

Beyond the GAAP

Special issue – September 2009

Impact of the application of new standards for listed companies as of 30 June 2009

Editorial



A key fact of the year 2009 is the mandatory application of the following standards:

- The revised IAS 1, *Presentation of financial statements*;
- The revised IAS 23, *Borrowing costs*; and
- IFRS 8, *Operating segments*.

With the interim closing as of 30 June 2009, it is time to focus on the application of these three standards by a sample of listed French and European companies.

Enjoy your reading!

Michel Barbet-Massin

Jean-Louis Lebrun

Contents



➡ ➡ ➡ ➡ The sample.....	page 2
➡ ➡ ➡ ➡ The revised IAS 1, <i>Presentation of financial statements</i>	page 3
➡ ➡ ➡ ➡ The revised IAS 23, <i>Borrowing costs</i>	page 10
➡ ➡ ➡ ➡ IFRS 8, <i>Operating segments</i>	page 12

1. The sample

We have used a sample of 40 listed companies (excluding banks and insurance companies). The sample includes 14 companies from the CAC 40 index, 4 from the NEXT 20, 6 from the MID 100, 4 from the SMALL 90 and 12 from the DJ EUROSTOXX 50.

All listed companies in the sample provide condensed half-year results as allowed by IAS 34 (paragraph 8).

#	Entity	Index
1	Alcatel-Lucent	CAC 40
2	Capgemini	CAC 40
3	Danone	CAC 40
4	EADS	CAC 40
5	France Telecom	CAC 40
6	Lafarge	CAC 40
7	LVMH	CAC 40
8	Peugeot	CAC 40
9	PPR	CAC 40
10	Renault	CAC 40
11	Saint-Gobain	CAC 40
12	Sanofi Aventis	CAC 40
13	Total	CAC 40
14	Unibail-Rodamco	CAC 40
15	Atos Origin	NEXT 20
16	SES Global	NEXT 20
17	TF1	NEXT 20
18	Thales	NEXT 20
19	Arkema	MID 100
20	BIC	MID 100
21	Faurecia	MID 100
22	JCDecaux	MID 100
23	Rhodia	MID 100
24	Thomson	MID 100
25	Assystem	SMALL 90
26	Bull	SMALL 90
27	Gaumont	SMALL 90
28	Toupargel	SMALL 90
29	BASF	EURO 50
30	Bayer	EURO 50
31	Daimler	EURO 50
32	Deutsche Telekom	EURO 50
33	ENI	EURO 50
34	E-ON	EURO 50
35	Repsol	EURO 50
36	Royal Philips Electronics	EURO 50
37	RWE	EURO 50
38	SAP	EURO 50
39	Telefonica	EURO 50
40	Volkswagen	EURO 50

2. The revised IAS 1, Presentation of financial statements

Not all the new provisions of the revised IAS 1 are mandatory from 30 June 2009 for entities providing condensed interim results. Paragraph 4 of the revised IAS 1 states that "This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 *Interim Financial Reporting*". However, the revised IAS 1 standard brings changes to IAS 34, in paragraphs 8 and 8A in particular:

IAS 34 § 8: "An interim financial report shall include, at a minimum, the following components:(a) a condensed statement of financial position; (b) a condensed statement of comprehensive income, presented as either; (i) a condensed single statement; or (ii) a condensed separate income statement and a condensed statement of comprehensive income; (c) a condensed statement of changes in equity; (d) a condensed statement of cash flows; and (e) selected explanatory notes."

IAS 34 § 8A:" If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents interim condensed information from that separate statement."

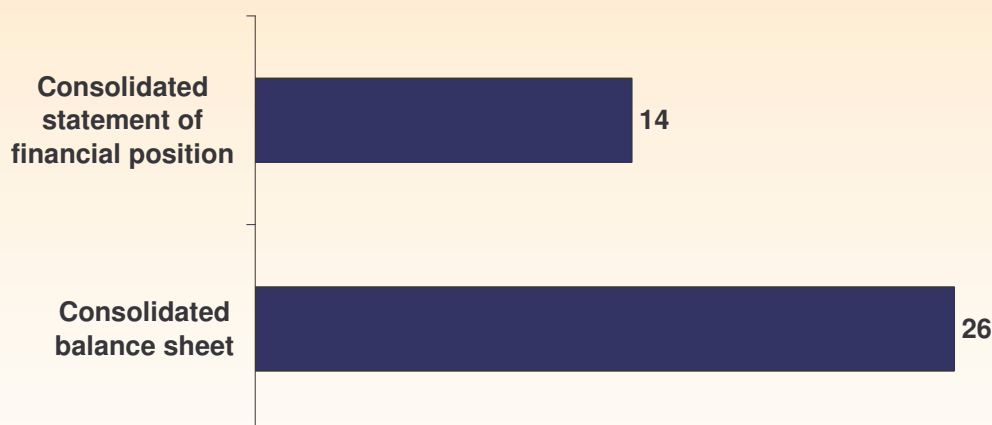
The objective of our survey is to analyse how companies have implemented the new provisions of the revised IAS 1 as of 30 June 2009 within their condensed financial statements. We identify the provisions of the revised IAS 1 with mandatory application from 30 June 2009, as provided by IAS 34, and those for which application is optional.

A. "Balance sheet" versus "statement of financial position"

What does the standard state?

The revised IAS 1 amends the title of the "balance sheet" which becomes the "statement of financial position". However, it does not oblige companies to change the name of this financial statement (paragraph 10).

How is the "balance sheet" named in the interim statements for 2009?



A vast majority of companies in our sample kept the "balance sheet" name, thus opting for continuity. This choice may be due to a reluctance to perturb the reader of the financial statements.

B. Statement of financial position at the beginning of the first comparative period provided

What does the standard state?

The revised IAS 1 states that a full set of financial statements should include a statement of financial position at the beginning of the first comparative period provided by the entity, when it implements an accounting method retroactively, proceeds to a retroactive treatment of its financial statements items or proceeds to a reclassification of specific items in its financial statements (paragraph 10). In the case of condensed interim statements, IAS 34 does not oblige companies to provide a statement of financial position at the beginning of the first comparative period.

Did entities implement an accounting method retroactively, proceed to a retroactive treatment of their financial statements items or proceed to a reclassification of specific items in their financial statements?



Where entities answered 'yes' to this question, did they choose to provide a statement of financial position at the beginning of the first comparative period?



C. Presentation of the comprehensive income

What does the standard state?

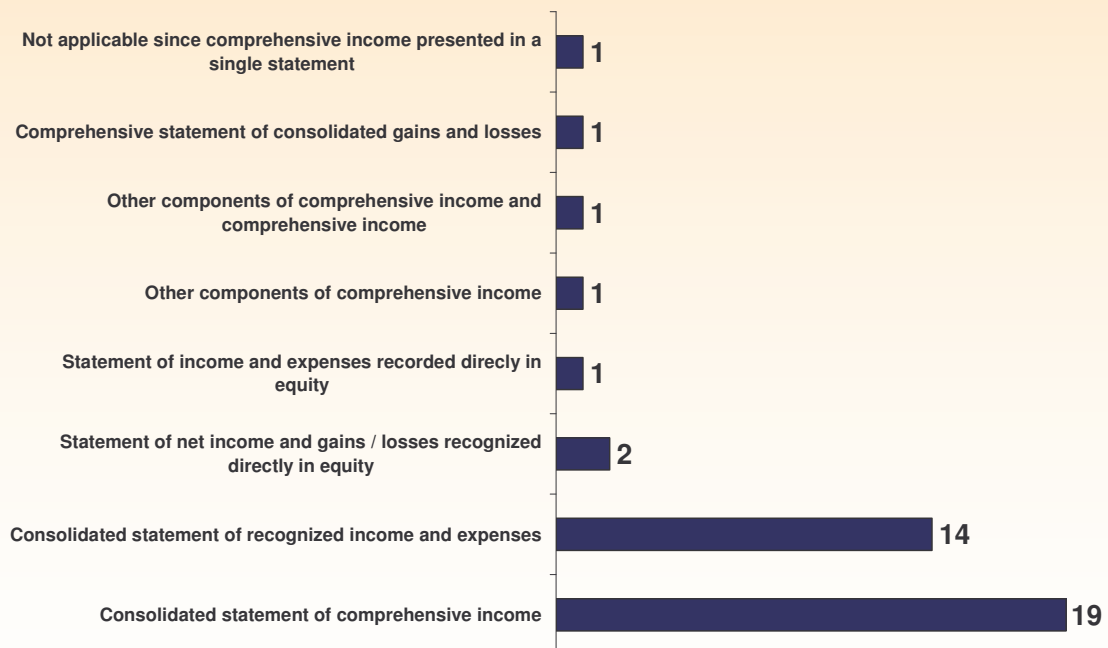
The revised IAS 1 states that an entity should present all lines of income and expenses recognised over a period, either (a) in a single statement of comprehensive income or (b) in two distinct statements: one for the net result and the second showing the net result and providing disclosures on the other items of the comprehensive income (paragraph 81).

Did entities disclose their comprehensive income in one or two statements?



As of 30 June 2009, Unibail-Rodamco was the only company to present its comprehensive income in a single statement, which it called the "statement of consolidated interim comprehensive income". However, this is separated into two parts in order to present the disclosures on the net earnings per share.

How did entities name the second statement providing the other items of the comprehensive income?

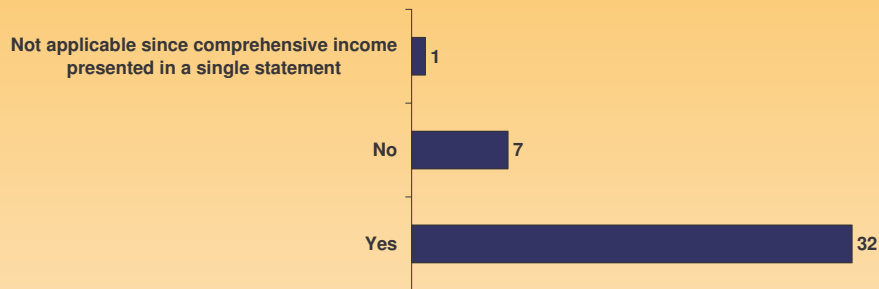


D. Where is the statement of other comprehensive income presented?

What does the standard state?

The revised IAS 1 requires the statement of other comprehensive income to be presented immediately after the income statement (paragraph 12).

Has the statement of other comprehensive income been presented immediately after the income statement?



When the statement of other comprehensive income was not presented immediately after the income statement, it was presented:

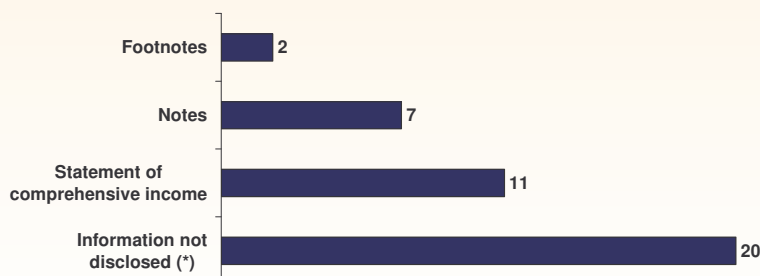
- 3 times as the 5th primary statement after the statement of changes in equity;
- 2 times as the 4th primary statement before the statement of changes in equity;
- Once as the 4th primary statement after the statement of variations in equity;
- Once as the 3rd primary statement before the statement of changes in equity.

E. Tax and amount recycled in profit or loss related to each component of other comprehensive income

What does the standard state?

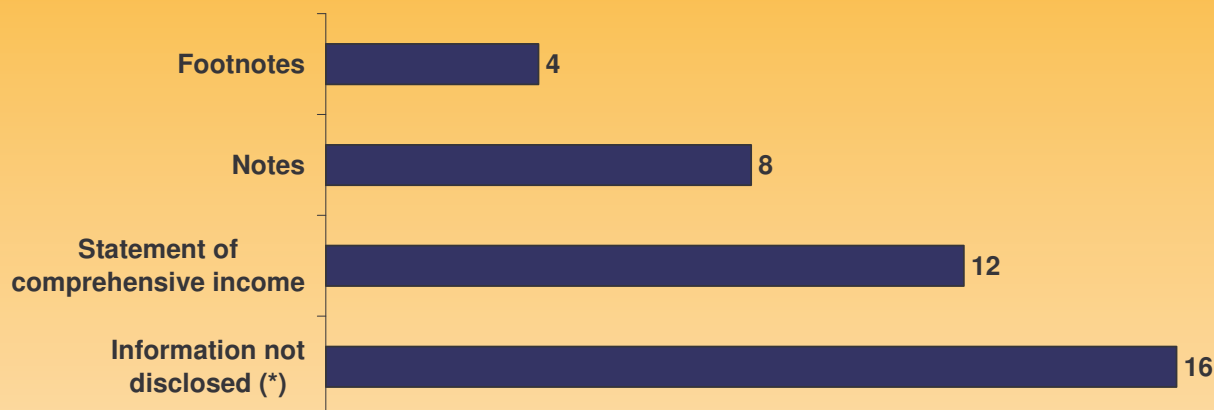
The revised IAS 1 requires an entity to present the tax and amount recycled in profit or loss related to each component of other comprehensive income (paragraphs 90 and 92).

At what level of the financial statements did entities present the amount of tax related to each component of other comprehensive income?



(*) The revised IAS 1 allows the presentation of the amount of tax related to each component of other comprehensive income either in the statement of comprehensive income or in the explanatory notes (paragraph 90). Such disclosure is thus mandatory in the interim statements as of 30 June 2009 only when provided in the comprehensive income (or in the footnotes related to the statement of comprehensive income). Such disclosure is optional when presented in the explanatory notes, unless it corresponds to an event which is significant for the understanding of the interim accounts (paragraph 16 of IAS 34).

At what level of the financial statements have entities presented the reclassification adjustments related to each component of other comprehensive income?



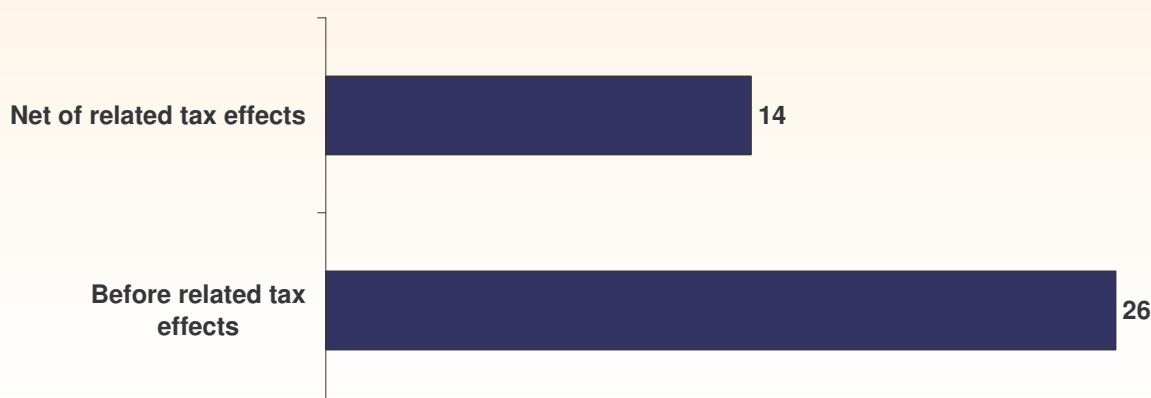
(*) The revised IAS 1 allows the presentation of the amount recycled in the profit or loss related to each component of other comprehensive income either in the statement of comprehensive income or in the explanatory notes (paragraph 94). Such disclosure is thus mandatory in the interim statements as of 30 June 2009 only when provided in the comprehensive income (or in the explanatory notes related to the statement of comprehensive income). Such disclosure is optional when presented in the explanatory notes, unless it corresponds to an event which is significant for the understanding of the interim accounts (paragraph 16 of IAS 34).

F. Presentation of the components of other comprehensive income: before or after the tax impact?

What does the standard state?

The revised IAS 1 allows the presentation of components of other comprehensive income either (a) after the impact of the related tax or (b) before the impact of the related tax, by presenting the total amount of tax related to those components on a separate line (paragraph 91).

Did entities provide the components of other comprehensive income on a gross or net of tax basis?

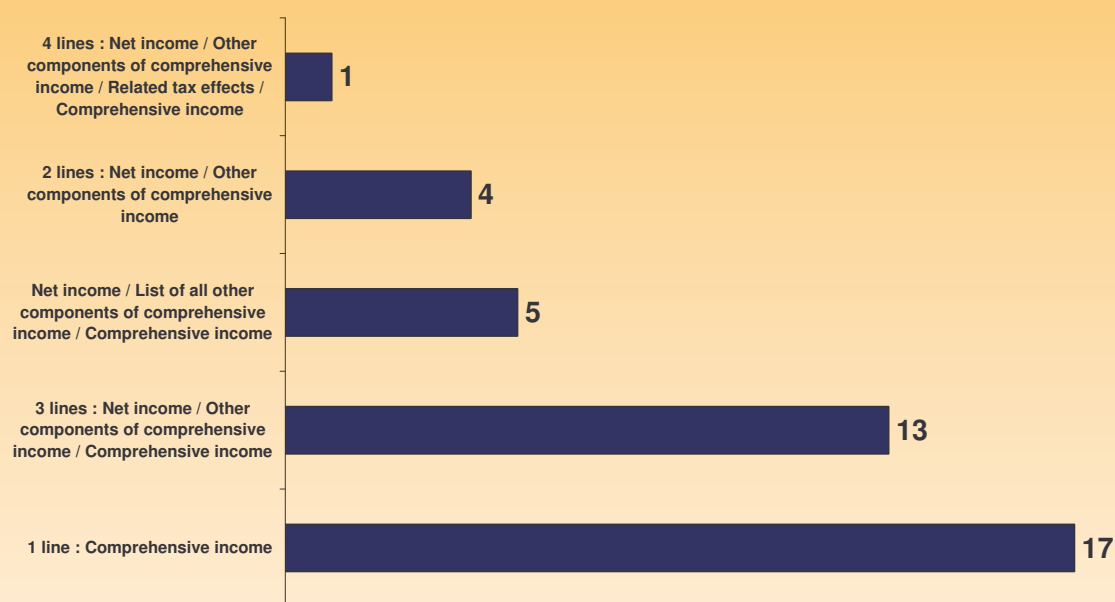


G. Presentation of the comprehensive income in the statement of changes in equity

What does the standard state?

The revised IAS 1 states that an entity should separately present the comprehensive income of the period and the amount of transactions with owners in their capacity as owners in the statement of changes in equity (paragraph 106).

How did entities present the comprehensive income in the statement of changes in equity?



One of the objectives of the revised IAS 1 is to separate the transactions with owners in their capacity as owners from other transactions in the statement of changes in equity (paragraph IN2). Guidance for implementing the revised IAS 1 addresses this objective by presenting the comprehensive income on a single line in the statement of changes in equity. The example proposed by the IASB requires notes related to this statement for the purpose of providing details on the net income and on each component of the comprehensive income, in line with the provisions of paragraph 106.d of the revised IAS 1.

The obligation to present the comprehensive income as a single line in the statement of changes in equity is mentioned in the following paragraphs of the revised IAS 1:

- IN 6: "(...) The components of the comprehensive income may not be presented in the table of changes in equity".
- IN 13.a: "(...) An entity may not present the components of the comprehensive income (changes in equity related to transactions other than those with owners) in the statement of changes in equity".
- BC 53: "(...) An entity may not present the components of the comprehensive income (changes in equity related to transactions other than with owners) in the statement of changes in equity".

However these paragraphs seemed to contradict paragraph 106.d of the revised IAS 1:

IAS1 § 106.d : "An entity shall present a statement of changes in equity showing in the statement:: (...)for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss; (ii) each item of other comprehensive income; and iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control."

The ED/2009/11 exposure draft published by the IASB in August 2009 provides an answer to this uncertainty. The exposure draft, published under the IFRS annual improvements procedure, proposes to change paragraph 106 of the revised IAS 1 and states that an entity may present the details of changes in equity, including the changes related to the comprehensive income, either in the statement of changes in equity or in the explanatory notes. According to the provisions of the ED/2009/11 exposure draft, an entity may have the choice between presenting the comprehensive income in a single line or in several lines in the statement of changes in equity.

3. The revised IAS 23, Borrowing costs

A. Change in accounting method

What does the standard state?

Starting on 1 January 2009, the revised IAS 23 requires the costs of the qualifying assets of the financial costs incurred during the acquisition, construction or production period of those assets and which are directly attributable to them, to be incorporated in the cost of those assets. The recognition of these borrowing costs directly as an expense as incurred is therefore no longer allowed (paragraph 8).

Did the application of the revised IAS 23 as of 1 January 2009 involve a change in accounting method?



All groups in which the revised IAS 23 has led to a change in accounting method opted for 1 January 2009 as the date for first including financial expenses in the cost of qualifying assets, i.e. the date of mandatory application of the standard (prospective application).

Within the sample, only one group explicitly indicated the impact of this change in method on the consolidated financial statements as of 30 June 2009 (as this impact is significant for the group):

• IAS 23 (revised) - *Borrowing Costs*, which requires borrowing costs related to qualifying assets (defined as assets that take a substantial period of time to get ready for their intended use or sale) to be capitalized as part of the cost of the asset. Applicable prospectively, the revised standard has a positive impact on finance costs and net profit in 2009 and will subsequently have a gradual negative impact on recurring operating profit as the capitalized costs are amortised. The effect of the first-time adoption of IAS 23 (revised) was a €10 million reduction in finance costs for first-half 2009.

Source: PSA - Half-year financial report 2009, Extract note 1 - Accounting policies, page 46

B. Capitalisation rate

What does the standard state?

The revised IAS 23 establishes a distinction between borrowings made specifically for the purpose of acquiring, constructing or producing a qualifying asset and general borrowings. The capitalised interest on general borrowings is calculated using a capitalisation rate equal to the weighted average of the borrowing costs of the company (other than those related to specific borrowings) over the relevant period, applied to the expenses carried out (paragraph 14).

Did entities mention the average capitalisation rate calculated over the period in their interim 2009 financial statements?

Within the sample, only one group mentioned the average capitalisation rate calculated over the period in its interim financial statements as of 30 June 2009:

Since January 1, 2009, Deutsche Telekom has capitalized borrowing costs as a portion of the cost of acquisition or production of qualifying assets in cases in which the criteria for capitalization set out in IAS 23 were met. The amount of the borrowing costs required to be capitalized was calculated on the basis of an average capitalization rate of 6.8 percent applied across the Group. The figures for prior-year periods have not been adjusted.

Source: Deutsche Telekom - Interim Group Report January 1 to June 30 2009, Accounting policies, page 47

Subscribe to Beyond the GAAP

Beyond the GAAP, MAZARS' monthly newsletter on accounting standards is 100% free.

To subscribe, send an e-mail to doctrine@mazars.fr including:

Your first and last name,

Your company,

Your e-mail address

You will begin receiving Beyond the GAAP the following month by e-mail in pdf format.

If you no longer wish to receive Beyond the GAAP, send an e-mail to doctrine@mazars.fr with "unsubscribe" as the subject of your message.

4. IFRS 8, Operating segments

As in the case of the revised IAS 1, the new provisions of IFRS 8 are not all mandatory from 30 June 2009. Paragraph 16.g in IAS 34 lists the segment disclosures required in the condensed 2009 interim statements:

IAS 34 § 16: "An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period:

(...)

g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 Operating Segments requires that entity to disclose segment information in its annual financial statements):

(i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;

ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;

(iii) a measure of segment profit or loss;

(iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;

(v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss;

(vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation; (...)"

However, it seemed appropriate to provide qualitative disclosures additional to those expressly required by IAS 34 in the interim accounts as of 30 June 2009. As IFRS 8 is mandatory from the 2009 annual period, the reader of the financial statements could not refer to the disclosures in the annual report for 2008.

The objective of this survey is to analyse the impact of the application of IFRS 8 on the presentation of segment disclosures and the level of "education" provided by companies on this matter as of 30 June 2009.

A. Date of first application

What does the standard state?

The application of IFRS 8 is mandatory from the 2009 annual period. Early application was however permitted (paragraph 35).

Has IFRS 8 been subject to early application before the 2009 annual period?

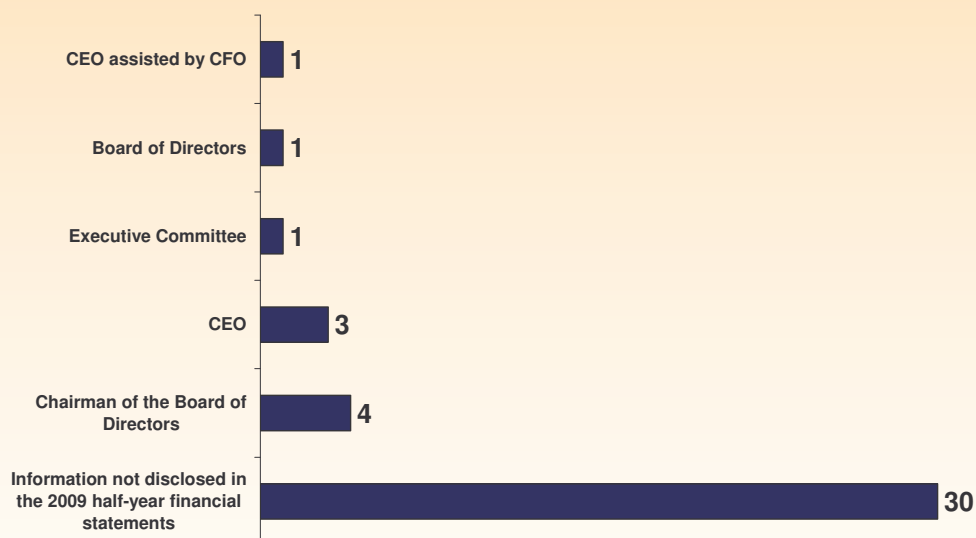


B. Identity of the chief operating decision maker

What does the standard state?

IFRS 8 states that the chief operating decision maker is responsible for the allocation of resources to the operating segments and for the measurement of performance. However the standard does not lay down the position of the person(s) who have this responsibility (paragraph 7).

Who is the chief operating decision maker, as mentioned in the 2009 interim financial statements?



75% of the companies in the sample have not mentioned the identity of the chief operating decision maker in their 2009 interim financial statements as of 30 June 2009. However this information is important as, under IFRS 8, the chief operating decision maker is responsible for the definition of the operating segments and for the indicators to be provided for each segment.

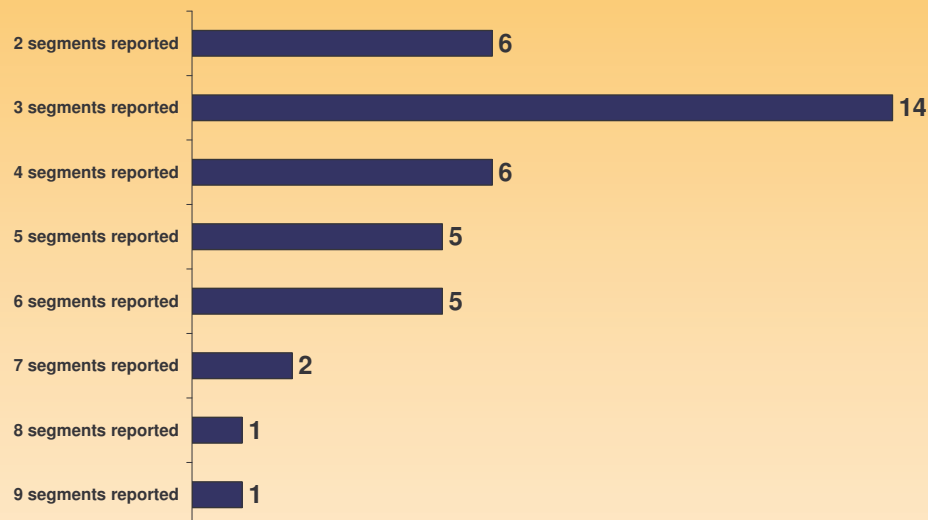
Amongst the 30 companies which did not disclose the identity of the chief operating decision maker in their 2009 interim financial statements, 9 had opted for the early application of IFRS 8 in 2007 or 2008. 6 of these 9 companies had already indicated the identity of the chief operating decision maker in their consolidated financial statements in 2007 or 2008.

C. Operating segments

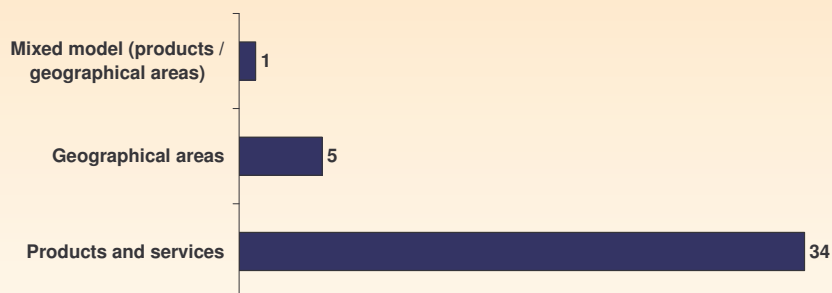
What does the standard state?

IFRS 8 defines the concept of operating segment and establishes the criteria to be used in determining the number of segments to be presented (paragraphs 5 to 19).

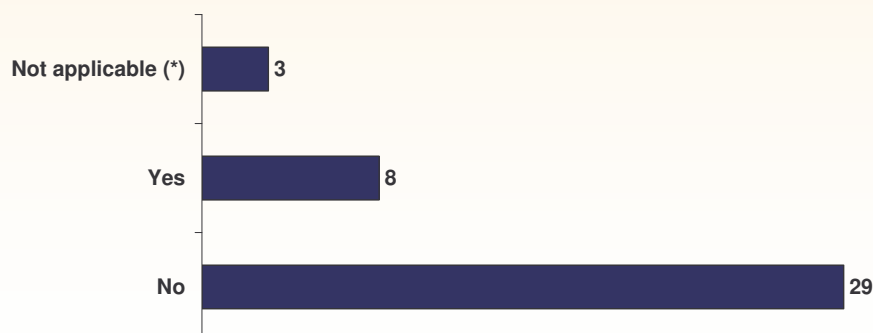
How many operating segments did companies present?



What sort of segment breakdown did entities define?



Did the first application of IFRS 8 involve a review of the segment breakdown compared with IAS 14?



(*) The "not applicable" answer relates to 3 German companies (Deutsche Telekom, E-ON and SAP) which published their financial statements under the US GAAP set of standards until 2006 and which opted for the early application of IFRS 8 in 2007.

The first application of IFRS 8 led to a review of the segment breakdown for 8 entities in the sample. Below are some examples of communication around this review:

In order to reflect changes in its organization, whereby its integrated carrier strategy and synergies are rolled out in individual countries, France Telecom Group changed its segment reporting as of January 1, 2009, from an analysis by business activity (Personal Communication Services, Home Communication Services and Enterprise Communication Services) to an analysis mainly to a country-based reporting structure. 7 new operating segments are reported: France, United Kingdom, Poland, Spain, Rest of the World, Enterprise and International Carrier and Shared Services (IC & SS). The operating segment Rest of the World aggregates the business of two operating segments: AMEA (Africa, Middle East and Asia) and EME (Europe and Middle East).

Source: France Telecom - First half 2009 financial report, Extract note 1.3 - New standards and interpretations, page 17

The Group has reviewed its operating segments in 2009, and reports a Pharmaceuticals segment and a Human Vaccines (Vaccines) segment. All the Group's other activities are combined in a separate segment, "Other". These segments reflect the internal organizational structure, and the operating segments the Group evaluates performance and allocates resources.

Source: Sanofi-Aventis - Half-year financial report 2009, Extract note B.17. Segment information, page 25

The Group applies IFRS 8 for the first time as at 30 June 2009, the adoption of IFRS 8 has changed the presentation of operating segments compared to the operating segments as defined by IAS 14. The main change that occurred when compared to previous years is the reporting of the Worldline activities as an operating segment.

Source: Atos Origin - 2009 Half-year financial report, Extract note 2 - Segment information, page 41

IFRS 8 changes the presentation of segment reporting. In line with the management approach, Volkswagen presents three reportable segments. In addition, certain activities that are not internally allocated to the operating segments, as well as consolidation adjustments, are presented in a reconciliation.

Source: Volkswagen - Half-yearly financial report January to June 2009, Extrait note 2 - Accounting policies, page 26

Did entities that carried out a review of the segment breakdown following the adoption of IFRS 8 also recognise additional goodwill impairment?



Only France Telecom recognised additional goodwill impairment due to the review of the operating segments related to the application of IFRS 8:

■ Impairment tests: IAS 36 amended by IFRS 8

IAS 36 has been modified by IFRS 8 with a compulsory application date similar to that of IFRS 8, namely January 1, 2009, first-application date retained by the Group.

For impairment tests, IAS 36 required that goodwill should be allocated to groups of CGUs that correspond to the level at which goodwill is internally monitored, which is not larger than a business segment (first level of segment reporting for the Group) or the geographic segment (second level of segment reporting for the Group). Therefore, the Group monitored goodwill for Poland, Jordan and Senegal by country and tested it at this level, aggregating Home and Personal businesses.

From now on, in the modified IAS 36, the largest level for impairment testing is the operating segment as defined by IFRS 8. IAS 8 general principle of retrospective application must be applied in the absence of transitional provisions. This leads to identify the

operating segments in accordance with the IFRS 8 principles in the internal reporting used until December 31, 2008. Since Group's internal and external reporting are aligned, operating segments as defined by IFRS 8 are the business segments over the 2005-2008 period.

As a consequence, goodwill relating to Home and Personal businesses for the three-abovementioned countries have been tested separately on a retrospective basis. This leads to additional impairment relating to Poland and Jordan Home businesses compared with the historical impairment accounted for, respectively amounting to 507 and 48 million euros as at January 1, 2007.

This impairment, which has no impact on the 2008 earnings, is accounted for retrospectively as a change in accounting policy against equity as at January 1, 2007.

(in millions of euros)	December 31, 2008		
	Published	Impact of IAS 36 amended by IFRS 8	Restated
Goodwill	30,811	(510)	30,301
Retained earnings	1,506	(518)	988
Components of other comprehensive income	309	8	317
Equity attributable to equity holders of France Telecom S.A.	27,600	(510)	27,090
Minority interests	3,598	-	3,598
TOTAL EQUITY	31,198	(510)	30,688

Besides, the level at which goodwill is monitored has been modified consistently with the change in the Group's organization and the level at which the return on investment is monitored: goodwill is now tested for impairment at the operating segment level for France, Poland, Spain, United-Kingdom and Enterprise, and at the country level for the operating segments reported within Rest of the World.

Source: France Telecom - First half 2009 financial report, Extract note 1.3 - New standards and interpretations, page 17 and 18

D. General disclosures

What does the standard state?

IFRS 8 states that an entity shall provide general disclosures related to (a) the factors used to identify the relevant segments and (b) the types of products and services related to the ordinary activities of each operating segment (paragraph 22).

Did entities provide the general disclosures required under paragraph 22 of IFRS 8?



The general disclosures required under paragraph 22 of IFRS 8 are not part of the disclosures required in the condensed interim accounts under IAS 34. However such disclosures were desirable as of the 2009 interim accounts for entities applying IFRS 8 for the first time.

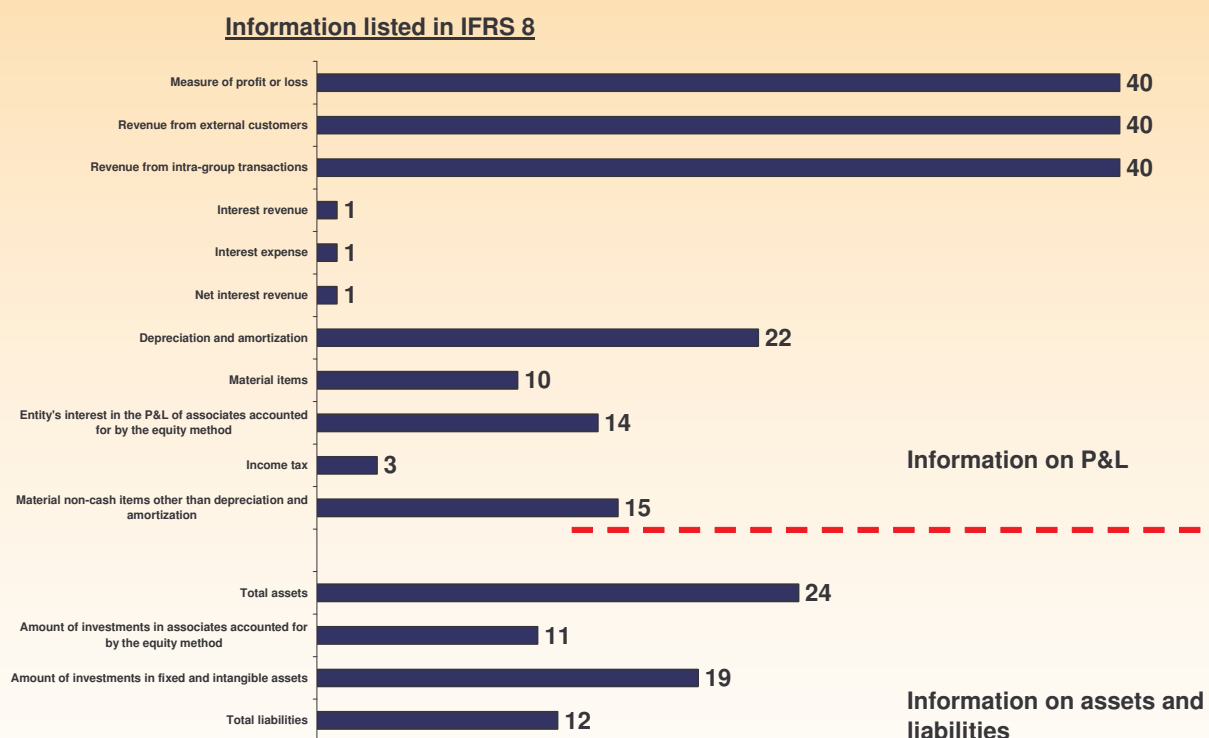
Among the 5 entities which did not provide the general disclosures required under paragraph 22 of IFRS 8, only one had opted for the early application of IFRS 8 before the 2009 annual period.

E. Required disclosures by segment

What does the standard state?

IFRS 8 provides a list of the disclosures related to profit or loss and assets and liabilities that an entity should provide for each operating segment presented. Certain disclosures are mandatory only if they are provided on a regular basis to the chief operating decision maker (paragraphs 23 and 24).

What are the disclosures related to the profit or loss and to the assets and liabilities provided by entities for each operating segment?



The indicators in this graphic correspond to those listed in paragraphs 23 and 24 of IFRS 8. Of these, IAS 34 (paragraph 16.g) recommends the publication of:

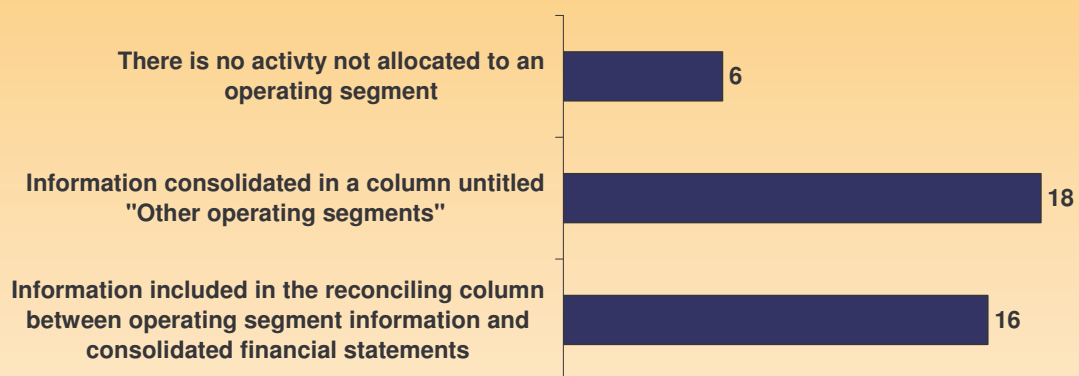
- The external revenue, when this indicator is monitored on a regular basis by the chief operating decision maker;
- The intra-group revenue, when this indicator is monitored on a regular basis by the chief operating decision maker;
- A profit or loss indicator;
- The total assets for which the amount presented in the latest annual financial statements has changed significantly.

F. Disclosures related to activities and operating segments that are not presented on an individual basis

What does the standard state?

IFRS 8 states that the disclosures related to activities and operating segments that will not be presented must be combined and presented in an "other segments" category. This category should be presented separately from the reconciliation items for the segment disclosures and the financial statements under IFRS (paragraph 16).

How did entities present the disclosures on activities and operating segments not presented individually?

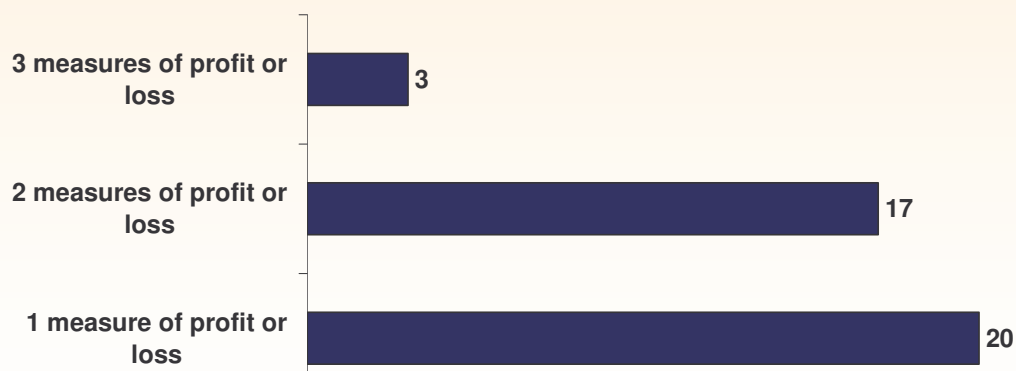


G. Segment profit or loss indicators

What does the standard state?

An entity should provide indicators for the segment profit or loss, which should be measured on the same basis as those presented to the chief operating decision maker and thus might not correspond to IFRS data (paragraphs 23 and 25).

How many profit or loss indicators did entities provide for each operating segment?



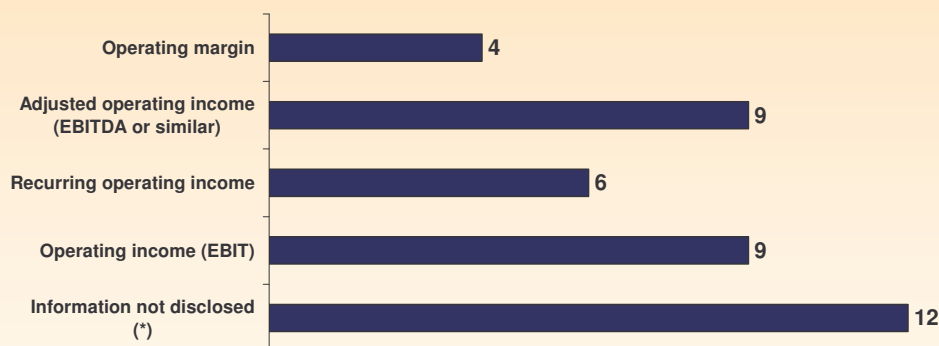
The 40 entities in the sample presented a total of 63 different indicators for the segment profits or losses.

What segment profit or loss indicators did entities present?



(*) Of the 17 entities which presented a segment profit or loss indicator as adjusted operating income (EBITDA or derived), 5 entities expressly stated that they had neutralised the impact of allocating the purchase price at this indicator level.

As shown in the two questions above, entities may sometimes present several profit or loss indicators for each operating segment. Which profit or loss indicator does the chief operating decision maker use as a benchmark to measure the performance of the segment?



(*) The answer "information not provided" refers to entities which present at least two indicators of the segment profit or loss and which do not explain which indicator is used by the chief operating decision maker to measure the performance of the segment.

Are the segment profit or loss indicators determined by methods complying with the IFRS standards?



Within the sample, we identified two groups which used non-IFRS compliant measurement methods:

(ii) Inventory valuation effect

The adjusted results of the Downstream and Chemicals segments are presented according to the replacement cost method. This method is used to assess the segments' performance and ensure the comparability of the segments' performance with those of its competitors, mainly North American.

In the replacement cost method, which approximates the LIFO (Last-In, First-Out) method, the variation of inventory values in the statement of income is determined by the average prices of the period rather than the historical value. The inventory valuation effect is the difference between the results according to FIFO (First-In, First-Out) and the replacement cost.

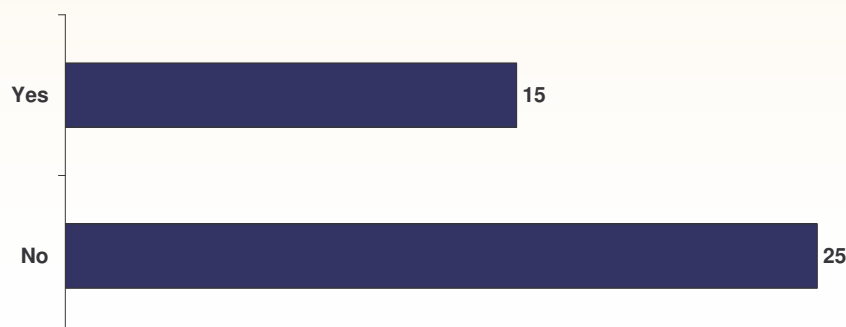
Source : Total - Financial Report 1st half 2009, Extract note 3 - Adjustment items, page 24

The accounting policies applied in the internal reporting to our CODM are based on U.S. GAAP (continuing operations) and differ from those described in Note 3 which are based on IFRS. Additionally, the accounting policies applied in the internal reporting to our CODM differ from our U.S. GAAP and IFRS accounting policies as follows:

- The internal reporting to our CODM generally attributes revenue to the segment that is responsible for the related transaction regardless of revenue classification in our income statement. Thus, for example, the Training segment's revenue includes certain amounts classified as software revenue.
- The internal reporting to our CODM allocates expenses to the segments based on organizational structures and cost centers rather than cost classification to functional areas. Since our segments are organized on the basis of products and services, the amounts of external revenue for the Product, Consulting, and Training segments are materially consistent with the amounts of Software and software-related service revenue, Consulting revenue, and Training revenue, respectively, as reported in the Consolidated Statements of Income.
- The internal reporting to our CODM excludes share-based compensation expenses on segment level.
- Differences in foreign currency translations result in minor deviations between the amounts reported internally to our CODM and the amounts reported in the Consolidated Financial Statements.

Source : SAP - Annual Report 2008, Extract note 28 - segment and geographic information, page 213

Did entities in the sample present one (or several) segment profit or loss indicators which do not correspond to a direct understanding of the income level in the consolidated statement of income (EBITDA for example)?

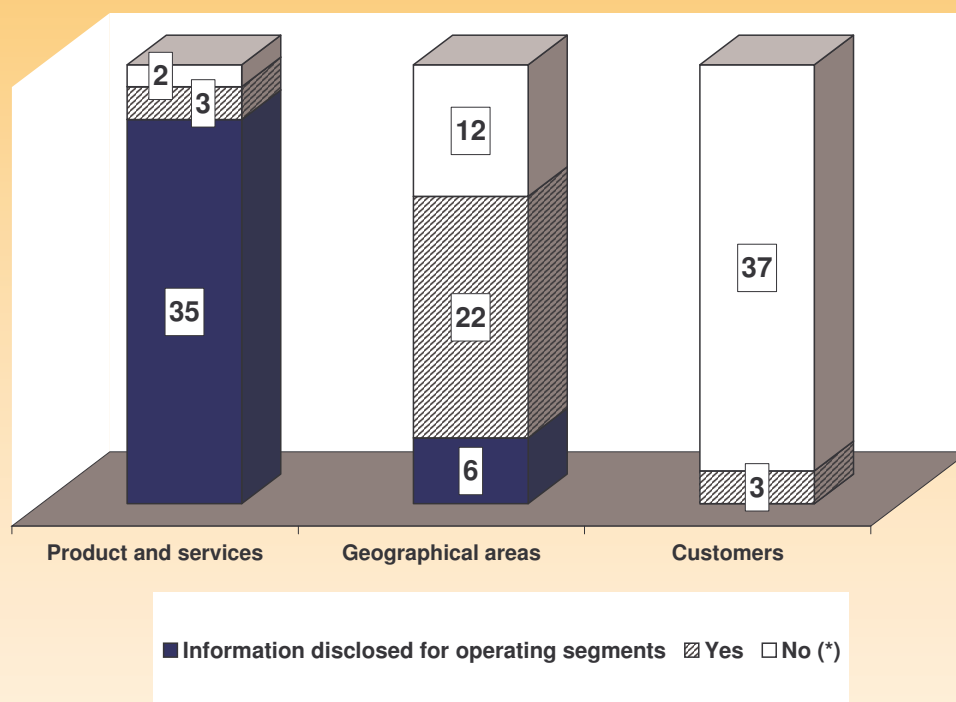


H. General disclosures on products and services, geographical zones and major clients

What does the standard state?

An entity should provide general disclosures on products and services, geographical zones and major clients (paragraphs 31 to 34).

What general disclosures were presented in the 2009 interim accounts?



(*) These general disclosures are not requested under IAS 34 for the condensed interim accounts.

Contact us:

Mazars
 Exaltis, 61, rue Henri Régnault
 92 075 – La Défense – France
 Tél. : 01 49 97 60 00

Beyond the GAAP is published by Mazars. The purpose of this newsletter is to keep readers informed of accounting developments. Beyond the GAPP may under no circumstances be associated, in whole or in part, with an opinion issued by Mazars. Despite the meticulous care taken in preparing this publication, Mazars may not be held liable for any errors or omissions it might contain.

The drafting of the present edition was completed on 1 October 2009
 © MAZARS – Special issue September 2009 – All rights reserved