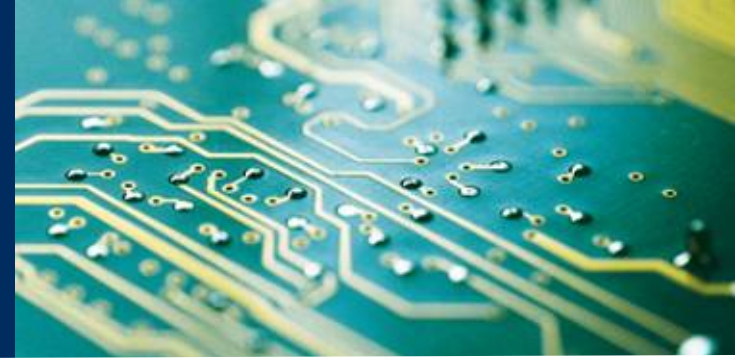


Financial Reporting

Enforcement



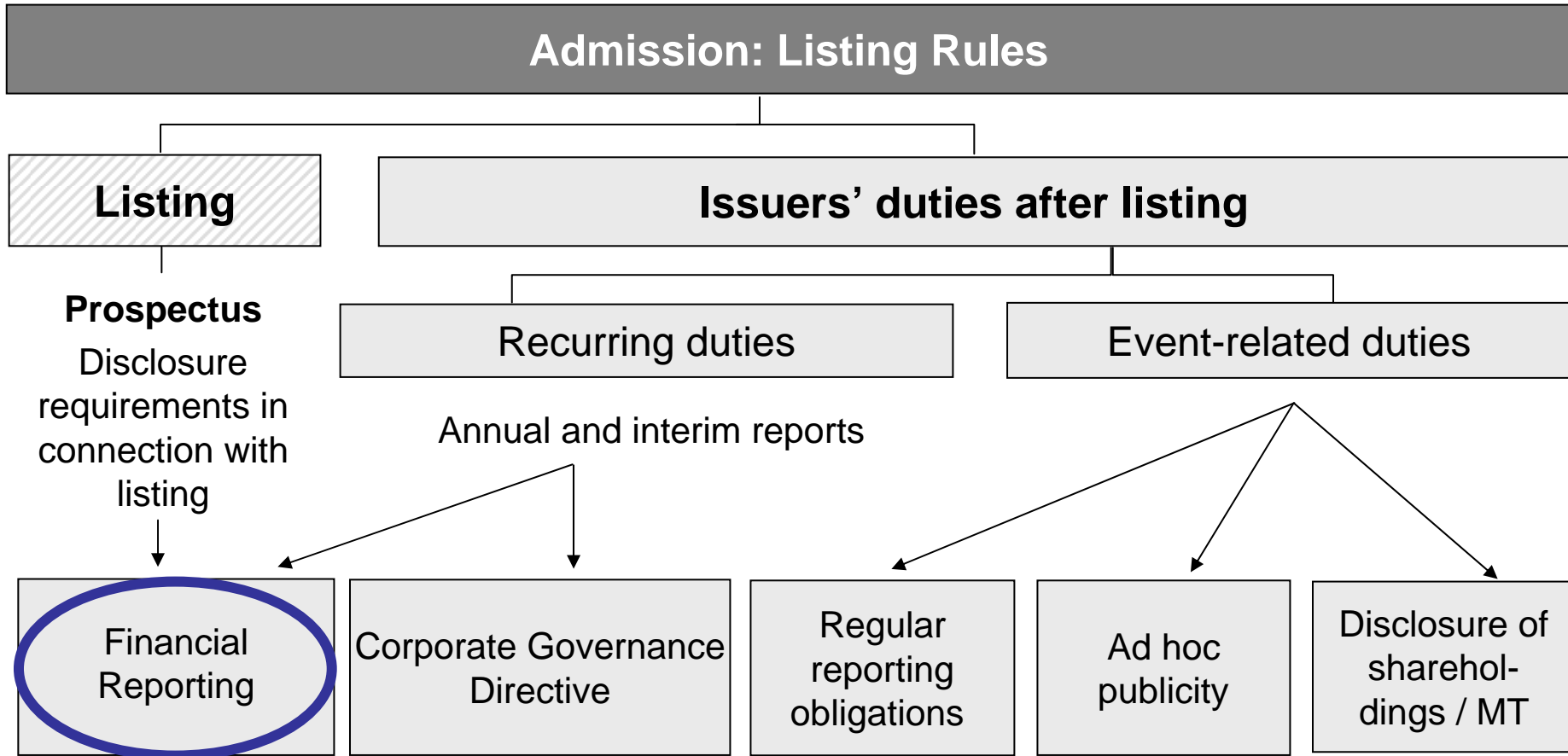
Overview



- **Introduction**
- **Enforcement**
- **Communication**
- **Contacts**

Introduction

Issuers' duties



Introduction Environment

**Expert Panel on
Financial Reporting**



IOSCO IFRS Database

**Pool of experts for IFRS-
related issues**

Eidg. Revisionsaufsichtsbehörde RAB
Autorité fédérale de surveillance en matière de révision ASR
Autorità federale di sorveglianza dei revisori ASR

SIX EXCHANGE REGULATION



Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Financial Reporting

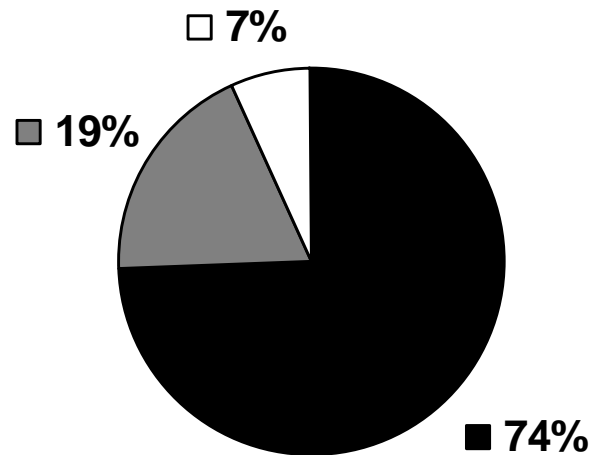
Auditing bodies

**Issuers
(not including financial
institutions)**

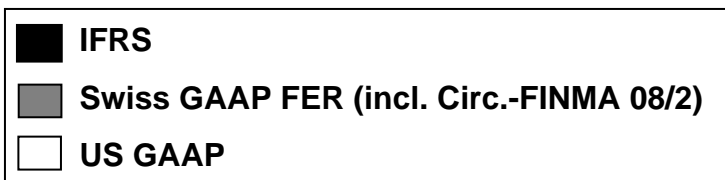
**Financial
institutions**

Introduction

Accounting standards (I)



| Financial statements | IFRS | FER | US GAAP | Total |
|----------------------|------|-----|---------|-------|
| 2008 | 192 | 50 | 17 | 259 |
| 2007 | 193 | 52 | 17 | 262 |
| 2006 | 187 | 54 | 20 | 261 |
| 2005 | 186 | 59 | 18 | 263 |
| 2004 | 146 | 101 | 19 | 266 |



Introduction

Accounting standards (II)

- Principle: accounting standards to be applied unchanged
 - IFRS (as issued by IASB)
 - Swiss GAAP FER (as issued by FER)
 - US GAAP (as issued by FASB)

- Additional requirements concerning:
 - Interim reports by issuers applying US GAAP
 - Investment and real estate companies

Introduction

Companies monitored

- Primary listed equity securities (262 companies):
 - Main standard: 154 companies
 - Domestic standard: 31 companies
 - Standard for investment companies: 26 companies
 - Standard for real estate companies: 13 companies
 - Insurance companies: 7 companies
 - Banks/securities dealers: 31 companies
- 

As at 8 June 2009

Enforcement Concept (I)

■ Risk-based selection of financial statements

- Large market capitalisation
- Book value of equity higher than market value
- New listings & first-time adopters
- Significant changes in business operations
- Change in management (CEO/CFO)
- Qualified audit opinion
- Change of auditing body
- External information

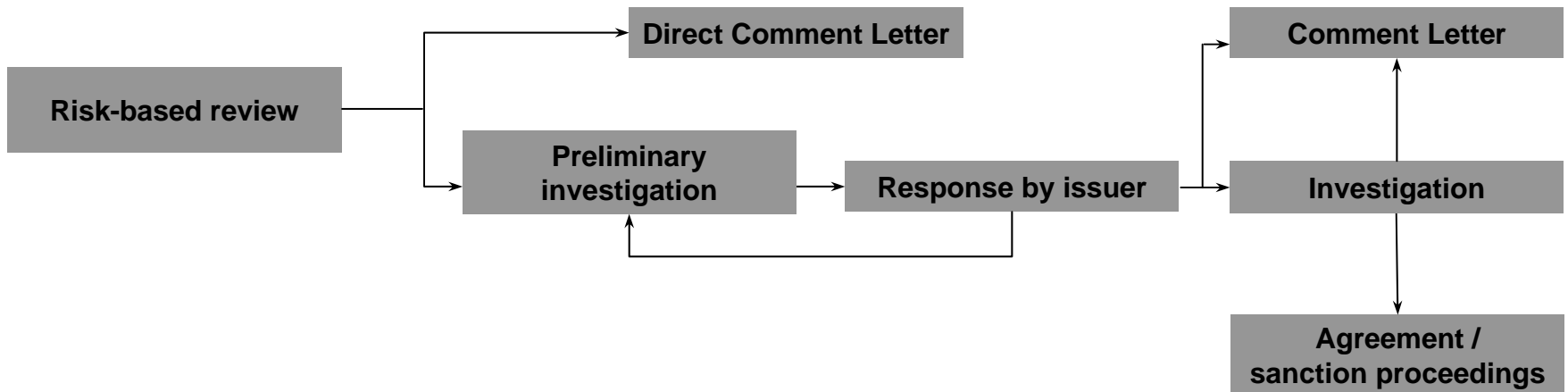
www.six-swiss-exchange.com/admission/being_public/financial_reporting/third_party/form/contact_en.html

Enforcement Concept (II)

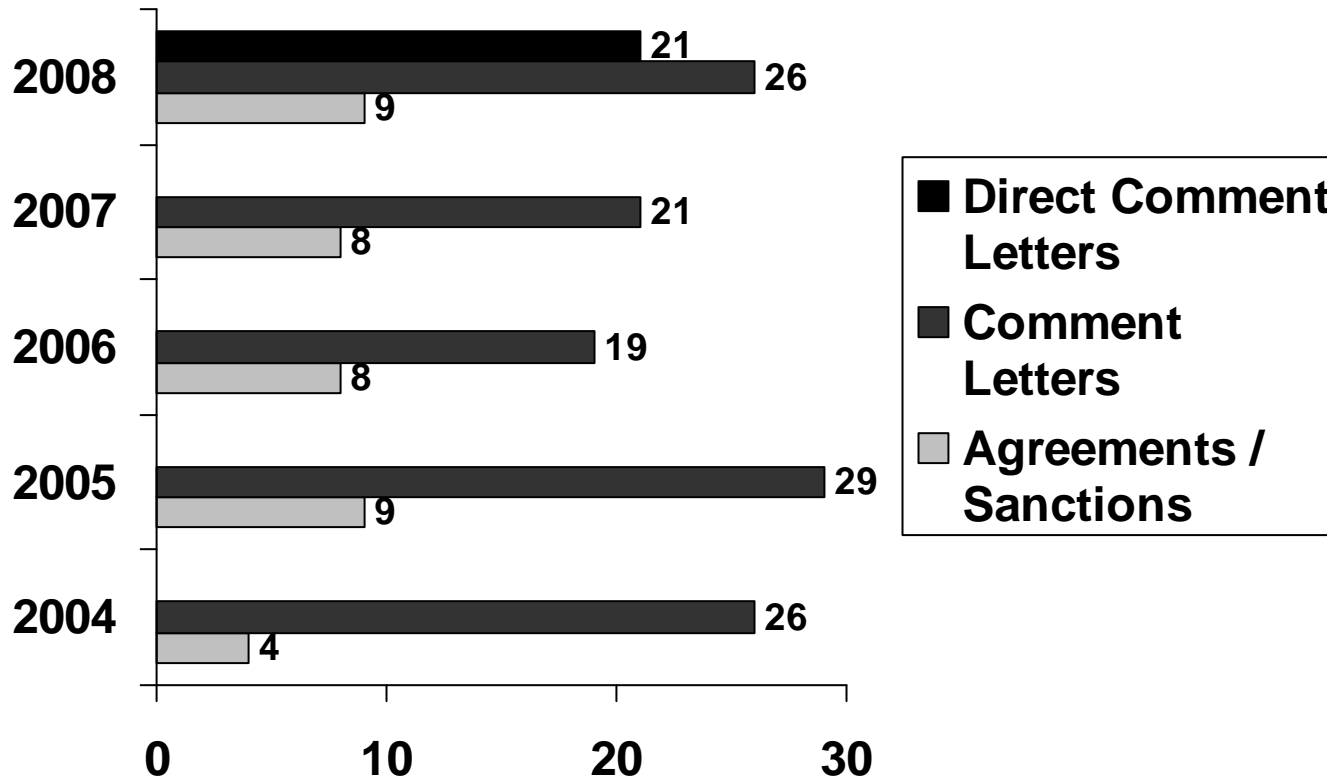
- Risk-based review of selected financial statements
 - Standards judged especially critical in view of company-specific factors
 - Standards currently defined as areas of focus for enforcement
 - Standards known to be especially prone to errors
 - Standards applied/applicable for the first time

Enforcement Concept (III)

- Submitted annual and interim financial statements
- Contacts: CFO and Chairman
- On-site checks only in exceptional cases
- Proceedings should be completed before next publication of financial statements



Enforcement Statistics



Communication Overview

- Specific topics as areas of focus for enforcement (communiqué)
- Guidance on current issues (communiqué)
- Comment Letters (annual update of IFRS circular)
- Publication of agreements / sanctions (media releases)
- Publication of decisions on a no-name basis

All information available on the following web page:

www.six-swiss-exchange.com/admission/being_public/financial_reporting_en.html

Communication

Areas of focus for enforcement

- 1. Measurement and disclosure of financial instruments (IAS 39 / IFRS 7)**

Proper determination of the fair value of financial instruments (valuation hierarchy as per IAS 39p48 ff. and IAS 39AG69-82), especially with regard to no active markets (IAS 39AG74 ff.). Transparent disclosure of the assumptions used in determining fair value for each class of financial assets and liabilities (IFRS 7p27(a)). Meaningful sensitivity analyses of the relevant market risks (IFRS 7p40).
- 2. Impairment of assets (IAS 36)**

Proper performance of the impairment test for goodwill and other intangible assets with indefinite useful life, as well as in the case of indications that other assets may be impaired. In particular, SIX Swiss Exchange will critically scrutinise the model assumptions for their plausibility ("realistic scenario"). Compliance with the disclosure requirements, particularly in terms of the completeness of the corresponding information in the notes regarding the impairment test of goodwill as per IAS 36p134 ff. (measurement basis, period of projection, discount rate, assumed growth rate beyond the projected period, as well as sensitivity analyses per cash-generating unit).
- 3. Assets and obligations relating to employee benefit plans (IAS 19)**

Completeness of the disclosures pertaining to defined benefit plans. Proper treatment and disclosure of insured benefits under IAS 19p39. Recognition of actuarial gains and losses in compliance with the special requirements associated with electing to recognise them in equity as per IAS 19p93A (see also Admission Board Communiqué No. 7/2008 http://www.six-swiss-exchange.com/download/admission/regulation/notices/2008/notice_200807_en.pdf). Proper recognition of an economic benefit from a reduction in future contributions as per IFRIC 14.

Communication Guidance

Valuation and recognition of post-employment benefits in the interim financial statements as per IAS 19

I. BACKGROUND

IAS 19p93A ff. provides for the possibility to recognise actuarial gains and losses outside profit or loss directly in a “statement of recognised income and expense” or “statement of comprehensive income”. IAS 34p13 stipulates that an entity must apply the same format in the interim financial statements as it did in its most recently published IFRS annual financial statements.

Upon examination of issuers’ semi-annual financial statements, the SWX Swiss Exchange has determined that, in connection with the aforementioned recognition of actuarial gains and losses, the actuarial valuations of defined benefit obligations as well as the valuation of plan assets are mostly performed only at year’s end. Thus in contrast to the requirements of IFRS, the recognition and presentation of actuarial gains and losses in equity was waived in those issuer’s interim financial statements.

II. REQUIREMENTS OF THE STANDARD

Under IAS 34p28 ff., an entity must principally apply in its interim financial statements the same accounting policies as it did in its annual financial statements. To this purpose, the measurements for interim financial statements are to be made on a year-to-date basis. In this regard, IAS 34 Appendix C4 refers to IAS 19 and the necessity to determine such present and market values as at **each balance sheet date**. Furthermore, this Appendix states that, for the purposes of interim financial reporting, a reliable measurement can be often obtained by extrapolation of the latest actuarial valuation (i.e. updating the actuarial estimates and pension cost).

Communication Findings (Comment Letters)

22. *Financial instruments: disclosures (IFRS 7)* *In terms of their characteristics, financial instruments are to be analysed and subsequently allocated in a comprehensible way to specific classes (IFRS 7p6). For disclosure purposes, at minimum a differentiation must be made between financial instruments measured at amortised cost and those measured at fair value. Financial instruments that are not in the scope of IFRS 7 are to be excluded from disclosure in accordance with IFRS 7 (e.g. investments in associates or benefits and obligations relating to employee benefits). It is recommended that the disclosures required under IFRS 7 be made in tabular form.*

Under IFRS 7p27, a company must disclose for each class of financial instruments how the specific fair values were determined and whether the fair values were determined directly through the application of published prices respectively quotations in active markets or derived from valuation techniques. If a valuation technique has been used the relevant underlying assumptions must be disclosed (e.g. the discount rates utilised, growth rates for the extrapolation of cash flow projections, volatilities in the case of option pricing models).

Apart from various specified information, IFRS 7p34(a) makes it compulsory to disclose also other quantitative information provided to key management personnel on the extent of risks from financial instruments to which the entity is exposed on the balance sheet date.

Communication

Media releases on agreements

| Date | Agreements in connection with Financial Reporting | Body | Download |
|------------|---------------------------------------------------|------|----------|
| 27.06.2008 | Villars Holding SA | AD | |
| 20.06.2008 | PSP Swiss Property AG | AD | |
| 24.01.2008 | AGEN Holding SA | AD | |
| 10.01.2008 | Bossard Holding AG | AD | |
| 31.08.2007 | IVF HARTMANN Holding AG | AD | |

Note:

AD = Admission Division

www.six-swiss-exchange.com/admission/agreements/financial_reporting_en.html

Communication

Media releases on sanctions

| Date | Sanctions in connection with Financial Reporting | Body | Download |
|------------|--------------------------------------------------|------|----------|
| 26.05.2009 | OTI Energy Ltd | SC | |
| 14.05.2009 | Global Natural Resources Holding Ltd. | SC | |
| 12.05.2009 | Lenzerheide Bergbahnen AG | SER | |
| 27.11.2008 | Orascom Development Holding Ltd | AD | |
| 23.10.2008 | Adval Tech Holding AG | AD | |
| 12.06.2008 | Bossard Holding AG | AD | |
| 06.03.2008 | BKW FMB Energie AG | | |
| 17.01.2008 | Ypsomed Holding AG | | |
| 12.12.2007 | Industrieholding Cham AG | AD | |
| 18.06.2007 | Kardex AG | AB | |
| 01.06.2007 | Fiduciaire Michel Favre SA | AB | |
| 16.04.2007 | Airesis | SC | |
| 12.04.2007 | OTI Energy AG | SC | |
| 16.03.2007 | Zwahlen & Mayr SA | DC | |
| 09.03.2007 | PAX-Anlage AG | AD | |
| 01.09.2006 | Synthes Inc. | AB | |
| 29.08.2006 | Leclanché S.A. | AB | |
| 25.08.2006 | Card Guard AG | AB | |
| 02.08.2006 | Ci Com SA | DC | |
| 14.07.2006 | SHL Telemedicine Ltd. | AB | |

Note:

AB = Committee of the Admission Board

DC = Disciplinary Commission (replaced by Sanction Commission)

AD = Admission Division (replaced by SIX Exchange Regulation)




SER = SIX Exchange Regulation

RB = Regulatory Board

SC = Sanction Commission

www.six-swiss-exchange.com/admission/being_public/sanctions/media_releases/financial_reporting_en.html

Communication Sanction decisions

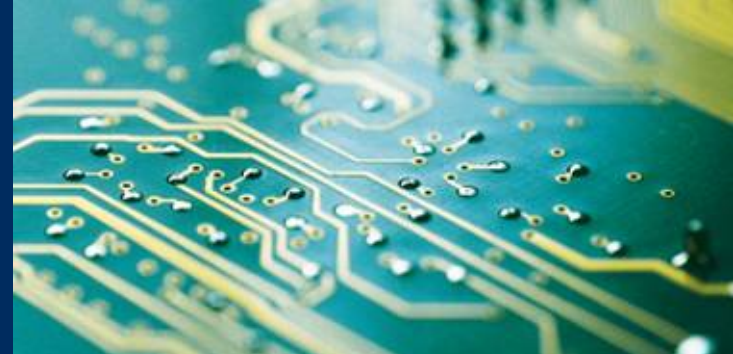
| Decisions regarding Financial Reporting | Proposition of quotation | Body | Download |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------|-------------------------------------------------------------------------------------|
| 24.04.2009: Verletzung von Swiss GAAP FER 18 zu Sachanlagen wegen Aussetzung von Abschreibungen und regelwidriger Aktivierung von Unterhaltskosten im Halbjahresabschluss. | SER/RLE/III/09 | SER |  |
| 08.04.2009: Nichtkonsolidierung einer beherrschten Gesellschaft nach IAS 27. | SaKo/RLE/I/09 | SC |  |
| 25.03.2009: Verletzung von IAS 39 wegen Nichtberücksichtigung des Kreditrisikos bei der Bewertung einer eingebetteten Put-Option sowie Unterlassung der Offenlegung nach IFRS 7. | SaKo/RLE/II/08 – SaKo/AHP/I/08 | SC |  |
| 07.11.2008: Fehlerhafte Berechnung des Ergebnisses pro Aktie nach IAS 33 infolge Nichtberücksichtigung der Minderheiten. | GBZ/RLE/V/08 | AD |  |
| 01.10.2008: Ausweis von nicht-liquiditätswirksamen Investitionen in der Geldflussrechnung nach IAS 7. | GBZ/RLE/IV/08 | AD |  |
| 23.05.2008: Mangelhafte Offenlegung einer Fehlerkorrektur nach IAS 8. | GBZ/RLE/I/08 | AD |  |
| 12.11.2007: Inkorrekte Behandlung von zum Verkauf bestimmten Entwicklungsliegenschaften als Sachanlagen nach IAS 16 anstelle von Vorräten gemäss IAS 2. | GBZ/RLE/VII/07 | AD |  |

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www.six-swiss-exchange.com/admission/being_public/sanctions/integrated_publication/financial_reporting_en.html



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