



PRESS RELEASE

Companies appear larger than they are to investors *Impenetrable line item in financial statements requires disclosure*

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A majority of listed companies in Europe appears larger than they are to investors. The consolidated financial statements include subsidiaries in full, even if these subsidiaries are only partly owned. Accounting standards require companies to do so.

Only two line items in the financial statements reflect the actual ownership of subsidiaries: 'net income to common shareholders' and 'common equity'. This is insufficient for investors to properly assess the value and risks of companies. The position paper 'Full consolidation of partly owned subsidiaries requires additional disclosure' issued today by Eumedion highlights this issue in detail.

For example: financial statements do not provide insight in which part of the cash position is attributable to other shareholders in the consolidated subsidiaries. Therefore it remains unclear what part of the cash, based on actual ownership, is attributable to the listed parent company. A reported cash position of 1 billion Euro could reside on a bank account owned by a 100% owned subsidiary, but it could equally reside in a subsidiary that is just 51% owned.

This uncertainty, which applies to all line items in the fully consolidated financial statements, is caused by the complete lack of disclosure on the impenetrable line item 'non-controlling interest'. Even if the non-controlling interest line item appears as a small number, the question remains: 'What part of the financial statements is really attributable to the listed entity'? This uncertainty is significant, is not necessary, and can in most cases be easily addressed by simple disclosure. The principle of full consolidation is not disputed here.

Eumedion encourages listed companies worldwide to provide insight in the line item 'non-controlling interest', the International Accounting Standards Board to more explicitly require disclosure on non-controlling interest and encourages enforcers worldwide to challenge insufficient disclosure on non-controlling interest.

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