

minus accumulated impairment losses. Gains or losses from the sale of an entity include the value of the consolidation differences in reference to the said entity.

Consolidation differences are allocated to the units that generate the cash flows for performing impairment tests.

### **b) Research and development**

Research expenses are recognised as costs when incurred. Costs incurred on development projects (for designing and testing new products or for product improvements) are recognised as intangible assets when it is likely that the project will be successful, in terms of its commercial and technological feasibility and when the costs may be reliably measured. Other development expenses are recognised as expenses when incurred. Development costs previously recognised as expenses are not recognised as an asset in subsequent periods. Development costs with a finite lifetime that have been capitalised are amortised from the time the product begins commercial production according to the equal annual amounts method during the period of its expected benefit, which cannot exceed five years.

### **c) Software**

The cost of acquiring software licences is capitalised and includes all costs incurred for acquiring and

installing the software available for utilisation. These costs are amortised during the estimated lifetime (5 years).

Software development or maintenance costs are recognised as expenses when incurred. Costs associated directly with creating identifiable and unique software controlled by the Group and that will probably generate future economic benefits greater than the costs, for more than one year, are recognised as intangible assets. Direct costs include personnel costs for developing software and the share in relevant general expenses.

Software development costs recognised as assets are amortised during the software's estimated lifetime (not exceeding 5 years).

### **d) Concessions and territorial rights**

Concessions and territorial rights are presented at the historic cost. Concessions and territorial rights have a finite lifetime associated to the contractual periods and are presented at cost minus accumulated amortisation.

## **2.7. Impairment of assets**

Intangible assets with a specific lifetime are not subject to amortisation and are, instead, subject to annual impairment tests. Assets subject to amortisation are revaluated to determine any