

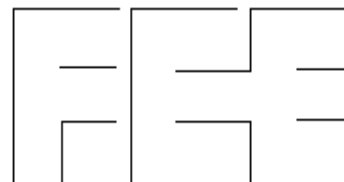
Date  
7 July 2005

Le Président

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des Experts  
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Mr. Fabrice Demarigny  
Secretary General  
CESR  
11-13 avenue de Friedland  
F-75008 PARIS



Dear Mr. Demarigny,

Re: CESR Recommendation on Alternative Performance Measures – Consultative Paper

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) welcomes the opportunity to provide you with our views on the CESR consultation paper on the Recommendation on Alternative Measures. We welcome the CESR initiative in the absence of the IASB enhancing IAS 1 in relation to defined performance measures.

#### Detailed Questions

*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.*

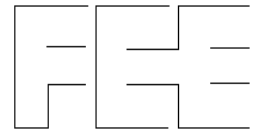
As set out in the introduction we welcome the CESR initiative. The term “performance measures” appears to cover a wide range of situations (see our answer to question 3). The consultation paper seems to focus mainly on measures which resemble, but differ from, defined performance measures. There is a perception that if these alternative measures are given undue prominence, investors could be misled. Regulators should properly be concerned that companies do not present an over-optimistic picture in this way.

However, alternative measures are used, in industry-specific relevant circumstances, for example, years of oil reserves in the oil industry. While it is clearly desirable that industry-specific measures should be consistent and meaningful, they are usually the concern of the standard-setters and industry representative bodies.

We think that section A Background and objectives of this recommendation should define more precisely the aims of the paper, and should limit the focus further as described above.

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

If the recommendation is addressed to CESR members, only some elements in relation to enforcement could be turned into requirements. However, CESR needs to strike an appropriate balance to avoid entering into the standard setting domain. The wide publication of the draft recommendation might however also give the impression that it is directly addressed to companies as a more generic and European wide recommendation and when this is the objective, it could be stated more clearly.



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

We believe that the recommendation requires a definition of performance measures. We propose paragraph 7 to be expanded upon, since it defines only the “alternative” part of the phrase. For example, it is not made clear why all quantitative measures in all investor communications should be covered by this paper.

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 are of the opinion that the information in paragraphs 11 to 13 is too wide-ranging, - it could potentially cover slide presentations to analyst road shows as well as preliminary figures - we would restrict the application principles to regulatory reports (as required by the listing rules of the stock exchanges or enforcement bodies). The inclusion of press releases though would seem quite sensible to us.

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.

However, paragraph 18 of the draft recommendation, which requires issuers to explain the differences between alternative performance measures and defined measures, could also require a comprehensive quantitative reconciliation. A qualitative statement would be acceptable if figures can be arrived at easily from the profit and loss account. In our opinion, the current text of the draft recommendation is insufficiently explicit.

We welcome a more precise formulation of paragraph 21 in indicating that defined performance measures should be presented with at least equal prominence as alternative performance indicators.

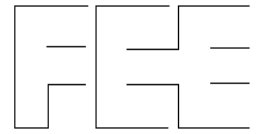
Question 6 – *Do you agree with CESR’s recommendation to involve the auditor in relation to alternative performance measures ? If not, please state your reason.*

We believe that the wording of the recommendation is to **consider** involving the auditor, a small but significant difference which we believe needs to be retained. Alternatively, we prefer the recommendation not to refer to the auditor's involvement.

When performance indicators form part of the notes to the annual accounts, part of the annual report or other supplementary information they will be covered by the auditor's involvement in the audit of the annual accounts and the consistency review of the annual report with the annual accounts. Such a requirement is covered by other legislation, notably the Accounting and Transparency Directives and is also resulting from ISAs. The Fourth Directive requires in Art. 51.1 second paragraph that statutory auditors should also express an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year (“consistency check”). Also ISA 700.71 (revised) requires from 2007 a consistency check on unaudited supplementary information (as ISA 720 before). Some EU Member States have a full audit requirement for the annual report.

CESR should not go beyond these existing requirements by introducing or considering to introduce piecemeal extensions of the auditors' responsibilities. FEE recognises the wider need to consider the involvement of the auditor on the annual report given its current extension to include (elements of) a corporate governance statement and the full audit obligation that exist in certain Member States. As said the current recommendation should not go beyond **considering** involving the auditor.

There are a number of issues to be considered on auditor involvement outside of the financial statements, including the question of whether the auditors would wish to be involved, particularly with more forward looking measures which may be subjective and judgemental.



The draft recommendation should emphasise that it is the responsibility of management to draw up the financial information, including the alternative performance measures. In many countries, it is common practice to seek advice from the auditor before performance measures are made public.

Any company that has sought advice from its auditors on alternative performance indicators and has also requested them to perform 'audit' procedures and issue some form of opinion thereon, should not be allowed to state this unless the auditor has given his consent.

We would be pleased to discuss with you in more detail any of the issues raised in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Devlin'. The signature is fluid and cursive, with a large initial 'D' and 'D'.

David Devlin  
President