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Comment on Exposure Draft of Proposed Amendments to IAS 36, Impairment of Assets, Paragraph 134 137; Invitation to Comment (IAS 36): Question 7

Dear Ms. Kimmitt

we appreciate the opportunity to comment on some disclosure issues of the Exposure Draft of Proposed Amendments to IAS 36, Impairment of Assets. While we are not opposed to ED 3 Business Combinations and the proposed changes to IAS 36 and IAS 38 in general, we have some concerns relating to the proposed disclosure requirements of IAS 36 addressed in question 7 of your invitation to comment.

Generally, the proposed disclosure requirements for cash-generating units (CGU) containing goodwill or intangible assets with indefinite useful lives (ED IAS 36.134-137) require a company to disclose its internal calculation basis for its corporate planning process, e.g. budgeted market share, budgeted margin, weighted average growth rate. In our opinion, the internal calculation basis is strongly linked with the company's past and future strategy. Assuming this information would have to be disclosed in the proposed details, competitors would easily be able to acquire confidential knowledge about the company leading to a competitive disadvantage for the disclosing company.

Looking into the details of the required disclosures, we have the following comments:

- The proposal requires that a company discloses for each key assumption, the amount by which the value assigned to that assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the aggregate recoverable amount of the CGUs to be equal to their aggregated carrying amount. (ED IAS 36.134.d.iv)

A company would therefore be required following the proposal — to perform a multiple parameter analysis reflecting all interdependencies between the key assumptions used. This is absolutely impractical, as usually for practical purposes it is only possible to change one assumption at a time keeping all others equal. Following the proposed rule, would in many cases lead to circular references/impacts with respect to the assumptions. On top, a complete model of interdependencies is difficult to attain and maintain.

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In addition, a focus on and a public disclosure of key assumption, which are generally chosen under some degree of uncertainty and simplification, could retrospectively expose the company to criticism of investors as changes in the company's economic performance could or would be attributed to factors that were not known or available at the time of planning and decision making. We generally think, the inherent uncertainty would lead to a calculation purporting a non-existing degree of certainty.

- Generally, testing the growth rate and the WACC on their variability increases the complexity of the proposed variance analysis. The above described pitfalls when using a multiple parameter analysis apply as well for the growth rate and WACO as the consequential effects of their changes on the other assumptions would also have to be tested.

- Considering the discussion above, it can be stated that Siemens is strongly opposed to these detailed disclosure requirements concerning disclosure of key assumptions and their changes as these disclosures are highly complex in calculation and from our point of view, the additional use to investors is very limited. Furthermore, the competitive disadvantage of such disclosures may be significant.

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