



Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.

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Consultation Paper on Recommendation on Alternative Performance Measures

Response by DVFA, the Society of Investment Professionals in Germany

Dear Mr. Demarigny,

the Society of Investment Professionals in Germany, DVFA, is the leading German professional organisation for financial analysts and represents more than 1,100 members. It has a governance structure comparable to that of similar professions, which are traditionally regulated by government, for example accountants, solicitors and tax experts. DVFA is member of the European Federation of Financial Analysts Societies (EFFAS).

In the following please find our discussion on the technical consultation and our answers to the specific questions.

General Comments

DVFA as the society of investment professionals in Germany supports the consultation paper concerning alternative performance measures as they strongly affect the daily work of the investment professionals who are organized within DVFA.

Key data like EBIT, EBITDA or EPS are prominent financial ratios used for comparative assessment of company value, like earnings multiple methods. These key data published by

companies are often used by analysts although they do not exactly know about the detailed definition of these figures; hence the comparability of alternative performance measures is not guaranteed but left to coincidence. Before this background, DVFA responds „yes“ to all raised questions in the above mentioned paper, but regrets that there is no statement in the consulting paper concerning the question of which alternative performance measures would be most appropriate and how they should be defined.

Alternative key figures like EBITDA or EPS that are quarterly published by companies are only valuable for financial analysts when these data are comparable and predictable.

The methods committee of DVFA holds the opinion that financial data from past periods only fulfill this condition when they are adjusted by all significant non-recurring items. DVFA refers to the article „Empfehlungen zur Ermittlung prognosefähiger Ergebnisse“ (Recommendations to the determination of predictable results) that was published in the German economic trade magazine „Der Betrieb“ in 2003. This article unfortunately is only available in German.

In this publication the authors provide a list of facts that might cause a non-recurrent influence on company results. DVFA is well aware of the fact that part of this data is given by companies only voluntarily. The readiness of companies to provide these information might increase in future due to the project „Performance Reporting“ of IASB and the growing initiative of companies to „report value“.

Conclusions

Only those results adjusted by non-recurring items are predictable and applicable for earnings multiples and thus relevant to capital markets.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'F. Rau' with a stylized flourish at the end.

Fritz H Rau
Chairman of DVFA