

December 2015

2015 European Goodwill Impairment Study

Introduction

In 2013, Duff & Phelps launched its inaugural study of goodwill impairments recognised by European companies. Now in its third edition, the 2015 European Goodwill Impairment Study (2015 Study) continues to examine general goodwill impairment trends across countries and industries within the European market. As with past editions, the analysis in the 2015 Study is focused on companies in the STOXX® Europe 600 Index, which is comprised of large, mid and small capitalisation companies across 18 countries of the European region.

The 2015 Study also summarises some of the latest developments in the standard setting and regulatory arena that could have a significant impact on the future accounting for goodwill in accordance with International Financial Reporting Standards (IFRS).

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Introduction (continued)

The 2015 Study covers financial results for the 2010 through 2014 calendar years. This period was characterised by continued economic uncertainty within Europe. While European economies continued to heal and signs of recovery were seen in some countries during 2014, the effects from the euro sovereign debt crisis dating back to 2010 were still lingering.

After two consecutive years of contraction, the Eurozone economy finally showed modest, albeit uneven, real growth in 2014. Economic activity slowed down substantially in the middle of 2014, but showed signs of revival towards year-end and in early 2015. Real growth was supported primarily by lower global oil prices and higher net exports (aided by a weaker euro). Monetary easing policies introduced by the European Central Bank have put further downward pressure on the euro and driven down interest rates, leading to lower borrowing costs, improved financial market conditions, and increased consumer and business confidence. At the same time, the United Kingdom was a bright spot in the global economy, with real economic growth reaching 2.9%* in 2014, far outstripping that of the Eurozone.

During periods of economic uncertainty, a company's expectations about the future cash flows to be generated by its assets may decrease, leading to a greater likelihood of impairment, all else being equal. Furthermore, a decrease in the market capitalisation of a company below its book value is an indicator that goodwill (if recognised on the balance sheet) might be impaired.

This is in part why standard setters and regulators have increasingly focused on goodwill and goodwill impairments in recent years. The International Accounting Standards Board (IASB), responsible for developing IFRSs, is currently evaluating feedback from constituents on the current model of accounting for goodwill, as part of its post-implementation review (PIR) of IFRS 3 *Business Combinations*. This topic is discussed in more detail later under "Latest Developments Impacting Goodwill Impairment" (see Appendix 3).

Further, in October 2015, the European Securities and Markets Authority (ESMA) issued a statement defining its enforcement priorities for 2015 financial statements, seeking consistent application of IFRS. ESMA called for particular focus on the impact of financial markets' conditions on the financial statements. Factors identified by ESMA that could have an effect on the impairment test under IAS 36 *Impairment of Assets* include: (i) the interest rate environment in Europe (particularly affecting discount rates); (ii) the high volatility and low level of commodity prices; and (iii) the uncertainties arising from foreign exchange rate volatility and country risk.

Highlights of the 2015 Study

The 2015 Study focused on financial data for companies comprising the STOXX® Europe 600 Index in each of the years from 2010 through 2014.† The procedures described in Appendix 1 were undertaken to arrive at the final dataset, which was used to calculate all ratios and summary statistics throughout the 2015 Study.

Some highlights of the 2015 Study include:

- European companies in the STOXX® Europe 600 Index recognised a total of €29.4 billion of goodwill impairments in calendar year 2014, representing a decrease of approximately 41% from the €49.6 billion recorded in 2013. The decline in aggregate goodwill impairments is broadly consistent with the economic trends seen in Europe during 2014. The aggregate number of impairment events decreased only slightly from 162 in 2013 to 160 in 2014. However, this means that the magnitude of each impairment event has diminished, with the average goodwill impairment amount per event declining by 40%, from €306 million in 2013 to €184 million in 2014.‡
- While aggregate goodwill impairment declined significantly in 2014, this is still far above the aggregate amount of €15.2 billion seen in 2010, at the onset of the Euro sovereign debt crisis, indicating that European businesses have not fully recovered to pre-crisis levels.
- From a geographic perspective, the United Kingdom was the country with the highest aggregate amount of goodwill impairments (€12.4 billion).§ However, this represented an 18% decline in the amount of goodwill impairments relative to 2013. France, which had the second-highest aggregate impairment amount (€3.7 billion), saw an even sharper decrease (of €8.3 billion or 69%) from 2013. In absolute terms, the steepest drop in aggregate goodwill impairment was realised by Italy, with a decline of €13.1 billion or 82%, putting its total impairment at €2.9 billion in 2014.
- From an industry viewpoint, Telecommunication Services returned to first place in 2014 (also topping the list in 2012) with the highest aggregate goodwill impairment at €8.9 billion. Financials followed in second place with an aggregate impairment of €6.7 billion, although this represented a 61% decline (or €10.6 billion) from 2013. Notable decreases in the aggregate amount of goodwill impairment also included Materials, with a 95% decline (or €7.1 billion), and Utilities, with a 77% drop (or €6.9 billion) relative to 2013.

* Growth in real gross domestic product (GDP) based on latest estimates at the time of writing.

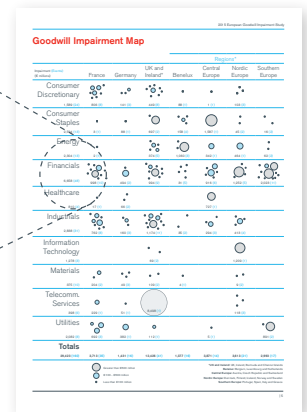
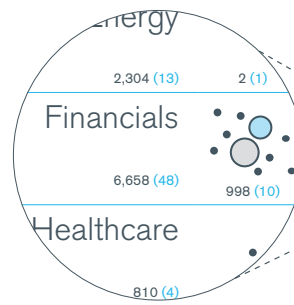
† The STOXX® Europe 600 Index is derived from the STOXX® Europe Total Market Index and is a subset of the STOXX® Global 1800 Index. The index is weighted according to free-float market capitalisation. For more information, see http://www.stox.com/indices/index_information.html?symbol=SXXP.

‡ The number of events is broadly defined in this study: it captures whether or not a company has recorded goodwill impairments in any given year (i.e., a binary "yes" or "no" decision). Thus, while a company could have recorded multiple goodwill impairments during a calendar year, they were still considered a single event for purposes of this study.

§ From a geography standpoint, differences in aggregate impairment amounts may be driven in part by the composition of the index. For example, in 2014 the United Kingdom had a significant weighting in the STOXX® Europe 600 Index, with UK-based companies representing approximately 31% of the index members.

Introduction (continued)

- The median market-to-book ratio for companies that recognised a goodwill impairment in 2014 was 1.8x, compared with 2.2x for all companies in the 2015 Study. This is similar to the market-to-book ratios of 1.7x and 2.2x, respectively, observed in 2013. This trend is somewhat consistent with the performance exhibited by the STOXX® Europe 600 Index during 2014, which achieved total returns of approximately 8%. Nevertheless, the performance of individual companies in particular industries and specific countries within the index has varied significantly.

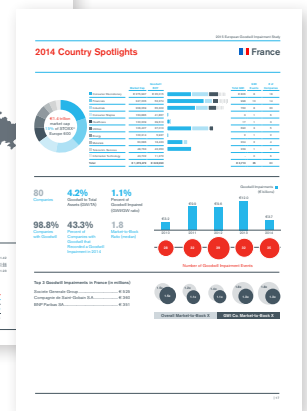
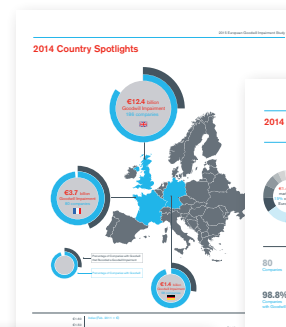


Goodwill Impairment Map
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New Features in the 2015 Study

For the first time, this 2015 Study includes the following:

- Goodwill Impairment Map:** This infographic provides a visual depiction of the concentration and magnitude of goodwill impairments for selected countries and geographic regions within Europe, and by industries within those geographies.
- Country Spotlights:** These provide an in-depth focus on various goodwill-related metrics and statistics for each featured country, along with the top three companies that recognised the highest amount of goodwill impairment for calendar year 2014. Three countries are featured: the United Kingdom, France and Germany.



Country Spotlights
Pages 14-21

Goodwill Landscape

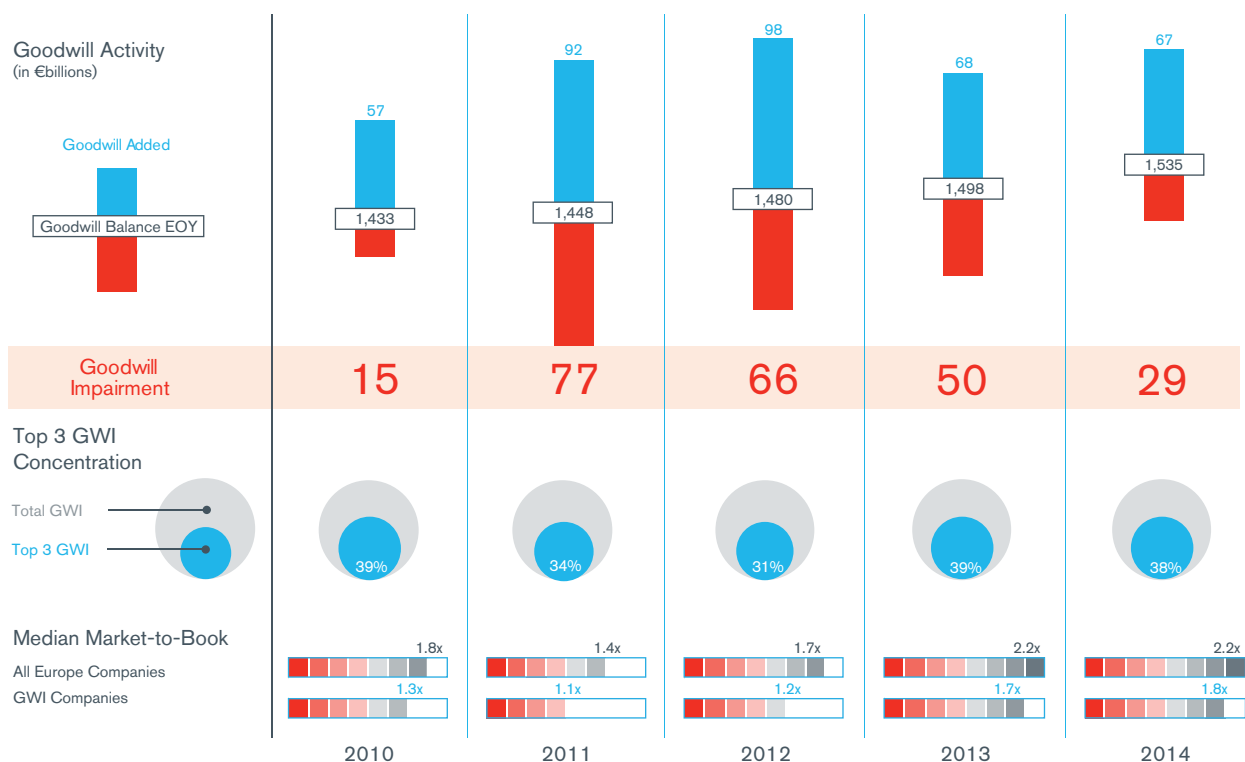
The graphic below captures the evolution of goodwill from 2010-2014 for the companies within the STOXX® Europe 600 Index used in the 2015 Study.

The top panel of the graphic shows European goodwill activity, comparing the aggregate amount of goodwill added to the balance sheets during the year (amounts in blue font) compared with goodwill impairments (GWI) taken during the year (amounts in red font). The end-of-year (EOY) aggregate goodwill balance is shown on the sliding scale. Overall, more goodwill has been added by European companies than has been impaired over the five-year period. For example, in 2014, €67 billion of goodwill was added to the balance sheets of companies included in the 2015 Study and €29 billion of goodwill was impaired, resulting in a net increase in goodwill of €38 billion. Over the five-year period, aggregate goodwill impairments were highest in 2011 at €77 billion.

A limited number of events can have a dramatic effect on the annual impairment amounts. This is highlighted by the concentration of goodwill impairment amounts recorded in the top three impairment events, as shown in the middle panel. The top three events accounted for 30-40% of all goodwill impairments across the five years studied.

Lastly, although not a sole or definitive indicator of impairment, market capitalisation should not be ignored during a goodwill impairment test. Median market-to-book ratios* for all companies included in the 2015 Study, as well as for those companies that recorded a goodwill impairment, are shown in the bottom panel of the graphic. As expected, companies recognising goodwill impairments during each year will exhibit lower market-to-book ratios relative to the overall group of companies. Market-to-book ratios have improved since 2011, and are now approaching 2.0 even for companies recognising goodwill impairments.

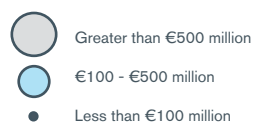
When examining the trend from 2013 to 2014, there are many similarities that come to light. For instance, the top three GWI concentration remains stable at close to 40%. Likewise, market-to-book ratios of GWI companies as well as for overall STOXX® Europe 600 companies remain in similar bands (1.7x to 2.2x). Goodwill additions have also been consistent in the two most recent years (€67 billion in 2014 and €68 billion in 2013); however, the amount of goodwill impaired in 2014 (€29 billion) is 41% lower than the amount impaired in 2013 (€50 billion). This is consistent with trends seen in European economies, which continued to recover in 2014.



* The market-to-book ratio is calculated as a company's market capitalisation divided by its reported book value of equity.

Goodwill Impairment Map

Impairment (Events) (€ millions)	Regions*						
	France	Germany	UK and Ireland*	Benelux	Central Europe	Nordic Europe	Southern Europe
Consumer Discretionary 1,589 (24)	806 (8)	141 (3)	449 (8)	88 (1)	1 (1)	103 (3)	
Consumer Staples 2,594 (13)	3 (1)	88 (1)	697 (2)	158 (4)	1,587 (1)	45 (2)	16 (2)
Energy 2,304 (13)	2 (1)		374 (5)	1,060 (3)	342 (1)	464 (1)	62 (2)
Financials 6,658 (48)	998 (10)	494 (2)	944 (9)	31 (5)	916 (6)	1,252 (5)	2,023 (11)
Healthcare 810 (4)	17 (1)	66 (2)			727 (1)		
Industrials 2,838 (31)	762 (8)	160 (3)	1,174 (11)	35 (2)	294 (3)	413 (4)	
Information Technology 1,278 (3)			69 (2)			1,209 (1)	
Materials 375 (10)	204 (2)	49 (3)	109 (2)	4 (1)		9 (2)	
Telecomm. Services 8,896 (6)	229 (1)	51 (1)	8,498 (1)			118 (3)	
Utilities 2,082 (8)	692 (3)	382 (1)	112 (1)		5 (1)		891 (2)
Totals 29,423 (160)	3,713 (35)	1,431 (16)	12,426 (41)	1,377 (16)	3,871 (14)	3,613 (21)	2,993 (17)



*UK and Ireland: UK, Ireland, Bermuda and Channel Islands
 Benelux: Belgium, Luxembourg and Netherlands
 Central Europe: Austria, Czech Republic and Switzerland
 Nordic Europe: Denmark, Finland, Iceland, Norway and Sweden
 Southern Europe: Portugal, Spain, Italy and Greece

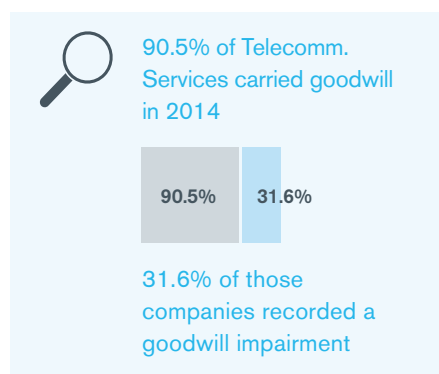
Summary Statistics by Industry and Country

(Tables 1 and 2)

Tables 1 and 2 on the following pages summarise the annual amount of goodwill impairments and the number of goodwill impairment events by industry and country, respectively occurring between 2010 and 2014.* The tables also provide the proportion of companies within each industry or country that carry goodwill and the subset of those that recorded a goodwill impairment.† This format allows for a ready comparison of data across industries and countries over time.

Industries and countries are listed in descending order of their total goodwill impairment amounts for 2014. For example, in Table 1, Telecommunication Services tops the industry list with its €8.9 billion aggregate goodwill impairment, whereas in Table 2, the United Kingdom heads the country list with its aggregate goodwill impairment of €12.4 billion.

Additionally, the graphs on the right of Tables 1 and 2 provide a quick comparison of (i) the preponderance of companies with goodwill within each industry or country in 2014 and (ii) the proportion of those companies that recorded a goodwill impairment. For example, the top row of Table 1 shows:



Goodwill Impairments

In Tables 1 and 2, the first row of data for each industry or country presents the annual amounts of goodwill impairments (in € billions), immediately followed by the number of impairment events (shown in brackets). In general, 2014 saw an approximate 41% decrease in the aggregate amount of goodwill impairments, from €49.6 billion in 2013 to €29.4 billion in 2014. The aggregate number of impairment events decreased only slightly from 162 in 2013 to 160 in 2014. This means that the average goodwill impairment amount per event decreased by 40%, from €306 million in 2013 to €184 million in 2014.

The decline in aggregate goodwill impairments is broadly consistent with the economic trends seen in Europe during 2014. While European economies continued to heal and signs of recovery were seen in some countries, the effects from the euro sovereign debt crisis dating back to 2010 were still lingering.

After two consecutive years of contraction, the Eurozone economy finally showed modest real growth in 2014. Economic activity slowed down substantially in the second and third quarters of 2014, but showed signs of revival in the fourth quarter and in early 2015. Real growth was supported primarily by lower global oil prices and higher net exports (aided by a weaker euro). Monetary easing policies introduced by the European Central Bank have put further downward pressure on the euro and driven down interest rates, leading to lower borrowing costs, improved financial market conditions, and increased consumer and business confidence.

Eurozone economies performing relatively well in 2014 included Germany, Spain, and Ireland. Other economies, including France, Austria, and Italy continued to struggle in 2014. In fact, Italy's economy has contracted in real terms for three consecutive years (from 2012 to 2014), although modest signs of improvement were seen in the last quarter of 2014.

The United Kingdom was a bright spot in the global economy, with real economic growth reaching 2.9% in 2014, far outstripping that of the Eurozone.

Some of these economic trends could help explain the material decline in aggregate goodwill impairments for companies within the STOXX® Europe 600.

From an industry viewpoint (see Table 1), Financials and Industrials saw the greatest number of impairment events in 2014 at 48 and 31, respectively. In terms of aggregate goodwill impairment amounts, Telecommunication Services returned to first place in 2014 (previously in first place in 2012) at €8.9 billion. Financials followed in second place with an aggregate impairment of €6.7 billion, although this represented a 61% decline (or €10.6 billion) from 2013. Notable decreases in the aggregate amount of goodwill impairments also included Materials, with a 95% decline (or €7.1 billion), and Utilities, with a 77% drop (or €6.9 billion) relative to 2013.

* The information covering the period between 2010 and 2013 was carried forward from the 2014 Study.

† Appendix 1 describes the company base set selection and methodology used to generate the data in Tables 1-4 of this report.

From a geographic perspective (see Table 2), the United Kingdom was the country with the highest aggregate amount of goodwill impairments (€12.4 billion) in 2014. However, this represented an 18% decline in the amount of goodwill impairments relative to 2013. France, which had the second highest aggregate impairment amount (€3.7 billion), saw an even sharper decrease from 2013 (of €8.3 billion or 69%). In absolute terms, the steepest drop in aggregate goodwill impairment amount was realised by Italy, which registered a decline of €13.1 billion or 82%, putting its total impairment at €2.9 billion in 2014. With the exception of Switzerland and certain countries included in the “Other” category, all others saw a decline in aggregate goodwill impairment.‡

Percentage of Companies that Recorded a Goodwill Impairment

The second row in Tables 1 and 2 indicates the proportion of all companies within each industry or country that recorded a goodwill impairment. Across the entire 2015 Study (displayed in the Total row of Tables 1 and 2), the average proportion of companies recording an impairment loss increased significantly from 20.0% in 2010 to a peak of 30.4% in 2012, with 2013 and 2014 down to a level around 27%. In 2014, Energy had the largest percentage of companies that impaired goodwill (48.1%), followed by Financials and Utilities (both at 33.3%).

From a geographic standpoint, France had the largest percentage of companies that impaired goodwill (43.8%), followed by Germany (27.6%) and Italy (26.9%).

Percentage of Companies with Goodwill

Since companies that do not carry goodwill on their balance sheets are not exposed to a goodwill impairment, it is more meaningful to consider the proportion of companies with goodwill within each respective industry or country, which is provided in the third row of Tables 1 and 2. In 2014, 89.7% of all the companies included in the 2015 Study carried some amount of goodwill on their balance sheets. The percentage of companies with goodwill remained consistent from 2010 to 2014. From an industry perspective, Industrials had the highest percentage of companies with goodwill in any given year over the 2010-2013 period (between 95% and 97%), but Information Technology had the highest in 2014 at 96.6%. On a relative basis, Consumer Staples tended to have the lowest average proportion (between 80% and 83%) over the five-year period, although Energy registered the lowest proportion in some of the years.

Geographically, Italy had the highest percentage of companies with goodwill (100%) in 2014, closely followed by France (98.8%), whereas Switzerland had the lowest percentage (81.3%).

Percentage of Companies with Goodwill Recording a Goodwill Impairment

The final row in Tables 1 and 2 indicates the percentage of companies with goodwill that recorded a goodwill impairment. Overall, the average impairment percentages across all companies in the 2015 Study increased significantly from 23.0% in 2010 to a peak of 34.8% in 2012, with a steady decline thereafter, down to 30.2% in 2014. In 2014, Energy had the largest percentage of companies with goodwill on their balance sheets that impaired goodwill (59.1%), followed by Financials (38.7%) and Utilities (36.4%). Geographically, France had the largest percentage of companies with goodwill that impaired goodwill (44.3%), followed by Germany (29.1%), Italy (26.9%) and Netherlands (26.7%).

Considering trends over time, Telecommunication Services exhibited the highest overall percentage of companies with goodwill that impaired goodwill during the five-year period, peaking at 63.2% in 2012. From a geographic perspective, Italy had the highest overall percentage of companies impairing goodwill in 2011 (50.0%).

‡ In 2014, 36 companies (out of a total of 96) grouped in the “Other” country category recognised aggregate goodwill impairments of €5.9 billion (see Table 2). In particular, the top four impairments recorded by companies based in Denmark, Finland, Luxembourg and Austria comprised almost two-thirds (€3.9 billion) of the total. The countries grouped in the “Other” category throughout the period covered in the 2015 Study are Austria, Belgium, Czech Republic, Denmark, Finland, Greece, Ireland, Luxembourg, Norway, and Portugal.

2014 Goodwill Impairment (Table 1)

	2010	2011	2012	2013	2014	2014	
	Goodwill Impairments: € billions (number of events)					Companies with GW	Percent Recording GWI
	Percent of Total Companies that Recorded GWI						
	Percent of Companies with Goodwill						
	Percent of Companies with Goodwill that Recorded GWI						
(Companies)							
Telecomm. Services (21)	4.5 (8) 40.0% 95.0% 42.1%	20.4 (11) 52.4% 95.2% 55.0%	23.4 (12) 57.1% 90.5% 63.2%	8.2 (9) 36.0% 92.0% 39.1%	8.9 (6) 28.6% 90.5% 31.6%	90.5%	31.6%
Financials (144)	4.2 (38) 26.6% 85.3% 31.1%	38.7 (52) 38.2% 84.6% 45.2%	16.1 (57) 42.5% 81.3% 52.3%	17.2 (44) 31.7% 81.3% 38.9%	6.7 (48) 33.3% 86.1% 38.7%	86.1%	38.7%
Industrials (121)	2.4 (24) 21.2% 95.6% 22.2%	3.5 (30) 26.8% 97.3% 27.5%	3.1 (32) 28.1% 96.5% 29.1%	2.7 (32) 27.1% 94.9% 28.6%	2.8 (31) 25.6% 95.0% 27.0%	95.0%	27.0%
Consumer Staples (48)	0.9 (10) 22.2% 80.0% 27.8%	2.7 (11) 23.4% 83.0% 28.2%	2.2 (16) 32.0% 82.0% 39.0%	1.3 (16) 32.0% 80.0% 40.0%	2.6 (13) 27.1% 83.3% 32.5%	83.3%	32.5%
Energy (27)	0.6 (4) 11.1% 77.8% 14.3%	0.6 (5) 15.2% 81.8% 18.5%	1.4 (6) 17.1% 88.6% 19.4%	1.1 (5) 15.2% 93.9% 16.1%	2.3 (13) 48.1% 81.5% 59.1%	81.5%	59.1%
Utilities (24)	1.7 (6) 20.0% 90.0% 22.2%	2.2 (10) 35.7% 85.7% 41.7%	3.2 (6) 24.0% 92.0% 26.1%	9.0 (12) 48.0% 92.0% 52.2%	2.1 (8) 33.3% 91.7% 36.4%	91.7%	36.4%
Consumer Discretionary (87)	0.7 (15) 19.2% 84.6% 22.7%	1.7 (17) 20.7% 87.8% 23.6%	1.2 (23) 28.0% 90.2% 31.1%	1.7 (19) 22.4% 85.9% 26.0%	1.6 (24) 27.6% 89.7% 30.8%	89.7%	30.8%
Information Technology (29)	0.0 (4) 12.9% 87.1% 14.8%	1.1 (3) 8.8% 88.2% 10.0%	1.4 (5) 14.7% 82.4% 17.9%	0.6 (5) 18.5% 92.6% 20.0%	1.3 (3) 10.3% 96.6% 10.7%	96.6%	10.7%
Healthcare (35)	0.0 (2) 5.3% 89.5% 5.9%	0.0 (2) 5.4% 91.9% 5.9%	0.2 (5) 13.9% 91.7% 15.2%	0.4 (3) 9.1% 93.9% 9.7%	0.8 (4) 11.4% 94.3% 12.1%	94.3%	12.1%
Materials (55)	0.1 (7) 12.5% 80.4% 15.6%	6.4 (10) 17.5% 80.7% 21.7%	14.2 (17) 29.8% 82.5% 36.2%	7.5 (17) 30.4% 83.9% 36.2%	0.4 (10) 18.2% 89.1% 20.4%	89.1%	20.4%
Total* (591)	15.2 (118) 20.0% 86.8% 23.0%	77.2 (151) 25.7% 87.9% 29.3%	66.4 (179) 30.4% 87.6% 34.8%	49.6 (162) 27.4% 87.6% 31.3%	29.4 (160) 27.1% 89.7% 30.2%	89.7%	30.2%

* Amounts shown are aggregates. Differences due to rounding.

2014 Goodwill Impairment (Table 2)

	2010	2011	2012	2013	2014		
	Goodwill Impairments: € billions (number of events)					Companies with GW	Percent Recording GWI
(Companies)	Percent of Total Companies that Recorded GWI						
	Percent of Companies with Goodwill						
	Percent of Companies with Goodwill that Recorded GWI						
United Kingdom	5.0 (28)	16.0 (35)	23.7 (38)	15.0 (48)	12.4 (38)	82.3%	24.8%
	16.6%	20.8%	22.5%	26.2%	20.4%		
	77.5%	78.6%	78.1%	78.7%	82.3%		
(186)	21.4%	26.5%	28.8%	33.3%	24.8%		
France	3.2 (28)	9.9 (32)	9.6 (39)	12.0 (32)	3.7 (35)	98.8%	44.3%
	35.0%	40.0%	46.4%	40.0%	43.8%		
	98.8%	98.8%	97.6%	97.5%	98.8%		
(80)	35.4%	40.5%	47.6%	41.0%	44.3%		
Italy	1.2 (12)	36.9 (15)	11.2 (11)	16.0 (8)	2.9 (7)	100%	26.9%
	37.5%	50.0%	37.9%	29.6%	26.9%		
	100.0%	100.0%	96.6%	96.3%	100.0%		
(26)	37.5%	50.0%	39.3%	30.8%	26.9%		
Switzerland	0.4 (5)	1.5 (7)	3.3 (12)	0.5 (9)	2.7 (8)	81.3%	20.5%
	11.1%	15.6%	25.5%	18.8%	16.7%		
	86.7%	91.1%	89.4%	83.3%	81.3%		
(48)	12.8%	17.1%	28.6%	22.5%	20.5%		
Germany	2.9 (10)	4.1 (15)	6.0 (18)	2.9 (17)	1.4 (16)	94.8%	29.1%
	18.2%	26.8%	30.5%	28.8%	27.6%		
	81.8%	83.9%	84.7%	89.8%	94.8%		
(58)	22.2%	31.9%	36.0%	32.1%	29.1%		
Sweden	0.0 (5)	0.7 (6)	1.0 (9)	0.5 (10)	0.3 (7)	86.8%	21.2%
	14.7%	16.7%	24.3%	25.0%	18.4%		
	82.4%	83.3%	81.1%	85.0%	86.8%		
(38)	17.9%	20.0%	30.0%	29.4%	21.2%		
Netherlands	0.6 (4)	1.9 (6)	4.0 (12)	0.9 (10)	0.1 (8)	93.8%	26.7%
	12.9%	19.4%	37.5%	30.3%	25.0%		
	93.5%	90.3%	93.8%	97.0%	93.8%		
(32)	13.8%	21.4%	40.0%	31.3%	26.7%		
Spain	0.4 (9)	2.4 (7)	1.0 (7)	0.5 (8)	0.0 (5)	92.6%	20.0%
	29.0%	23.3%	23.3%	30.8%	18.5%		
	87.1%	93.3%	90.0%	84.6%	92.6%		
(27)	33.3%	25.0%	25.9%	36.4%	20.0%		
Other	1.5 (17)	3.8 (28)	6.6 (33)	1.4 (20)	5.9 (36)	93.8%	40.0%
	15.0%	25.2%	32.7%	21.1%	37.5%		
	90.3%	91.0%	93.1%	93.7%	93.8%		
(96)	16.7%	27.7%	35.1%	22.5%	40.0%		
Total*	15.2 (118)	77.2 (151)	66.4 (179)	49.6 (162)	29.4 (160)	89.7%	30.2%
	20.0%	25.7%	30.4%	27.4%	27.1%		
	86.8%	87.9%	87.6%	87.6%	89.7%		
(591)	23.0%	29.3%	34.8%	31.3%	30.2%		

* Amounts shown are aggregates. Differences due to rounding.

Summary Statistics by Industry and Country

(Tables 3 and 4)

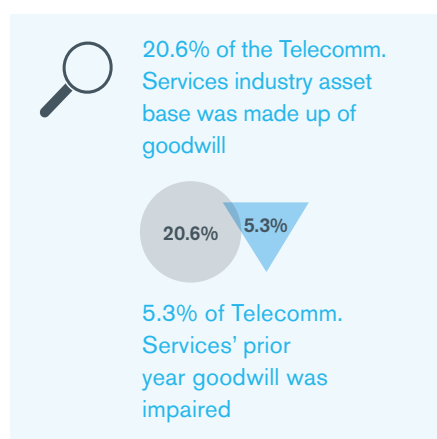
Tables 1 and 2 captured the total amount of goodwill impairment and the frequency of events by industry and country. In Tables 3 and 4, the focus shifts to the industries' and countries' (i) relative importance of goodwill to the overall asset base (goodwill intensity); (ii) the magnitude of annual impairment relative to the carrying amount of goodwill; and (iii) the magnitude of such impairment in relation to total assets (the latter two being measures of loss intensity).

Goodwill intensity, defined here as goodwill as a percentage of total assets (GW/TA), measures the proportion of an industry's or country's total assets represented by goodwill.* Because goodwill arises as a result of a business combination, goodwill intensity is greater in industries and countries with significant merger and acquisition (M&A) activity.

The first loss intensity measure, goodwill impairment as a percentage of goodwill (GWI/GW), indicates the magnitude of goodwill impairments. In other words, it measures the proportion of an industry's or country's goodwill that is impaired each year.

Goodwill impairments as a percentage of total assets (GWI/TA), the second loss intensity measure, quantifies the percentage of an industry's or a country's total asset base that was impaired.

The graphs on the right of Tables 3 and 4 provide for a quick comparison of (i) goodwill as a percentage of total assets; and (ii) goodwill impairments as a percentage of goodwill. For example:



		Intensity Measure	How?	Why?
Goodwill Intensity	Extent to which the asset base includes goodwill	GW/TA	Goodwill as a percentage of total assets, measured at year end	Indicates how significant goodwill is in relation to total assets
Loss Intensity (1)	Extent to which goodwill is affected by impairment	GWI/GW	Goodwill impairments (total) as a percentage of the prior year's total goodwill	Indicates how impairments impacted goodwill
Loss Intensity (2)	Extent to which the asset base is affected by impairment	GWI/TA	Goodwill impairments (total) as a percentage of the prior year's total assets	Indicates how impairments impacted total assets.

Goodwill Intensity

The first row in Tables 3 and 4 illustrates goodwill as a percentage of total assets (GW/TA) reported over time for each industry and country, with 2014 being highlighted specifically in the grey circle of the graphics on the right.

Aggregate goodwill as a percentage of total assets for all companies in the 2015 Study (across all industries and countries) averaged approximately 3.5% over the 2010-2014 period. However, this ratio can vary significantly by industry. For example, in 2014 it ranged from 0.7% for Financials companies to 28.1% for Information Technology companies.† From a geographic perspective, 2014 goodwill intensity ranged from 2.5% in the United Kingdom to 4.8% in Germany.

Healthcare‡ and Telecommunication Services were the top two industries exhibiting the highest average goodwill intensity during the five-year period. For these industries, contributing factors include continued transaction activity (despite the region's ongoing economic challenges) as well as high growth expectations from future (yet-to-be-identified) technologies, which may make goodwill a significant component of the acquisition price.

Although goodwill intensity, measured by GW/TA, has been fairly stable over time, some industries and countries have recently shown a downward or upward trend (see Table 3). For example, goodwill intensity in Telecommunication Services decreased over the five-year period (partially due to significant impairments since 2012), but increased for Information Technology.

In contrast to the wide variance in goodwill intensity seen across industries, Table 4 shows a much narrower range across countries. France exhibited the highest average goodwill intensity over the five-year period at 4.3%. However, from a trend perspective, Germany showed the largest expansion over the same period, increasing from 3.8% in 2010 to 4.8% in 2014, while Italy saw the steepest drop, from 4.5% to 2.8%.

* Although the companies in the index may measure non-controlling interests associated with their partially owned subsidiaries on different bases (i.e. either at fair value or at the proportionate share of the acquiree's identifiable net assets), which impacts the amount of recognised goodwill, this analysis does not make adjustments for such differences.

† In fact, the impact of companies in the Financials industry is substantial because those companies comprise a significant proportion of the STOXX® Europe 600 Index. Excluding Financials from the 2014 total would result in an aggregate GW/TA ratio of 13.6%, rather than 3.5%. The effect is similar in other years.

‡ As defined in the Global Industry Classification Standard (GICS), the Healthcare industry includes, among others, biotechnology and pharmaceutical companies.

Goodwill Impairment to Goodwill

The second row in Tables 3 and 4 represents the first measure of loss intensity (GWI/GW) recognised for each industry and country over the five-year period, with 2014 being highlighted specifically in the blue triangle of the graphic on the right.

The total amount of impairment decreased from €49.6 billion in 2013 to €29.4 billion in 2014, a decrease of €20.2 billion (as previously shown in Tables 1 and 2). The first loss intensity measure (GWI/GW) portrays a similar trend. While the overall loss intensity for companies in the 2015 Study rose almost fivefold from 1.1% in 2010 to 5.4% in 2011, at the height of the European sovereign debt crisis, this loss intensity metric has steadily declined since then (to 2.1% in 2014), as European financial market and economic conditions have somewhat stabilised.

Loss intensity for five of the ten industry groups profiled was either down from the preceding year or stayed essentially flat. Materials saw the most notable change, dropping from 7.8% in 2013 to 0.4% in 2014. This was followed by goodwill

intensity declines in Utilities (a 5.3% drop) and in Financials (a 3.6% decrease) from 2013 to 2014, which is consistent with an overall decline in the aggregate amount of goodwill impairments for these industries, as observed in Table 1. This helped mitigate an increase in the loss intensity of Energy, which doubled from 3.2% in 2013 to 6.8% in 2014. Information Technology also saw its goodwill intensity increase twofold, from 1.3% to 2.8% in 2013 and 2014, respectively.

From a geographic perspective, Italian companies saw the biggest swings in this loss intensity measure over the period. Italy had the largest increase in GWI/GW loss intensity in 2013 (from 8.9% in 2012 to 12.5% in 2013), which then plummeted to 2.7% in 2014, by far the largest decline of all countries in the 2015 Study. During 2014, most countries also saw a decline, with only Switzerland registering an increase of 2% between 2013 and 2014. This trend in declining goodwill loss intensity is consistent with improvements seen in economic conditions in 2014 for countries such as the United Kingdom, Germany, and a few others within the European Union.

Goodwill Impairments to Total Assets

This second measure of loss intensity is presented in the third row in Tables 3 and 4 for each industry and country.

Goodwill impairment charges typically represent a relatively small proportion of a company's total asset base. Telecommunication Services had the largest GWI/TA ratio in 2014 at 1.1%, which is ten times larger than the overall average of 0.1% in that year. Financials, Materials, Healthcare, and Consumer Discretionary had the lowest GWI/TA ratios in 2014 at 0.0% or 0.1%. The significant size of balance sheets of financial services companies within the STOXX® Europe 600 Index partially explains why goodwill impairments represent a negligible proportion of the asset base in the Financials industry.

From a geographic perspective, all countries had a GWI/TA ratio not exceeding 0.1% in 2014. With the exception of Italy in the 2011-2013 period, the GWI/TA intensity measure has held tightly in the 0.0% to 0.2% range across countries over the last five years. This demonstrates that this loss intensity measure is more informative in making distinctions among industries, rather than countries.

2014 Goodwill Impairment (Table 3)

	2010	2011	2012	2013	2014	
	Goodwill Intensity (GW/TA) Loss Intensity (GWI/GW) Loss Intensity (GWI/TA)					
(Companies)						
Telecomm. Services (21)	27.2% 2.0% 0.5%	25.1% 8.8% 2.4%	23.1% 11.1% 2.8%	21.3% 4.2% 1.0%	20.6% 5.3% 1.1%	
Financials (144)	0.9% 1.4% 0.0%	0.8% 12.5% 0.1%	0.8% 6.3% 0.0%	0.8% 6.3% 0.1%	0.7% 2.7% 0.0%	
Industrials (121)	15.1% 1.3% 0.2%	15.7% 1.8% 0.3%	15.8% 1.5% 0.2%	15.7% 1.2% 0.2%	15.6% 1.3% 0.2%	
Consumer Staples (48)	20.7% 0.5% 0.1%	22.6% 1.5% 0.3%	22.2% 1.1% 0.2%	23.0% 0.6% 0.1%	23.2% 1.2% 0.3%	
Energy (27)	3.0% 2.1% 0.1%	3.2% 1.8% 0.1%	2.8% 3.7% 0.1%	2.8% 3.2% 0.1%	2.3% 6.8% 0.2%	
Utilities (24)	9.1% 1.3% 0.1%	9.2% 1.7% 0.2%	8.8% 2.5% 0.2%	8.0% 7.3% 0.6%	8.0% 2.0% 0.2%	
Consumer Discretionary (87)	8.2% 0.7% 0.1%	9.2% 1.8% 0.1%	9.7% 0.9% 0.1%	9.5% 1.2% 0.1%	11.6% 1.1% 0.1%	
Information Technology (29)	20.6% 0.1% 0.0%	21.2% 2.7% 0.6%	23.4% 3.3% 0.7%	23.6% 1.3% 0.3%	28.1% 2.8% 0.7%	
Healthcare (35)	23.6% 0.0% 0.0%	24.9% 0.0% 0.0%	25.0% 0.1% 0.0%	25.4% 0.3% 0.1%	26.6% 0.6% 0.1%	
Materials (55)	11.1% 0.1% 0.0%	10.1% 6.2% 0.7%	8.8% 13.9% 1.4%	9.1% 7.8% 0.7%	9.8% 0.4% 0.0%	
Total* (591)	3.5% 1.1% 0.0%	3.4% 5.4% 0.2%	3.4% 4.6% 0.2%	3.5% 3.4% 0.1%	3.5% 2.1% 0.1%	

* Amounts shown are aggregates. Differences due to rounding.

2014 Goodwill Impairment (Table 4)

	2010	2011	2012	2013	2014	
	Goodwill Intensity (GW/TA) Loss Intensity (GWI/GW) Loss Intensity (GWI/TA)					
(Companies)						
United Kingdom	2.5% 1.7% 0.0%	2.4% 6.0% 0.1%	2.4% 8.7% 0.2%	2.3% 5.4% 0.1%	2.5% 4.9% 0.1%	
(186)						
France	4.5% 0.9% 0.0%	4.4% 2.7% 0.1%	4.2% 2.5% 0.1%	4.2% 3.2% 0.1%	4.2% 1.1% 0.0%	
(80)						
Italy	4.5% 0.7% 0.0%	3.7% 23.5% 1.1%	3.5% 8.9% 0.3%	3.2% 12.5% 0.4%	2.8% 2.7% 0.1%	
(26)						
Switzerland	3.3% 0.5% 0.0%	3.3% 1.6% 0.1%	3.4% 3.3% 0.1%	3.8% 0.5% 0.0%	4.0% 2.5% 0.1%	
(48)						
Germany	3.8% 1.6% 0.1%	3.7% 2.1% 0.1%	4.2% 2.9% 0.1%	4.7% 1.2% 0.1%	4.8% 0.6% 0.0%	
(58)						
Sweden	2.9% 0.1% 0.0%	2.7% 1.6% 0.0%	2.7% 2.2% 0.1%	2.8% 1.1% 0.0%	2.8% 0.6% 0.0%	
(38)						
Netherlands	3.7% 0.8% 0.0%	3.6% 2.7% 0.1%	3.9% 5.4% 0.2%	4.0% 1.1% 0.0%	3.5% 0.1% 0.0%	
(32)						
Spain	3.6% 0.4% 0.0%	3.3% 2.4% 0.1%	2.8% 1.0% 0.0%	2.8% 0.5% 0.0%	2.8% 0.0% 0.0%	
(27)						
Other	3.2% 1.1% 0.0%	3.8% 2.8% 0.1%	4.4% 4.6% 0.2%	5.1% 1.0% 0.0%	5.1% 4.2% 0.2%	
(96)						
Total*	3.5% 1.1% 0.0%	3.4% 5.4% 0.2%	3.4% 4.6% 0.2%	3.5% 3.4% 0.1%	3.5% 2.1% 0.1%	
(591)						

* Amounts shown are aggregates. Differences due to rounding.

2014 Country Spotlights

Country Spotlights provide an in-depth focus on relevant goodwill-related metrics and statistics for three specific countries included in the 2015 Study: United Kingdom, France, and Germany. Each Country Spotlight displays a variety of data, including the top three companies in the 2015 Study that recognised the highest amount of goodwill impairment within each country for calendar year 2014.*

The guide below provides a brief description of the components of the Country Spotlights.

2014 Country Spotlights France

Goodwill Trends

A snapshot of goodwill-related measures and ratios by industry within each featured country. Latest calendar year (2014) results are displayed in the first row for each metric. The second row shows 5-year averages for the same metric, to illustrate how each industry within the country is trending.

	2014	5Yr Avg	2014	5Yr Avg	2014	5Yr Avg	2014	5Yr Avg	2014	5Yr Avg	2014	5Yr Avg
Percentage of Companies with Goodwill that Recorded a Goodwill Impairment	24%	22%	6%	4%	17%	32%	77%	0%	50%	60%	44%	44%
Number of Companies with Goodwill that Recorded a Goodwill Impairment	35	35	35	35	35	35	35	35	35	35	35	35

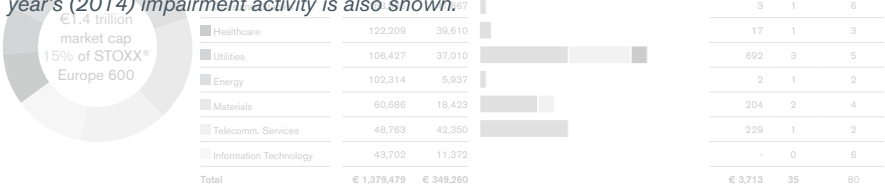
The sharp decrease in the goodwill impairments recognized in France (69%) continues the trend observed on the European level (-41%). The 2015 Study shows furthermore that the goodwill impairment events in France are concentrated on a limited number of companies (62%), the top 3 accounting for over three of the total impairment amount. From an industry viewpoint, Financials alone is representing more than a quarter of the total amount and ranks first in terms of events. The most significant impairments are related to banking businesses located in some specific countries, such as Russia and Ukraine, or Italy where the financial system has been heavily hit since the 2008 crisis. The Utilities sector remains bright due to changes in various local regulatory environment and energy prices. Impairments recognized by companies from the Consumer discretionary industry are spread over a sample of high-end to luxury brands. Globally, compared to the last three years, the impairments are at a low level and the events are made up of contrasting situations. Reporting biases connect to the impairments recognized by the concerned companies is not straightforward. As a summary, the analysis shows that the events could be classified into three main risk categories: Geographical instability, Regulatory environment changes and Entity specificities.

2014 Country Spotlights

France

Market Cap and Goodwill Impairment Activity by Industry

Represents the aggregate size of the companies within the featured country relative to the combined size of all the companies included in the 2015 Study (STOXX® Europe 600 Index), where size is measured in terms of market capitalisation. A further breakdown of market capitalisation by industry within the featured country, alongside the latest calendar year's (2014) impairment activity is also shown.

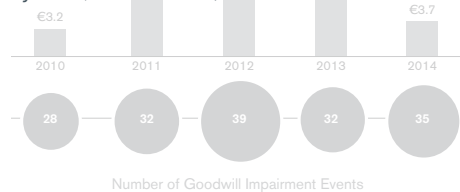


Summary Statistics

Depicts (i) Number of Companies; (ii) Goodwill Intensity (GW/TA); (iii) Loss Intensity (GW/IGW); (iv) Percent of Companies with Goodwill; (v) Percent of Companies with Goodwill that Recorded a Goodwill Impairment; and (vi) Median Market-to-Book ratio in 2014 for the featured country. These statistics are also displayed in Tables 2 and 4.

Impairment History

Shows annual goodwill impairment amounts and number of goodwill impairment events within the featured country over the last five years (2010 – 2014).



Top 3 Goodwill Impairments in the Country

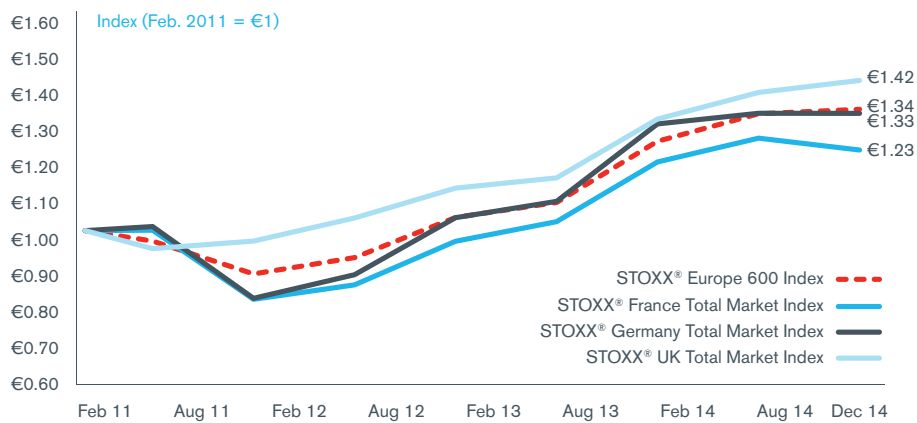
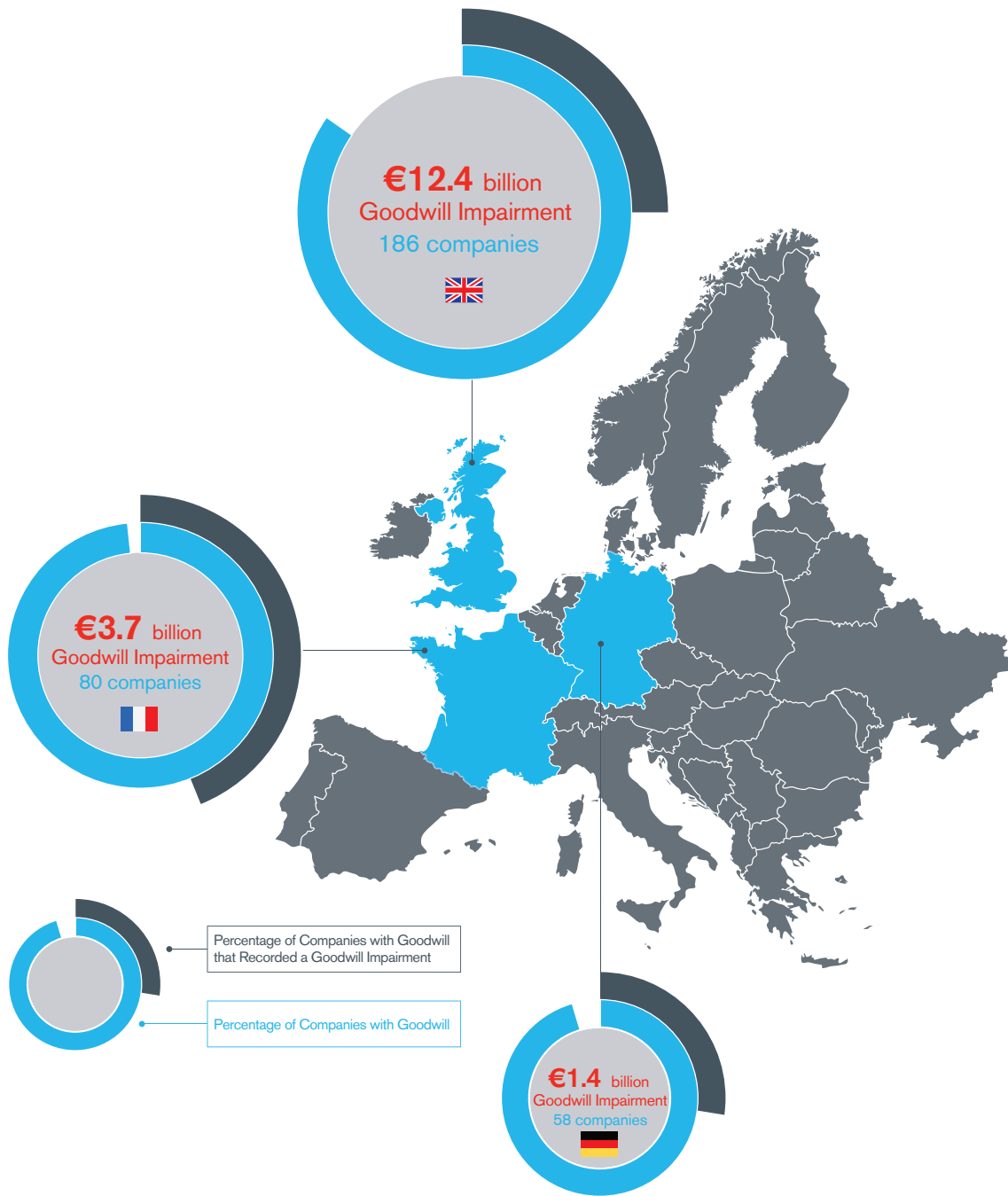
Highlights the top 3 goodwill impairments recorded in the featured country during calendar year 2014.

Country Market-to-Book Ratios

Displays the featured country's market-to-book ratios over a 5-year period (2010-2014). The ratios are shown for all companies in the 2015 Study within the featured country, as well as for those companies domiciled in the featured country that recorded a goodwill impairment. Although not predictive on its own, companies with a low market-to-book ratio may be at a greater risk of impairment.

* Financial data for all companies in the 2015 Study was adjusted, when applicable, to a calendar year end (rather than the most recent fiscal year end).

2014 Country Spotlights



2014 Country Spotlights

 United Kingdom

		Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecomm. Services	Utilities	Total
Number of Companies		12	16	37	34	13	6	45	10	6	7	186
Goodwill Impairments € millions (number of events)	2014	€ 374 (5)	€ 74 (1)	€ 1,154 (9)	€ 449 (8)	€ 697 (2)	€ 0 0	€ 944 (9)	€ 69 (2)	€ 8,498 (1)	€ 112 (1)	€12,371 (38)
	5-Year Avg.	€ 158 (2)	€ 3,908 (3)	€ 839 (8)	€ 519 (8)	€ 723 (2)	€ 29 (0)	€ 1,577 (9)	€ 14 (1)	€ 6,597 (2)	€ 60 (2)	€ 14,424 (37)
Percentage of Companies with Goodwill	2014	75%	69%	97%	82%	62%	100%	78%	100%	67%	86%	82%
	5-Year Avg.	75%	67%	94%	79%	59%	100%	71%	93%	68%	89%	79%
Goodwill Intensity (Goodwill / Total Assets)	2014	3%	3%	27%	23%	14%	15%	1%	54%	16%	7%	3%
	5-Year Avg.	2%	4%	28%	21%	12%	14%	1%	43%	20%	7%	2%
Percentage of Companies with Goodwill that Recorded a Goodwill Impairment	2014	56%	9%	25%	29%	25%	0%	26%	20%	25%	17%	25%
	5-Year Avg.	27%	22%	25%	29%	32%	3%	34%	7%	73%	25%	27%

Total goodwill impairments in the United Kingdom for 2014 were €12.4 billion, significantly down from the peak of €23.7 billion in 2012 and below the 5-year average of €14.4 billion. This was driven by continuing improvements in the UK economy during 2014, which saw overall real GDP growth of 2.9% for the year, the fastest pace observed since 2007.

With the buoyant economy, deal activity was strong, driving both higher deal multiples and P/E ratios of listed companies over the course of 2014 and into 2015. Impairments are therefore likely to have been confined to individual deals where synergies were not delivered or where the underlying risks were not fully factored into the original deal prices, including for example, underperformance of foreign-based operations.

The Telecommunication Services industry had one significant impairment event in 2014 (€8.5 billion, or £6.6 billion) – the largest impairment in the overall 2015 Study – that alone exceeded the 5-year average for the sector (€6.6 billion, or £5.1 billion). In fact, the Telecommunication Services industry has on average accounted for nearly half of the aggregate amount of goodwill impairments in the UK over the last five years (with 2013 being the exception). Further analysis reveals that the goodwill impairments in

this industry have been extremely concentrated, with the top event responsible for upwards of 90% of the aggregate goodwill impairment in each of the five years studied.

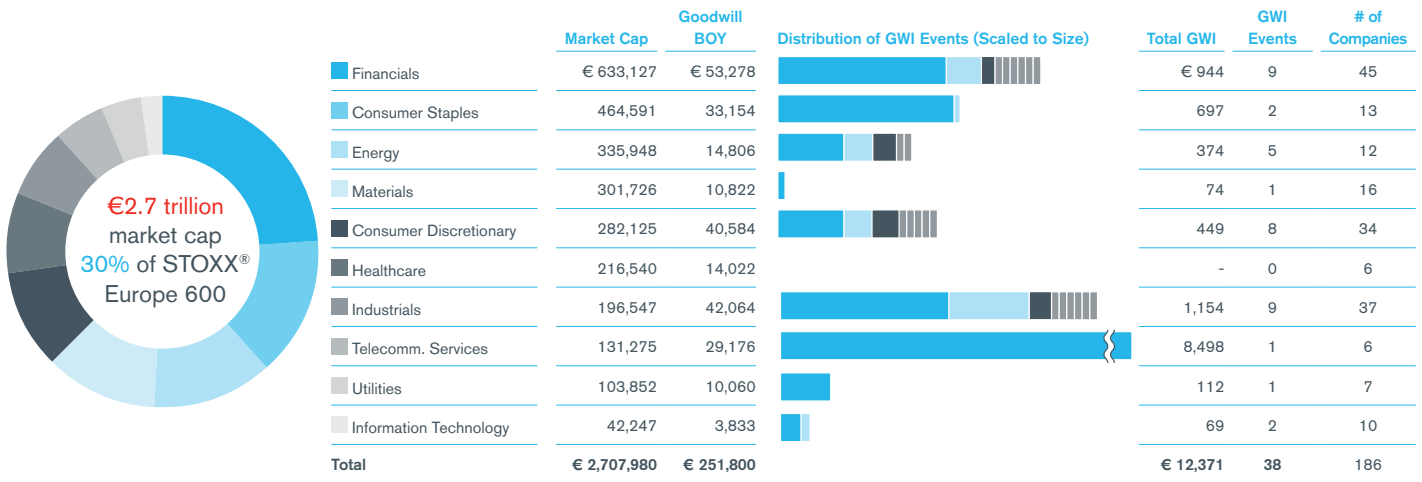
Excluding the top 2014 impairment event, the largest aggregate goodwill impairments and the majority of events were concentrated in Industrials and Financials. Energy saw a spike in the number of events in 2014, with approximately 40% of companies recording goodwill impairments. Particularly affecting Energy during the second half of 2014 was the collapse in oil prices, with Brent crude oil dropping from a peak of \$115 per barrel in June to \$58 at year-end. This development was also the catalyst to European Energy impairments in the overall study, which more than doubled in 2014, both in volume and magnitude.

The sharp drop in oil prices is likely to put continuing pressure on Energy and Industrials such that further increases in impairments might be expected in 2015. Other than for historic acquisitions that were reliant on higher oil prices, impairment risk might be mitigated by the strong UK economy and the low interest rate environment persisting all the way through 2015, with a corresponding increase in M&A activity and associated deal multiples.

- Michael Weaver, Managing Director, London office

2014 Country Spotlights

United Kingdom



BOY=Beginning of Year GWI=Goodwill Impairment

186
Companies

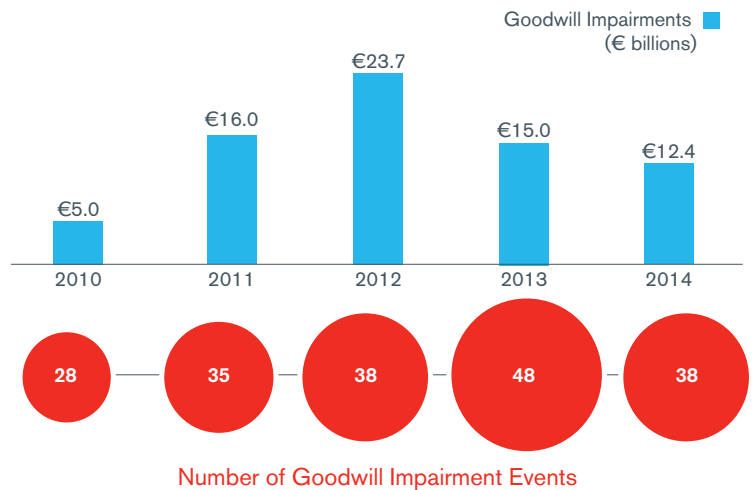
2.5%
Goodwill to Total Assets (GW/TA)

0.1%
Percent of Goodwill Impaired (GWI/GW ratio)

82.3%
Companies with Goodwill

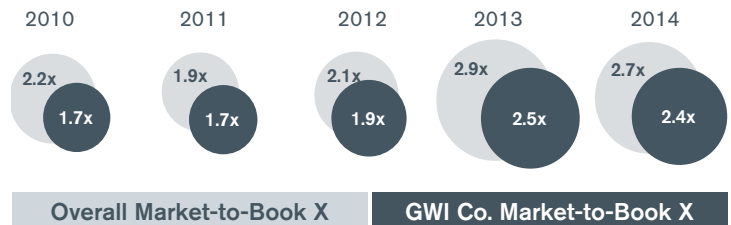
24.8%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.7
Market-to-Book Ratio (median)



Top 3 Goodwill Impairments in the UK (in millions)

Vodafone Group PLC	€ 8,498 (£6,600)
Tesco PLC	€ 695 (£540)
Standard Chartered PLC	€ 626 (\$758)



2014 Country Spotlights



		Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecomm. Services	Utilities	Total
Number of Companies		2	4	20	18	6	3	14	6	2	5	80
Goodwill Impairments € millions (number of events)	2014	€ 2 (1)	€ 204 (2)	€ 762 (8)	€ 806 (8)	€ 3 (1)	€ 17 (1)	€ 998 (10)	€ 0 0	€ 229 (1)	€ 692 (3)	€ 3,713 (35)
	5-Year Avg.	€ 191 (1)	€ 138 (1)	€ 463 (8)	€ 566 (6)	€ 433 (2)	€ 4 (0)	€ 2,386 (9)	€ 225 (1)	€ 1,435 (2)	€ 1,851 (3)	€ 7,692 (33)
Percentage of Companies with Goodwill	2014	100%	100%	100%	100%	100%	100%	93%	100%	100%	100%	99%
	5-Year Avg.	100%	100%	100%	98%	100%	100%	93%	100%	100%	100%	98%
Goodwill Intensity (Goodwill / Total Assets)	2014	2%	25%	17%	13%	23%	39%	1%	25%	27%	8%	4%
	5-Year Avg.	3%	24%	17%	10%	24%	38%	1%	24%	32%	9%	4%
Percentage of Companies with Goodwill that Recorded a Goodwill Impairment	2014	50%	50%	40%	44%	17%	33%	77%	0%	50%	60%	44%
	5-Year Avg.	30%	30%	39%	37%	40%	13%	66%	17%	57%	73%	42%

The French economy's real growth was almost stagnant in 2014 (0.2%), but is expected to improve gradually in 2016 and 2017 helped by lower oil prices, diminishing fiscal contraction, and the cumulative effects of continuing monetary stimulus by the European Central Bank.

Despite the challenging 2014 environment, the total goodwill impairments recorded by French companies within the STOXX® Europe 600 amounted to €3.7 billion, against €12.0 billion in 2013. This sharp decrease (69%) is consistent with the declining trend observed for Europe overall (41%).

While 44% of the French companies in the 2015 Study recognised goodwill impairments, they were fairly concentrated, with the top three events comprising one-third of the aggregate impairment amount for 2014.

Further analysis indicates that a significant portion of the impairments are related to foreign investments made by French companies, underlying approximately 60% of the total impairment amount.

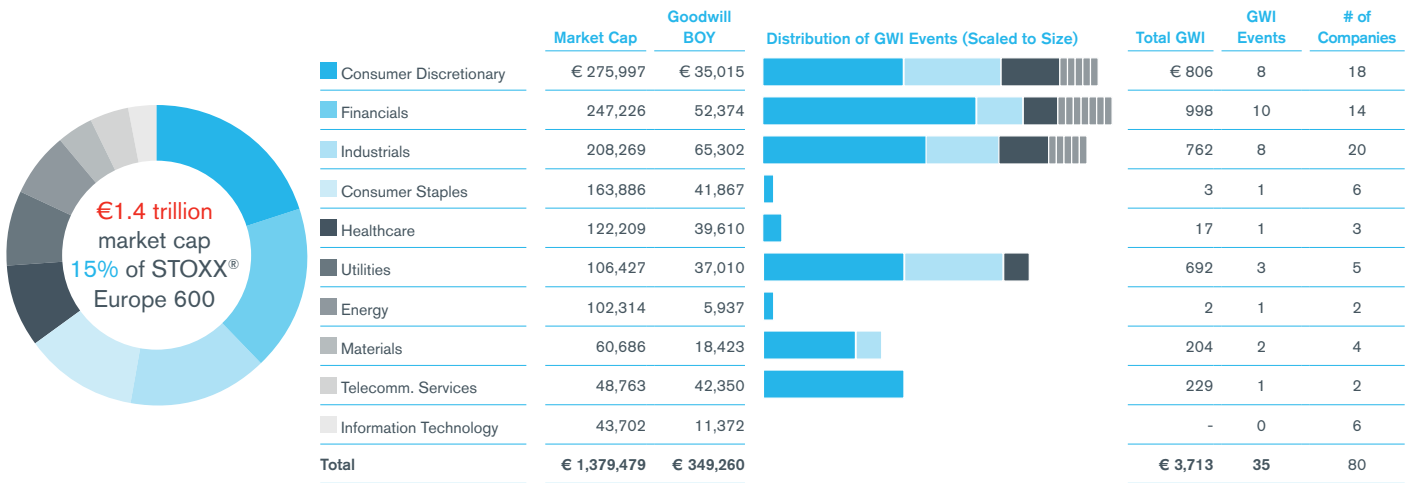
From an industry viewpoint, Financials alone accounted for over a quarter of the aggregate impairment amount and ranked first in terms of number of events. The most significant impairments were related to subsidiaries of French banks located in some specific countries, such as Russia (whose economy has suffered from the impact of plummeting oil prices and sanctions imposed after Russia's military intervention in Ukraine), or Italy (where the financial system has been severely hit since the 2008 crisis). Impairments recognised in Consumer Discretionary were spread over a number of high-end and luxury brands. Utilities remained fragile due to changes in the local regulatory environment and low energy prices.

Overall, compared to the preceding three years, the impairments in 2014 reached a low point and are attributable to a variety of factors, rather than sharing a single common theme. Further analysis reveals that the main drivers of goodwill impairment events in 2014 could be classified into three main categories: geopolitical instability, changes in the regulatory environment, and entity-specific developments.

- Carine Tourneur, Managing Director, Paris office

2014 Country Spotlights

France



BOY=Beginning of Year GWI=Goodwill Impairment

80
Companies

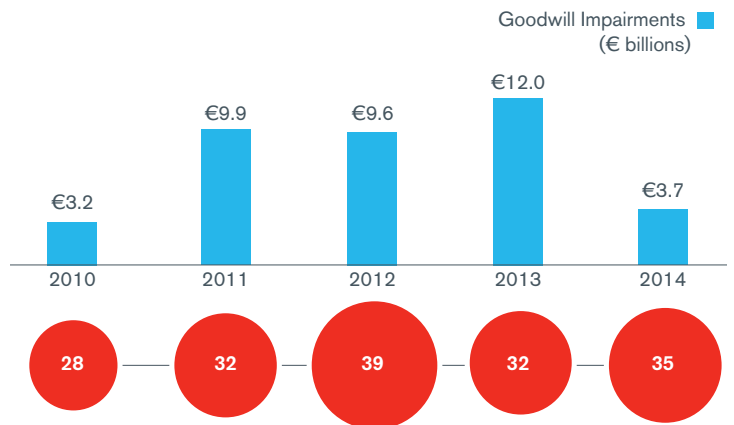
4.2%
Goodwill to Total Assets (GW/TA)

1.1%
Percent of Goodwill Impaired (GWI/GW ratio)

98.8%
Companies with Goodwill

44.3%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

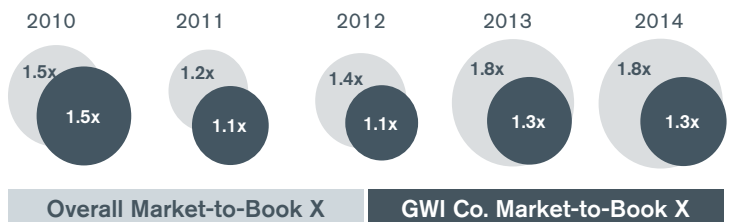
1.8
Market-to-Book Ratio (median)



Number of Goodwill Impairment Events

Top 3 Goodwill Impairments in France (in millions)

Societe Generale Group.....	€ 525
Compagnie de Saint-Gobain S.A.....	€ 360
BNP Paribas SA.....	€ 351



2014 Country Spotlights



		Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecomm. Services	Utilities	Total
Number of Companies		0	9	10	10	3	8	10	4	2	2	58
Goodwill Impairments € millions (number of events)	2014	€ 0 0	€ 49 (3)	€ 160 (3)	€ 141 (3)	€ 88 (1)	€ 66 (2)	€ 494 (2)	€ 0 0	€ 51 (1)	€ 382 (1)	€ 1,431 (16)
	5-Year Avg.	€ 0 0	€ 148 (3)	€ 336 (1)	€ 134 (2)	€ 74 (1)	€ 27 (2)	€ 583 (2)	€ 16 (1)	€ 1,423 (1)	€ 734 (1)	€ 3,473 (15)
Percentage of Companies with Goodwill	2014	0%	89%	100%	100%	100%	100%	90%	75%	100%	100%	95%
	5-Year Avg.	0%	68%	100%	86%	80%	100%	93%	69%	100%	100%	87%
Goodwill Intensity (Goodwill / Total Assets)	2014	0%	16%	17%	5%	20%	32%	1%	44%	12%	11%	5%
	5-Year Avg.	0%	15%	15%	4%	17%	30%	1%	35%	14%	11%	4%
Percentage of Companies with Goodwill that Recorded a Goodwill Impairment	2014	0%	38%	30%	30%	33%	25%	22%	0%	50%	50%	29%
	5-Year Avg.	0%	47%	13%	26%	47%	25%	33%	21%	80%	60%	30%

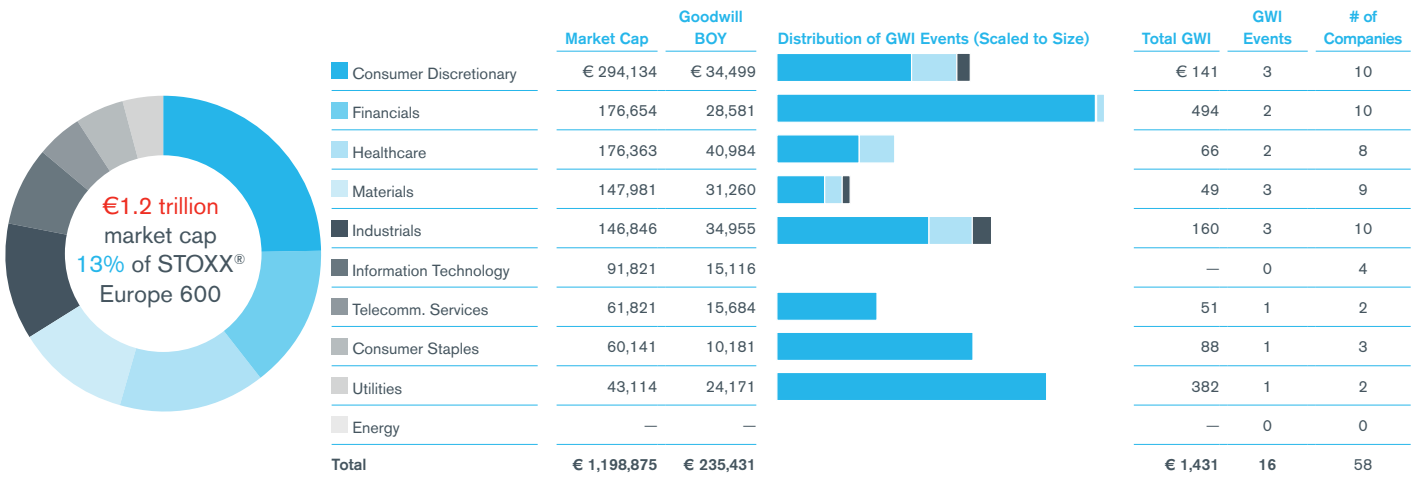
The economic environment in 2014 was very favourable for German companies. Robust consumer spending and strong exports, coupled with a weakening euro and falling oil prices underlay a healthy economy and a positive outlook. Likewise, the stock market reached all-time high levels, and with interest rates touching zero and even below, impairment triggers were minimised.

Goodwill impairments in Germany totalled €1.4 billion in 2014, which is approximately half of the level in the previous year; in turn, 2013 impairments had dropped by 52% compared to 2012. With this declining trend in the background, 2014 marked a 5-year impairment low for German companies. Despite the sharp 50% decline in aggregate goodwill impairments in 2014, this trend may well reverse in 2015, as several notable impairment events have already been announced in Germany.

In terms of industries, Financials and Utilities accounted for more than half of the total amount of goodwill impairments recognised in 2014. This is not surprising: Financials are still suffering from the lingering effects of the Euro sovereign crisis, while the extremely low interest rates are putting further pressure on their margins. Utilities are facing a challenging situation as a consequence of new regulations dictated by the German government, which require a shift towards renewables. At the other end of the spectrum, not a single impairment was observed for Information Technology companies included in the study, even though this industry reports the highest level of goodwill intensity, with goodwill accounting for 44% of total assets, on average. The Information Technology industry is booming and has a very positive outlook, backed by the digitalisation of businesses and consumers' daily lives.

- Hartmut Paulus, Managing Director, Frankfurt office

2014 Country Spotlights



BOY=Beginning of Year GWI=Goodwill Impairment

58
Companies

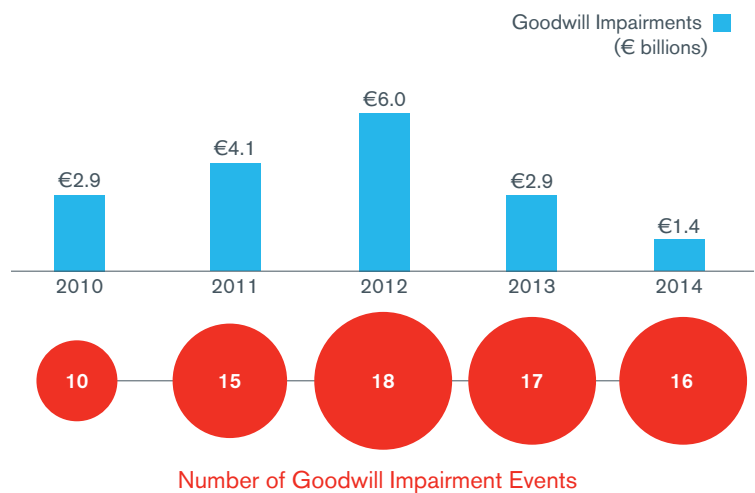
4.8%
Goodwill to Total Assets (GW/TA)

0.6%
Percent of Goodwill Impaired (GWI/GW ratio)

94.8%
Companies with Goodwill

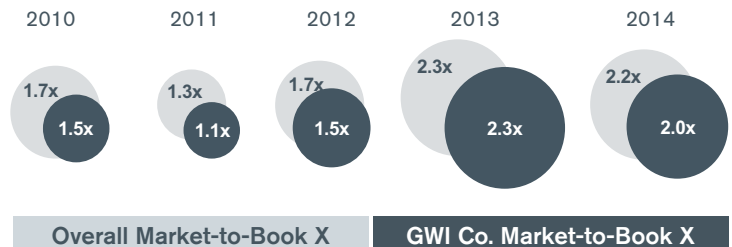
29.1%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.2
Market-to-Book Ratio (median)



Top 3 Goodwill Impairments in Germany (in millions)

Munich Re Group	€ 445
E.ON SE	€ 382
Bilfinger SE	€ 148



Industry Spotlights

Industry Spotlights cover ten industries, providing an in-depth focus on their relevant metrics and statistics. Each Spotlight displays a variety of data, including the top three companies in the 2015 Study that recognised the highest amount of goodwill impairment within each industry for calendar year 2014.

The guide below provides a brief description of the components of the Industry Spotlights.

2014 Industry Spotlight

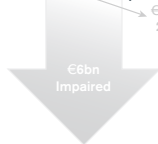
Energy

GICS Code 10

Goodwill Trends 2009 – 2014

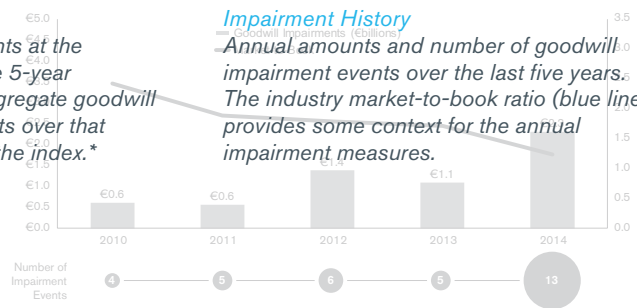
Goodwill Trends

Provides goodwill amounts at the beginning and end of the 5-year period, as well as the aggregate goodwill additions and impairments over that period for companies in the index.*



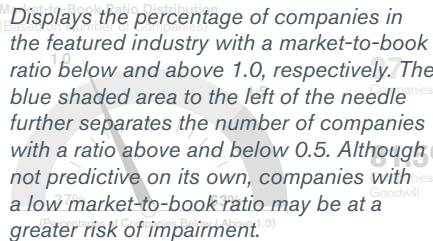
Impairment History

Annual amounts and number of goodwill impairment events over the last five years. The industry market-to-book ratio (blue line) provides some context for the annual impairment measures.



Market-to-Book Ratio Distribution

Displays the percentage of companies in the featured industry with a market-to-book ratio below and above 1.0, respectively. The blue shaded area to the left of the needle further separates the number of companies with a ratio above and below 0.5. Although not predictive on its own, companies with a low market-to-book ratio may be at a greater risk of impairment.



Summary Statistics

Depicts: (i) Goodwill Intensity (GW/TA); (ii) Loss Intensity (GWI/GW); (iii) Percent of Companies with Goodwill; and (iv) Percent of Companies with Goodwill that Recorded Goodwill Impairment in 2014 for the featured industry.



Size of Industry

Represents the size of the industry relative to the combined size of all companies included in the 2015 Study (STOXX® Europe 600 Index), measured in terms of market capitalisation.



Index

Shows the five-year returns of the industry sector sub-index and the STOXX® Europe 600 Index overall.† Summarises the relative performance of the industry, reflecting what a €1 investment at the end of 2009 would be worth at the end of 2014.



Top 3 Industry Goodwill Impairments

Highlights the top 3 goodwill impairments recorded in the featured industry during calendar year 2014.

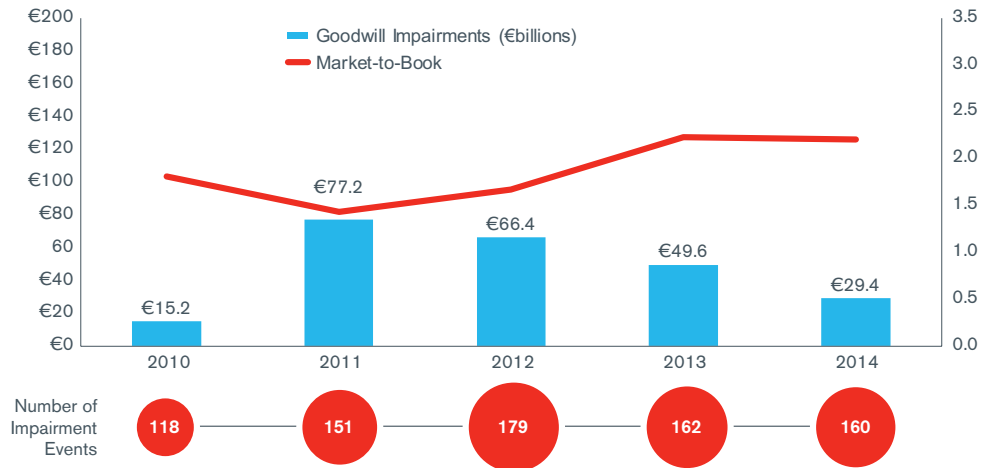
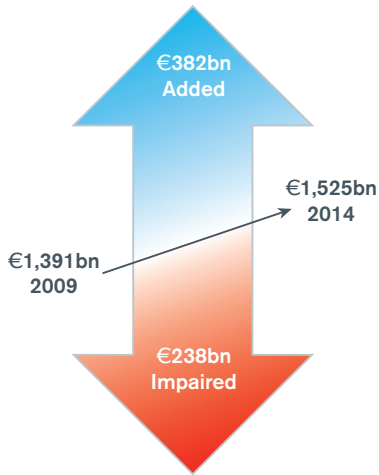
Company	Goodwill Impairment (€ million)
Subsea 7 SA	€978 million
Statoil ASA	€464 million

* Because companies regularly move into and out of the STOXX® Europe 600 Index (the typical annual churn rate is approximately 40 companies), this comparison does not include the same set of companies every year. In addition, two industries with a relatively small number of companies in the STOXX® Europe 600 Index—Utilities and Telecommunication Services—have suffered from some of the largest goodwill impairments over the 2010-2014 period relative to the overall STOXX® Europe 600 Index. The magnitude of goodwill impairments has far outstripped goodwill additions through acquisitions made by companies in these two industries. Combined, these factors have depressed the year-end goodwill balance for both industries and this explains why Utilities appears to have a negative goodwill addition of €13 billion over the 2010-2014 period (see Utilities Spotlight), whereas Telecommunication Services appears to have a negative €8 billion goodwill addition (see Telecommunication Services Spotlight).

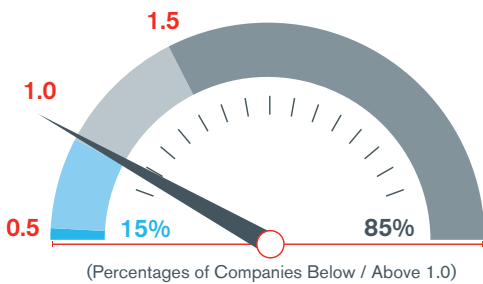
† STOXX® Europe 600 industry sub-indices are constructed by the index provider for ten industries based on the Industry Classification Benchmark. This is a different industry classification from that used throughout the 2015 Study, which is based on GICS codes. Although the industry definitions are broadly similar, the naming convention is slightly different. For example, in the Energy spotlight we show the performance of the STOXX® Europe 600 Oil & Gas sub-index.

2014 Composite Industry Spotlight

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



591
Companies

3.5%
Goodwill to Total Assets (GW/TA)

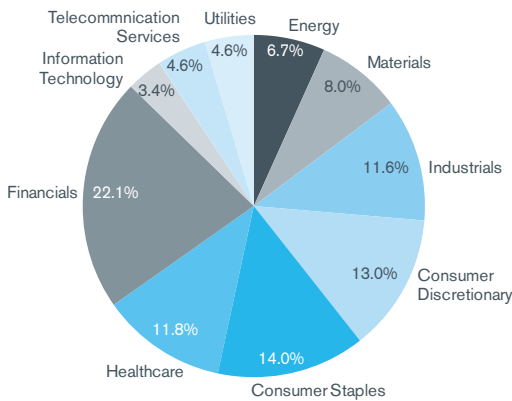
2.1%
Percent of Goodwill Impaired (GWI/GW ratio)

89.7%
Companies with Goodwill

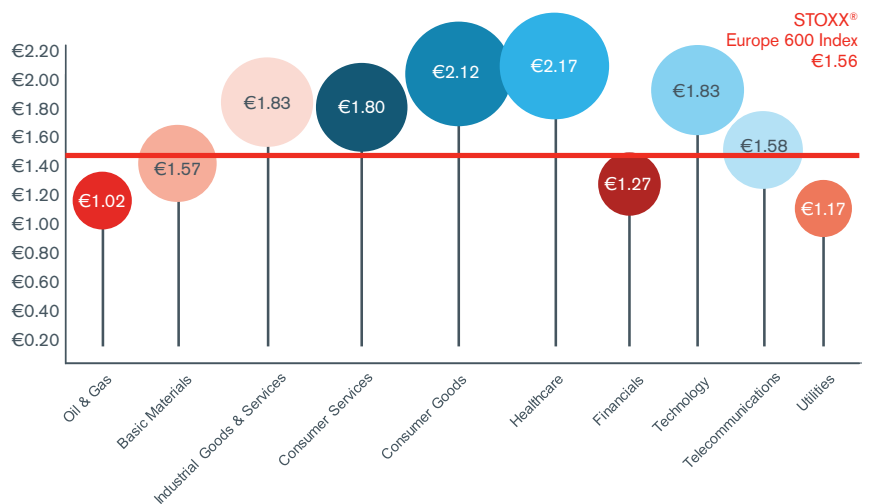
30.2%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.2
Market-to-Book Ratio (median)

Size of Industry (Relative to Study's Total Market Cap)



Index (Year End 2009 = €1)



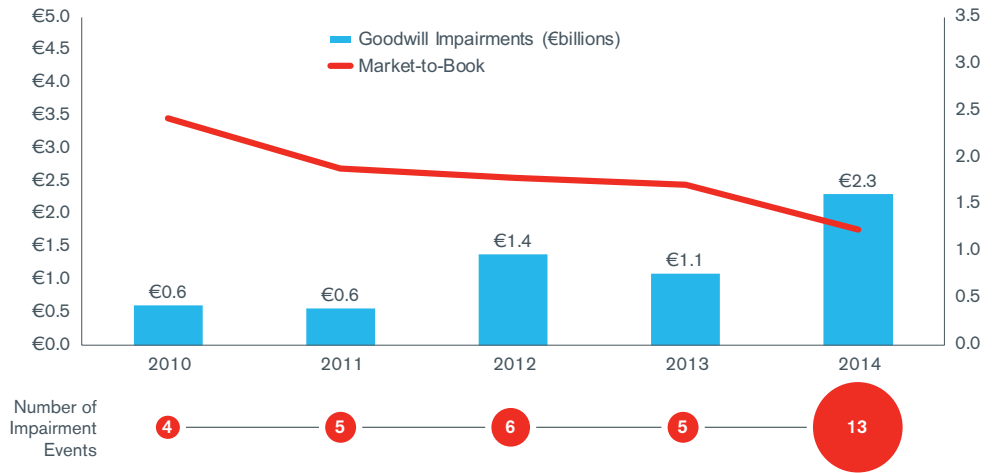
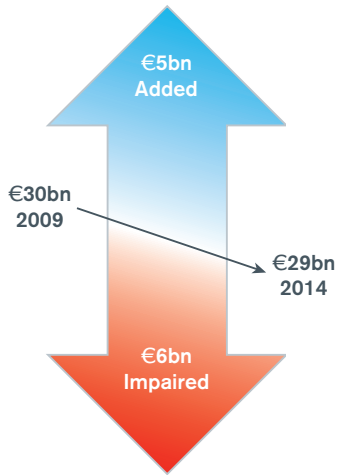
Top 3 Industry Goodwill Impairments (in millions)

Vodafone Group PLC.....	€8,498	(GBP 6,600)
Nestlé S.A.....	€1,587	(CHF 1,908)
Danske Bank A/S.....	€1,222	(DKK 9,099)

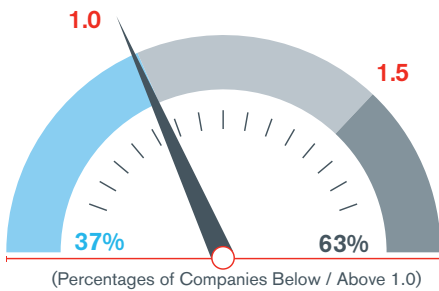
2014 Industry Spotlight

Energy
GICS Code 10

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



27
Companies

2.3%
Goodwill to Total Assets (GW/TA)

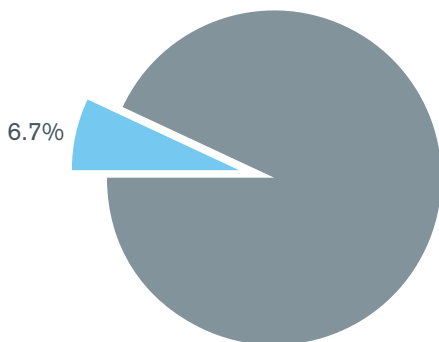
6.8%
Percent of Goodwill Impaired (GWI/GW ratio)

81.5%
Companies with Goodwill

59.1%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

1.2
Market-to-Book Ratio (median)

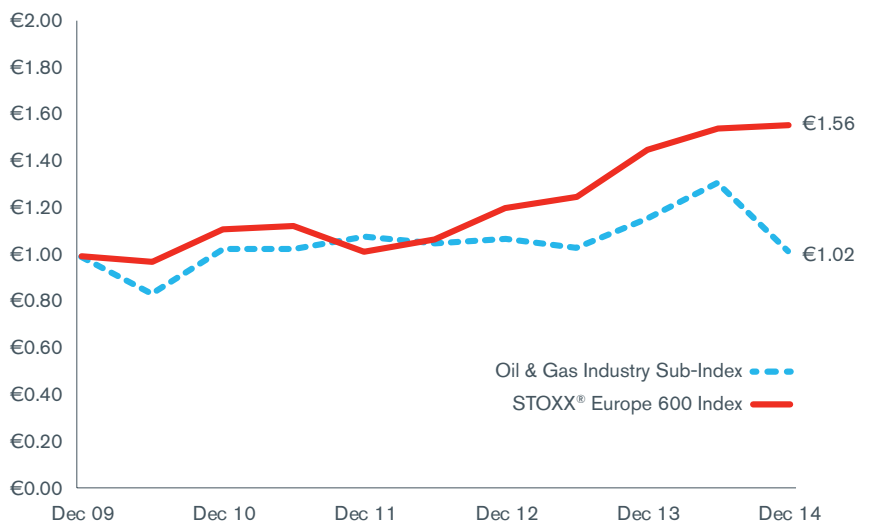
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Subsea 7 SA	€978 (\$1,183)
Statoil ASA	€464 (NOK 4,200)
OMV Aktiengesellschaft	€342

Index (Year End 2009 = €1)

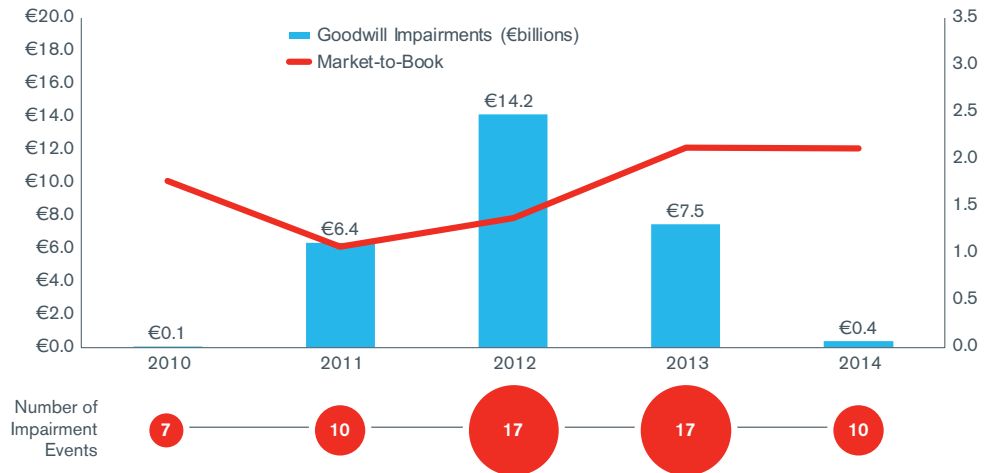
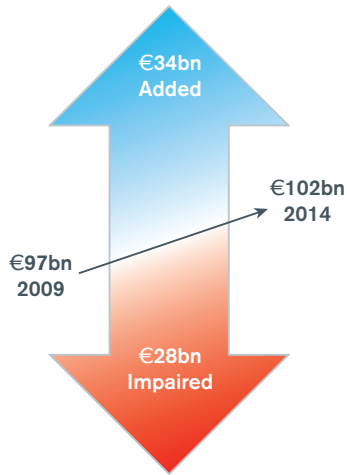


2014 Industry Spotlight

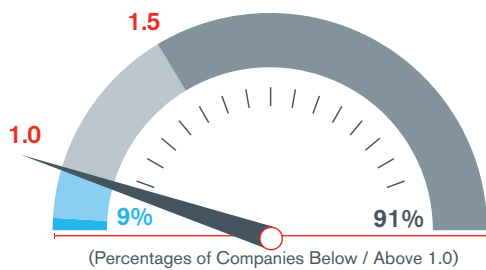
Materials

GICS Code 15

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



55
Companies

9.8%
Goodwill to Total Assets (GW/TA)

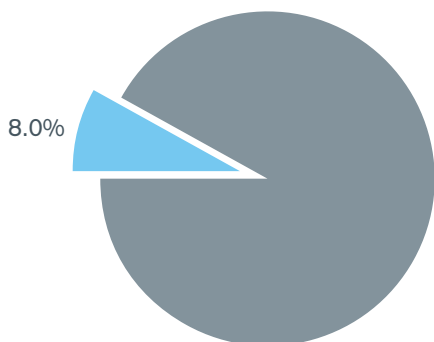
0.4%
Percent of Goodwill Impaired (GWI/GW ratio)

89.1%
Companies with Goodwill

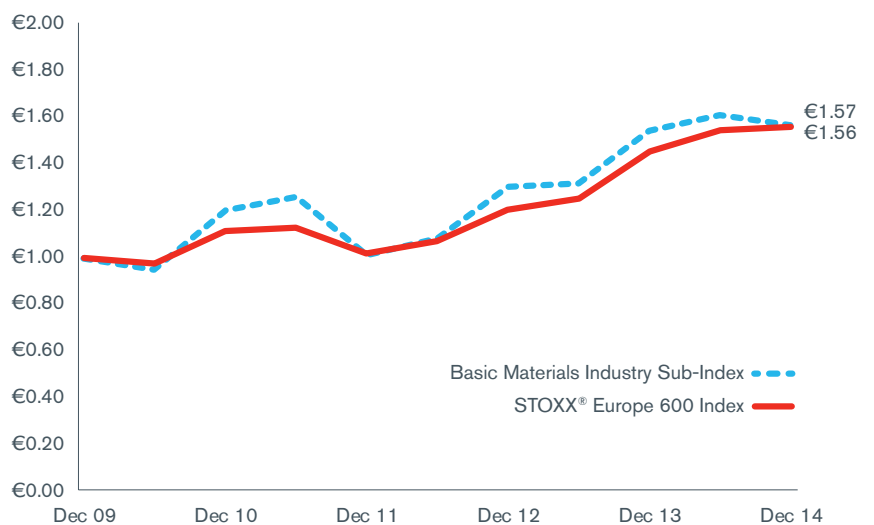
20.4%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.1
Market-to-Book Ratio (median)

Size of Industry (Relative to Study's Total Market Cap)



Index (Year End 2009 = €1)



Top 3 Industry Goodwill Impairments (in millions)

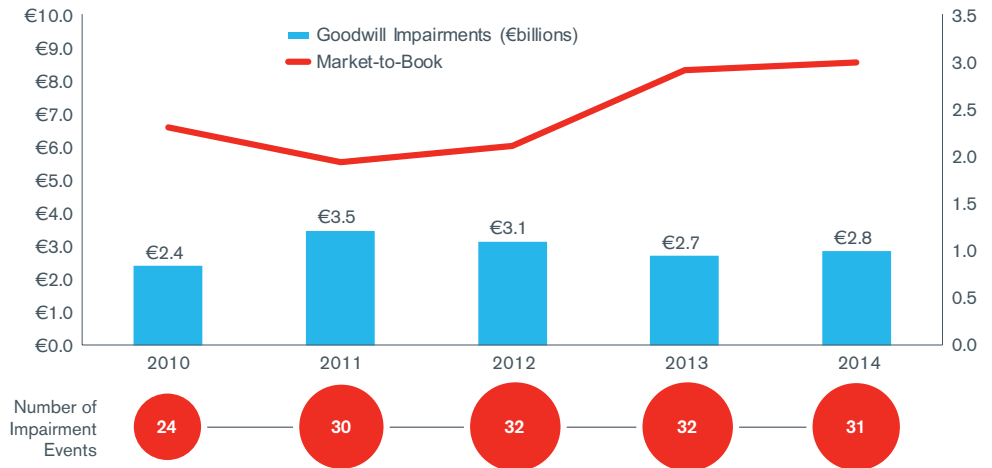
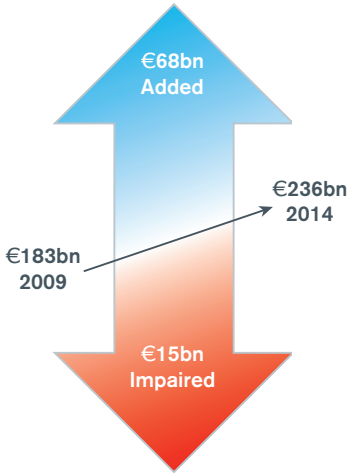
Lafarge S.A.....	€174
BHP Billiton PLC.....	€74 (\$90)
HeidelbergCement AG.....	€41

2014 Industry Spotlight

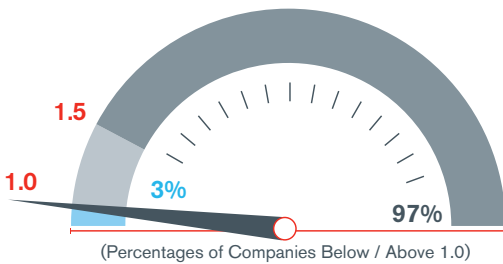
Industrials

GICS Code 20

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



121
Companies

15.6%
Goodwill to Total Assets (GW/TA)

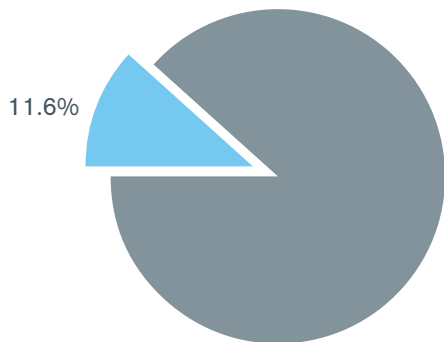
1.3%
Percent of Goodwill Impaired (GWI/GW ratio)

95.0%
Companies with Goodwill

27.0%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

3.0
Market-to-Book Ratio (median)

Size of Industry (Relative to Study's Total Market Cap)



Index (Year End 2009 = €1)



Top 3 Industry Goodwill Impairments (in millions)

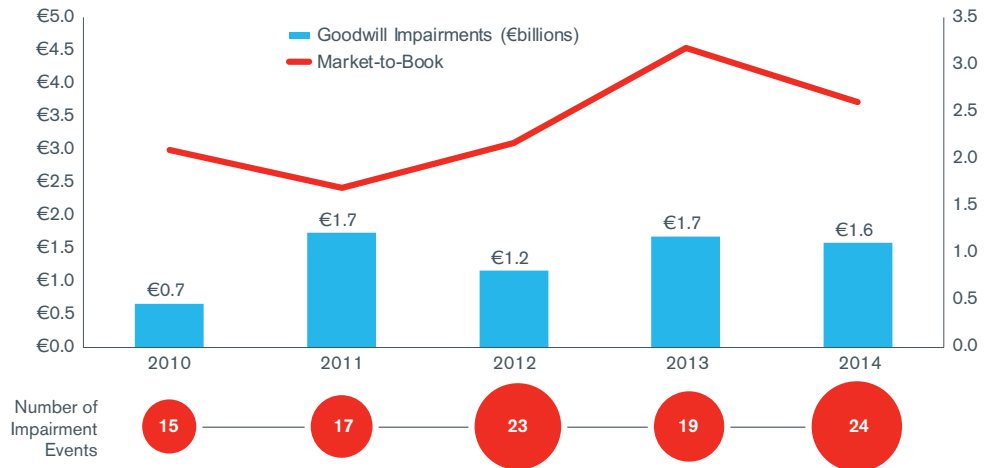
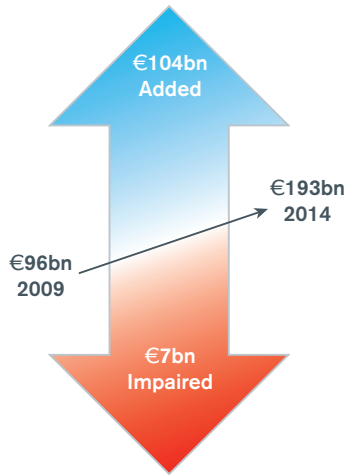
Serco Group PLC.....	€600 (£466)
Compagnie de Saint-Gobain S.A.....	€360
A.P. Møller - Mærsk A/S.....	€324 (\$392)

2014 Industry Spotlight

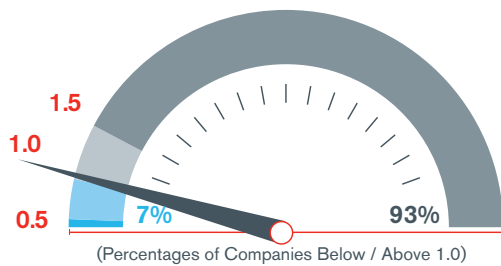
Consumer Discretionary

GICS Code 25

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



87
Companies

11.6%
Goodwill to Total Assets (GW/TA)

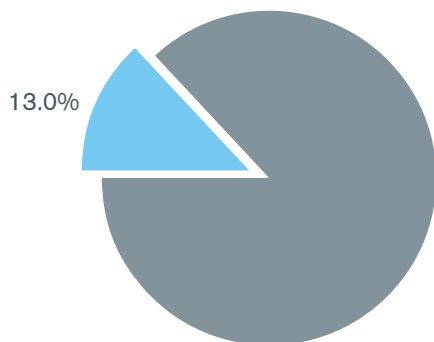
1.1%
Percent of Goodwill Impaired (GWI/GW ratio)

89.7%
Companies with Goodwill

30.8%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.6
Market-to-Book Ratio (median)

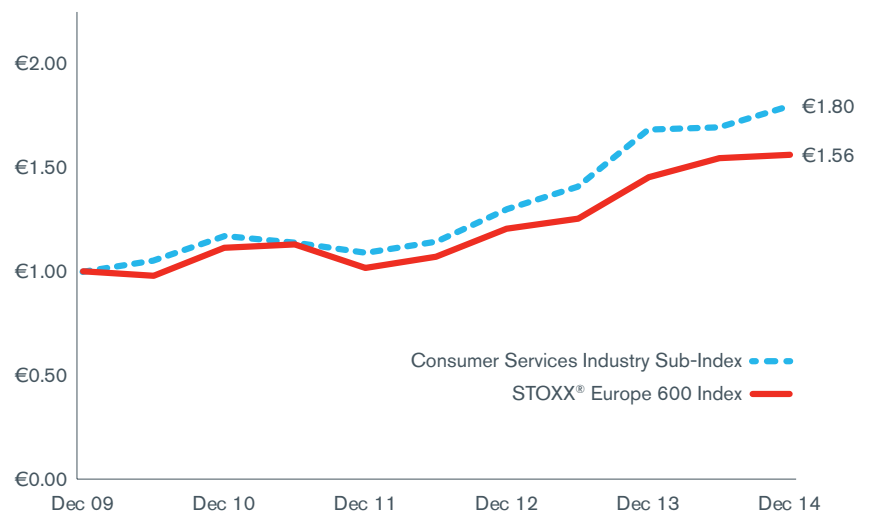
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Informa PLC	€249 (£255)
Christian Dior SE	€218
LVMH Moët Hennessy Louis Vuitton SA	€209

Index (Year End 2009 = €1)

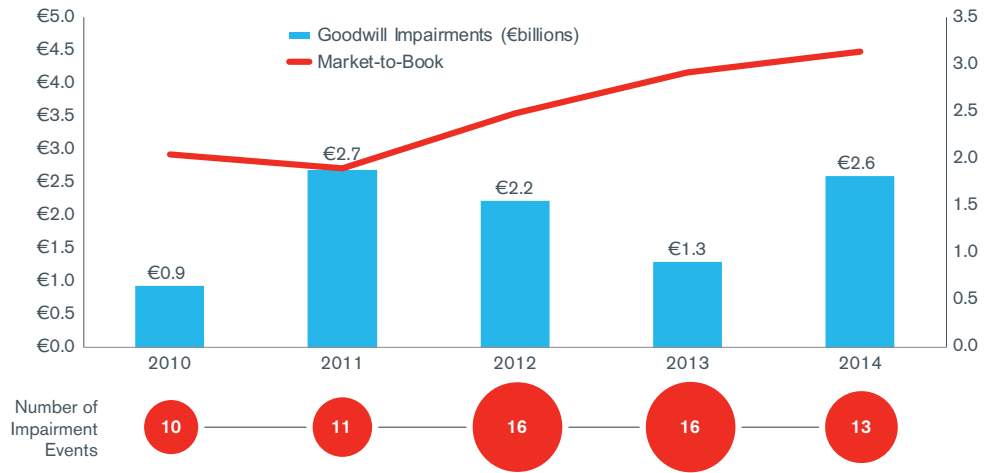
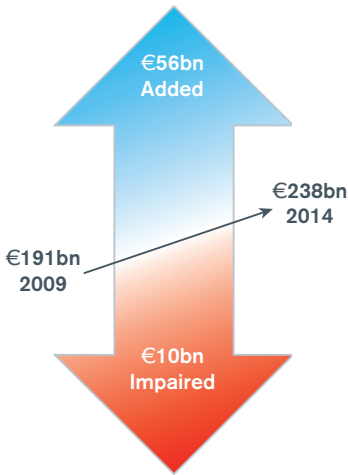


2014 Industry Spotlight

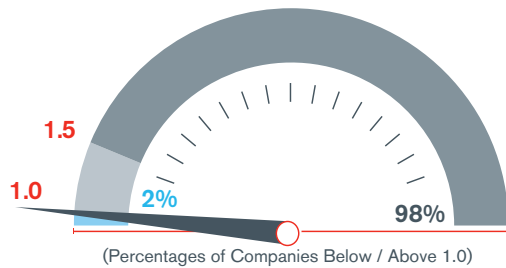
Consumer Staples

GICS Code 30

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



48
Companies

23.2%
Goodwill to Total Assets (GW/TA)

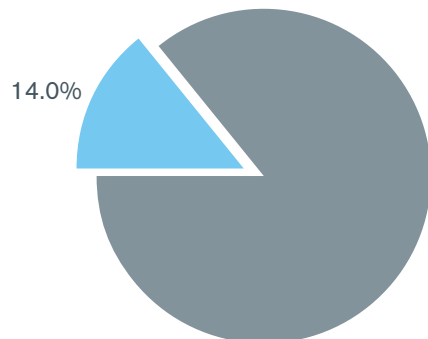
1.2%
Percent of Goodwill Impaired (GWI/GW ratio)

83.3%
Companies with Goodwill

32.5%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

3.1
Market-to-Book Ratio (median)

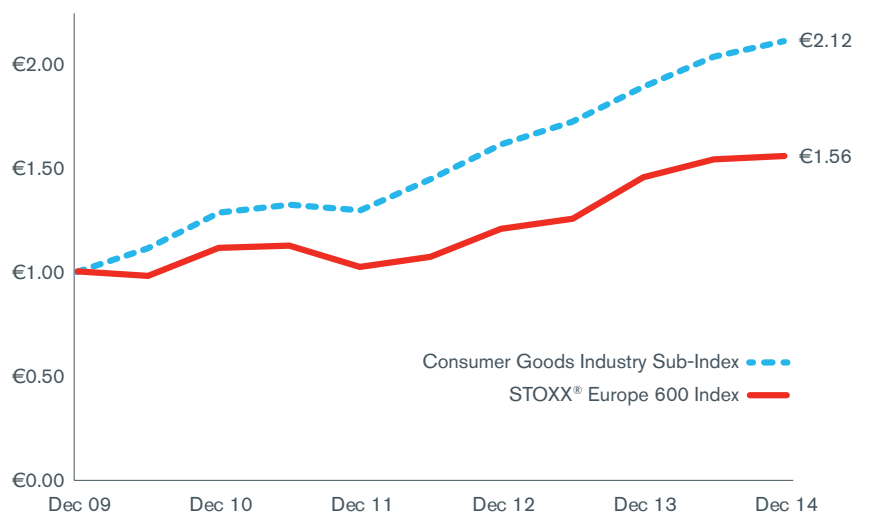
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Nestlé S.A.	€1,587 (CHF 1,908)
Tesco PLC	€695 (£540)
Gruppe Delhaize SA	€138

Index (Year End 2009 = €1)

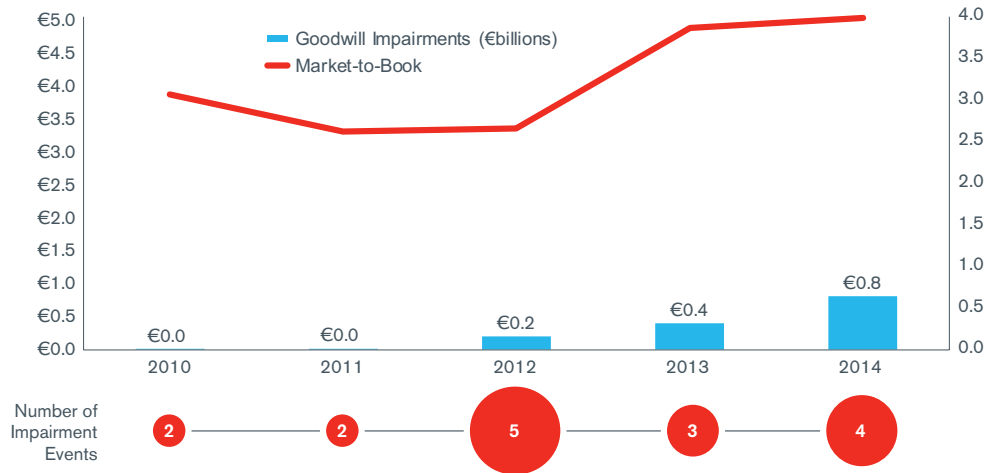
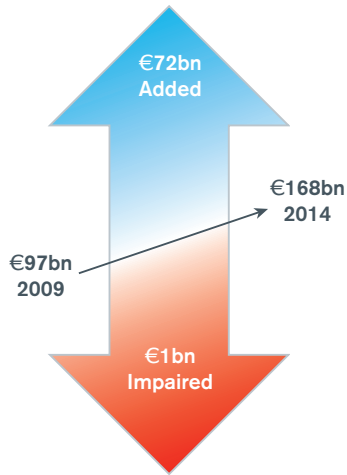


2014 Industry Spotlight

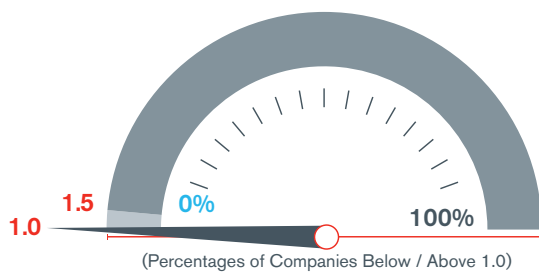
Healthcare

GICS Code 35

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



35
Companies

26.6%
Goodwill to Total Assets (GW/TA)

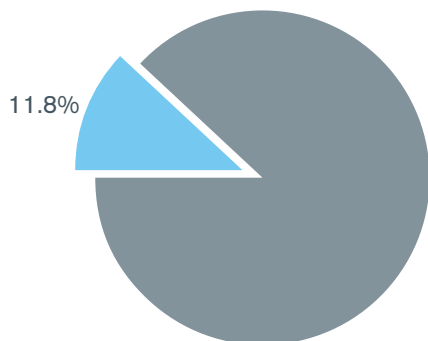
0.6%
Percent of Goodwill Impaired (GWI/GW ratio)

94.3%
Companies with Goodwill

12.1%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

4.0
Market-to-Book Ratio (median)

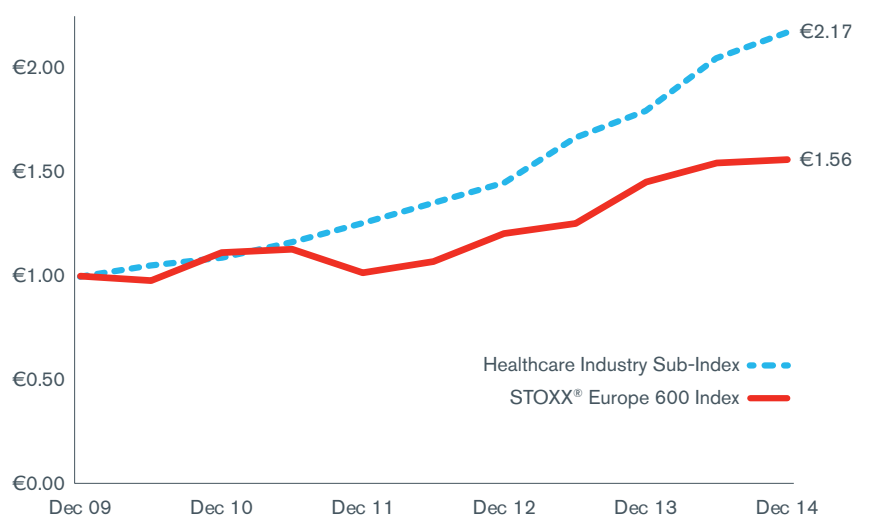
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Roche Holding AG	€727 (CHF 874)
Stada-Arzneimittel AG	€60
Essilor International SA	€17

Index (Year End 2009 = €1)

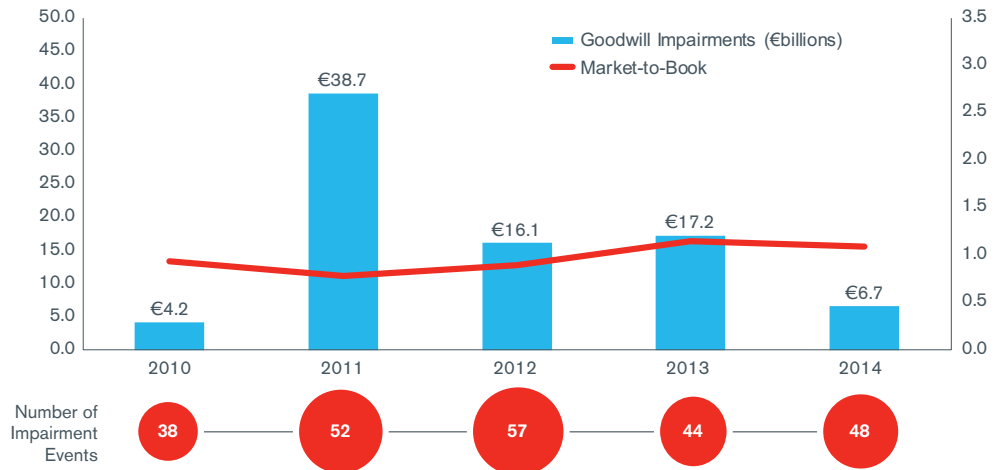
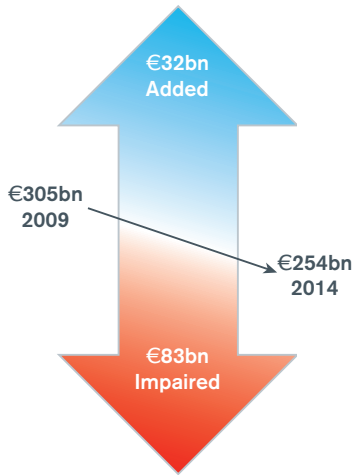


2014 Industry Spotlight

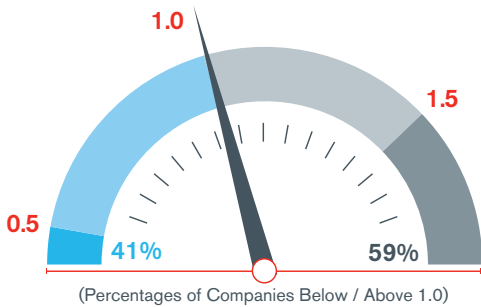
Financials

GICS Code 40

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



144
Companies

0.7%
Goodwill to Total Assets (GW/TA)

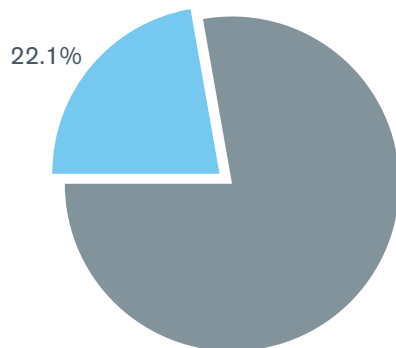
2.7%
Percent of Goodwill Impaired (GWI/GW ratio)

86.1%
Companies with Goodwill

38.7%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

1.1
Market-to-Book Ratio (median)

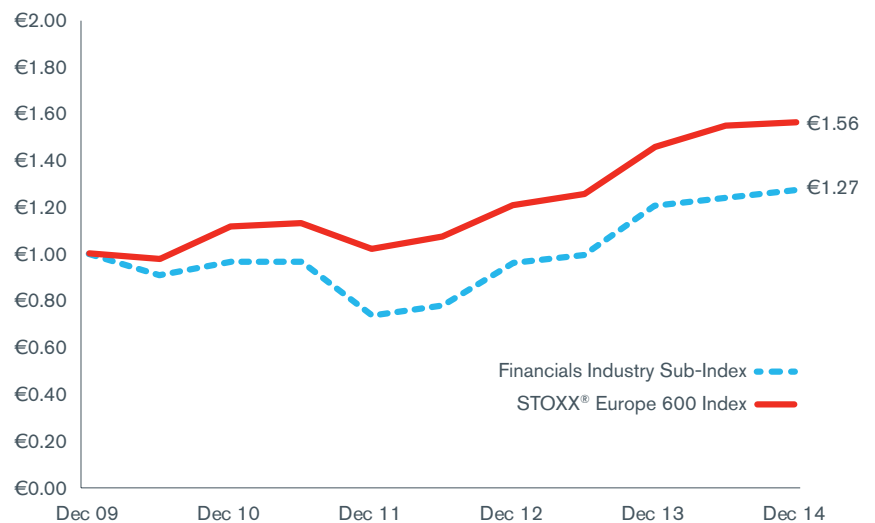
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Danske Bank A/S.....	€1,222 (DKK 9,099)
Unione di Banche Italiane Scpa.....	€1,046
Banca Monte dei Paschi di Siena S.p.A.	€662

Index (Year End 2009 = €1)

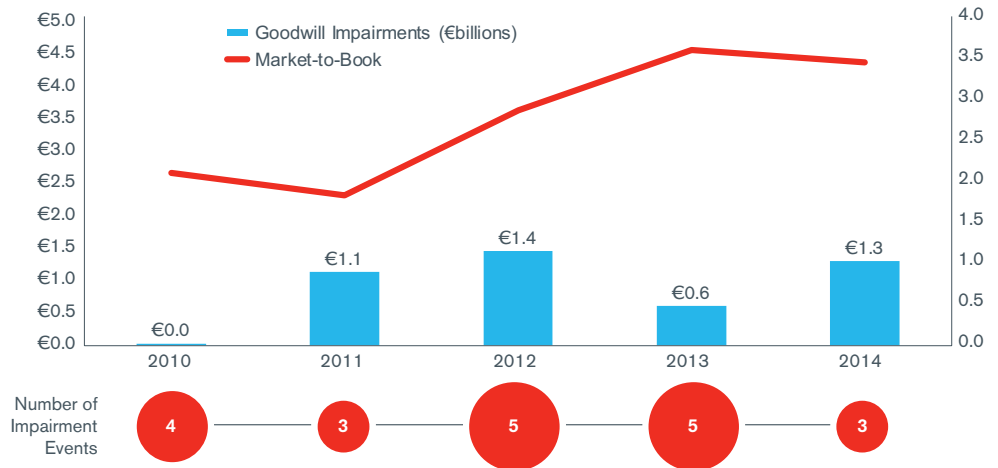
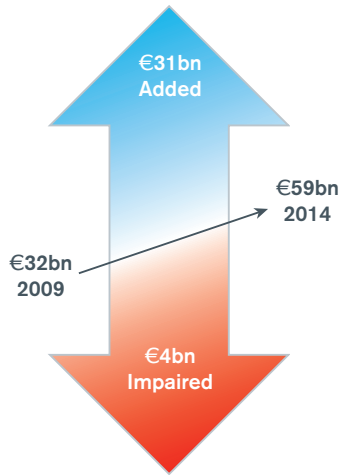


2014 Industry Spotlight

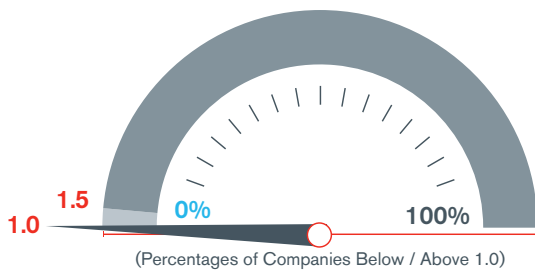
Information Technology

GICS Code 45

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



29
Companies

28.1%
Goodwill to Total Assets (GW/TA)

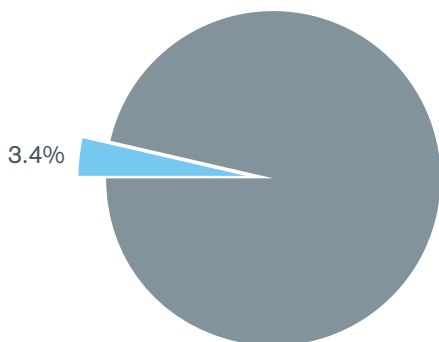
2.8%
Percent of Goodwill Impaired (GWI/GW ratio)

96.6%
Companies with Goodwill

10.7%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

3.4
Market-to-Book Ratio (median)

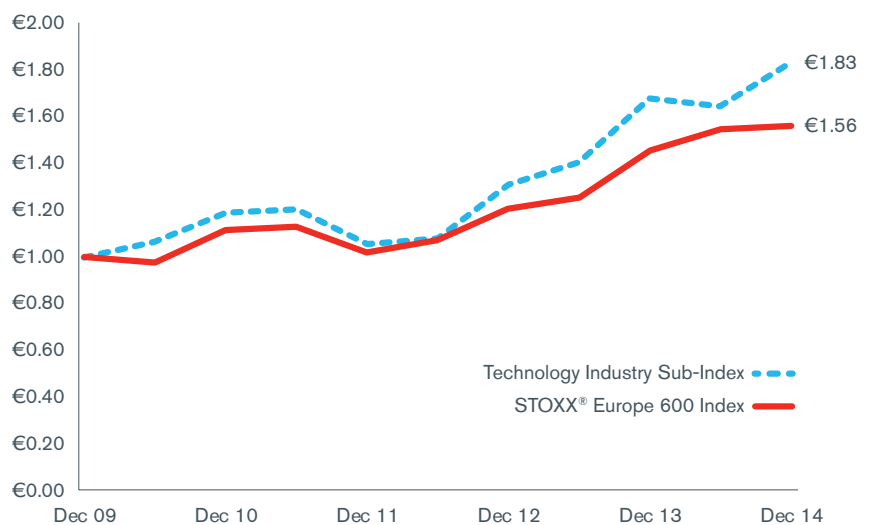
Size of Industry (Relative to Study's Total Market Cap)



Top 3 Industry Goodwill Impairments (in millions)

Nokia Corporation.....	€1,209
Sage Group PLC.....	€57 (£44)
Telecity Group PLC.....	€12 (£10)

Index (Year End 2009 = €1)

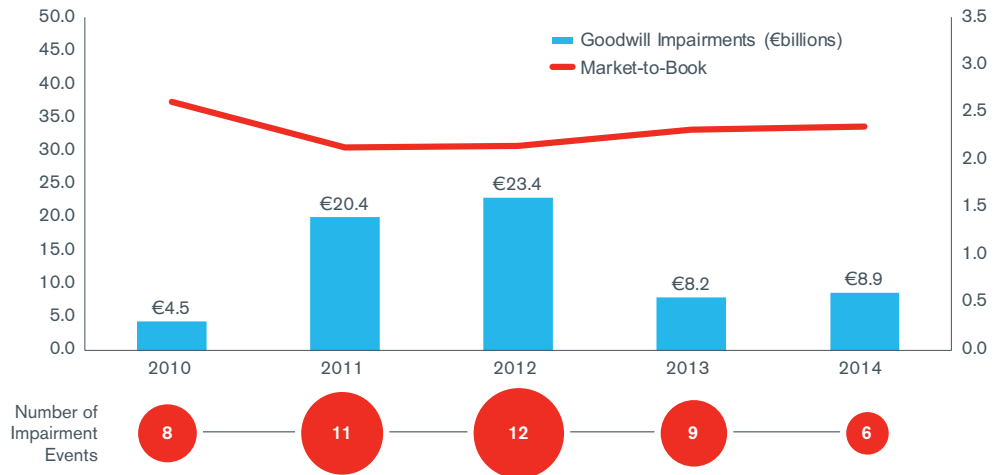
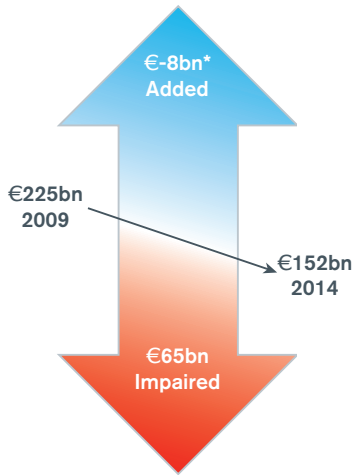


2014 Industry Spotlight

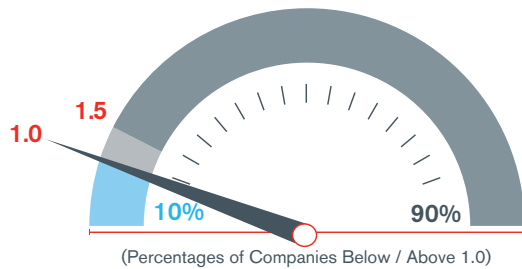
Telecommunication Services

GICS Code 50

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



21
Companies

20.6%
Goodwill to Total Assets (GW/TA)

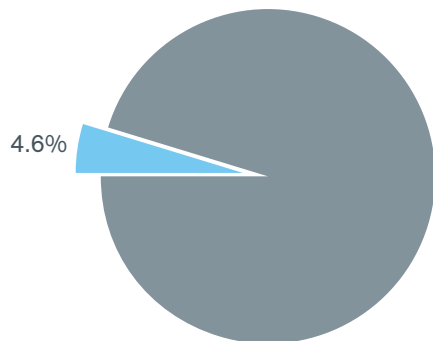
5.3%
Percent of Goodwill Impaired (GWI/GW ratio)

90.5%
Companies with Goodwill

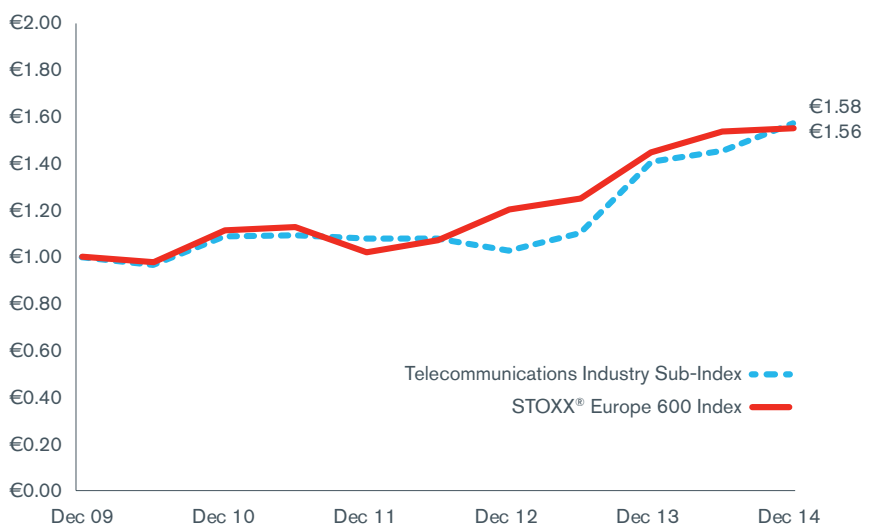
31.6%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

2.4
Market-to-Book Ratio (median)

Size of Industry (Relative to Study's Total Market Cap)



Index (Year End 2009 = €1)



Top 3 Industry Goodwill Impairments (in millions)

Vodafone Group PLC	€8,498 (£6,600)
Orange	€229
TeliaSonera Aktiebolag (publ)	€80 (SEK 753)

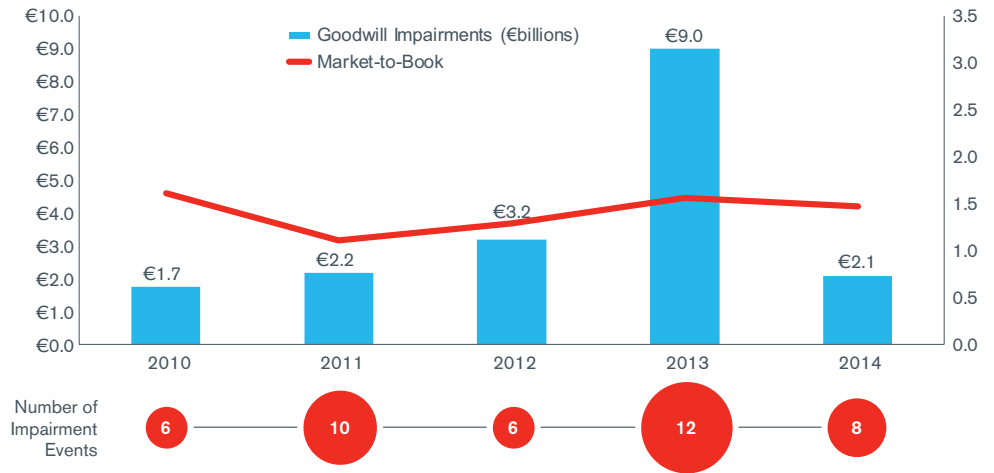
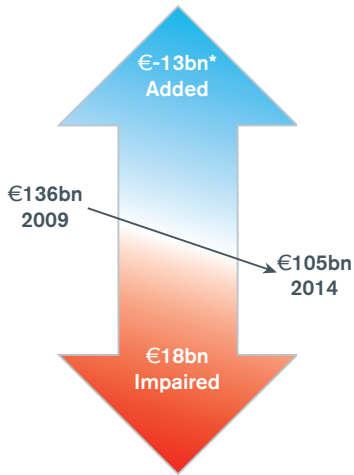
* The decrease in the amount of goodwill added is due to the combined effect of: (i) the change in the composition of the index over the period; and (ii) the magnitude of goodwill impairments outstripping goodwill additions through acquisitions.

2014 Industry Spotlight

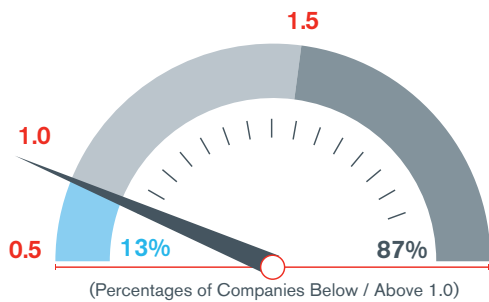
Utilities

GICS Code 55

Goodwill Trends 2009 – 2014



Market-to-Book Ratio Distribution (Based on Number of Companies)



24
Companies

8.0%
Goodwill to Total Assets (GW/TA)

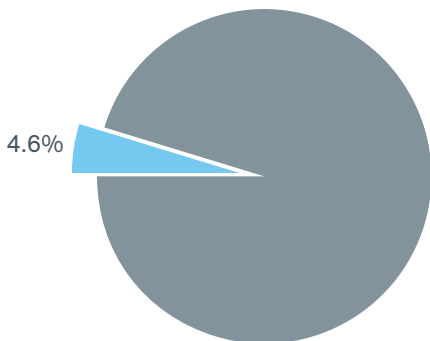
2.0%
Percent of Goodwill Impaired (GWI/GW ratio)

91.7%
Companies with Goodwill

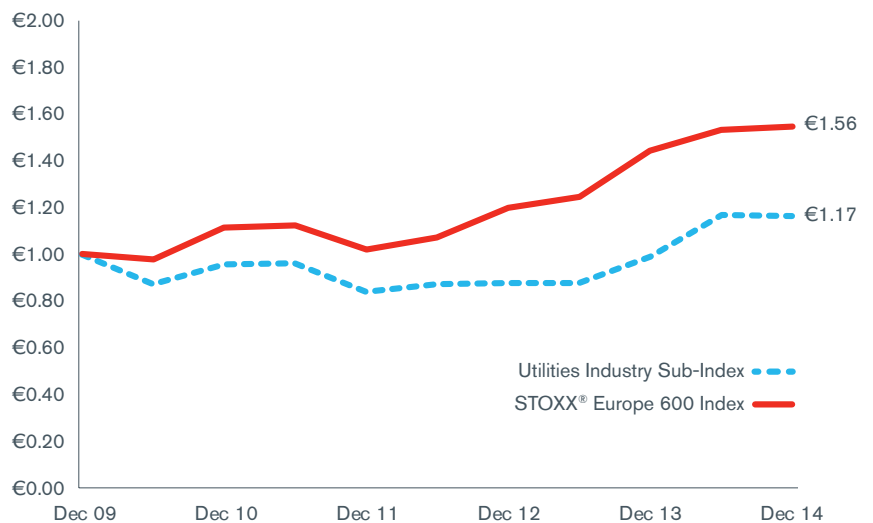
36.4%
Percent of Companies with Goodwill that Recorded a Goodwill Impairment in 2014

1.5
Market-to-Book Ratio (median)

Size of Industry (Relative to Study's Total Market Cap)



Index (Year End 2009 = €1)



Top 3 Industry Goodwill Impairments (in millions)

Enel SpA.....	€891
E.ON SE.....	€382
Veolia Environnement S.A.....	€312

* The decrease in the amount of goodwill added is due to the combined effect of: (i) the change in the composition of the index over the period; and (ii) the magnitude of goodwill impairments outstripping goodwill additions through acquisitions.

Goodwill Impairments by Sub-Industry

Calendar Year 2014

Goodwill Intensity:

- Goodwill to Total Assets (GW/TA)

Loss Intensity:

- Goodwill Impairment to Goodwill (GWI/GW)

List of Industries by Sub-Industry, as defined by Global Industry Classification Standard (GICS)

GICS Code	GICS Sub-Industry Name	Number Co.'s	% of Co.'s with GW	GW/TA	GWI/GW	% of Co's with GW that Recorded GWI	Goodwill Impairment (in €millions)	Market-to-Book Ratio
							€ 2.3 (industry total)	
Energy								
1010	Energy	27	81.5%	2.3%	6.8%	59.1%	€ 2.3	1.2
							€ 0.4 (industry total)	
Materials								
1510	Materials	55	89.1%	9.8%	0.4%	20.4%	€ 0.4	2.1
							€ 2.8 (industry total)	
Industrials								
2010	Capital Goods	71	97.2%	16.2%	1.0%	29.0%	€ 1.6	2.7
2020	Commercial and Professional Services	27	92.6%	30.8%	3.4%	28.0%	€ 0.8	4.1
2030	Transportation	23	91.3%	9.1%	1.2%	19.0%	€ 0.4	2.5
							€ 1.6 (industry total)	
Consumer Discretionary								
2510	Automobiles and Components	13	100.0%	4.6%	0.2%	15.4%	€ 0.1	1.7
2520	Consumer Durables and Apparel	21	81.0%	12.8%	3.7%	35.3%	€ 0.8	2.7
2530	Consumer Services	14	100.0%	21.8%	0.3%	21.4%	€ 0.0	3.1
2540	Media	27	92.6%	36.5%	1.2%	40.0%	€ 0.6	2.7
2550	Retailing	12	75.0%	10.8%	0.9%	33.3%	€ 0.1	5.4
							€ 2.6 (industry total)	
Consumer Staples								
3010	Food and Staples Retailing	14	100.0%	12.2%	2.9%	57.1%	€ 1.0	2.1
3020	Food, Beverage and Tobacco	27	70.4%	27.5%	1.0%	26.3%	€ 1.6	3.3
3030	Household and Personal Products	7	100.0%	26.5%	0.0%	0.0%	€ 0.0	4.2
							€ 0.8 (industry total)	
Healthcare								
3510	Health Care Equipment and Services	12	91.7%	41.4%	0.1%	9.1%	€ 0.0	3.9
3520	Pharmaceuticals, Biotechnology and Life Sciences	23	95.7%	23.8%	0.8%	13.6%	€ 0.8	4.0
							€ 6.7 (industry total)	
Financials								
4010	Banks	43	93.0%	0.6%	4.4%	52.5%	€ 5.8	0.8
4020	Diversified Financials	36	88.9%	1.3%	0.2%	28.1%	€ 0.1	1.8
4030	Insurance	39	97.4%	0.9%	1.2%	26.3%	€ 0.7	1.1
4040	Real Estate	26	53.8%	0.8%	4.3%	57.1%	€ 0.1	1.1
							€ 1.3 (industry total)	
Information Technology								
4510	Software and Services	12	100.0%	44.8%	0.3%	16.7%	€ 0.1	4.2
4520	Technology Hardware and Equipment	10	100.0%	18.9%	7.7%	10.0%	€ 1.2	2.7
4530	Semiconductors and Semiconductor Equipment	7	85.7%	10.8%	0.0%	0.0%	€ 0.0	3.3
							€ 8.9 (industry total)	
Telecommunications Services								
5010	Telecommunication Services	21	90.5%	20.6%	5.3%	31.6%	€ 8.9	2.4
							€ 2.1 (industry total)	
Utilities								
5510	Utilities	24	91.7%	8.0%	2.0%	36.4%	€ 2.1	1.5

Appendix 1:

Company Base Set Selection and Methodology

The 2015 Study focused on financial data for companies in the STOXX® Europe 600 Index for the period 2010-2014. The primary sources of data for the 2015 Study were Standard & Poor's S&P Capital IQ® database and individual company annual and interim financial reports.* The following procedures were used to arrive at the 2015 Study dataset, which was used to calculate all ratios and summary statistics throughout the 2015 Study:

- The 2015 Study used index constituents at the end of calendar year 2014 to form the annual dataset.†
- The dataset was assessed each year to identify any index constituents with a controlling interest in another constituent company, because in such cases the controlling investor (the parent) would have consolidated the underlying entity's (the subsidiary's) financial results. To avoid double-counting the parent's and the subsidiary's reported financial information (including recorded impairments), we excluded the financial results of any subsidiary companies in the index that met this criterion. We also excluded duplicates within the index that are dual listed on European exchanges.‡
- Financial data for all companies in the 2015 Study was adjusted, when applicable, to a calendar year end (rather than the most recent fiscal year end) to examine impairments over a specific period of time, regardless of company-specific choices of fiscal year.
- Finally, to allow for comparison of goodwill impairment amounts across companies, countries, and industries, the financial data for each company in the index with a non-euro reporting currency was translated into euros using the foreign exchange rate assumptions listed in Appendix 2 to this report. Regardless of fiscal year-end choices, for simplicity and comparability reasons, goodwill impairments (and other financial metrics) were translated into euros using the applicable spot foreign exchange rate as of 31 December of the applicable year, with a few exceptions.§

The resulting dataset was used to calculate all ratios and summary statistics throughout the 2015 Study.

* Although most of the companies in the STOXX® Europe 600 Index prepare financial statements in accordance with IFRS, some use other accounting standards, such as Swiss GAAP or U.S. GAAP. The 2015 Study did not make adjustments for any differences in accounting standards applied by companies within the index. However, because only a small proportion of the companies in the index do not use IFRS, we do not expect the inclusion of those companies to have a material impact on the statistics reported in the 2015 Study. For example, in 2014 there were 17 companies filing under either U.S. or Swiss GAAP. However, non-IFRS filers accounted for only 0.7% of the 2014 aggregate goodwill impairment amount for the entire universe of companies.

† Source: Bloomberg. The index is reviewed regularly for component changes and is typically adjusted on a quarterly basis. In 2013, the methodology was enhanced to utilize index members as of the end of the year. To keep the information consistent with the 2013 Study, the information for 2010-2012 was still collected based on index members at the beginning of each calendar year (e.g. 1 January 2010 for the 2010 list).

‡ This analysis resulted in the elimination of 10, 13, 12, 9 and 9 companies from the dataset in 2010, 2011, 2012, 2013 and 2014, respectively. Consequently, Tables 1-4 show that 2014 statistics were computed for 591 companies (600 companies in the STOXX® Europe 600 Index, less the 9 that were eliminated from the dataset).

§ Because of the fiscal year-end to calendar year-end adjustment, goodwill impairment amounts for some companies were calculated using financial results across different fiscal years. In such cases, spot foreign exchange rates corresponding to the appropriate fiscal year-end dates were used to convert the impairment amounts into euros.

Appendix 2:

Foreign Exchange Rate Assumptions

Year	Currency	Per €1	Year	Currency	Per €1
2014	CHF	1.202	30/09/2014	GBP	0.778
	DKK	7.447	30/06/2014	GBP	0.800
	GBP	0.777	31/03/2014	GBP	0.827
	NOK	9.056	03/11/2013	GBP	0.847
	SEK	9.471	14/09/2013	GBP	0.837
	USD	1.210	30/09/2013	GBP	0.836
2013	CHF	1.226	31/08/2013	GBP	0.853
	DKK	7.460	30/04/2013	GBP	0.846
	GBP	0.831	31/03/2013	GBP	0.844
	NOK	8.364	23/02/2013	GBP	0.862
	SEK	8.853	31/01/2013	GBP	0.857
	USD	1.377	31/03/2012	GBP	0.834
2012	CHF	1.207	30/09/2011	GBP	0.860
	DKK	7.461	30/04/2011	GBP	0.889
	GBP	0.811	31/03/2011	GBP	0.884
	NOK	7.341	31/01/2011	GBP	0.855
	SEK	8.585	30/09/2010	GBP	0.865
	USD	1.319	31/07/2010	GBP	0.831
2011	CHF	1.214	30/04/2010	GBP	0.868
	DKK	7.433	31/03/2010	GBP	0.891
	GBP	0.835			
	NOK	7.746			
	SEK	8.918			
	USD	1.299			
2010	CHF	1.253			
	DKK	7.454			
	GBP	0.859			
	NOK	7.802			
	SEK	9.011			
	USD	1.341			

Source: S&P Capital IQ®

Appendix 3:

Latest Developments Impacting Goodwill Impairment

Post-Implementation Review (PIR) of IFRS 3

In July 2013, the IASB commenced work on the PIR of IFRS 3 *Business Combinations*. In January 2014, the IASB issued a public consultation document requesting comments on certain aspects of IFRS 3. In addition to questions about business combinations and intangibles, the document asked constituents about their views on:

- The usefulness of the information obtained through the annual goodwill impairment test;
- Whether improvements were needed regarding the information provided by the impairment test; and
- The main implementation, auditing or enforcement challenges related to testing goodwill for impairment.

Findings from the IFRS 3 PIR

In June 2015, the IASB issued its Report and Feedback Statement summarising the findings from the PIR and its preliminary views on the follow-up work needed.

The PIR found that investors have mixed views on the subsequent accounting for goodwill under IAS 36. Some investors feel that the current impairment model helps them gauge the performance of acquisitions, and that impairment charges have a confirmatory value, notwithstanding their recognition with a lag. Others think that goodwill recognised in a business combination is replaced by internally-generated goodwill over time, and thus support the amortisation of goodwill. Further, many preparers, auditors and regulators think that the current impairment model is complex and involves significant judgment, especially with regards to the value in use (VIU) calculation and the allocation of goodwill to cash-generating units (CGUs).

Notably, many participants in the PIR believe that IASB should work with the U.S. standard setter, the Financial Accounting Standards Board (FASB) in considering any future changes to the accounting standards, in order to reduce any divergence in the business combination standards and bring their respective impairment standards closer together.

Separately, the IASB received feedback on the recognition and measurement of identifiable intangible assets; measurement of non-controlling interests; and the subsequent accounting and fair value measurement of contingent consideration, among other issues.

The views gathered in the PIR process were analysed in conjunction with a review by the IASB staff of academic literature. Overall, the IASB found that academic research generally supports the current requirements in relation to the usefulness of reported goodwill, other intangible assets, and goodwill impairment. Specifically on goodwill impairment, the findings were that goodwill impairment expense under IAS 36 is "value-relevant", which is consistent with the view that impairments provide useful information to investors. Considering all the evidence gathered, the IASB seems inclined to explore if and how the costs of accounting for goodwill can be reduced without losing the information currently being provided.

Next Steps

Based on the PIR process, the IASB has identified several areas of focus. High priorities include 1) undertaking research on the effectiveness and complexity of testing goodwill for impairment and exploring possible improvements to the current IAS 36 impairment model; and 2) conducting separate research into the subsequent accounting for goodwill. Other research projects with a slightly lower priority include, for example, the identification and fair value measurement of intangible assets such as customer relationships and brands. Separately, the IASB's 2015 Agenda Consultation is expected to further inform the prioritisation and focus of IASB's future work in various areas.

IASB and FASB are continuing their collaboration, most recently by discussing business combination and goodwill impairment accounting issues at their joint September 2015 meeting.

ESMA Enforcement Priorities

In October 2015, the European Securities and Markets Authority (ESMA) issued a statement defining its enforcement priorities for 2015 financial statements, seeking consistent application of IFRS. ESMA called for particular focus on the impact of financial markets' conditions on the financial statements. Factors identified by ESMA that could have an effect on the IAS 36 impairment test include: (i) the interest rate environment in Europe (particularly affecting discount rates); (ii) the high volatility and low level of commodity prices; and (iii) the uncertainties arising from foreign exchange rate volatility and country risk. ESMA stated that European national enforcers may choose to set additional enforcement priorities specific to their jurisdictions.

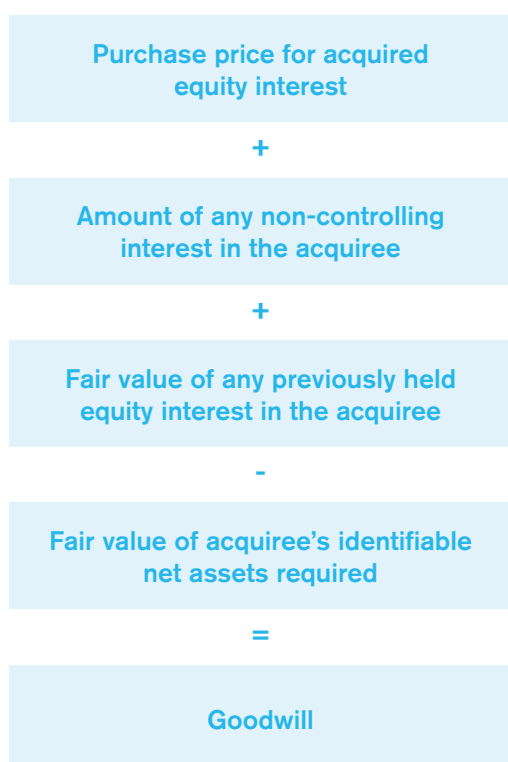
It should be noted that the current IAS 36 goodwill impairment model remains unchanged and its application will be the focus for both ESMA and local regulators.

Appendix 4:

Overview of IAS 36 Requirements

Recognising Goodwill

Goodwill is defined in IFRS 3 as “an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised”. Internally generated goodwill cannot be recognised. In a business combination goodwill is measured as follows:*



Allocating Goodwill to Cash-Generating Units

Goodwill acquired in a business combination is allocated as of the acquisition date to an entity's cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is allocated at the lowest level within the entity at which goodwill is monitored for internal management purposes. A cash generating unit cannot be larger than an operating segment as defined in IFRS 8 *Operating Segments*.

Recognising a Goodwill Impairment Loss

Goodwill is impaired if the recoverable amount of a cash-generating unit is less than its carrying amount. The recoverable amount of a cash-generating unit is the higher of its (i) fair value less costs of disposal; and (ii) value in use.†

IFRS 13 *Fair Value Measurement* provides guidance for measuring fair value and IAS 36 provides guidance for measuring value in use.

Any impairment loss is allocated first to reduce the carrying amount of goodwill of the cash-generating unit (or group of cash-generating units) to zero. Any remaining impairment loss is allocated to the non-monetary assets of the cash generating unit on a pro-rata basis. However, the carrying amount of each asset should not be reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable), or zero. Any unallocated impairment loss is reallocated to the non-monetary assets of the cash-generating unit, subject to the same limits. Once a goodwill impairment has been recognised it cannot be reversed.

Timing of Goodwill Impairment Tests

Goodwill must be tested for impairment at least annually, or more frequently if there are indicators that it may be impaired. Factors indicating that a cash-generating unit may be impaired include, for example:

- Significant adverse changes have occurred during the period in the technological, market, economic or legal environment that have an effect on the entity, indicating that economic performance is or will be worse than expected.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to decrease the asset's recoverable amount materially.
- The carrying amount of the net assets of the entity is greater than its market capitalisation.

The annual goodwill impairment test for a cash-generating unit to which goodwill has been allocated can be performed at any point throughout the annual period. However, the test must be performed at the same time each year.

* Goodwill is calculated as a residual and is subject to a number of accounting adjustments, such as the recognition of deferred tax liabilities. Non-controlling interests in the acquiree can be measured at either fair value or at the proportionate share of the acquiree's identifiable net assets, based on an election that can be made on a transaction-by-transaction basis.

† From a practical standpoint, it is not always necessary to determine both an asset's (cash-generating unit's) fair value less costs of disposal and its value in use. If either of these amounts exceeds the carrying amount, the entity may conclude that the asset (or cash-generating unit) is not impaired.

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