European non-financial listed groups: analysis of 2014 data

ERICA (European Records of IFRS Consolidated Accounts) WG

European Committee of Central Balance Sheet Data Offices (ECCBSO)

December 2015

ERICA Working Group

eccbso

European Committee of Central Balance Sheet Data Offices

EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2014 DATA

Members of the ERICA (European Records of IFRS Consolidated Accounts) WG

Manuel Ortega (chairman)
manuel.ortega@bde.es
Banco de España
Javier González
gonzalez.sainza@bde.es
Banco de España
Riccardo Renzi
riccardo.renzi@bancaditalia.it
Banca d'Italia
Ana Bárbara Pinto
apinto@bportugal.pt
Banco de Portugal
Olga Lymperopoulou
olimperopoulou@bankofgreece.gr
Bank of Greece
Claire Mangin
Claire.MANGIN-SOUBRET@banque-france.fr
Banque de France
Laurent Carlino
Laurent.CARLINO@banque-france.fr
Banque de France
Saskia Vennix
Saskia.vennix@nbb.be
Banque Nationale de Belgique
Ilse Rubbrecht
Ilse.Rubbrecht@nbb.be
Banque Nationale de Belgique
Vincenzo Favale
vincenzo.favale@cervedgroup.com
Centrale dei Bilanci / Cerved Group
Frank Raulf
frank.raulf@bundesbank.de
Deutsche Bundesbank
Daniel Rohde
daniel.rohde@bundesbank.de
Deutsche Bundesbank
Lena Leontyeva
olena.leontyeva@bundesbank.de
Deutsche Bundesbank
Sabine Wukovits
Sabine.Wukovits@oenb.at
Oesterreichische Nationalbank
Sébastien Pérez-Duarte
Sebastien.Perez_Duarte@ecb.int
European Central Bank
Bartek Czajka (observer)
bczajka@ifrs.org
IASB
Timur Hulagu (observer)
Timur.Hulagu@tcmb.gov.tr
Central Bank of the Republic of Turkey

IMPORTANT INFORMATION ABOUT THE SOURCE USED (ERICA[1] DATABASE)

The data used in this study are obtained from publicly available financial statements of European non-financial listed groups, having been treated manually, by CBSO statisticians and accounting specialists, to be fitted on a standard European format (ERICA format); this manual treatment involves, in some cases, the interpretation of the original data, a constraint that readers of this document should bear in mind.

The database does not represent the total population of European non-financial groups; nevertheless, the coverage attained with ERICA (in the whole dataset of around 1.000 groups, as well as in ERICA+, a subset of around 200 groups with extra accounting details) on the listed European groups is well-attuned to the situation and national composition of the stock markets. The analysis performed in this document with both datasets of ERICA, with the limitation expressed in the previous paragraph, provides a view of the position and performance of the listed non-financial European groups.

The opinions of the authors of this document do not necessarily reflect those of the national central banks to which they belong or those of the ECCBSO.

All the graphs and tables presented in the document are from the same source (ECCBSO-ERICA database), unless otherwise indicated.

[1] ERICA (European Records of IFRS Consolidated Accounts) is a database of the European Committee of Central Balance Sheet Data Offices.

EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2014 DATA

ERICA (European Records of IFRS Consolidated Accounts) WG

European Committee of Central Balance Sheet Data Offices (ECCBSO)

December 2015

CONTENTS

BOXES

ANNEXES (these annexes are only distributed in www.eccbso.org)

I EUROPEAN NON-FINANCIAL LISTED GROUPS: MAIN FINDINGS IN 2014 DATA

This document presents the results of the analysis performed by the members of the ERICA WG of the ECCBSO on the data available in the ERICA 2014 database (around 1000 listed non-financial groups, with €6190 bn in assets, and €4090 bn in revenue), with the more relevant facts for the year, about profitability, financial structure and the impact of fair value on the accounting of European listed non-financial groups. The document is complemented by statistical annexes (only available in the version distributed in www.eccbso.org) and other documents, called "the ERICA series", which offer deeper analysis of consolidated groups regarding a variety of themes (re-calculated data, use of alternatives, dividends trends, cash flow statement analysis and others, some of them currently under development). Some of the analyses use a subset of data called ERICA+, which contains some additional accounting details only available for certain groups (around 200).

The main findings of the study with 2014 data are:

1 After three years of poor performance, 2014 offers a picture of slight recovery in results and profitability

- In 2014 the European listed non-financial groups increased their revenues, EBIT and profits, with a good performance in Industry, Services and, especially, in Construction, whereas the fall in oil prices pressured results in the energy sector.
- This differing performance across sectors of activity also affected the countries, according to their sectoral concentration in the stock markets (those with energy over-representation were more affected by the negative trend).
- Margins that had deteriorated in the period 2010-2013 also showed the first signs of recovery

2 The financial position was influenced in 2014 by balance sheet expansion and the extension of provisions for employee benefits

- The sharp increase in equity in 2014 (rising 6.7% and standing at €1885 bn for the groups analysed), resulted in a fairly stable equity ratio, as it was over the last five years.
- This behaviour was based on the expansion of the balance sheet (total assets grew at the same pace as equity, mainly due to industry, and also to the development of provision for employee benefits, mainly in groups from Austria, Belgium, France and Germany).
- The liquidity ratio remained stable in 2014, although there was a high increase (6.6%) in cash and cash equivalents.
- On average, the debt ratio over the last six years has shown a downward trend since 2009.

3 Fair value accounting had a negative impact on 2014 financial statements

- In 2014 fair value had a negative impact, mainly due to the Industry sector groups.
- This behaviour came about as a result of the negative revaluation in available-for-sale financial assets.
- Nevertheless, this negative impact, which was connected with the overall trend of the European stock markets (there was a smooth decrease in capitalisation), had a limited weight in revenues.

Warning about the commentaries included in this study about countries

As a novelty in the edition of this document, the analysis includes some commentaries about the performance of the listed European groups according to the country where the parent company is based. The largest ERICA groups are multinationals, whereby the following has to be borne in mind: the performance of the groups belonging to a country does not necessarily reflect the performance of the country itself.

II PROFITABILITY: SLIGHT RECOVERY, ONGOING WEAKNESS OF LARGE GROUPS AND ENERGY

Profitability, along with the financial structure analysis carried out in this document, is based on the financial data for 2014 available in the ERICA database for 994 non-financial European groups listed on a European stock exchange.

BREAKDOWN OF THE SAMPLE: SIZES, SECTORS AND COUNTRIES COVERED. Main figures for 2014, data in billion of € — TABLE 1

	Number	Total Assets	EBIT	Cash Flow Op. Act.	P/(L) bef. Tax	Revenue
By country						
Austria	41	136	4,49	10,75	3,36	100,89
Belgium	76	229	17,91	21,78	15,45	137,97
France	335	2.378	110,22	156,38	91,55	1502,86
Germany	209	1.924	94,25	104,68	83,04	1461,04
Greece	50	70	1,70	3,90	0,42	50,64
Italy	152	581	23,52	34,91	17,33	338,12
Portugal	36	103	4,99	7,85	3,12	69,07
Spain	97	679	32,74	48,44	24,30	354,55
By sector						
Industry	428	3.030	159,98	188,19	145,08	2183,22
Energy	55	1.435	44,77	85,51	29,50	708,36
Construction	50	285	10,74	10,80	8,70	185,10
Services	457	1.436	77,57	109,68	55,98	1011,16
Not classified	4	4	0,29	0,24	0,24	2,68
By size (revenue)						
Small groups (<250mn)	459	121	3,93	3,62	2,86	44,31
Medium (250mm-1,5bn)	290	340	18,92	23,07	15,09	199,52
Large groups (>1,5 bn)	245	5.730	270,50	367,73	221,55	3846,69
Total	994	6.190	293,35	394,42	239,50	4090,52

Note: The number of firms by country and by sector or by size are different: some double accounted groups belong to the same sector but are in a different country.

Box 1 shows the great representativeness of the ERICA database in respect of the listed markets of non-financial groups and, accordingly, the table included in that box shows the significance of French and German groups in ERICA (as occurs in the total population): almost 55% in terms of the number of groups and about 70% of the other quantitative indicators (such as total assets and revenue) is reported by the groups of these two countries. With regard to size, for all variables analysed in this chapter (assets, revenue, EBIT, cash flow, profit/losses) between 92% and 95% are reported by the large groups (those with revenue over €1.5 bn). If we consider the main activity of the groups, the weight of the industrial groups is notable: almost 55% of the EBIT is generated in industry groups, a percentage that rises to 61% when it refers to profit and loss before tax. The second sector of activity in significance in terms of EBIT is services; both services and industry covers 89% of the number of groups analysed. In terms of total assets, the services and energy sectors are equal in significance.

II.1 EBIT: tentative turnaround after three years of decline, whereas fall in oil prices pressures energy sector once again

After three consecutive years of negative performance, European listed groups recovered slightly in 2014 on an aggregated basis. However, developments differ substantially across countries and sectors, irrespective of the sector-specific compilation of the countries' datasets.

Based on a fixed sample of groups, the EBIT variable as a basic indicator showed a small increase of +0.5% in totals after a heavy decline in 2013 (-7%). The recovery was mainly driven by the largest sector, industry. The construction sector, the smallest in the dataset, presented the highest growth by far. A poor performance was attained once more for the energy sector (-11%), owing to the fall in oil prices. As energy represents a large share in the group sample of Austria and Italy (see box 1), the weak performance of these groups was greatly influenced by the negative environment in this sector, which was also the case with Spanish and Portuguese groups, on a lesser scale.

Regarding group size, the rebound was mainly supported by the small and medium groups (revenue < €1.5 bn), whereas the large groups remained at the level of 2013. However, the development of large groups in aggregate terms was significantly influenced by the negative impact of large energy groups. If the large energy groups are excluded, the growth of the large groups would change from +0.1% to +2.4%.

Aggregate revenue showed growth of +2% in totals and thus reflected a turnaround also in this parameter as in 2013 the negative economic environment resulted in a decrease of -2.6%. In accordance with the pattern of EBIT, the increase in revenue is traced back to industry (+7.4%) whereas energy showed a decline of -7.6%. This development is once more reflected in the data of the Austrian, Italian and Spanish groups. The increase in total revenue was driven by the large groups but at the cost of profitability as reflected by EBIT ratios (weighted average) below.

RATE OF CHANGE IN % (2013-2014) TABLE 2

	Total Assets	EBIT	P/(L) bef. Tax	Revenue
By country				
Austria	-0,8	-39,9	-45,9	-7,7
Belgium	8,1	12,9	-13,4	4,8
France	9,3	9,3	14,4	6,6
Germany	8,4	6,5	8,3	2,0
Greece	3,8	39,2	219,3	6,6
Italy	2,7	-33,9	-34,5	-4,4
Portugal	-0,7	1,7	7,3	-0,3
Spain	-3,5	-6,0	0,3	-8,1
By sector				
Industry	11,4	2,3	-0,1	7,4
Energy	2,7	-10,8	-10,6	-7,6
Construction	1,2	27,2	94,4	-0,8
Services	4,0	5,0	12,0	1,0
By size (revenue)				
Small groups (<250mm)	2,0	35,6	55,9	1,1
Medium (250mm-1,5bn)	1,2	8,8	25,4	-0,7
Large groups (>1,5 bn)	7,5	0,1	0,6	2,6
Total (*)	**7,0**	**0,5**	**1,9**	**2,0**

* Total refers to a fixed sample of 910 groups of all countries; number of total fixed samples for sector and size differ

EBIT ratios: increase in the median, mainly measured in higher margins

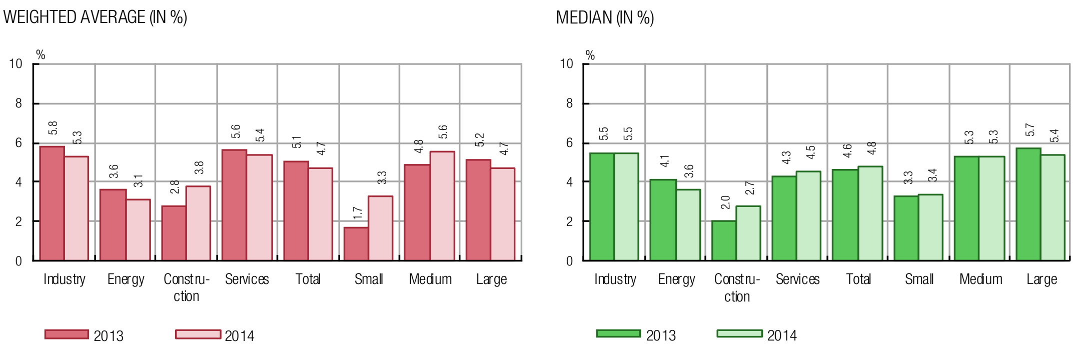
Profitability analysis is based on the ratio of EBIT to Total assets, improved by its split into two components: an indicator of the evolution of margins (EBIT/Revenue), and one of rotation (Revenue/Total assets). Additionally, rotation was analysed by another split in non-current and current assets. Charts 2.1.1 and 2.1.2 facilitate the interpretation of the behaviour of the first two, profitability and margins, in the year 2014 (for more details, please consider the full statistical annex available on the ECCBSO webpage, at www.eccbso.org).

In 2014 the profitability of listed European groups increased slightly by +0,.2 percentage points (pp) in terms of the median (that represents the behaviour of the population, and is not affected by the weight of a precise and singular group) but decreased by -0.4 pp in terms of weighted average, reflecting the fact that large groups, in particular, could not improve profitability. The difficult environment for energy groups in is given in both views showing a reduction in the EBIT / Asset ratio by -0.5%. The construction sector improved significantly by pushing profitability by +1% in terms of the weighted average and by +0.7% in terms of the median. Moreover, small groups in this sector achieved a turnaround in 2014 after negative profitability in 2013.

Margins (EBIT/Revenue) trended broadly in line with profitability: the median showed an even more optimistic picture (a rise of 0.5 pp) whereas almost all sectors and group sizes increased margins, most notably in industry and construction. The weighted average of listed groups showed a decrease of -0.,2 pp. In contrast, the rotation of assets decreased, affecting both current and non-current assets.

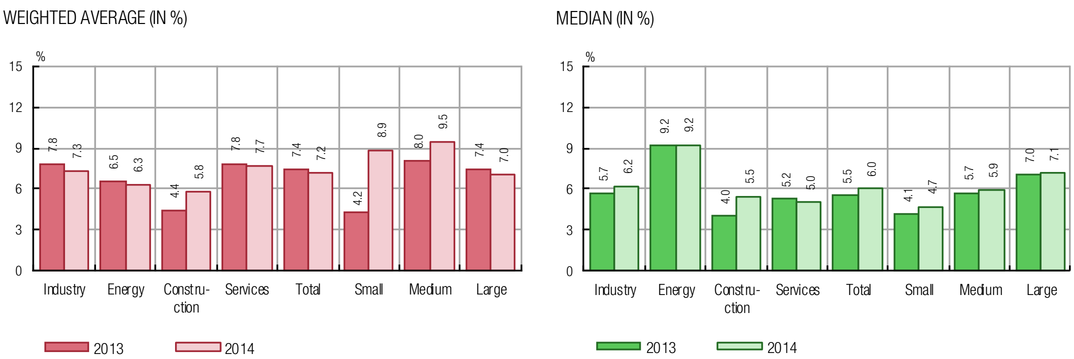
EBIT / ASSETS TOTAL

CHART 2.1.1



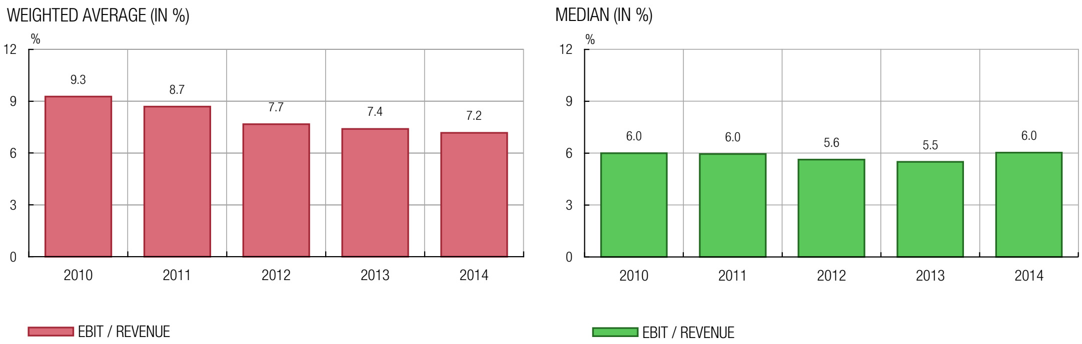
EBIT / REVENUE

CHART 2.1.2



The average margin for all groups stood at 7.2% in terms of the weighted average and 6.0% in terms of the median for the year 2014. Comparing 2014 data within a time series covering the last 5 years, there is a clear decrease from 2010 to 2014 in the weighted average. However, the data in terms of the median seem to offer evidence of the beginning of a smooth recovery in 2014, as a slight increase of margin in the median is presented for the first time in this period. In the sectoral breakdown this development is traced back to industry improving its margin to its best figure since 2010. In terms of the weighted average, however, there is still an ongoing decrease due to the weak performance of large groups.

EBIT / REVENUE CHART 2.1.3

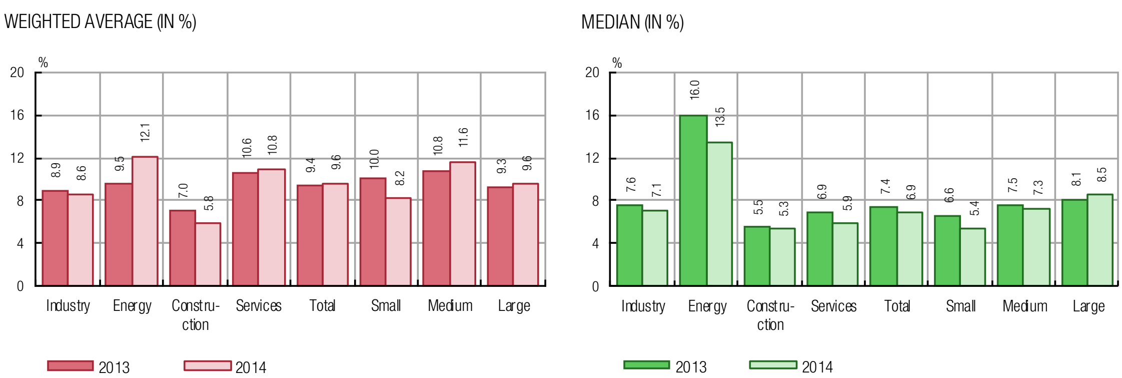


II.2 Cash flow from operating activity: increase supported by large groups

Based on a fixed sample of listed groups, the cash flow from operating activity increased in comparison to 2013 by +6.7%. All sectors and group sizes except construction and small groups participated in this growth, whereby large groups and energy improved most significantly. Thus, the trend in cash flow stands in contrast to that in EBIT and Profit/Loss before tax in energy as well as for large groups.

Chart 2.2. shows the relationship of cash flow from operating activity to revenue. In terms of the weighted average, the cash flow ratio presented a slight increase of 0.2 points supported by medium and large groups and also by the energy sector. In terms of the median, however, the ratio decreased by 0.5 points whereby all sectors and group sizes except the large groups were affected.

CASH FLOW OPERATING ACTIVITIES / REVENUE CHART 2.2



II.3 Profit (loss) before tax: in line with recovery in EBIT, negative trend for large groups

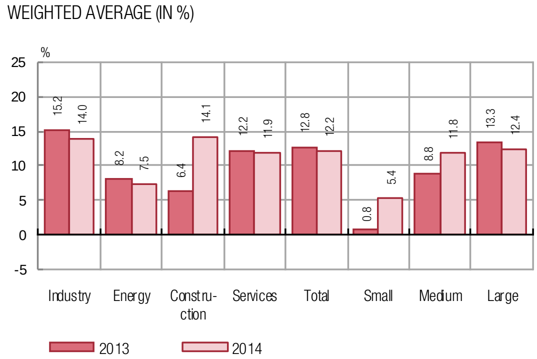
The level of aggregate profits generated by the 994 listed non-financial European groups amounted to € 239´.5 bn; 93% of this surplus was created by large groups and 61% in industry. Based on a fixed sample of listed groups, aggregate profits increased in comparison to 2013 by +1.9%.

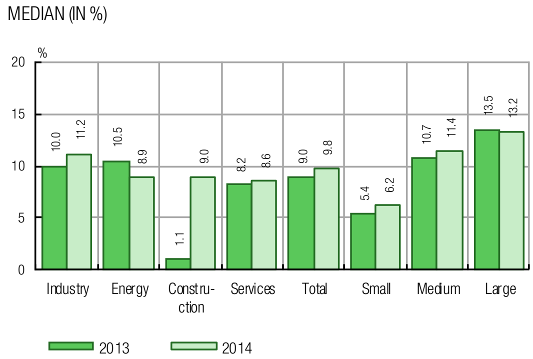
In relative terms (Profits/Equity ratio) the European groups created profit amounting to 12.2% for the aggregate sample, which represents a deterioration of -0.6 pp. The development is in line with profitability, showing that this decline was mainly caused by large groups. In terms of the median the ratio for all listed groups increased by +0.8 pp.

In the sectoral breakdown, construction improved substantially by pushing the ratio to 14% in terms of the weighted average and to 9% in terms of the median (2013: 6.4% resp. 1.1%). Excepting energy, all sectors achieved an improvement in the median.

PROFIT (LOSS) BEFORE TAX/ EQUITY RATIO

CHART 2.3





III FINANCIAL POSITIONS INFLUENCED BY BALANCE SHEET AND PROVISIONS FOR EMPLOYEE BENEFIT EXTENSIONS

Despite their heterogeneity, the number and the importance of the groups included in ERICA provide a relevant assessment on the financial structure of the main listed groups of the non-financial sector in continental Europe (although some large groups of certain countries are missing). The 223 largest groups represent more than 94 % of total revenue, and they have a strong influence on the aggregate results.

BREAKDOWN OF THE SLIDING SAMPLE 2013/14: SIZES, SECTORS AND COUNTRIES COVERED

TABLE 3

Main figures for 2014, data in billion of €

	Number	Total Assets	Financial debts	Cash	Equity
By country					
Austria	34	126,15	33,66	8,44	48,70
Belgium	67	224,27	70,45	16,37	84,30
France	287	2314,83	603,20	203,27	797,62
Germany	193	1894,98	582,01	115,00	538,03
Greece	43	54,47	18,68	5,72	19,07
Italy	117	536,43	179,61	38,94	183,96
Portugal	31	101,29	43,40	7,91	29,81
Spain	84	598,09	230,77	45,20	183,60
By sector					
1. Industry	379	2822,79	816,13	225,56	997,42
2. Energy	48	1405,08	387,24	64,61	387,67
3. Construction	41	275,57	99,46	33,00	56,98
4. Services	385	1343,08	457,92	117,24	441,20
5. Not classified	3	4,00	1,04	0,45	1,81
By size (revenue)					
1. Small groups (<250mn)	380	93,16	34,73	7,81	39,30
2. Medium (250mm-1,5bn)	253	294,15	102,92	24,32	113,09
3. Large groups (>1,5 bn)	223	5463,21	1624,13	408,73	1732,69
Total	856	5850,52	1761,78	440,86	1885,08

Based on a sliding sample without changes in the sector or the size.

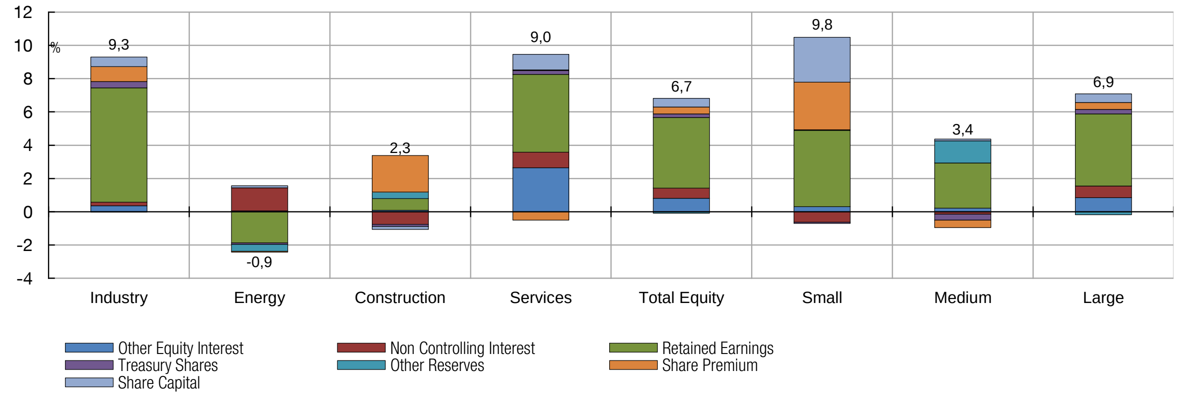
III.1 Equity: increase in equity but without major impact on the equity ratio

Increase in equity in 2014

In the year 2014 there were, in contrast to the previous two years, significant changes in equity. While in 2013 a decrease in equity of -0.8 % was noted, the increase stands at +6.7 % in 2014.

CHANGES IN EQUITY. SLIDING SAMPLE 2013-2014
Change in (%)

CHART 3.1.1



There was a decline only in the energy sector (-0.9 %), while all other sectors rose, especially industry (+9.3 %) and services (+9.0 %). In terms of size, the medium-sized groups - the only groups with an increase in 2013 – saw their equity rise by 3.4 %. This is low compared to the small (+9.8 %) and large groups (+6.9 %). A major factor was retained earnings, except for the construction sector. Several construction groups raised their capital as a result of which their share premium also increased.

The equity ratio (Equity / Total assets) remained fairly stable

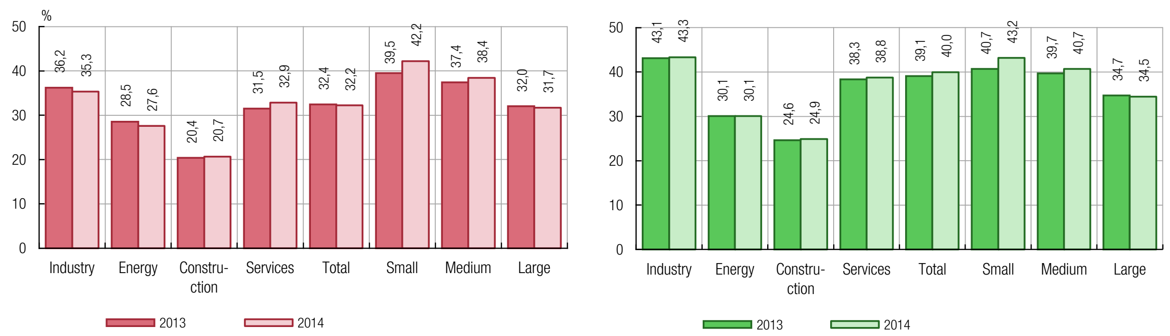
The weighted mean of the equity ratio decreased slightly by 0.2 pp, but the median increased by 0.9 pp.

This development indicates a surge in the small and medium-sized groups in contrast to a fall in the large ones. A glance at the size-separated ratios confirms this assertion. In the sectors, a positive development in the equity ratio is seen for the services and construction sectors. For industry and energy, a decreasing equity ratio is noted in the weighted average while the median increased or held stable.

EQUITY RATIO - EQUITY / TOTAL ASSETS

CHART 3.1.2

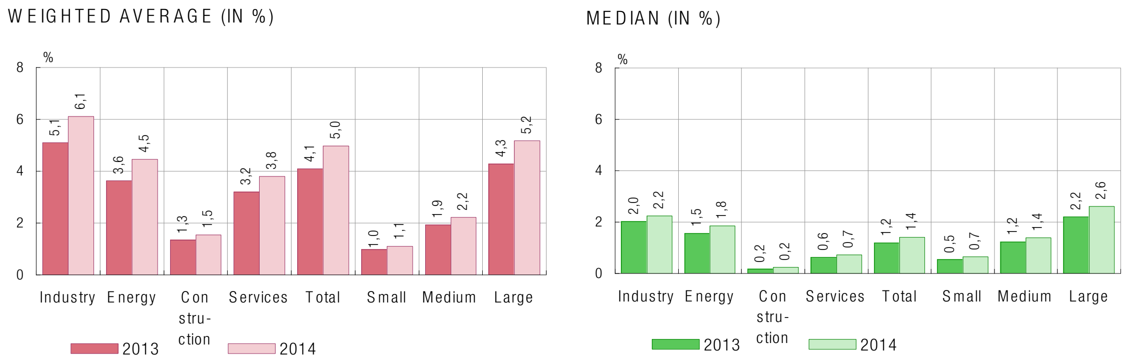
WEIGHTED AVERAGE (IN %)



There are principally two key reasons for the poor performance of the weighted average equity ratio in comparison to equity. The first is found in the advanced debt expansion. Overall total assets rose by 6.9% while the growth of the large groups was even higher. The industry sector shows the strongest growth in the balance sheet total (+11.3%), while equity rose only by 9.3%, as a result of which the weighted average equity ratio decreased.

The second reason is provisions for employee benefits. Mainly the groups from Austria, Belgium, France and Germany posted a sharp increase because of discounting with lower interest rates. The more southern concerns from groups in Italy, Spain and Portugal were not affected by this development. Greek entities were positioned in between. On average, 5% of total assets had to be used for provisions – more than had been the case in 2013 with only 4.1%. Especially large groups are affected by this upturn. Equity and debt substitution generally influences the equity ratio stronger than a single change in equity or liabilities.

PROVISIONS FOR EMPLOYEE BENEFIT / TOTAL ASSETS CHART 3.1.3



Stable equity ratio over the last five years

Based on a sliding sample of 461 groups over the period 2009-2014, chart 3.1.4 highlights the fact that the weighted average equity ratio – after the improvement in 2010 – held largely stable at 32-33 %. This masks the fact that an improvement in the "medium-sized" group is offset by a deterioration in the "small" group. The limited changes in the weighted average equity ratio also hide the fact that diverging patterns in groups of different countries are offset. Chart 3.1.5 clearly highlights a significant downward trend of the equity ratio of Greek groups. The weighted average equity ratio of Greek groups declines from 40.4% in 2009 to 33% in 2014. On aggregate, this is offset by an overall, but in general more modest, increase in the equity ratio of Austrian, Belgian, Portuguese and Spanish groups.

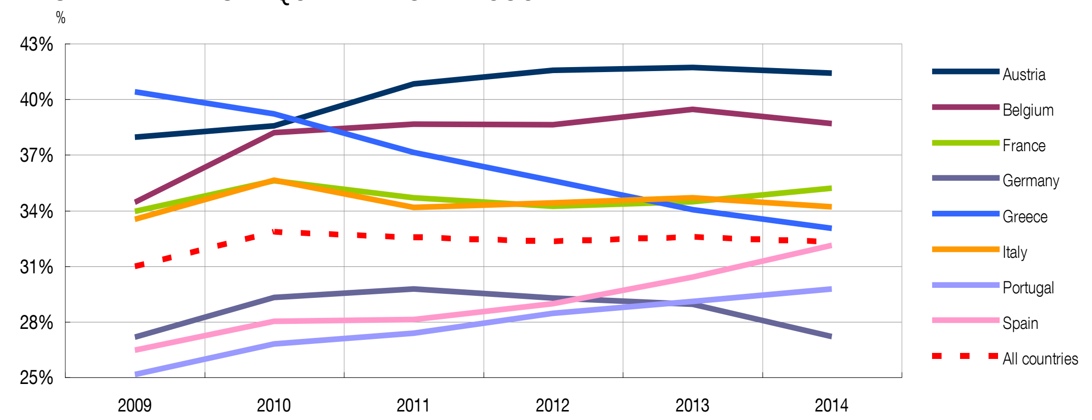
During the entire period, the median is significantly larger than the weighted average, which demonstrates that large groups having lower equity ratios is not new. The 90th-percentile is stable at around 62-63 % over the whole period under consideration, while the 10th- percentile decreased over the last two years. This is due to the negative trend of the equity ratio in several large and medium-sized groups.

EQUITY RATIO TOTAL

CHART 3.1.4

WEIGHTED AVERAGE EQUITY RATIO PER COUNTRY

CHART 3.1.5



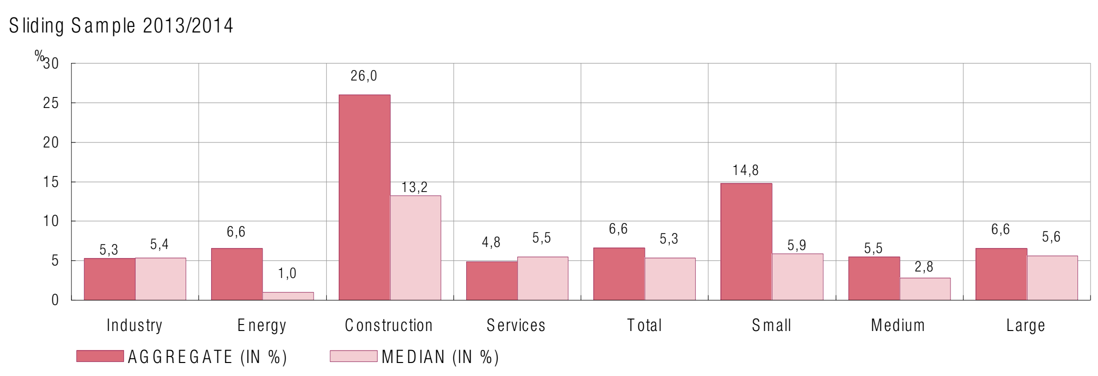
III.2 Rise in cash and cash equivalents

Increase in liquidity in 2014, liquidity rate remained stable

In 2014, cash and cash equivalents rose by 6.6 % on aggregate and by 5.3 % in terms of the median. This does not indicate a preference for cash as the liquidity rate remained stable due to the rise in total assets.

CHANGE IN CASH AND CASH EOUIVALENTS

CHART 3.2.1

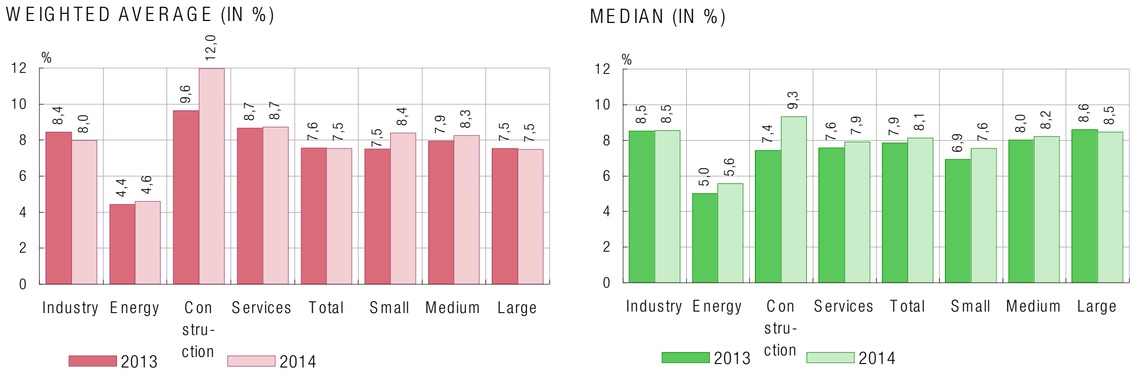


At the sectoral level, an extraordinary increase in cash and cash equivalents was registered in construction compared to the other sectors. This can be attributed largely to one Spanish and two French groups. The liquidity rate of energy rose slightly (but remained below the level of other sectors), and industry decreased in terms of the weighted average.

Small groups actually had a preference for liquidity, as the increase in the liquidity rate (+0.9 pp in terms of the weighted average, +0.7 pp in terms of the median) shows. Medium-sized groups, in contrast, only showed a marginal increase, and large groups held their liquidity rate stable.

CASH - CASH AND CASH EOUIVALENTS / TOTAL ASSETS

CHART 3.2.2

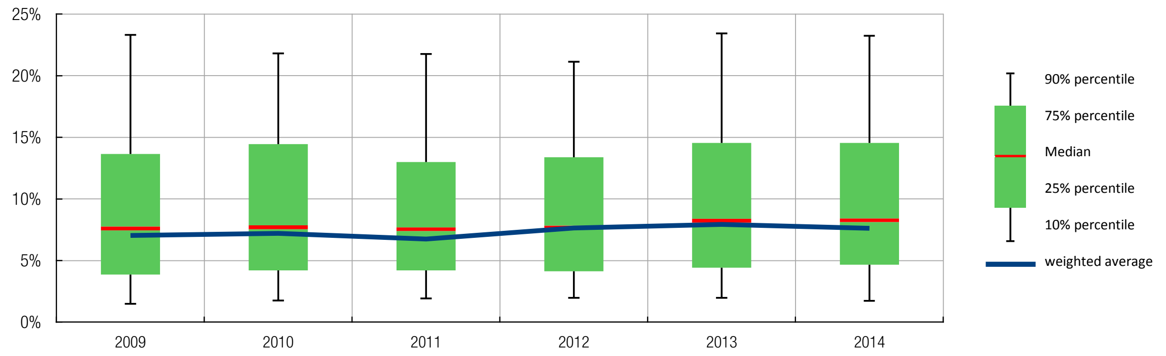


Liquidity rate recovered after 2011 dip

Based on the sliding sample for the period 2009-2014, the weighted average liquidity ratio recovered after a slight dip in 2011, but showed a (minor) downward trend again in 2014. The dip in 2011 was entirely attributable to large industry groups and clearly present in French, German, Austrian and Belgian groups. The downward trend in 2014 was also due to large industry groups, but only pronounced in Spanish, German and Belgian groups. In both years, the decline was partially offset by positive developments in the energy and construction sector.

LIQUIDITY RATIO TOTAL

CHART 3.2.3



III.3 Sophisticated development of financial debt, but largely stable indebtedness rate

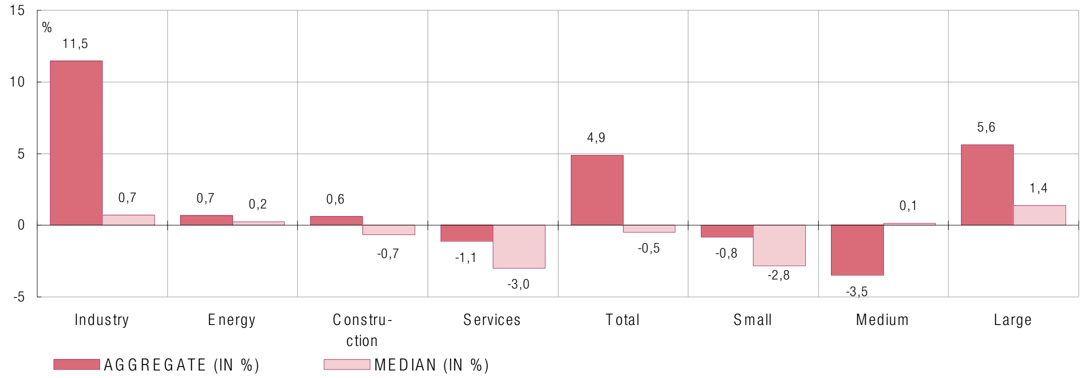
Broad increase in financial debt for large groups and the industry sector in 2014

Total financial debt rose by +4.9 % on average and fell by -0.5 % in terms of the median.

This was driven by a huge increase in debt in industry (+ 11.5 % on aggregate) and in the large groups (+ 5.6 %). The other sectors showed a slight increase (energy, construction) or decrease (services). Small and medium-sized groups reduced their debts.

CHANGE IN FINANCIAL DEBT GRAPH 3.3.1

Sliding Sample 2013/2014

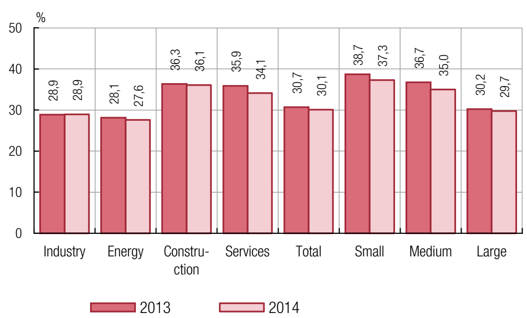


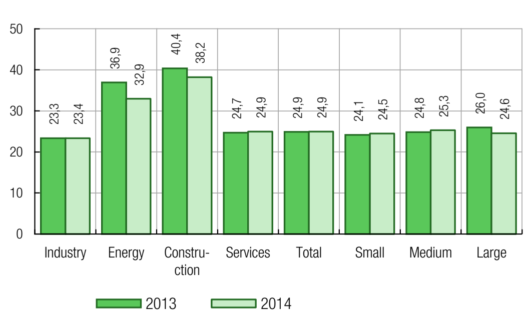
The weight of financial debt remained largely stable

The increase in balance sheets also had a major impact on the debt rate. In industry, the huge rise in debts and the increase in balance sheets were about the same level. As a result, the debt rate held stable. The other sectors reduced their debt rate to a minor extent, and only the median of services rose slightly. In total, the weighted average showed a decrease of -0.6 pp and the median remained stable.

FINANCIAL DEBT / TOTAL ASSETS CHART 3.3.2

WEIGHTED AVERAGE (IN %)



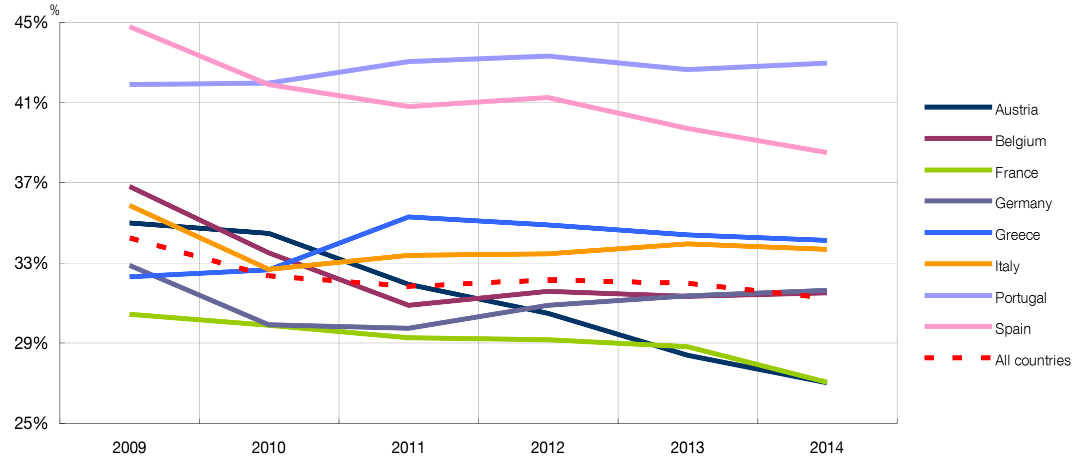


Downward trend in debt ratio during 2009-2014

The analysis of the weighted average debt ratio over the last six years clearly shows a downward trend since 2009. This smooth decline over the period under revision results from industry groups in 2010, construction groups in 2011 and energy and services groups in 2014. The modest reduction of the debt ratio is also clearly present in large and medium-sized groups. Small groups, on the other hand, show rather an opposite trend over the period 2009-2014. The smooth downward trend is mainly driven by developments in Austrian, Spanish, Belgian and French groups. The graph below also reveals that the debt ratio of groups from Portugal and Spain is notably higher than the debt ratio of groups from other countries.

WEIGHTED AVERAGE DEBT RATIO PER COUNTRY

CHART 3.3.3



IV NEGATIVE FAIR VALUE IMPACT ON FINANCIAL STATEMENTS

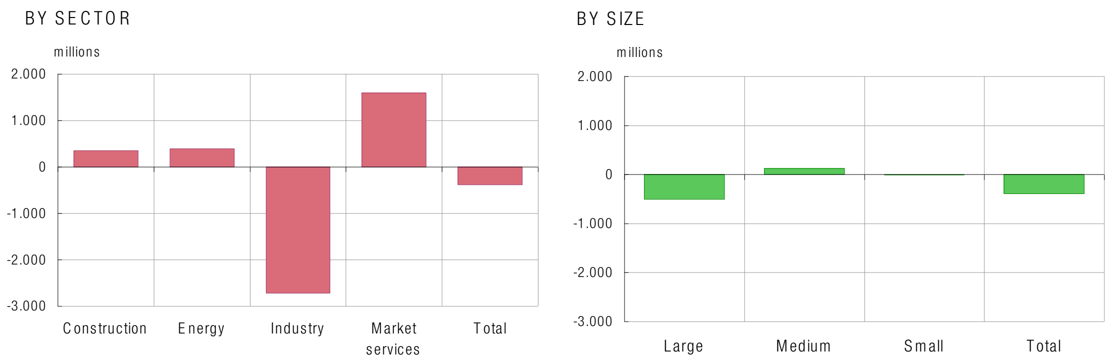
Fair value impact analysis relies on financial statements for the year 2014 available in ERICA+ and includes data from 243 groups, 168 of which had disclosed amounts for fair value revaluation in annual reports, corresponding to 69% of the total sample (64% in 2013). 22 groups reported fair value due to non-current assets, 98 made adjustments related to financial instruments and 119 presented fair value related to available-for-sale financial assets. 75 groups did not disclose any amount for fair value adjustment in annual reports, even though some of them refer to the use of fair value accounting.

For the year 2014, fair value analysis has undergone some changes compared to previous years, in order to reconcile the analysis performed with the public information available. In fact, the previous template tried to obtain some details that are not easy to find in publicly available annual reports. Therefore, the information available in ERICA+ henceforth provides a broader perspective without the distinction between the statement of profit or loss and equity and the exclusion of items related to cash-flow hedges.

IV.1 Negative fair value revaluation due to industry sector

In 2014, fair value had an overall negative impact determined by industry. Industry, despite being the only sector with a negative impact, compensated for the positive figures of the remaining sectors of activity. By size, large groups tend to record most of all fair value revaluation as impacts shown by sector of activity are offset when the data are aggregated by size.

FAIR VALUE REVALUATION (TOTAL BY SECTOR AND SIZE) CHART 4.1



IV.2 Negative fair value impact due to available-for-sale financial assets

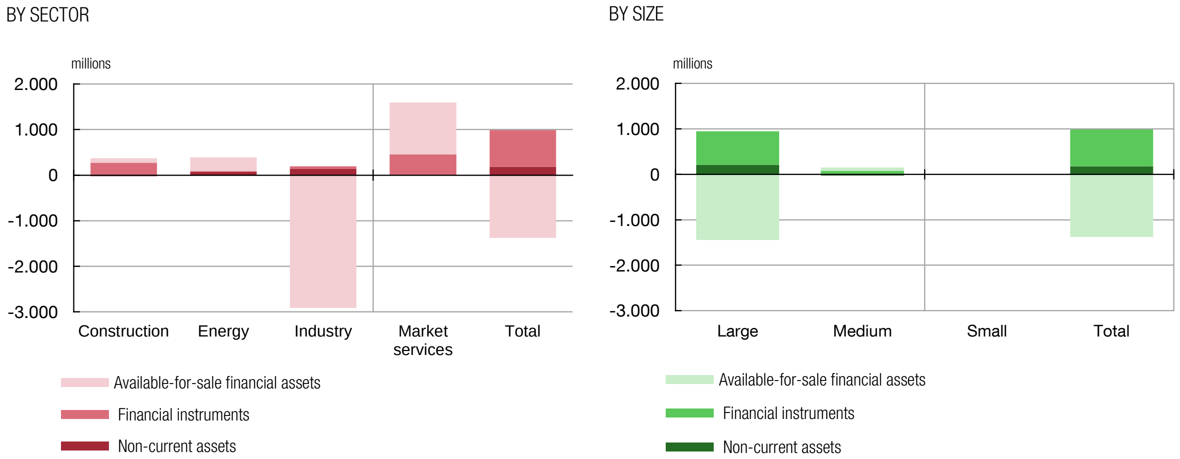
Industry and energy are chiefly responsible for fair value impact in respect of non-current assets, but industry shows an amount twice that of energy. In industry the amount is mainly associated with the effect of the application of the investment entity standard and therefore derives from the difference between the fair value of the investment at the end of the year and the carrying amount of the relative assets and liabilities. In energy the amount is related to the reversal of impairments previously recorded for tangible assets. The construction sector is the only one to show negative values; however, the amount is small and not visible in graph (4 groups present negative values in 5 with fair value revaluation of non-current assets).

While in non-current assets industry and energy concentrate most fair value impact, in financial instruments construction and market services are principally responsible for the fair value impact. Nonetheless, all sectors show fair value gains from financial instruments. Exchange rates and the hedging of share-based payment programs explain the positive value of the industry sector. The change in the share market value of related parties and a divestment due to a concession cancellation are the main explications for the positive results in construction. Gains from financial assets held for trading account for the plus sign in market services.

Available-for–sale financial assets is the item that contributes most to the overall fair value impact. The figures are influenced by two groups. The first, from industry, shows the biggest negative value, representing almost 95% of the total sector value, due to changes in accounting approach: one participation available for sale was reversed and the investment is now measured through the equity method. The other group is from market services. Changes in the scope of the group explain the biggest positive value in fair value analysis. This group decided to sell a large part of its business, explaining the increasing amount of available-for-sale financial assets. Analyzed by size, as stated before, large groups are responsible for nearly the entire fair value revaluation, highlighting the negative amount recorded in available-for-sale financial assets partially offset by the positive value of non-current assets.

FAIR VALUE REVALUATION
(COMPONENTS BY SECTOR AND SIZE)

CHART 4.2



IV.3 Limited impact of fair value in the annual accounts

As in previous years fair value revaluation has a limited weight in revenues. The weight of fair value revaluation in total equity is for all sectors less than 0.7%, except for construction (1.6%), owing to the low equity of the sector.

The same conclusion of previous years is reached when a correlation analysis between Fair value revaluation in the statement of profit or loss (non-current assets and financial instruments) and Profit or loss before fair value revaluation: groups did not use fair value to control the profit or loss. Despite the fact that fair value revaluation decreases the magnitude of profit or loss (negative correlation), the figures are not statistically significant.

The comparison with stock market indices (Stoxx Europe 600) shows that, overall, the trends reflected by fair value accounting in the consolidated accounts, with negative figures, have the same sign as the performance of European stock markets in 2014, where a smooth decrease in capitalisation was seen (the detailed graphs can be found in the statistical annex available at www.eccbso.org)

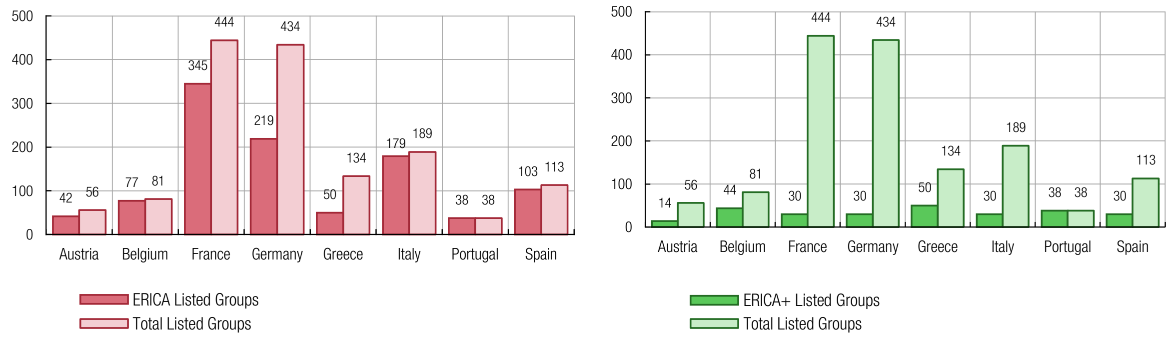
ERICA DATABASE: COVERAGE AND MAIN FIGURES BOX 1

The coverage of the ERICA database in absolute terms involves a number of studied listed groups for 2014 that ranges from 38 real cases in Portugal and 42 in Austria to 219 in Germany and 345 groups in France. The ERICA+ subset is smaller, ranging from 14 in Austria to 50 listed groups in Greece.

LISTED GROUPS BY COUNTRY (Absolute Number)

CHART BOX 1.1

ERICA & TOTAL LISTED GROUPS



The coverage of the ERICA database in terms of a quantitative indicator (revenues) shows the good representativeness of ERICA for the total population of listed European non-financial groups: the coverage is very high for all countries, varying from 87% in Greece to 100% in France, Germany, Portugal and Spain.
In relative terms, the number of parent companies varies between 37% in Greece or 50% in Germany to 100% in Portugal of all listed groups. .

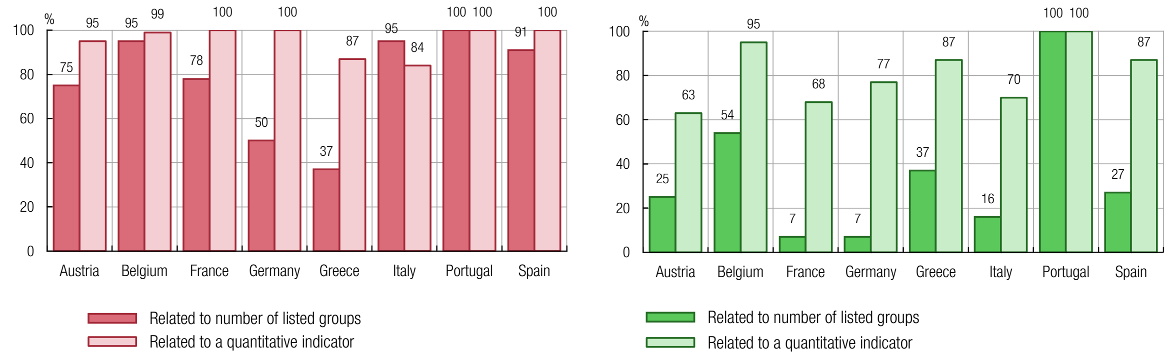
These figures refer to the total sample, without the double accounting filtering process that has been considered in the different analysis conducted in the document in order to exclude some sectoral or country duplicities.

COVERAGE OF DATABASE

CHART BOX 1.2

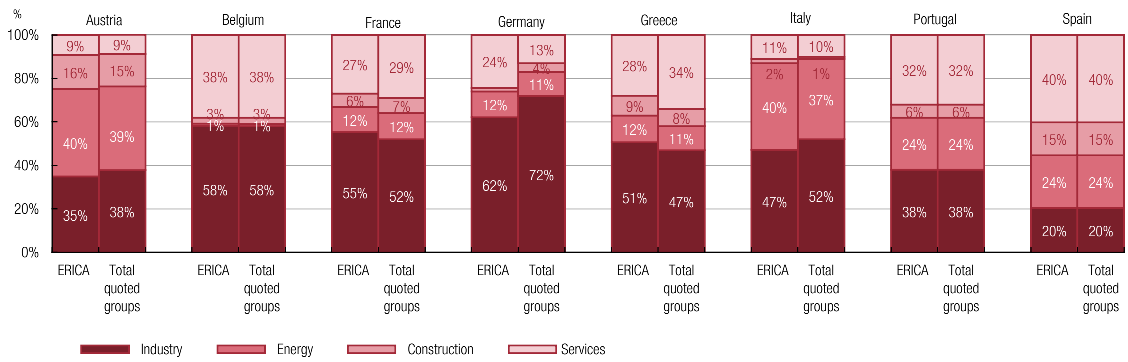
ERICA (RELATED TO TOTAL LISTED GROUPS)

ERICA+ (RELATED TO TOTAL LISTED GROUPS)



Regarding the ERICA dataset, the sectoral breakdown of the listed European groups differs greatly from country to country. Industry is especially important in most of the countries except for Spain. The construction sector accounts for a large part of the market in Austria and Spain, while in other countries it plays a minor role. The energy sector in the ERICA database has a high share of the market in Austria, Portugal and Spain, ranging from 24% to 39% in total quoted groups. Finally, the services sector is important in almost all the countries, but especially so in Belgium and Spain.

STRUCTURE BY COUNTRY AND SECTOR (RELATED TO REVENUE) - ERICA CHART BOX 1.3



STRUCTURE BY COUNTRY AND SECTOR (RELATED TO REVENUE) - ERICA+ CHART BOX 1.4