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Dear Mr. Restoy,

Following the European Parliament endorsement of IASB IFRS 8 and subsequent adoption by the European Commission, the European Federation of Financial Analysts Societies (EFFAS) through its Commission on Financial Accounting (FAC) would like to underline a few points.

Segment reporting is of significant importance for analysts. It is mainly with this information that users of financial statements are able to assess the performance of a group' businesses. This information is key in permitting to reconcile each business performance with underlying trends as analysts apply their industry and business knowledge.

In its resolution of the 14<sup>th</sup> of November of 2007, the European Parliament stated that:

- ...whereas segmental reporting according to the business model being pursued is important for understanding financial statements, including appropriate geographical information.....,
- Regrets that the impact assessment carried out by the Commission did not sufficiently take into account the interests of users, and;
- Expresses reservations as regards the Commission's analysis that disclosure of geographical information on the basis of IFRS 8 would, in practice, not be reduced compared to the situation under International Accounting Standard 14, and considers it vital that management continues to provide segmental information sufficient to allow users to assess the risks and drivers of the business in terms of geography, where relevant country-by-country, and business sector.

Along those comments FAC believes that IFRS 8 is more subjective than IAS 14 in particular when dealing with the profitability measurement. Commission members ponder that reporting based on IFRS GAAP measures is superior to the management approach adopted by IFRS 8 as it is more reliable, more stable and less subjective. In fact we believe that the management approach might lead to more frequent changes in segment reporting information than desirable being subsequently disturbing for financial analysts and investors.

More importantly, reporting for each segment a measure of operating profit which is not GAAP defined may be rather misleading and, even precarious in some cases for users, making comparison from segment X of a company A to segment X of a company B difficult at best. It should be stressed that the absence of comparability contrasts with the initial goal of IFRS and may conduct both institutional and individual investors, which we advise, to an inappropriate asset allocation.

As the European Commission has endorsed IFRS 8, financial analysts would have to deal with this standard no later than from fiscal year 2009 depending on an earlier application to be permitted for fiscal 2007.

Therefore, we consider rather important that some principles are adopted by companies to enable segment information to be valuable for users and more specifically for financial analysts. **EFFAS would recommend preparers to reconcile financial information at each segment level coming from internal reporting with financial information on an IFRS GAAP basis.**

We believe that GAAP information and the corresponding segment reconciliation would facilitate comparability and improve transparency. This would permit financial analysts to have a better understanding of companies' performance within an industry or a market segment. Moreover, it would provide continuity to historical financial information while bolstering investor's confidence.

Analysts would also welcome if preparers provide well documented information on a geographical basis as contemplated with IAS 14. We believe that this type of information is relevant as it was demonstrated in regional crisis such as in Russia and Asia in the past ten years. In those cases geographical information became key to better understand companies' performance including their risk exposure. We believe that it should be provided as complement to the IFRS 8. Moreover, this would facilitate convergence between US GAAP and IFRS, a process supported by financial analysts as long as the quality of financial information is improved.

CESR in our view has a specific role to play in this area by issuing a recommendation suggesting disclosing such information as it has already successfully done in other areas

At a time when markets need enhanced transparency, we consider that a proper GAAP reporting on business segments as well as on geographical segments would be welcomed. Our understanding is that this additional reconciliation to IFRS GAAP measures would be also supported by investors, auditors and numerous preparers.

The Financial Accounting Commission believes that the views expressed herein reflect a broad universe of financial analysts' sentiment as it incorporates a fair assessment of companies' performance.

If you would like further comments please do not hesitate to contact us.

On behalf of the EFFAS FAC members  
Yours sincerely,

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### **EFFAS Financial Accounting Commission (FAC)**

EFFAS was established in 1962 as an association for nationally-based investment professionals in Europe. EFFAS headquartered in Frankfurt am Main, comprises 25 member organisations representing more than 14,000 investment professionals. The Commission on Financial Accounting (FAC) is a standing commission of EFFAS aiming at proposing and commenting on financial issues from an analyst standpoint.

FAC is composed of experts from several constituencies participating regularly on international consultations and financial accounting gatherings across Europe. Recently, it participated on the consultation undertaken by the European Commission on IFRS-8 in connection with the European Parliament.

FAC members are Javier de Frutos (Chairman, Spain), Friedrich Spandl (Vice-Chairman, Austria), Jacques de Greling (SFAF, France), Hugo Haarbosch (VBA, The Netherlands), Henning Strom (NFF, Norway), Rainer Husmann (DVFA, Germany), Ivano Mattei (AIAF, Italy), Taras Koval (USFA, Ukraine), Jérôme Vial (SFAA, Switzerland) and Rolf Rundfelt (SFF, Sweden).