

European non-financial listed groups: analysis of 2013 data

ERICA (European Records of IFRS Consolidated Accounts) WG
European Committee of Central Balance Sheet Data Offices (ECCBSO)

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ERICA Working Group
eccbso
European Committee of
Central Balance Sheet Data Offices

EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2013 DATA

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IMPORTANT INFORMATION ABOUT THE SOURCE USED (ERICA¹ 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.

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Box 1 ERICA database: main characteristics and coverage

Box 2 Activities pursued by European non-financial listed groups in Europe: an analysis of their diversification

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

Statistical Annex 1	Structure of the balance sheet of European non-financial listed groups in 2013
Statistical Annex 2	Structure of the income statement of European non-financial listed groups in 2013
Statistical Annex 3	Statistical results on profitability in 2013
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Statistical Annex 5	Statistical results on fair value data for total groups in 2013
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I EUROPEAN NON-FINANCIAL LISTED GROUPS: MAIN FINDINGS IN 2013 DATA

The members of the ERICA WG of the ECCBSO have prepared the third publication of the aggregated results of the ERICA database, in this case with the main results obtained for the year 2013. This study summarises the more relevant facts found in the database from the 960 listed non-financial groups of eight participant countries that make up the ERICA database of 2013, focusing on their profitability, financial structure and the impact of fair value in their accounting. The document offers other insights on questions about coverage of the samples and sectoral concentration of the European largest groups, and it is complemented by statistical annexes (only available in the version distributed in www.eccbso.org) and other documents, called "the ERICA series". The "ERICA series" will appear on the ECCBSO website, the first such series being disseminated at the same pace as this document, under the title: "Recalculated data in European listed non-financial groups and the impact of IAS 19", and "IFRS alternatives used by European groups included in ERICA database". Some of these analyses have been conducted with 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 2013 data are:

1 The negative trend on results and profitability dating back to 2011, lasting for its third consecutive year

- The third year of consecutive decline in income and profitability has come together with a reduction in net turnover reflecting the negative environment that prevents growth both in terms of organic growth as well as in terms of acquisitions. The ongoing economic weakness also affected the industrial groups in 2013.
- The poor performance of profitability ratios in 2013 was based on worse rotation ratios, specifically the reduction of the rotation of current assets.
- Although cash flow from operating activities decreased in 2013, its relative significance compared to revenue showed an improvement for industry groups and service groups.
- The weak performance of the largest groups affected profit generation in 2013, which fell -9.2%. Nevertheless, the aggregated value of the profits of ERICA groups stands at €236 bn.

2 The financial position of European groups improved slightly in 2013

- Although in 2013 there was a reduction in equity levels in the ERICA groups, relative significance measured by the equity ratio (equity to total assets) improved, across all sizes and nearly all sectors of activity. Energy groups were the only exception, with a deterioration in their equity ratio.
- The liquidity ratio remained stable in 2013
- In 2013 the listed groups, in all sizes and sectors (except in industry), reduced their financial debt, a development that could be in line with the deleveraging process faced in Europe, although in relative terms (i.e. the debt ratio) they held stable in the year considered.
- On average, the use of financial resources is equally spread between current and non-current assets. However, the relative significance of property, plant and equipment is higher in the energy sector and investment property has a higher weight in small groups, the latter due to the importance of real estate group on this size.

3 Fair value accounting had a positive impact on 2013 financial statements

- In 2013 fair value had a positive impact on the statement of profit or loss (mainly due to non-current assets and reclassification of cash flow hedges) and equity (driven by available-for-sale financial assets and cash flow hedges)
- The highest impact was found in industry and the largest groups. In absolute terms, the impact on the income statement amounted to €2.4 bn (something less than 5% of total profits of the groups with fair value revaluation in the income statement), while the effect on equity was €8.1 bn (0.5% of total equity).
- The correlation analysis shows that European groups did not use fair value to control profit in 2013.

4 Coverage and sectoral diversification.

- The coverage obtained with ERICA on the total population of listed non-financial groups varies between 85% and 100%.
- The European groups are highly concentrated in one kind of activity (industry, energy, construction or services), with services the activity most selected by those with two different kinds of activities.

II PROFITABILITY: THREE CONSECUTIVE YEARS OF NEGATIVE PERFORMANCE

Profitability, as well as the financial structure analysis carried out in this document, is based on the financial data of 2013 available in the ERICA database for 960 non-financial European groups listed on a European stock exchange.

BREAKDOWN OF THE SAMPLE: SIZES, SECTORS AND COUNTRIES COVERED
Main figures for 2013, data in € bn

TABLE 2

	Number	Total Assets	EBIT	Cash Flow Op. Act.	P/(L) bef. Tax	Revenue
By country						
Austria	44	137,81	7,36	11,48	6,05	110,19
Belgium	76	211,21	15,86	19,44	17,84	131,62
France	315	2134,44	99,09	142,99	77,72	1400,10
Germany	202	1807,25	95,48	112,45	83,34	1424,35
Greece	49	67,57	1,21	4,82	0,12	47,43
Italy	134	528,99	33,37	13,40	25,08	320,46
Portugal	37	115,85	5,25	8,68	3,35	72,54
Spain	106	720,33	33,91	53,84	21,69	385,89
By sector						
1. Industry	434	2718,60	156,49	180,03	143,84	2017,04
2. Energy	48	1366,33	48,87	71,03	31,98	748,33
3. Construction	50	295,47	8,61	13,05	4,12	187,70
4. Services	422	1418,94	80,40	107,27	55,79	1014,03
5. Not classified	6	4,26	0,28	0,36	0,23	2,75
By size (revenue)						
1. Small groups (<250mn)	437	106,26	1,99	4,45	0,75	42,37
2. Medium (250mm-1,5bn)	282	323,99	16,11	21,80	10,75	193,34
3. Large groups (>1,5 bn)	241	5373,35	276,55	345,49	224,46	3734,14
Total	960	5803,60	294,65	371,74	235,96	3969,85

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

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): more than 50% 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 (see Box 2, for more details about the degree of diversification of European listed non-financial groups), the weight of the industrial groups is notable: more than 50% 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 is services; both services and industry cover 89% of the number of groups analysed.

II.1 EBIT: THE ONGOING ECONOMIC WEAKNESS IS REFLECTED BY A FURTHER DECLINE IN PROFITS

The analyses of the available data in ERICA for 2013 present a reduction in the generation of profits by the European non-financial listed groups for three years in a row.

EBIT and profit/loss before tax as basic indicators performed poorly once more. For the total ERICA sample, EBIT fell by -7%, and profit/loss by -9%. Most affected were groups in the energy sector and large groups. Exceptions to this negative development were represented by the services sector and small groups.

In 2012 perimeter revenue rose by 6%, influenced by the good performance in industry and energy, and it thus stood in contrast to the deterioration of profitability. 2013 data show a decrease even in revenue (-2.6%) reflecting the negative environment that prevents growth both in terms of organic growth as well as in terms of acquisitions. Industry – a major driver of last year's revenue gains - more or less stagnated at 1%, and energy dropped by as much as -11%. Regarding group sizes, the declining trend of revenue is caused by large groups (-3%), whereas medium and small groups presented growth rates of +2.7% and +8.9%, respectively.

EBIT ratios: decline continued in 2013, mainly measured in a lower rotation of assets

Profitability analysis is based on the ratio EBIT to total assets, which was 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 for the first time in the edition of this European report 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 variables, profitability and margins, in the year 2013 (for more details, please consider the full statistical annex available on the ECCBSO website, at www.eccbs.org).

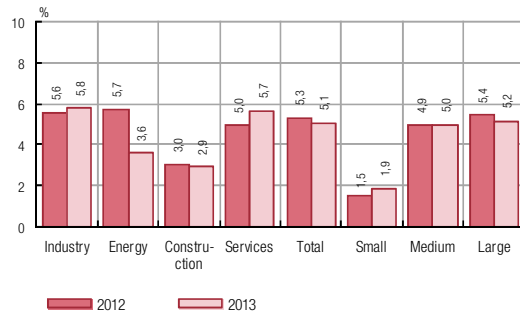
In 2013 the profitability of listed European groups fell slightly by -0.1 points in terms of the median (which represents the behaviour of the population not affected by the weight of a precise and singular group) and by -0.2 points in terms of the weighted average, both corresponding to the evolution of the large groups. The minor increase in the energy sector in terms of the median turns into a sharp drop (from 5.7% to 3.6%) when looking at the weighted average, as individual large energy groups performed poorly in 2013. The opposite could be observed for services, where profitability stagnated in the median but increased in the weighted average by +0.7 points.

Developments in margins generally correlate with profitability, i.e. a decrease of -0.1 points in the median and -0.3 points in the average. A major loss was recorded in energy, down -1.8 points in the median and even worse in the weighted average (-2.8 points). Only in services did the margin increase in terms of the median and the weighted average.

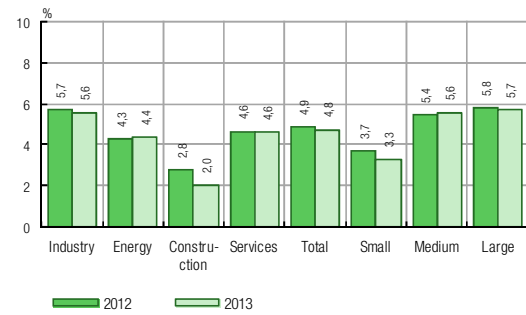
EBIT / ASSETS TOTAL

CHART 2.1.1

WEIGHTED AVERAGE (IN %)



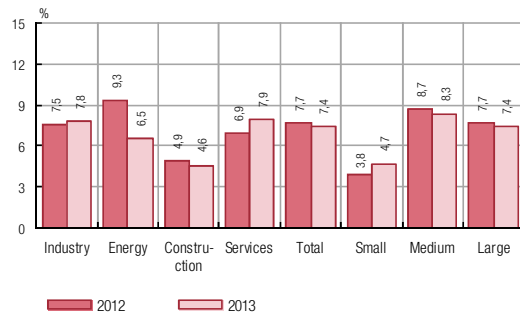
MEDIAN (IN %)



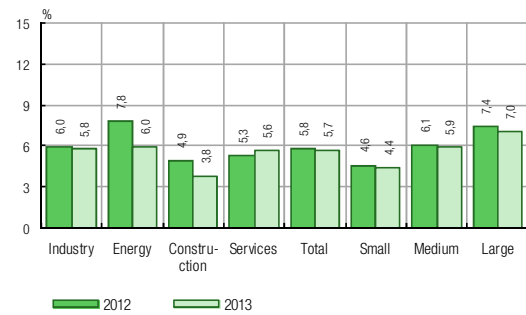
EBIT / REVENUE

CHART 2.1.2

WEIGHTED AVERAGE (IN %)



MEDIAN (IN %)

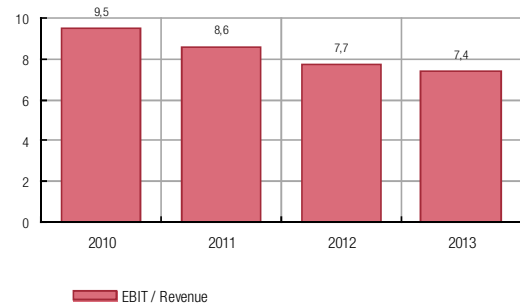


The average margin for all groups stood at 7.4% in the weighted average and 5.7% in the median. In comparison to 2010 data, this means a reduction by -2 points and -0.6 points, respectively. The decline was especially significant from 2011 to 2012, whereas the rate of decline slowed down in 2013.

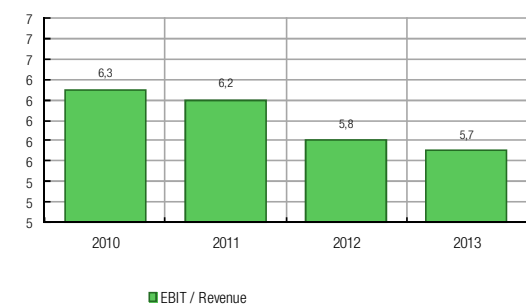
EBIT / REVENUE

CHART 2.1.3

WEIGHTED AVERAGE



MEDIAN



Against the background of declining revenues, rotation of assets fell by -2.4 points in median terms and -0.9 points in weighted average terms. The split of the ratio into current and non-current assets shows that this decrease is caused by current assets (-4 points), whereas the rotation of the non-current assets increased by 2

points in the weighted average. Among all sectors, industry showed the largest decrease, by -3.7 points in the median. The slight increase in profitability in the energy sector in median terms was much affected by the changes in rotation, which rose by 3 points. A totally different and very pessimistic picture was shown once more for the weighted average, where revenue / assets fell drastically by -6.7 points. Developments in both current and non-current assets rotation were along these lines.

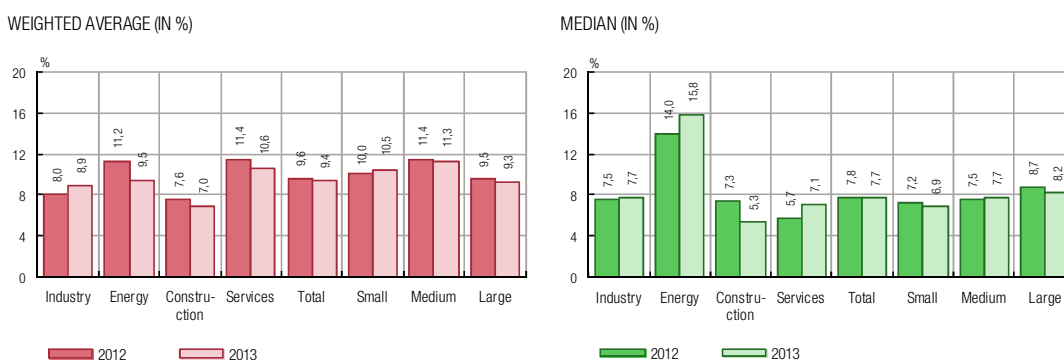
II.2 CASH FLOW FROM OPERATING ACTIVITY: DECREASE IN ALL SECTORS EXCEPT INDUSTRY

According to the downward trend in EBIT, cash flow from operating activity also performed badly in aggregated terms, posting a decline of -6.6%. This decline was caused by large groups, whereas the small and medium groups recorded a gain in operating cash flows. Regarding sectors, only industry was able to improve cash flows. Energy in fact lost a quarter of its cash flow in comparison to last year due to negative developments at single large groups.

Chart 2.2. shows the relationship of cash flow from operating activity to revenue. In total there was a reduction of -0.2 points in the average and of -0.1 points in the median, both in line with the decline in the EBIT ratios. Considering the higher cash flows in industry, the cash flow ratio showed growth of 0.2 points in the median and even higher growth in the weighted average (+0.9 points). All other sectors deteriorated in terms of the weighted average. In median terms, services also increased its ratio by 1.4 points and energy by +1.5 points without the bias of the poor performance of single large groups. Large and small groups performed worse in terms of the median than in terms of the weighted average, indicating once more the difficult economic environment.

CASH FLOW OPERATING ACTIVITIES / REVENUE

CHART 2.2



II.3 PROFIT (LOSS) BEFORE TAX: PROFITS DECLINED FOR ONE MORE YEAR DUE TO THE DETERIORATION AT LARGE GROUPS

The level of aggregated profits generated by the listed non-financial European groups was €236 bn; 95% of this surplus was created by large groups and 61% in industry. In comparison to 2012, European groups saw profits decline once more (-9.2%) due to the weak performance of the large groups. This is also reflected in relative terms (ratio Profits/Revenue), showing that the European groups generated profits reaching the 12.8% for the aggregated sample, which represents a deterioration of -0.9 points. In contrast to the large groups were the small and medium groups, which in the average improved their profits also in relative terms (see Chart 2.3).

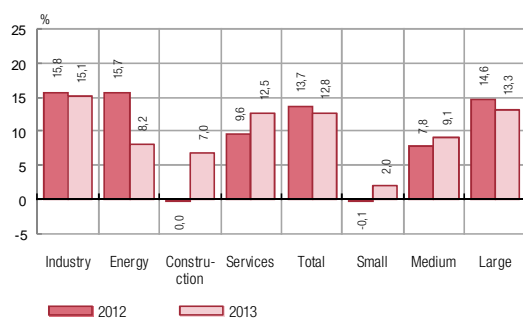
The analysis of the statistical distribution (the median) also shows an increasing ratio due to the large number of small and medium groups (75% of the sample).

The sectoral breakdown shows positive developments for services and a decline for industry both in average and median terms. Construction improved its ratio significantly in terms of the average but the median shows an ongoing deterioration in the sector, in particular for the small groups. Energy once more is contradictory in average and median terms, reflecting an improvement in the median.

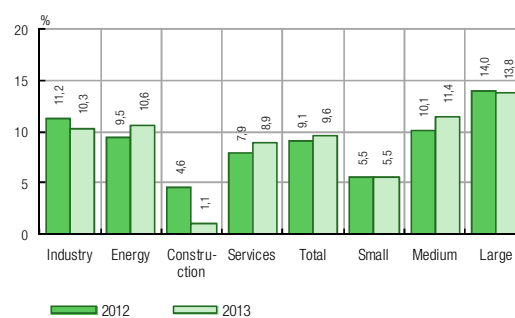
PROFIT (LOSS) BEFORE TAX/ EQUITY RATIO

CHART 2.3

WEIGHTED AVERAGE (IN %)



MEDIAN (IN %)



III FINANCIAL POSITION SLIGHTLY IMPROVED IN 2013

Despite its heterogeneity, the number and the weight of the groups included in ERICA provide a relevant assessment of the financial structure of the main listed groups of the non-financial sector in continental Europe (though some large groups of certain countries are missing). Indeed, the results rely on the data of around 1000 European groups. However, as the 241 largest groups represent more than 94 % of total revenue, they have a strong influence on the aggregated results.

BREAKDOWN OF THE SAMPLE: SIZES, SECTORS AND COUNTRIES COVERED
Main figures for 2013, data in billion of €

TABLE 3

	Number	Total Assets	Financial Debt	Cash	Equity
By country					
Austria	44	137,81	38,89	9,24	54,72
Belgium	76	211,21	66,83	16,78	80,00
France	315	2134,44	576,62	179,26	725,18
Germany	202	1807,25	566,19	122,14	549,31
Greece	49	67,57	23,08	6,63	24,19
Italy	134	528,99	180,75	32,87	181,00
Portugal	37	115,85	51,93	9,25	31,34
Spain	106	720,33	283,12	58,83	209,75
By sector					
1. Industry	434	2718,60	815,42	242,12	952,29
2. Energy	48	1366,33	384,71	60,73	389,78
3. Construction	50	295,47	112,64	28,32	59,19
4. Services	422	1418,94	516,99	123,38	444,89
5. Not classified	6	4,26	1,14	0,58	1,93
By size (revenue)					
1. Small groups (<250mn)	437	106,26	45,00	7,79	38,54
2. Medium (250mm-1,5bn)	282	323,99	121,12	27,74	118,28
3. Large groups (>1,5 bn)	241	5373,35	1664,77	419,61	1691,25
Total	960	5803,60	1830,90	455,13	1848,08

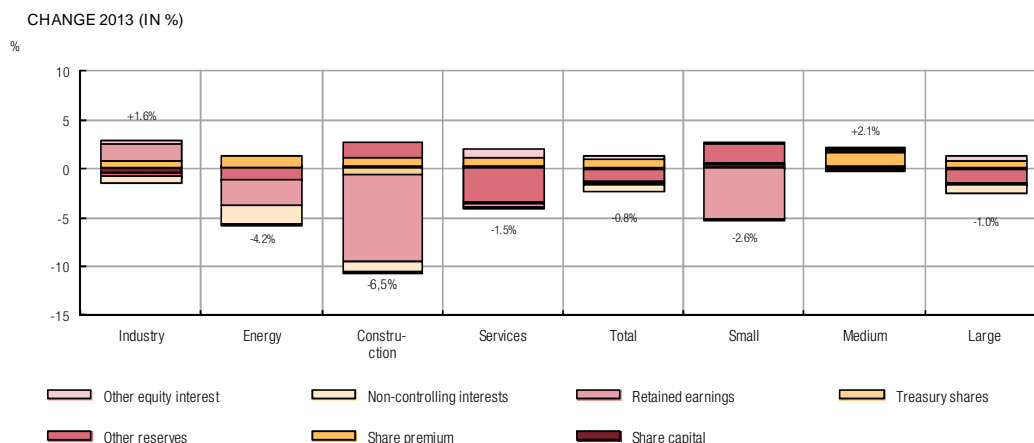
a. Note: The number of firms by country and by sector or by size are different: some double accounted groups belong to the same country but are in different sectors.

In fact, the results obtained with ERICA cannot be considered as a perfect snapshot of the financial situation of the non-financial companies as a whole, but they probably gauge properly the situation of European listed non-financial groups.

III.1 IMPROVEMENT IN EQUITY RATIO, COMPATIBLE WITH A SLIGHT OVERALL DROP IN EQUITY LEVELS

Moderate decrease in equity in 2013

In the year 2013, there were again only slight changes in equity. In contrast to the two years before, where we noted overall growth, an overall drop in equity by -0.8 % is seen in 2013.



The strongest decline was to be found in the construction sector (-6.5 %), mainly due to the fall in retained earnings, but the energy (-4.2 %) and the services sector (-1.5 %) also had a reduction in equity. The only sector evidencing positive developments in the period considered was industry, with a slight increase of 1.6 %. In terms of size, only the medium-sized groups were able to increase their equity – by 2.1 % – thanks to a higher share premium. The large and small groups, on the other hand, faced a decrease in equity.

The equity ratio (Equity / Total assets) improved in 2013 in nearly all sectors and sizes

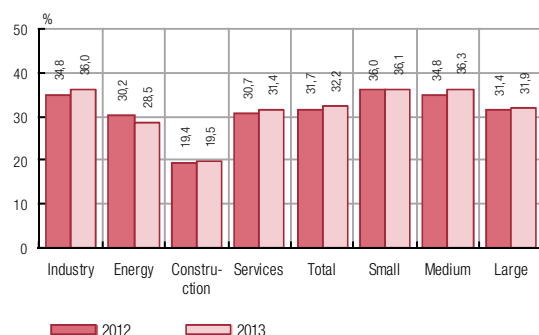
Both figures of the equity ratio increased slightly: the weighted mean and the median grew 0.5 points to 32.2 % and 38.9 %, respectively.

This positive development is reflected in the weighted average of nearly all sectors and sizes. The largest increase had been reported in the industry sector (+1.2 points), followed by the services sector with a rise of 0.7 points and the construction sector with an increase of 0.1 points. Only the energy sector showed a distinct decrease, of -1.7 points. Despite this development the construction sector still posted a lower ratio (less than 20 %) than all other sectors (around or above 30 %). In terms of size, all groups improved their equity ratio, but the most notable improvement was that of the medium sized groups, with an increase of 1.5 points.

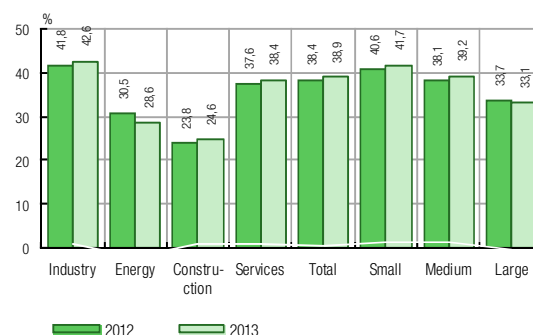
EQUITY RATIO - EQUITY / TOTAL ASSETS

GRAPH 3.1.2

WEIGHTED AVERAGE (IN %)



MEDIAN (IN %)



The picture is similar for the median. Again, the largest decline had been reported in the energy sector (-1.9 points). The equity ratio of the other three sectors improved. With regard to the size of the groups, the small and medium-sized groups were able to increase their ratio by 1.1 points. Only the large groups of the sample had to report a decrease (-0.6 points) of their equity ratio.

III.2 SLIGHT RISE IN CASH AND CASH EQUIVALENTS

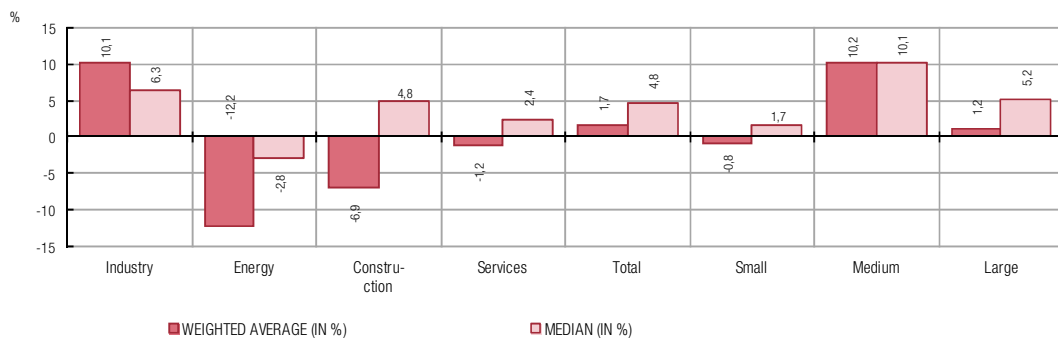
Slight increase of liquidity in 2013, driven exclusively by industry groups

The strong preference for liquidity of the previous years has weakened in 2013. During the period under study, there was only a slight increase in cash and cash equivalents of 1.7 % on average. In fact, only the industry sector experienced strongly accelerating growth rates (10.1 %), while the groups in the energy, construction and services sector reduced their cash funds by -12.2, -6.9 and -1.2 %, respectively. With regard to the size of the groups, only the medium-sized groups showed a significant increase in cash (10.2 %).

CHANGE IN CASH AND CASH EQUIVALENTS

CHART 3.2.1

Sliding Sample 2012/2013

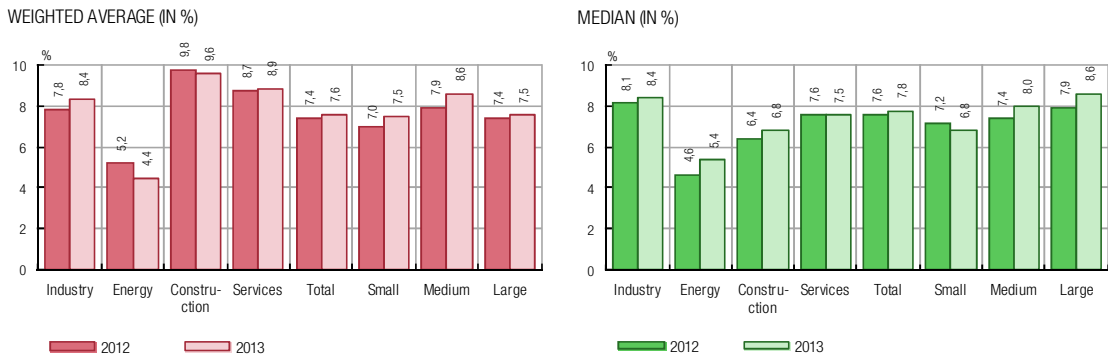


The overall median increased by 4.8 %. Often, the changes in liquidity were less pronounced in the median than in the weighted average. Only in the case of the medium-sized groups - where the median rose by 10.1 % - was the development nearly the same.

Liquidity rate remained stable

Considering the slight increase in cash and cash equivalents, liquidity in relation to total assets remained largely stable (+0.2 points) with a level of 7.6 % on average at the end of 2013. This applies equally for the median ratio.

The main changes can be found in the industry sector with an increase of 0.6 points, and in the energy sector with a decrease of -0.8 points. In terms of size, the medium-sized groups again showed the most distinct rise, up by 0.7 points on average.



III.3 DECREASE OF FINANCIAL DEBT, BUT LARGELY STABLE INDEBTEDNESS RATE

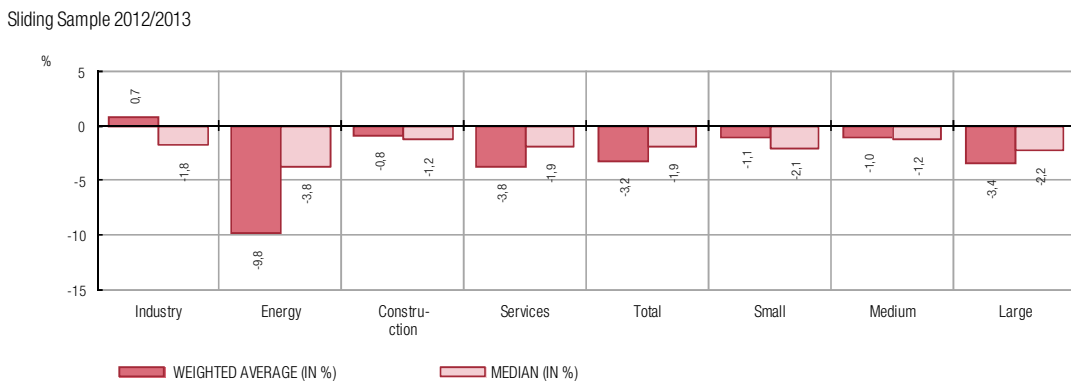
Broad decrease of financial debt in 2013

Total financial debt fell by -3.2 % on average and by -1.9 % in the median.

The trends by sector and size were quite uniform: nearly all sectors and sizes reduced their financial debt in 2013. This is true for the weighted mean as well as for the median. The strongest decrease can be found in the energy sector, where financial debt fell by -9.8 % on average. The only exception to this development was the industry sector, where financial debt rose by 0.7 % on average.

CHANGE IN FINANCIAL DEBT

GRAPH 3.3.1



The weight of financial debt remained largely stable

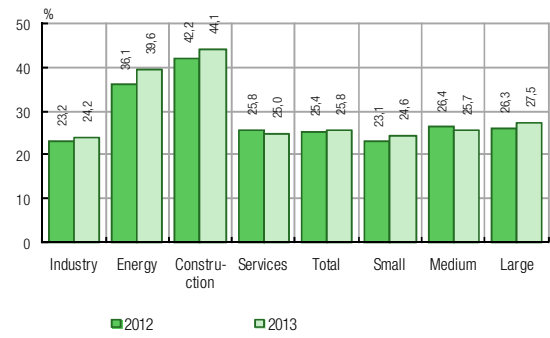
Although the absolute amount of financial debt fell broadly in 2013, the indebtedness rate remained largely stable, at around 31 % of total assets. All sectors and sizes showed only slight changes. Besides, the larger groups have an average ratio lower than the small and medium-sized ones.

The changes in the median by sector of activity were more pronounced than those of the weighted average. The median indebtedness rate in respect of all sectors and sizes increased by 0.4 points to 25.8%. It should be highlighted that medians in the energy and construction sector are notably higher.

WEIGHTED AVERAGE (IN %)



MEDIAN (IN %)

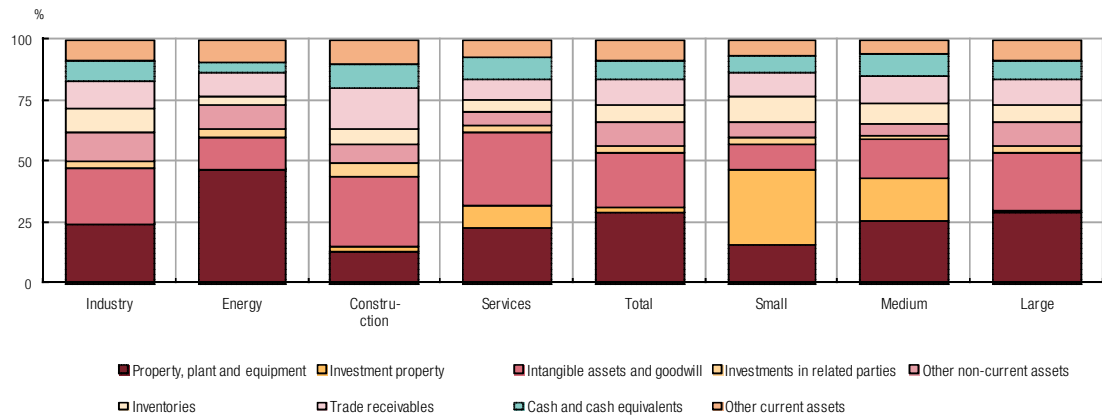


III.4 EMPLOYMENT OF FINANCIAL RESOURCES

As both equity and financial debt decreased in 2013, non-financial listed groups reduced resources used to invest in different kinds of assets. Given the recent limitations on resources, it is worth checking whether the attribution of these resources to current and/or non-current assets depends on the sector of activity and/or the size of the group.

ASSET STRUCTURE 2013 (IN % OF TOTAL ASSETS)

CHART 3.4



On average, the financial means of companies are equally balanced between current and non-current assets. Comparison by sector of activity, however, shows that property, plant and equipment are extremely important in the energy sector, whereas they are of much less significance in the construction sector. The graph also reveals the significant weight of investment property in the small groups, and to a lesser extent in the medium-sized groups. The sample used includes 53 real estate groups. Forty of them are small groups; nine of them are medium-sized groups. Fourteen of these small real estate groups belong to the 20 largest small groups (in terms of total assets), which explains the importance of investment property in this category. Finally, the larger the group, the higher the share of intangible assets and goodwill, and property, plant and equipment.

IV FAIR VALUE: POSITIVE IMPACT ON FINANCIAL STATEMENTS

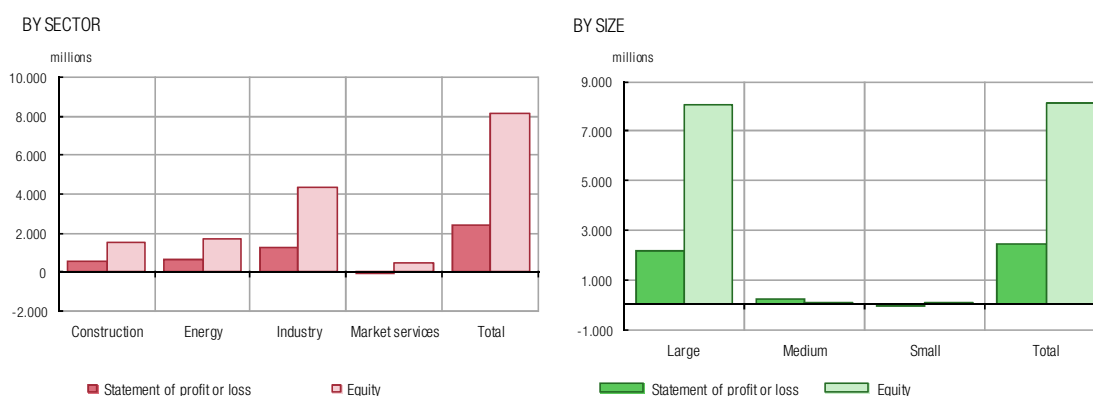
Fair value impact analysis relies on financial statements for the year 2013 available in ERICA+ and includes data from 231 groups, 148 of which were subject to fair value revaluation, corresponding to 64% of the total sample (67% in 2012). 111 groups reported fair value in the statement of profit or loss, 97 made adjustments with an impact on equity and 83 groups did not make any fair value adjustment.

IV.1 POSITIVE IMPACT ON THE STATEMENT OF PROFIT OR LOSS AND ON EQUITY

In 2013, fair value has a total positive impact on the statement of profit or loss and equity. While in the statement of profit or loss the impact is positive, due mainly to fair value of non-current assets and reclassification of cash flow hedges, in equity fair value impact is driven by available-for-sale financial assets and cash flow hedges. Large groups tend to record most of all fair value revaluation when compared with small and medium-sized groups. As in the previous years, the total amount of fair value results from large groups.

FAIR VALUE REVALUATION (TOTAL BY SECTOR AND SIZE)

CHART 4.1



IV.1.1 Positive impact on the statement of profit or loss due to non-current assets and reclassification of cash flow hedges

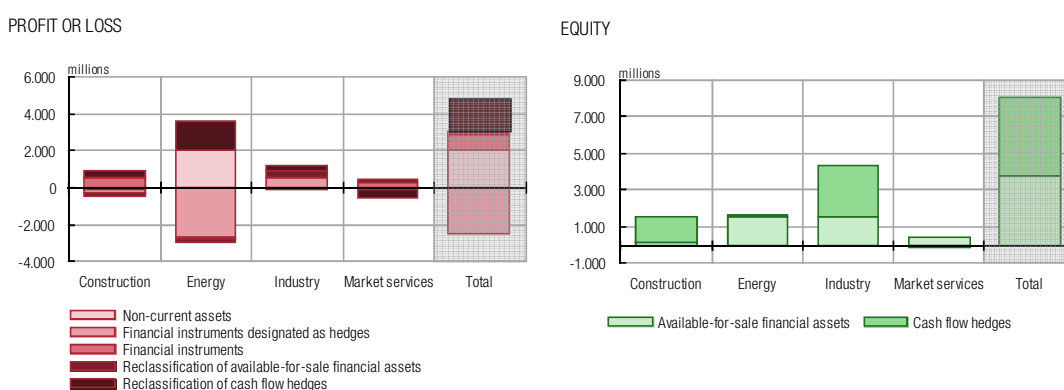
Almost all sectors show a positive impact on the statement of profit or loss. Although the highest value comes from the industry sector, energy is driving the behaviour of the total amount for non-financial listed groups. In energy, the positive impact on non-current assets results from the equity method: profits in one subsidiary and an issue of convertible bonds in two participations available for sale increase the value of the participations; and also from impairment reversal caused by positive reserve revisions and improved future production costs. Cash flow hedges were used by one group to cover the risk of changes in raw materials market prices. Energy also explains the total amount with a negative impact due to significant movements in expenses and incomes related to derivative instruments in one group. In industry and construction, the positive impact on the statement of profit or loss is explained by other components. In industry, the figures results in a nearly equal positive proportion between financial instruments designated as hedges of one group and reclassification adjustments for available-for-sale financial assets in another group. In the construction sector, positive value is supported by the gains from financial instruments of one group due to valuation at market price of derivatives shares.

IV.1.2 Positive impact on equity due to available-for-sale financial assets and cash flow hedges

In equity, the total impact is positive and largely explained by the industry sector, which shows the highest value in both components. Beyond industry, the positive impact of available-for-sale financial assets of the energy sector and of the role of cash-flow hedges in construction is evident. Considering available-for-sale financial assets, the positive impact on industry and energy is driven by one group in each sector related to share investments in available-for-sale participations. Positive amounts in cash-flow hedges in industry are related to the currency, interest rate and commodity price risk accounted by one group. In construction, however, the value concerning cash-flow hedges is spread among different groups.

FAIR VALUE REVALUATION IN PROFIT OR LOSS AND EQUITY (TOTAL BY SECTOR)

GRAPH 4.1.2



As in previous years, fair value revaluation in the statement of profit or loss has a limited weight in revenues. However, some small and medium-sized groups have higher ratios (above 18%) which cause differences between the simple average and the weighted average, namely in services. The weight of revaluation in equity in total equity is, for all sectors, less than 1.5%, except for construction (5%), owing to the low equity of this sector.

The same conclusion of previous years is reached when a correlation analysis between Fair value revaluation in the statement of profit or loss and profit (loss) before fair value revaluation is conducted. Groups did not use fair value to control profit in 2013. Fair value revaluation increased the magnitude of profit instead of smoothing it. Furthermore, running the same regression analysis of previous years (independent variables: total assets, intangible assets, revenue, profits, research and development, and sector; dependent variable: absolute value of fair value revaluation), adjusted R square decreases to a low value of 33%. This result indicates that accounting variables do not explain fair value impact. As presented in previous paragraphs, fair value impact is driven by the equity method and financial instruments designated as hedges which allow groups to manage the risk of changes in raw materials and commodity market prices, currency and interest rates.

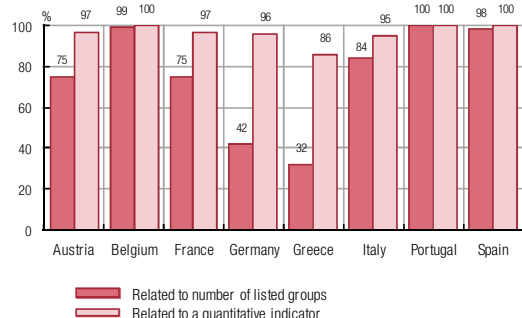
Finally, a comparison with stock market indices (the detailed information can be found in the statistical annex distributed only on the website of the ECCBSO, at www.eccbso.org) shows that the trends reflected by the impact of fair value accounting in the European groups coincide with the positive performance of stock markets in Europe in 2013. This pattern is followed by some of the sectors of activity analysed, more specifically in industry and services, whereas construction and energy seem to have decoupled the value on the markets and the value of portfolios, which performed worse in 2013.

The coverage of ERICA ranges from 32% in Greece or 42% in Germany to 100% (in Portugal) of all listed groups. Using a quantitative indicator (revenue, share capital or equity) the coverage is very high for all countries and varies between 86% in Greece and 100% in Belgium, Portugal and Spain. When we consider the subset ERICA +, which in terms of numbers of groups is clearly lower compared to ERICA, it varies from Portugal (100%) to Germany (6%); however, quantitative indicators show that ERICA+ is a sound sample of the consolidated groups' population with higher coverage rates (from 68% in France to 100% in Portugal).

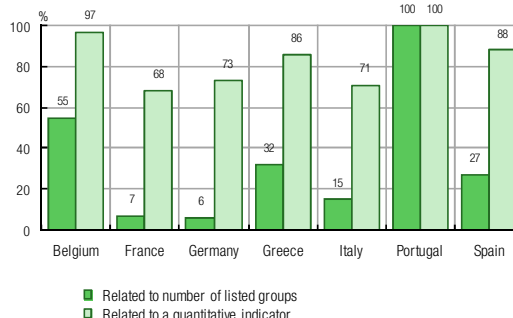
COVERAGE OF DATABASE

CHART BOX 1.1

ERICA (RELATED TO TOTAL LISTED GROUPS)



ERICA + (RELATED TO TOTAL LISTED GROUPS)

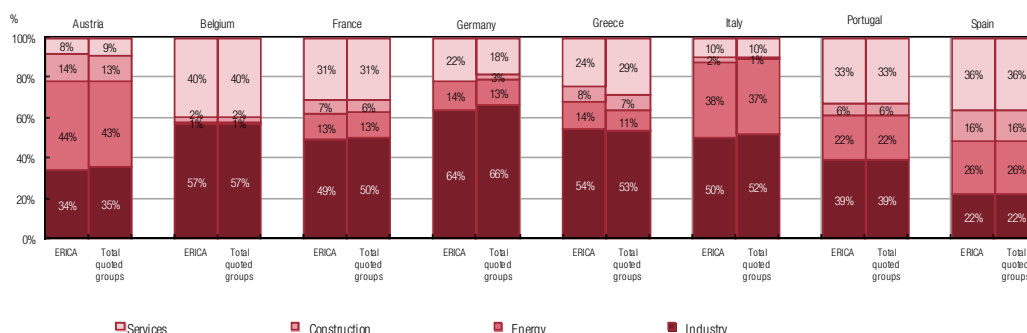


The sectoral breakdown (by revenue) of the listed European groups differs greatly from country to country. Industry is especially significant in most of the countries except in Austria, Spain and Portugal. The construction sector accounts for a large part of the stock market in Austria and Spain, while in other countries it plays a minor role. The energy sector has a high share of the stock market in Austria, Italy, Portugal and Spain, but a low one in Belgium, France, Germany and Greece.

The sectoral structure is well represented by both databases even for those countries with a lower coverage in terms of quantitative indicators (i.e. in Italy, ERICA+ offers an over-represented energy sector and in France an under-represented services sector, although overall they are well represented in the database).

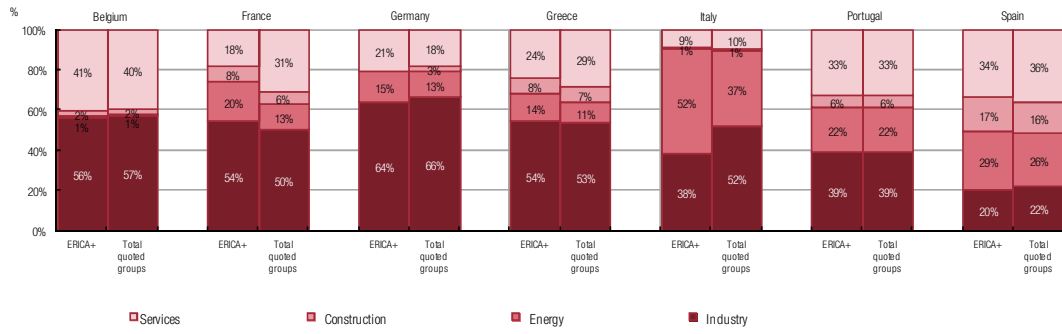
STRUCTURE BY COUNTRY AND SECTOR (RELATED TO REVENUE) - ERICA

CHART BOX 1.2

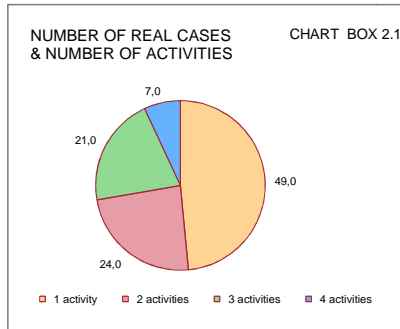


STRUCTURE BY COUNTRY AND SECTOR (RELATED TO REVENUE) ERICA+

CHART BOX 1.3

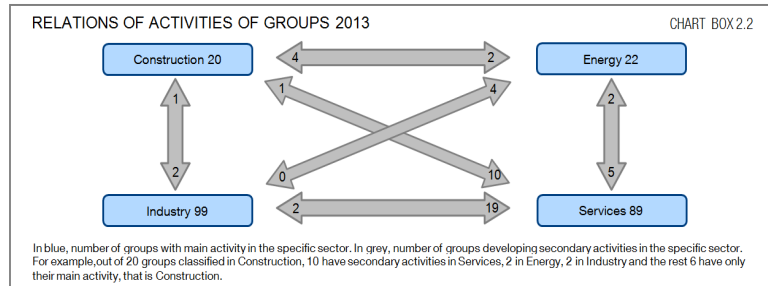


ACTIVITIES PURSUED BY EUROPEAN NON-FINANCIAL LISTED GROUPS IN EUROPE: AN ANALYSIS OF THEIR DIVERSIFICATION **BOX 2**

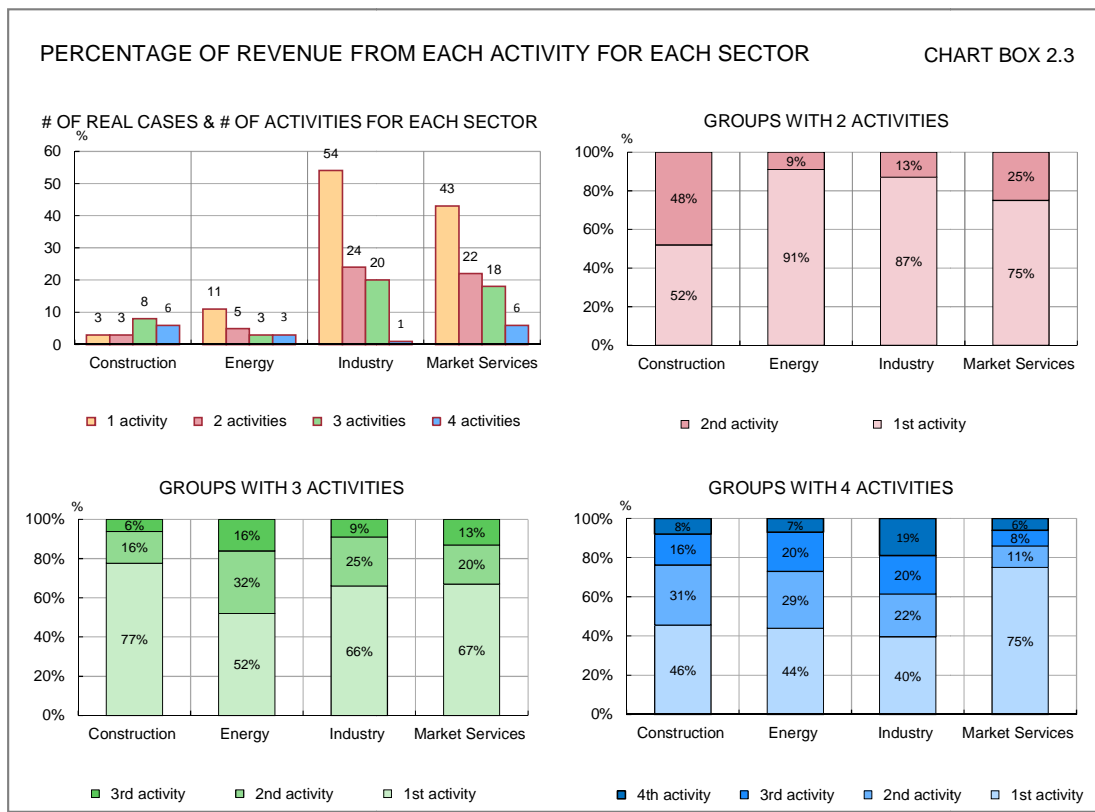


The structure of the groups in ERICA+ in terms of the different activities they pursue (according to NACE) is depicted in Chart Box 2.1. From this chart we can see that 49% of the groups have only one activity, 24% have two activities, 21% have three activities and the remaining 7% have four activities. In order to identify how the revenue of the groups is divided among the different activities the groups may pursue, groups with a different number of activities are examined separately.

Chart Box 2.2 shows the nature of the other activities in which the groups are involved. From this chart we can see that, for the majority of the groups, the second activity in which they are involved is in the services sector.



From a sectoral point of view and in terms of revenue, the construction sector is the most diversified among groups with only two activities. The picture changes among groups with three activities, where the energy sector is the most diversified. Finally, among groups with four activities, both construction and energy sectors are equally diversified (in industry, only one group cannot lead to general conclusions).



The diversification of construction groups is something that is expected. The construction sector is very much influenced by the turnovers of the economy. Therefore, groups belonging to this sector are forced to diversify in their activities in order to be protected against possible economic downturn. For groups belonging to the energy sector there is no straightforward explanation for the results obtained.

From a group size point of view and in terms of revenue, among groups with only two activities, medium and large-sized groups are slightly less diversified than small groups. The picture is also the same among groups with three activities. However, among groups with four activities, large groups clearly tend to be more diversified than small ones.

