherwise, there is a risk of loss of confidence over time by financial analysts and by investors.

Alternative performance measures may be more relevant than defined performance measures. However the superiority of these last ones lies in their consistency over time. Therefore, we consider that defined measures should be presented with at least the same prominence as alternative performance measures.

We consider also that alternative performance measures should allow to differentiate recurring from non recurring items. SFAF considers indeed that these elements are critical to appreciate the long term sustainable performance of companies.

In addition, SFAF estimates that performance measures based on value creation are subject to the choice of parameters and can be challenged. Therefore, we think that they should be strictly limited, in particular those involving parameters such as the cost of capital (WACC), each investor or analyst having its own appreciation (Bulletin COB n° 356, April 2001).

Conclusion

The Recommendation Paper on Alternative Performance Measures takes the right approach by focussing on the need of investors and the way to protect them by providing them with relevant and consistent information.

We consider therefore that by defining the use of alternative performance measures, CESR will greatly contribute to the efficiency of the financial European market.

We thank you for the opportunity given to us to provide our view on such important aspects and remain available for any further information.

Yours faithfully,



Franck Ceddaha
Chairman of the Accounting
and Financial Analysis Commission



Alain Cazalé
Chairman of SFAF