

<b>CESR</b>
<b>ARRIVE</b>
ON: 26/07/05
N°: 05-444

INSTITUT  
DER  
WIRTSCHAFTSPRÜFER

**IDW**

Mr. Fabrice Demarigny  
Secretary General  
CESR  
11-13 avenue de Friedland

F-75008 PARIS

Düsseldorf, July 18, 2005  
541/511/520

Dear Mr. Demarigny,

**Re: CESR Recommendation on Alternative Performance Measures – Consultation Paper of May 2005**

The IDW is pleased to have the opportunity to comment on the above-mentioned document. We appreciate the CESR initiative as we recognise that there is a need for improvement in terms of transparency and comparability in this area.

**Question 1 –** *Should additional elements be considered in terms of background? Do you agree that current practice of presenting alternative financial performance measures justifies CESR's initiative? If not, please indicate why.*

We have not identified any additional elements that need to be considered in the background although certain industry specific aspects may also be worthy of consideration. As noted above we welcome CESR's initiative in this respect. However, this is based on the fact that IAS 1 could be, but has not yet been expanded in relation to defined performance measures, which would fall within the role of the IASB.

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Re: CESR Recommendation on Alternative Performance Measures – Consultation Paper of May 2005

Date: 18.07.2005

**Question 2** – *Do you think that a recommendation is an appropriate tool for dealing with this issue?*

A recommendation by CESR to its members appears appropriate. However, CESR should not attempt to set standards.

**Question 3** – *Do you agree with this definition of alternative performance measures? If not, please state your reason.*

Paragraph 7 only states that all performance measures – except revenue, profit or loss and earnings per share defined under IFRS – are not defined and, therefore, are alternative performance measures. In our opinion, this negative definition of alternative performance measures is not sufficient. Instead a positive definition to classify alternative performance measures should be given in the recommendation. This definition should adequately reflect qualitative measures, for example.

**Question 4** – *Do you agree that the principles described in this draft recommendation are valid for any kind of reporting to markets by issues (with the exception of prospectuses)? If not, please state your reason.*

We agree.

**Question 5** – *Do you agree with the scope of this recommendation (paragraph 14) and the content of this recommendation (paragraphs 16 to 22)? If not, please state your reason.*

We agree with the scope of the recommendation.

We are concerned that the wording of the second sentence in paragraph 18 of the draft recommendation is not sufficiently explicit. Rather than requiring an issuer to “explain the differences” we suggest that a detailed reconciliation between the defined measures and the alternative performance measures should be required.

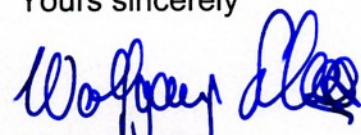
We agree with the content of paragraph 21 that a requirement recommended by CESR should be to present defined performance measures with greater prominence as alternative performance indicators.

**Question 6** – *Do you agree with CESR's recommendation to involve the auditor in relation to alternative performance measure? If not, please state your reason.*

To the extent performance indicators are included within the notes to the financial statements or form part of the annual report the auditor involvement is already required under the Accounting and Transparency Directives. Management is responsible for preparing and presenting financial statements, and in our opinion it is important to stress that this responsibility extends to the inclusion of alternative performance measures. We understand that it is common practice in many countries for management to obtain the advice of the auditor before performance measures are made public. Therefore, considering – but not requiring – involving the auditor in relation to alternative performance measures seems to be appropriate.

If you have any further questions about our views on these matters, we would be pleased to be of further assistance.

Yours sincerely



Wolfgang Schaum  
Executive Officer



Norbert Breker  
Technical Director  
Accounting and Auditing