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6 July 2009

Dear Madam/Sir

### **Comments on Discussion Paper DP/2009/1 Leases**

Novo Nordisk A/S is pleased to provide its comments to the IASB's Discussion Paper Leases from March 2009 (referred to as the "DP").

We agree that the Board should address significant practical as well as conceptual issues that arise under IAS 17 *Leases* and achieve convergence with US GAAP as long as it is still principles based, higher quality than present IFRS accounting and in line with the principles of writing IFRS literature.

For Novo Nordisk the proposed accounting treatment of leases would have the consequence that we should recognise a significant number of small contracts with a total value of around 3.5 billion DKK (Total assets 50.6 billion DKK). It is difficult for us to see how this would bring value to the users of our financial statements. It will be very time consuming for our total global organisation as all contracts will have to be recognised in local financial statements and for reporting purposes to Novo Nordisk A/S for more than 100 affiliates.

We therefore have the following recommendations:

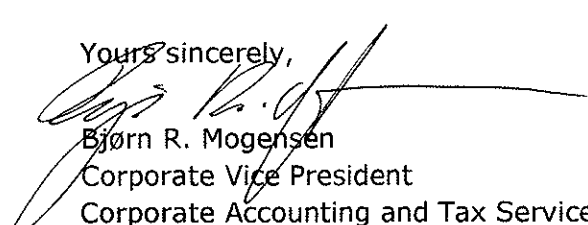
- We recommend the IASB to carry out a cost benefit analysis/or field test of the proposals in the DP. We have tried to identify some benefits for the users of Novo Nordisk financial statements but have not yet succeeded.
- Should IASB decide to proceed with the approach suggested in the DP, Novo Nordisk A/S recommends that a kind of threshold is considered to reduce the administrative burdens. We are convinced that balance sheet recognition of leased company cars, copy machines, and other leased asset of an administrative nature will not bring any value to users of financial statements,

We kindly request the IASB to consider a threshold or principle based on the nature of the assets, i.e. for example to exclude non productive assets in the scope of any new accounting standard on leases.

- For a company like Novo Nordisk value to our shareholders (i.e. assessment of income generation) is related to assets such as production facilities, research and development and our people and definitely not to our operational leasing contracts. In a valuation of Novo Nordisk investors would probably not consider these assets. The fair value of those contracts net is in most case close to zero, and there is no link to the future income on a net basis. We recommend IASB to consider if the DP is in line with the overall direction of fair value accounting which has been seen for many years.
- We also recommend the IASB to consider the impact of the DP on different areas of the reporting entity. For Novo Nordisk this will not only have negative impact on the accounting and legal departments but also on our tax department because of differences in requirements from the tax authorities.
- Further we recommend the IASB to consider whether the expected lease term is not more relevant and helpful for investors in predicting the ability of the reporting entity to generate future cash flows from leases. We find the rule of "the most likely lease term" hypothetical, i.e. not relevant to financial reporting and even in consistent with the Framework, for example paragraph 16.
- Finally we recommend that the IASB retain the approach in the existing IAS 17 to use the implicit rate if it is practicable to determine and not to revise it subsequent to initial recognition, in order to ensure consistency to measurement of amortised cost for other financial liabilities under IAS 39 *Financial Instruments: Recognition and Measurement*.

If you have any questions concerning our comments, please contact me, at +45 44 42 37 70

Yours sincerely,



Bjørn R. Mogensen

Corporate Vice President

Corporate Accounting and Tax Services