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**Panel 1: International Financial Reporting Standards (IFRS)
– Initial Experiences**

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ThyssenKrupp and IFRS – Living IFRS in an International Business Group

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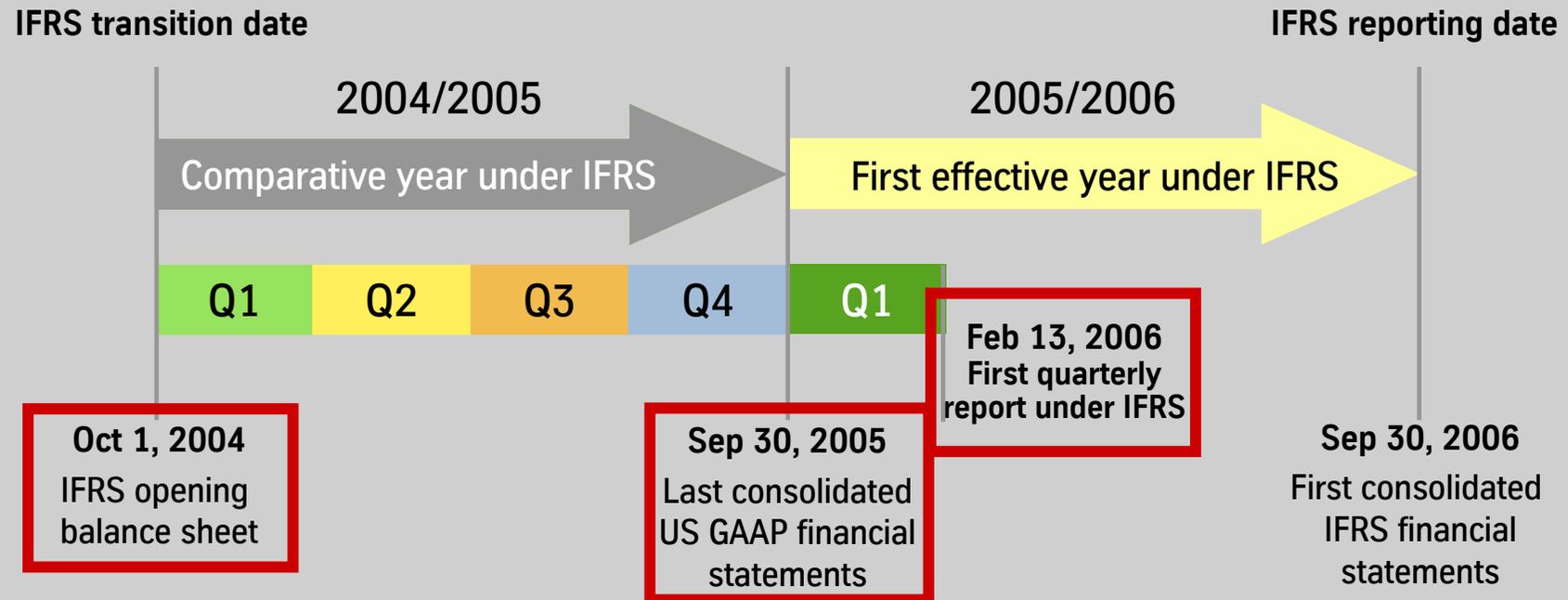
Panel 1: International Financial Reporting Standards (IFRS) - Initial Experiences

ThyssenKrupp



IFRS Conversion Timeline

- Publicly traded EU-companies are required to move to IFRS accounting for fiscal years starting on/after January 1, 2005 (EU Reg. No. 1606/2002)
- Interim report Q1 2005/2006 was the first financial statement under IFRS
- Reporting under US GAAP is discontinued**



Key Observations

⇒ No material impact on key performance indicators

- EBT mainly impacted by losses of reclassified discontinued operations
- Net income 2004/2005 slightly increased to €1,079 million
- Cash generation not affected by IFRS conversion

⇒ Effects on balance sheet

- Conservative asset valuation due to IFRS impairment approach
- Improved transparency due to full recognition of pensions/healthcare obligations
- Actual impact on balance sheet lowered by deferred taxes
- Change in equity cushioned



Looking Back at US GAAP

⇒ What was convincing?

- Widely accepted
- Very well integrated into financial community
- Pragmatic and business-focused

⇒ What was less impressive?

- US-dominated, exposure to US jurisdiction – it is just another local GAAP
- Limited flexibility in an international arena
- Casuistic approach (“cookbook accounting”)



Convergence Issues for Non-SEC-Registrants

⇒ Achieve mutual acceptance in financial community

- To reduce focus of financial community on US GAAP

⇒ Reduce additional complexity of US GAAP involvement

- To simplify competitor analysis
- To simplify M&A transactions

⇒ Learn from US GAAP standard setters

- To benefit from US GAAP pragmatism for IFRS development

⇒ Synchronize European standard setting and endorsement process

- To strengthen European influence on global standard setting



Accounting Standard Profile (I)

Useful

Reliable

Global

Accepted



Accounting Standard Profile (II)

⇒ Useful

- For decision making both for investors as well as management
- Adequately complex

⇒ Global

- Similar accounting for similar transactions

⇒ Reliable

- True-to-life picture of economic substance
- Surprises – if any – should result from business, not from accounting

⇒ Therefore Accepted

- A common “currency/language” that does not need translating and interpreting



How Can Convergence lead to a Better Accounting Standard?

⇒ Useful

- Develop business-oriented principles

⇒ Global

- Eliminate diversity

⇒ Reliable

- Limit fair value approach, i.e. maintain integrity of historical cost accounting

⇒ Accepted

- Develop a common taxonomy (XBRL)

