

IMPAIRMENT OF LONG-LIVED ASSETS

Current Accounting Practice

In the case of goodwill, impairment is measured by the discounted cash flows method. If the sum of discounted future cash flows is less than the net book value, a valuation allowance is recorded for the difference.

For other long-lived assets, value in use is measured based on the sum of undiscounted future cash flows, taking into account the asset's intended future use. Impairment losses are recognized by recording an additional depreciation or amortization charge. The amount of the recognized impairment loss is equal to the difference between the asset's net book value and the higher of the sum of discounted future cash flows and market value.

IFRS

Under IAS 36 – Impairment of Assets, the enterprise shall assess at each balance sheet date whether there is any indication that an asset may be impaired. Assets with indefinite useful lives must be tested for impairment at least once a year. Goodwill is the only indefinite-lived asset carried in the Group accounts.

Impairment tests are performed at the level of cash generating units (CGU), which are defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The value in use of CGUs is measured as the net present value of estimated future cash flows. If this value is less than the CGU's net book value, an impairment loss is recognized. The impairment loss is first recorded as an adjustment to the carrying amount of any goodwill allocated to the CGU, and the remainder of the loss is allocated to the other assets of the unit.

The Automobile Division comprises a number of Vehicle CGUs, each corresponding to a vehicle model. The assets included in a Vehicle CGU consist of project related tangible and intangible (see Fact Sheet no. 1 – Automobile Division Research and Development Expenditure) fixed assets. The Vehicle CGUs and all other fixed assets together make up the Automobile Division CGU.

Banque PSA Finance and GEFCO are separate CGUs.

At Faurecia, each CGU corresponds to a program and comprises all customer contract related tangible and intangible fixed assets (corresponding to development costs – see Fact Sheet no. 2 – Faurecia Research and Development Expenditure). These CGUs are combined in business units (Automobile Seats, Vehicle Interiors, Exhaust Systems, Front Ends) to which support assets and goodwill are allocated.

Impact On The Group Accounts

Based on the results of the impairment tests, no impairment losses are recognized in the opening IFRS balance sheet at January 1, 2004.