



MEMBER OF THE MANAGEMENT BOARD  
CHIEF FINANCIAL OFFICER

Mr Fabrice Demarigny  
Secretary General  
The Committee of European Securities  
Regulators  
11-13 Avenue de Friedland  
75008 Paris  
France

11 July 2005

Dear Sir,

### **CESR Draft Recommendations on Alternative Performance Measures**

We have considered the CESR Draft recommendation on Alternative Performance Measures.

In our different capacities as financial statement preparer, investor and asset manager on behalf of third parties, we support the recommendations that:

- all performance measures meet the criteria of relevance, comparability, consistency and comprehensibility set up by IFRS for financial information,
- the definition and basis of non GAAP performance measures be disclosed, as well as the way those measures are internally used by the issuer,
- all performance measures be used consistently over time and presented with comparative figures for previous periods,
- when non-GAAP measures are part of the financial statements, they be presented in combination with defined measures: for instance any sub total within the Income Statement,
- when non-GAAP measures are disclosed separately from the financial statements (e.g. in the management report ) the differences be described,
- auditors be involved in relation to the presentation of those measures.

We consider these recommendations would provide investors with meaningful disclosure and help promote their understanding of the financial performance of companies throughout Europe.

However, we have concerns with some proposals of the CESR which we believe could lead to the opposite result by imposing limits on the information that the issuers could voluntarily disclose to the investing public..

Indeed there are three areas of concerns:

- the prominence to be given to defined performance measures
- the nature of explanation of differences between defined GAAP and non GAAP measures
- the nature of the involvement of auditors.

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Our main concern relates to the prominence of the information. We do not believe that the prominence should be given to one category of information, defined by IASB or not. With regard to complementary items headings or sub-totals within the Income statement, IAS 1.83 makes additional items mandatory when such information is relevant to a company's financial performance. Provided that such information does not refer to extraordinary items prohibited by IAS 1.85, investors should welcome any information such as "underlying or operating result" that may provide them with useful insights into trends in performance of a company's underlying business.

Concerning complementary information provided outside of the financial statements, we also believe that the nature of that information can be equally (or more) useful than GAAP figures such as the net income for the investing public. In the insurance sector, for instance, we often disclose value based information ("Embedded Value") which is based on a projection of future cash flows not fully recognized in the financial statements: this information is considered by users as key information for assessing the performance of the life and saving business underwritten by insurers.

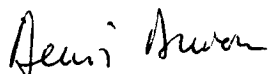
We consider that the same prominence should be given to both defined and non GAAP measures provided that the non-GAAP measures fulfill the other criteria recommended by CESR. End users of financial information should be taken into account in considering the prominence to be given to different financial measures. In this context, we believe that many non-GAAP industry measures and underlying profitability measures are very often key areas of focus by the investment community.

The recommendation of the CESR for an explanation of the differences should be more clearly defined: items added within the financial statements should be reconciled to corresponding GAAP measures while there should be no reconciliation requirement for other performance measures separately disclosed outside of the financial statements. Due to the difference of basis, any reconciliation of other performance measures presented outside the financial statements would be very difficult and costly, with the costs far outweighing the potential benefits. However, differences could be explained on a qualitative basis even without a formal reconciliation.

We support the involvement of auditors with non-GAAP measures, but the draft recommendation seems to be too vague. For the first set of non-GAAP measures, included in the financial statements, they should be audited with the same level of review than the defined measures. On the other hand, auditors should perform only a limited review for non GAAP measures presented outside the financial statements to ensure that they are not inconsistent with audited information in the financial statements. We believe that the recommendation of the CESR should not create any new requirement with regard to legal audit of non-GAAP information presented outside the financial statements.

Should the CESR need further information, do not hesitate to contact us.

Yours sincerely,



Denis Duverne