

EFRAG European Financial
Reporting Advisory Group
Avenue des Arts/Kunstlaan 13-14
1210 Brussels
BELGIUM
Att Stig Enevoldsen

Unser Zeichen RC/HKR

Wien, am 22.02.2007

IFRIC 12 – Service Concession Arrangements Comment Letter on the draft endorsement advice

Dear Mr. Enevoldsen,

We appreciate the opportunity to comment on the Interpretation IFRIC 12 Service Concession Arrangements that has been approved by the IASB and is now on the agenda of the next EFRAG Board Meeting.

ASFINAG is concessionated by the Austrian Government to finance, plan, build, operate and toll motor- and expressways in Austria and is one of the largest motor- and expressway companies in Europe. Total investments under the service concession arrangement currently amount to about € 9 billion.

We are concerned about the approval of IFRIC 12 by the European Commission, since we believe that application of that interpretation would not lead to a fair representation of net assets, financial position and results of the operator.

One significant conclusion of IFRIC 12 is that the infrastructure shall not be recognised as the operator's property, plant and equipment because the operator does not control the use of the public service infrastructure. We question the appropriateness of the control approach as set out in IFRIC 12 since it results in a presentation that does not reflect the economic substance of the underlying contractual arrangement and introduces a new asset recognition model not recognised under the Framework.

We believe that the risk and rewards approach should not be completely ruled out but the recognition criteria for service concession arrangements should take into account the risks and rewards relating to the infrastructure underlying the concession as opposed to a purely control based approach. The risk and rewards approach may further be useful to assist in clarifying various aspects of control (as it does in SIC 12 and IAS 17 where the transfer of risks and rewards is used for this purpose).

According to IFRIC 12.21 the contractual obligation to maintain or restore the infrastructure to a specified condition shall be recognised gradually as a provision and discounted to its current value. This regulation will have a significant effect on annual results and on the company's equity. If on the other hand the infrastructure is recognised as the operator's property plant and equipment no such provision has to be made but costs relating to construction and upgrade services will be capitalised and depreciated over their useful lives (maintenance cycle). This method leads to a more reliable presentation of financial position and performance.

We believe that application of the risk and rewards approach would lead to a more reasonable and fairer presentation of the company's net assets and results. Under the risk and rewards approach infrastructure would be presented as property, plant and equipment of the operator, provided the majority of risks and rewards inherent to the infrastructure is transferred to the operator under the concession arrangement. A survey conducted with the main European toll road operators has shown that presently service concession arrangements are primarily accounted for as property, plant and equipment using the component approach. This means the risk and rewards approach would not only be in line with current standards and interpretations

and with prevailing principles under the framework but also with the current prevailing industry practice.

So, application of IFRIC 12 would cause a significant change of accounting policy for the majority of the industry associated with significant transformation expenses and time expenditure, not necessarily improving the operator's fair presentation of its financial position and performance.

We wish to point out that application of the interpretation could have highly negative effects on the development of the industry since it will worsen the perception of the business on the capital markets and in public minds as the operator will have to recognise losses that are not in line with actual business results. This may cause social concerns and political consequences on the concession model. Further the effects of the proposed accounting model will make the concession model unattractive to private investors due to the negative impact on their rates of return.

We therefore ask EFRAG to recommend the rejection of IFRIC 12 to the European Commission.

Yours sincerely,



Mag. Christian Trattner

CFO

AUTOBAHNEN- UND SCHNELLSTRASSEN-
FINANZIERUNGS-AKTIENGESELLSCHAFT