IRIDIUM

Stig Enevoldsen
EFRAG Chairman
Avenue des Arts/Kunstlaan 13-14
1210 Brussels
Belgium

February 2007

Re: Services Concessions Arrangements EFRAG draft letter on IFRIC 12.

Dear Stig.

Our Group ACS is a partner in 56 services concession contracts in 16 countries. The total investment in those contracts is on the range of 15.000 M Euros with a track record of more than 40 years. Most of these projects are included in the scope of IFRIC 12.

We appreciate the opportunity to comment on the draft letter prepared by EFRAG regarding the endorsement of IFRIC 12 by the EU.

As you know, we have been involved in the discussions regarding the accounting of concessions companies in Europe since 2003. During these years there have been a great deal of discussions about this issue, although some of these discussions have led to positive changes in interpretation (i.e. control approach, differentiated activities, the latest changes with regard to the amortization criteria for Intangible assets), we think that at the end of the day the application of this interpretation to the accounting of concessions contracts will not imply the recognition of the true and fair view of the business, and therefore, the interpretation is contrary to the "true and fair principle" set out in Article 16 (3) of Council Directive 83/349/EEC and Article 2 (3) of Council Directive 78/660/EEC; and does not meet the criteria of understandability, relevance, reliability and comparability.

The main reason, for reaching this conclusion is that the application of the intangible asset model in terms of revenue recognition will imply recognizing great losses in the first years of operation and huge profits in the final years. In this sense, we believe that to record significant operational losses in a concession's first years in which:

- prices (tolls) are fixed by the grantor to recover the investment during the life of the contract and not on a year by year basis
- when it is considered as a whole, it is profitable and whose economic and financial plan contemplates the recovery of the financial expenses and the remaining operational costs in the long term

IRIDIUM Concesiones de Infraestructuras, S.A.
Avda. de Tenerife, 4 – 6 (Edificio Flores) – 2ª planta
28700 San Sebastián de los Reyes (MADRID)

it is not, for the majority of infrastructure concessions, representative of the true and fair view of the concessions results nor does it contribute to increasing the reliability and value of the financial statements for the user.

In order to verify that the present application of the intangible asset model does not give a true and fair view of the business, it is suffice to compare the accounting results shown by an investment fund with a considerable stake in one of these businesses, and an industrial participant in the same business. The first one applying IFRS acknowledges a substantial profit whereas the second is obliged, according to IFRS, to present losses to the markets for the same accounting period. We truly believe that the true and fair view is really evident in the Investment Fund's financial statements and not in those of the Industrial Participant.

In this sense we are surprised, as we have seen that although,, in the draft letter the EFRAG mentions our concern about the negative impact oh profit and losses for the initial years, it does not mention the problem of comparability with other types of competitors such as the ones envisaged in the former paragraph.

Finally we fully appreciate that according to present IABS standards it will be possible to provide a solution to this problem, by proposing in IFRIC 12 the application of percentage of completion (as established in IAS 18) to the recognition of revenue during the operating period to contracts that are under the intangible asset model.

We trust that all our concerns should be taken into consideration in the final decision to be taken by the Efrag regarding the recommendation of endorsement of IFRIC 12.

Yours sincerely,

Manuel García Buey
Chief Executive Officer