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Le Directeur Financier

Dear Sir/Madam,

I was pleased to see your draft comment letter on the website and share the concerns expressed therein, particularly those highlighted in paragraph 14 (b) and (c).

I wanted nevertheless to remind you of the definition of a construction contract under U.S. GAAP, as I think that the current wording of IFRIC D21 is clearly influenced by existing U.S. GAAP literature.

**"SOP 81-1- Accounting for performance of construction-type and certain production-type contracts**

(..)

**Contracts covered**

12- Contracts covered by this statement of position are binding agreements between buyers and sellers in which the seller agrees, for compensation, to perform a **service to the buyer's specification** [emphasis added]. Contracts consist of legally enforceable agreements in any form and include amendments, revisions, and extensions of such agreements. Performance will often extend over long periods, and the seller's right to receive payment depends on his performance in accordance with the agreement. **The service may consist of designing, engineering, fabricating, constructing, or manufacturing related to the construction or the production of tangible assets.** [emphasis added]

(..)"

As it is clearly stated in the above-mentioned definition, that a construction contract must require construction services to be provided in accordance with the **buyer's specification**, I do agree with the comment of Telford Homes Plc saying that "there is little point creating another divergence" with U.S. GAAP "without discussing it within the joint project on revenue recognition". I think that the "buyer's specification" criteria is one possible interpretation of the "specifically negotiated" criteria included in the IAS 11 definition of a construction contract.

On the other hand, the SOP 81-1 definition has the merit of defining precisely and unambiguously the meaning of "construction service" and that these services have to be provided in connection with the construction or production of an asset.

Yours faithfully,



Jean-Pascal BEAUFRET  
Alcatel-Lucent's Chief Financial Officer

Copy :  
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