Trend in the financial structure and results of firms 2007

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Introduction

Every year, in the December issue of the Economic Review, the National Bank describes the developments taking place in the annual accounts of non-financial corporations. By the autumn, the Central Balance Sheet Office in fact already has a representative sample of the annual accounts relating to the previous year. The conclusions drawn on the basis of that sample can therefore be extrapolated relatively reliably to the population as a whole.

This article comprises three sections. Section 1 briefly describes the methodology and sample used. Section 2 presents an extrapolation of the main profit and loss account items for 2007. Finally, section 3 assesses the financial situation of companies, particularly their level of profitability, solvency and liquidity.

It must be stressed that this analysis concerns the year 2007 only, and therefore does not permit any conclusions regarding developments in 2008, particularly the consequences of the current financial crisis.

1. Methodology and constant sample

1.1 Characteristics of the data used and the constant sample

Since the late 1970s, the Central Balance Sheet Office has collected data on the accounts of non-financial corporations. For that purpose, firms are required to submit their annual accounts using a standard form by no later than seven months after the end of the financial year. The data are then adjusted as necessary to meet the required quality standards. By September, an initial analysis is possible. However, each year the nature of the data available for the latest financial year examined – in the present case 2007 – raises methodological questions.

The population of annual accounts relating to 2007 is incomplete, mainly because some firms are late in filing their annual accounts. Moreover, those same firms are often in a structurally less favourable financial position than firms which file their accounts in time to meet the deadline. Previous editions of this article have highlighted the significant differences – particularly in terms of profitability, solvency and liquidity – between firms according to the date on which they file their annual accounts. In all probability, the data currently available for 2007 present an over-optimistic view of reality.

Owing to these problems, the 2007 data are not directly comparable with those for previous years. In order to ensure comparability, the constant sample method is used. The constant sample for 2006-2007 comprises firms which filed annual accounts for both 2006 and 2007 (1). The method consists in extrapolating the 2007 results on the basis of the trends found in the constant sample: the 2007 figures are obtained by taking the final figures for

(1) In order to be included in the sample, firms must also meet the following conditions:
- both sets of annual accounts relate to a financial year lasting 12 months;
- both sets of annual accounts met the quality requirements of the Central Balance Sheet Office;
- the annual accounts relating to 2006 were filed before 31 August 2007;
- the annual accounts relating to 2007 were filed before 31 August 2008.

2006 and applying the rates of change recorded in the sample. It is therefore assumed that the trends seen in the sample are representative of the trends occurring in the population as a whole. As verified in previous editions of this article, that assumption is largely borne out since, in the vast majority of cases, the estimates give an accurate representation of the direction and scale of the actual movements.

Table 1 shows the constant sample for 2006-2007. It comprises 164,548 firms, or over 58 p.c. of the annual accounts filed in 2006. Representativeness in terms of the balance sheet total is significantly higher, since it comes to 86 p.c. The reason for this difference is that it is mainly small or very small firms which are absent from the sample. Also, in terms of the balance sheet total, the representativeness of manufacturing industry is particularly high (96 p.c.) since large firms predominate in that sector.

2. Movement in the main components of the profit and loss account

2.1 General trends and cyclical context

In line with what occurred in the previous year, activity growth in Belgium was again robust in 2007, at 2.8 p.c. compared to 2.9 p.c. in 2006. This is similar to the growth observed in the euro area as a whole, and the contributory factors are the same in both cases. On the one hand, despite the slowdown in the United States, external demand remained steady, driven mainly by the economies of Eastern Europe and Asia and the commodity-producing countries. Also, domestic demand for investment and consumption showed a marked rise.

In contrast to previous episodes since the start of the millennium, when periods of recovery soon ground to a halt, activity thus maintained a vigorous rate of expansion for almost two years. However, the second half of 2007 brought the beginning of a slowdown. Although it subsequently intensified, the slowdown nonetheless remained relatively moderate in 2007, having regard to the accompanying developments in the external environment, namely the turmoil which erupted on the financial markets, the rapid appreciation of the euro and the further substantial increase in the price of energy and agricultural commodities.

In that context, the value added of non-financial corporations maintained the upward trend of the preceding four years, growing by 4.8 p.c. at current prices in 2007. Total value added, i.e. the difference between sales revenues and the cost of goods and services supplied by third parties, thus came to over 162 billion euro (at current prices). The value added created by a firm enables it to cover its operating expenses, with any surplus recorded as a net operating profit. That profit reflects the firm's current

TABLE 1 COMPOSITION AND REPRESENTATIVENESS OF THE CONSTANT SAMPLE 2006-2007

	Firms in the 2006-2007 sample	All non-financial corporations in 2006	Representativeness of the sample, in p.c.
Number of firms	**164,548**	**281,674**	**58.4**
Large firms	12,018	16,549	72.6
SMEs	**152,530**	**265,125**	**57.5**
Manufacturing industry	14,431	23,171	62.3
Non-manufacturing branches	150,117	258,503	58.1
Balance sheet total (millions of euro)(1)	**922,731**	**1,073,190**	**86.0**
Large firms	818,033	913,959	89.5
SMEs	104,698	159,231	65.8
Manufacturing industry	249,467	260,405	95.8
Non-manufacturing branches	673,263	812,785	82.8

Source: NBB.
(1) For firms in the constant sample, the balance sheet total taken into account is the 2006 figure.

industrial and commercial efficiency, independently of its financing policy and any exceptional items.

Staff costs traditionally account for by far the major part of a firm's expenses: in 2007, they thus represented almost 91 billion euro, or 72 p.c. of the operating expenses of non-financial corporations. In parallel with a further increase in the workforce, staff costs increased by 5.6 p.c. For the first time in five years, the growth rate of staff costs thus outpaced the increase in value added. After staff costs, depreciation allowances are by far the most significant operating expense. In 2007, echoing the further substantial rise in investment, they increased for the fourth consecutive year at a rate of 4.8 p.c. [1].

Determined largely by staff costs and depreciation, the increase in total operating expenses was once again less than the rise in value added (+4 p.c.). Consequently, the net operating result maintained the upward trend of the last five years, gaining 8 p.c. to over 35 billion euro, or twice the 2002 figure. Previous editions of this article have pointed out that this trend is exceptional in historical terms; it is broadly due to cost control in a generally favourable economic context, and has significantly altered the breakdown of value added, to the detriment of staff costs and depreciation (cf. chart 1) [2].

The movements in corporate value added and operating results can also be compared with the movement in the Bank's business survey indicator, which measures business confidence (cf. chart 2). In contrast to the steep falls normally seen after a peak in the cycle has been reached, the business survey indicator remained at a high level for quite a time after the July 2006 peak. It did not decline until the beginning of the second half of 2007, and then only to a limited degree since, at the end of the year, it was still above its long-term average level. That pattern is connected with the gradual deceleration in the growth of

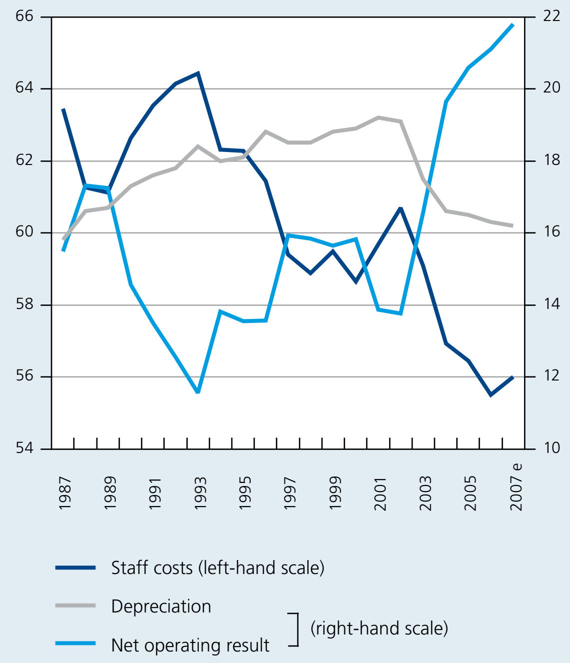
(1) Including reductions in value.
(2) This type of finding is not specific to Belgium and also applies, for example, to all OECD countries. On this subject, see OECD (2008), "Growing unequal? Income distribution and poverty in OECD countries", Paris.

TABLE 2 MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT

	Percentage changes compared to the previous year					Millions of euro	Percentages of value added
	2003	2004	2005	2006	2007 e	2007 e	2007 e
Value added	**4.4**	**6.6**	**4.6**	**6.1**	**4.8**	**162,156**	**100.0**
Staff costs (–)	1.6	3.4	3.0	4.3	5.6	90,769	56.0
Depreciation, downward value adjustments [1] (–)	–4.3	0.7	3.7	5.3	4.8	26,340	16.2
Other operating expenses (–)	11.8	1.4	6.5	12.8	–11.0	9,713	6.0
Total operating expenses	*1.0*	*2.7*	*3.4*	*5.2*	*4.0*	*126,822*	*78.2*
Net operating result	**25.5**	**26.5**	**9.2**	**9.3**	**8.0**	**35,334**	**21.8**
Financial income (+)	6.8	–12.4	–4.4	–9.1	16.8	44,465	27.4
Financial charges (–)	4.6	–15.9	–10.9	–13.3	15.9	33,852	20.9
Financial result	*31.8*	*18.0*	*36.5*	*8.3*	*19.7*	*10,614*	*6.5*
Ordinary result	**26.7**	**24.9**	**14.1**	**9.1**	**10.5**	**45,948**	**28.3**
Exceptional result [2] (+)	–	–	–		–	11,927	7.4
Net result before tax	**77.0**	**2.3**	**47.4**	**3.8**	**13.1**	**57,874**	**35.7**
Taxes on profits (–)	7.0	11.5	10.9	4.7	8.4	9,243	5.7
Net result after tax	**112.1**	**–0.1**	**57.7**	**3.6**	**14.1**	**48,632**	**30.0**
p.m. Net result after tax excluding the exceptional result	***34.8***	***29.2***	***15.0***	***10.2***	***11.0***	***36,705***	***22.6***

Source: NBB.
(1) On tangible and intangible fixed assets and formation costs (item 630).
(2) There is very little sense in calculating a percentage change for this aggregate, which may be either positive or negative and does not lend itself to reliable estimation. The figure for 2007 corresponds to the sum of the exceptional results known at the time of writing this article.

CHART 1 CHANGE IN THE BREAKDOWN OF VALUE ADDED
(percentages of value added)



Source : NBB.

value added in 2007. Thanks to the moderate character of the downturn in the cycle combined with cost control, the operating result increased for the sixth consecutive year.

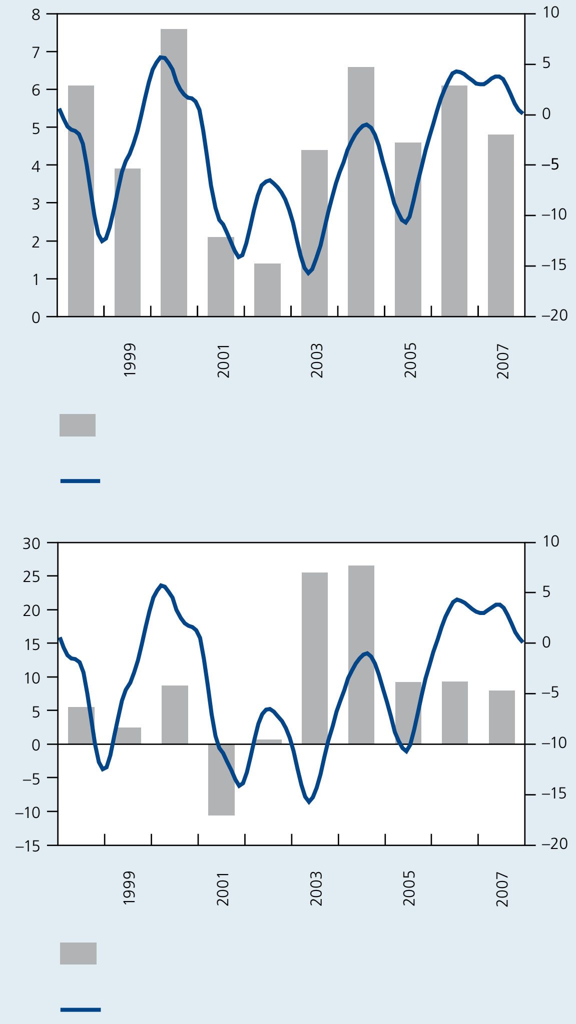
The financial result showed a further improvement in the year under review, reaching 10.6 billion euro. The net exceptional result was decidedly positive for the third year running, the main factor being capital gains on the realisation of financial assets. After deduction of taxes on profits, non-financial corporations made a net profit of almost 49 billion euro in 2007, an increase of 14.1 p.c. The profit excluding the exceptional result rose by 11 p.c. in 2007.

Annex 1 gives details on the data in table 2 by firm size and sector.

2.2 Results by branch of activity

For the first time since 2001, value added in manufacturing stagnated in 2007 (–0.2 p.c. at current prices), while the growth of the operating result slowed sharply (+1.4 p.c.) (cf. table 3). Apart from the euro’s appreciation

CHART 2 VALUE ADDED, NET OPERATING RESULT AND BUSINESS SURVEY INDICATOR



and the rising cost of commodities, the main factor behind these developments is the restructuring of large firms in the two main branches of industry, namely chemicals and metal manufactures (and more specifically car manufacture). Moreover, that restructuring had an impact on the workforce of those branches, which between them lost almost 4,000 jobs. In the agri-food industry, results stagnated, owing mainly to the rise in commodity prices. In the three industries mentioned, however, the fall in the operating result should be viewed in the context of the strong growth previously recorded [1]. Metallurgy is the only major industrial branch to maintain the momentum

(1) Between 2001 and 2006, the operating result at least doubled in these three branches.

TABLE 3 VALUE ADDED AND NET OPERATING RESULT BY BRANCH OF ACTIVITY

(percentage changes compared to the previous year)

	Value added		Net operating result		*p.m. Percentage share of the branches in total value added in 2007 e*
	2006	2007 e	2006	2007 e	
Manufacturing industry	**6.0**	**–0.2**	**11.8**	**1.4**	***30.6***
of which :					
Agricultural and food industries	0.7	2.4	–6.5	–3.1	*4.0*
Textiles, clothing and footwear	0.1	1.7	6.0	12.0	*1.2*
Timber	8.6	10.1	21.3	22.7	*0.6*
Paper, publishing and printing	1.8	2.5	2.4	3.9	*2.2*
Chemicals	8.8	–8.4	12.5	–20.6	*7.9*
Metallurgy and metalworking	6.2	14.5	17.4	51.6	*5.0*
Metal manufactures	11.5	–5.1	30.4	–4.9	*6.3*
Non-manufacturing branches	**5.4**	**7.6**	**8.4**	**12.1**	***69.4***
of which :					
Retail trade	4.4	7.9	9.8	19.9	*8.4*
Wholesale trade	5.2	11.2	9.5	14.2	*13.6*
Hotels and restaurants	2.9	5.1	–22.2	20.7	*1.7*
Transport	5.7	6.8	12.7	14.7	*8.1*
Post and telecommunication	2.6	–1.2	0.9	–4.2	*4.6*
Real estate activities	1.4	2.9	2.0	1.7	*3.0*
Business services	7.7	8.9	13.6	17.0	*13.6*
Energy and water	11.5	–1.4	3.3	–2.3	*3.9*
Construction	8.9	8.3	12.9	19.7	*6.6*

Source : NBB.

of recent years, bolstered by the iron and steel industry but also by companies processing metals other than iron. In the space of five years, the operating profits in metallurgy have risen from 0.3 to 2.1 billion euro.

It was therefore the non-manufacturing branches that underpinned the results of Belgian firms in 2007 : overall, value added increased by 7.6 p.c. and the operating result was up by 12.1 p.c., in both cases representing a bigger rise than in 2006. In the retail trade, the discount formula expanded particularly strongly, while in the wholesale trade, activities relating to pharmacy, chemicals and refineries did best. In business services, it was the temporary employment agencies that made the principal contribution to growth. The construction sector, though suffering from higher costs and interest rates, benefited from the dynamism of dredging activities.

3. Financial situation of firms

The financial analysis which follows is based on the theory of interpretation of the annual accounts, from which a number of ratios have been taken (1).

The ratios are presented both in global form and as a median. The globalised ratios are obtained by taking the sum of the numerators for all firms and dividing it by the sum of their denominators. The median is the central value in an ordered distribution : for a given ratio, 50 p.c. of firms have a ratio above the median and 50 p.c. of firms have a ratio below it. The two measures are complementary as they answer different questions. Since it

(1) Since the concepts used cannot be explained in detail in this article, the reader is requested to consult the reference works on the subject.

takes account of each firm according to its real weight in the numerator and the denominator, the globalised ratio primarily reflects the situation of the largest firms.

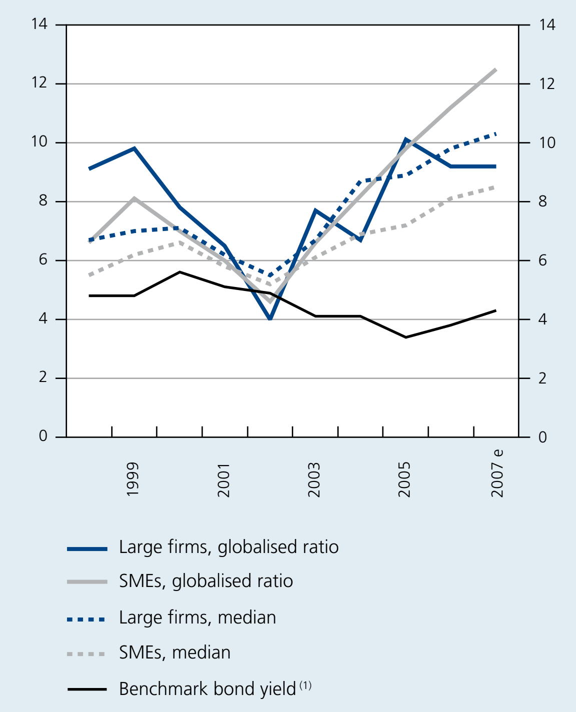
In contrast, by indicating the situation of the central firm, the median reflects the movement in the population in general, as the median is influenced equally by each of the firms, regardless of size.

3.1 Profitability

Profitability concerns firms' ability to generate profits. It can be assessed, in particular, on the basis of the net return on a firm's own capital. This ratio, also known as the return on equity (ROE), expresses the net profit after tax as a percentage of the equity capital. It therefore indicates the return which shareholders receive after deduction of all expenses and taxes. Over a sufficiently long period, the return on equity has to exceed the return on a risk-free investment in order to provide shareholders with a premium to compensate for the risk to which they are exposed: this is known as a risk premium.

CHART 3 RETURN ON EQUITY AND BENCHMARK BOND YIELD (1)

(percentages)



Source: NBB.
(1) Average yield on ten-year linear bonds.

In 2007, the globalised return on equity came to 9.2 p.c. for large firms and 12.5 p.c. for SMEs (cf. chart 3). As in the previous year, SMEs therefore achieved higher profitability than large firms. The reason for the recent decline which the latter have suffered is that profits have not grown as fast as the equity, which was influenced to some extent by the recent introduction of the tax allowance for risk capital, commonly known as the "notional interest deduction". The steady recovery in the profitability of SMEs over the past five years is attributable largely to business services and real estate activities. Moreover, the movement in the median shows that the improvement in profitability concerned the Belgian economy as a whole: since 2002, median profitability has risen by almost 5 p.c. for large firms and 3.3 p.c. for SMEs.

The yield on government bonds is a useful benchmark for assessing corporate profitability. The gap has tended to widen in favour of firms: whereas in 2002 the profitability of the two categories of firms had dropped below the rate on linear bonds, the situation has changed radically since then. Broadly speaking, the risk premium offered is 8.2 p.c. for SMEs and 4.9 p.c. for large firms.

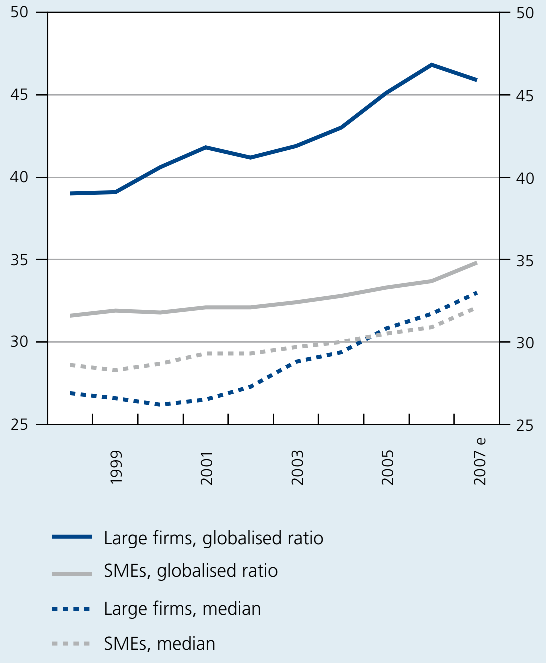
3.2 Solvency

Solvency concerns the ability of firms to honour all their short-term and long-term financial commitments. This article analyses it on the basis of three concepts: the degree of financial independence, the degree to which borrowings are covered by the cash flow, and the interest charges on financial liabilities.

The degree of financial independence is equal to the ratio between equity capital and total liabilities. If the ratio is high, the firm is independent of borrowings. This has two beneficial effects: first, financial expenses are low and therefore exert little downward pressure on profits; also, if necessary, the firm can easily contract new debts on favourable terms. The degree of financial independence can also be interpreted as a measure of the firm's financial risk, since the remuneration of third parties is fixed, unlike the firm's results which fluctuate over time.

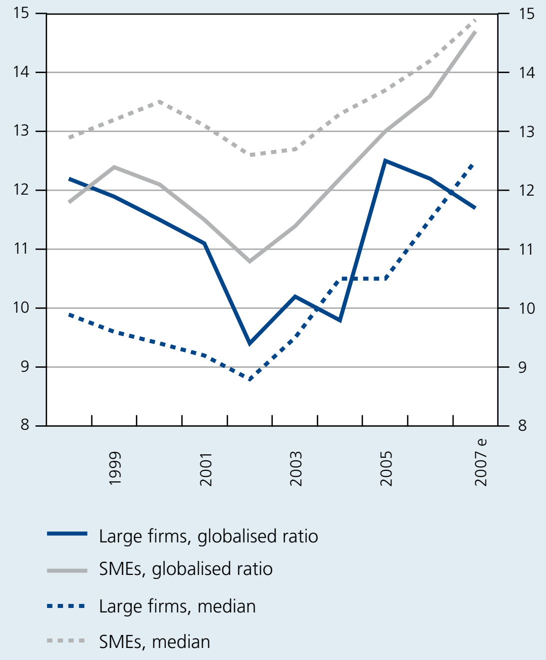
In 2007, globalised financial independence stood at 45.9 p.c. for large firms and 34.8 p.c. for SMEs (cf. chart 4). The slight fall in the case of large firms is due to a share purchase financed by borrowing in the energy sector. The ratio has maintained an upward trend for almost twenty years, and that is true for the whole population considered, as is evident from the medians.

CHART 4 DEGREE OF FINANCIAL INDEPENDENCE
(percentages)



Source : NBB.

CHART 5 DEGREE TO WHICH BORROWINGS ARE COVERED BY CASH FLOW
(percentages)



Source : NBB.

The degree of financial independence and its reciprocal, the debt level, provide a picture of the general balance of the assets and liabilities. While this picture is necessary to diagnose solvency, it is not sufficient since it does not permit appraisal of the firms' ability to repay their debts, nor the level of charges which they incur. These two concepts will be addressed below.

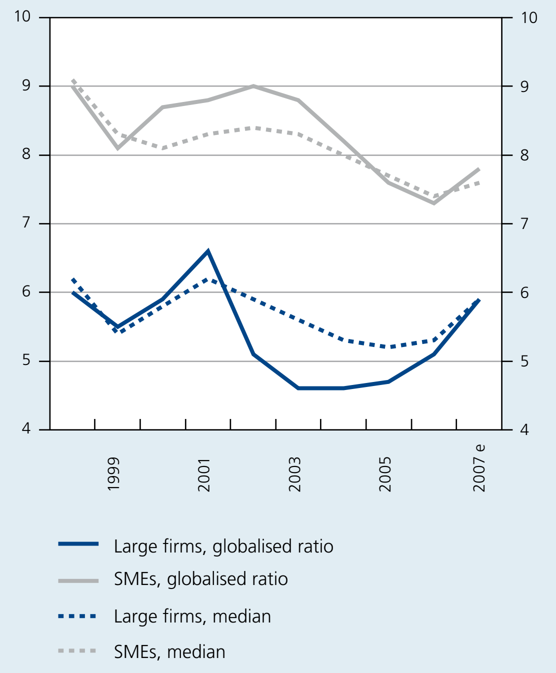
As a measure of the percentage of its debts that the firm could repay by allocating the whole of the year's cash flow to that purpose, the degree to which borrowings are covered by cash flow indicates the firm's repayment capability. The converse of that ratio indicates the number of years which it would take to repay all the debts at a constant cash flow. The information supplied by this ratio supplements that provided by the ratio of financial independence, as a high level of indebtedness may very well be mitigated by a substantial repayment capability, and vice versa.

In 2007, the globalised cover rate of borrowings stood at 11.7 p.c. for large firms and 14.7 p.c. for SMEs, the two categories of firms recording divergent movements as in the previous year (cf. chart 5). Following a marked recovery between 2002 and 2005, the ratio of large firms contracted in the ensuing two years, as the increase in the cash flow was not enough to offset the rise in debts (influenced in particular, by a firm in the energy sector, as already mentioned). However, the movement in the medians does indicate that, for most firms, the ratio improved steadily in 2006 and 2007.

The average interest charges on financial debts provide a means of assessing the cost of recourse to borrowings. In 2007, in globalised terms these charges came to 5.9 p.c. for large firms and 7.8 p.c. for SMEs (cf. chart 6). The year 2007 was synonymous with a general increase in the cost of external financing. Having begun in late 2005, the rise in interest rates on the various categories of corporate loans persisted in 2007, owing to successive increases in the Eurosystem's key rates and, from the summer, the financial market tension generated by the subprime crisis. As chart 6 shows, these developments are reflected mainly in the accounts of large firms.

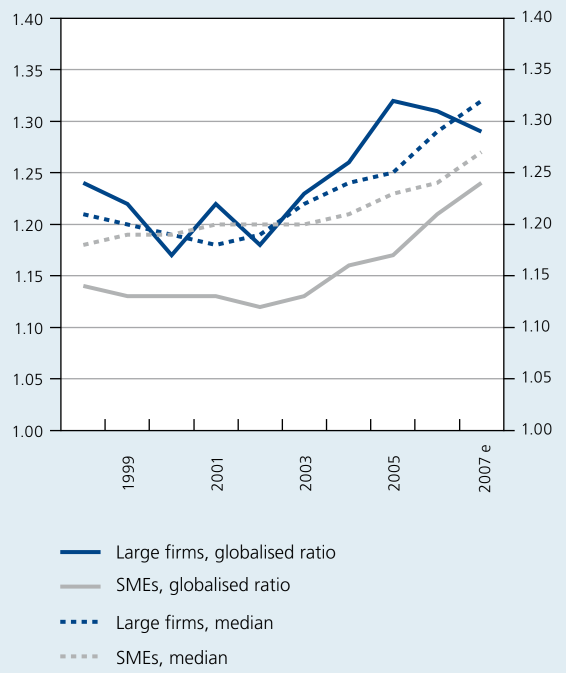
CHART 6 AVERAGE INTEREST CHARGES ON FINANCIAL DEBTS

(percentages)



Source : NBB.

CHART 7 LIQUIDITY IN THE BROAD SENSE



Source : NBB.

3.3 Liquidity

Liquidity indicates the capacity of firms to mobilise the cash resources needed to meet their short-term commitments. It is traditionally assessed as the liquidity ratio in the broad sense. This ratio, derived from the concept of the net working capital, compares the total assets realisable and available (stocks, claims at up to one year, cash investments, liquid resources and accruals and deferrals) with the short-term liabilities (debts at up to one year and accruals and deferrals). The higher the liquidity in the broad sense, the more capable the firm of meeting its short-term financial commitments. In particular, if the ratio is higher than 1, the net working capital is positive.

In 2007, the globalised liquidity ratio in the broad sense came to 1.29 for large firms and 1.24 for SMEs (cf. chart 7). While the latter maintained the upward trend of recent years, that was not so in the case of large firms, which recorded a fall in the ratio despite a considerable increase in their current assets (+11 p.c.). The reason lies in the even larger increase in their short-term liabilities which – as already mentioned – is attributable to a firm in the energy sector. Nevertheless, the liquidity of large firms is still above the average for the past decade. Moreover, the movement in the medians indicates that the majority of firms are better able to meet their short-term liabilities. Finally, as pointed out in previous editions of this article, the number of firms mentioning overdue debts to the tax authority and the NOSS has fallen steadily for the past ten years ; such debts are generally a sign of serious cash flow problems.

Conclusion

It must be stressed that this analysis concerns the year 2007 only, and therefore does not permit any conclusions regarding developments in 2008, particularly the consequences of the current financial crisis.

In line with the previous year, economic activity continued to expand vigorously in 2007, recording growth of 2.8 p.c., compared to 2.9 p.c. in 2006. Despite the slowdown in the United States, external demand remained buoyant, while domestic demand for investment and consumption gained momentum. Overall, activity thus maintained a vigorous rate of expansion for almost two years.

However, the second half of 2007 brought the start of a slowdown. Though this subsequently became much more marked, it still remained relatively moderate in 2007, in the light of the accompanying developments in the external environment (financial market turmoil, rapid appreciation of the euro and rising price of commodities).

Consequently, with a growth rate of 4.8 p.c., the preceding years' upward trend in the value added at current prices of non-financial corporations was maintained in 2007. Since total operating expenses (and more particularly staff costs and depreciation) once again grew more slowly than value added, the net operating result increased for the sixth consecutive year. Between 2001 and 2007, it more than doubled, rising steadily from 17 to over 35 billion euro. As pointed out in previous editions of this article, that growth is exceptional in historical terms, in both its duration and its scale. As examination of the operating margin confirms, it indicates an unprecedented ability on the part of firms to generate income for their shareholders.

Corporate financial health also continued to improve in 2007. Although the globalised ratios of large firms declined, that is attributable to just one or two isolated instances. Conversely, the trend in the median ratios reveals that the majority of firms, whatever their size, achieved higher profitability, solvency and liquidity. It was only the cost of interest charges on financial debts that increased in 2007, following successive increases in the Eurosystem key rates and, from the summer, the financial market tension due to the subprime crisis.

Annex 1

TABLE 1 ALL NON-FINANCIAL CORPORATIONS: MOVEMENT IN THE MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT BETWEEN 1998 AND 2007

(millions of euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 e
Value added	**108,272**	**112,546**	**121,045**	**123,532**	**125,295**	**130,829**	**139,504**	**145,872**	**154,721**	**162,156**
Staff costs (–)	63,756	66,960	70,986	73,734	76,114	77,326	79,973	82,367	85,944	90,769
Depreciation (–)	19,981	21,193	22,863	23,678	23,892	22,859	23,023	23,882	25,143	26,340
Other operating expenses (–)	7,348	6,763	8,028	8,974	8,020	8,963	9,088	9,678	10,913	9,713
Total operating expenses	*91,085*	*94,917*	*101,876*	*106,386*	*108,025*	*109,148*	*112,084*	*115,927*	*121,999*	*126,822*
Net operating result	**17,186**	**17,629**	**19,169**	**17,146**	**17,270**	**21,681**	**27,420**	**29,945**	**32,722**	**35,334**
Financial income (+)	23,259	25,774	35,724	37,655	46,875	50,061	43,829	41,888	38,072	44,465
Financial charges (–)	20,820	22,258	29,620	30,979	43,015	44,975	37,830	33,699	29,205	33,852
Financial result	*2,440*	*3,516*	*6,104*	*6,676*	*3,859*	*5,085*	*5,999*	*8,189*	*8,868*	*10,614*
Ordinary result	**19,626**	**21,145**	**25,273**	**23,822**	**21,129**	**26,767**	**33,419**	**38,134**	**41,589**	**45,948**
Exceptional result (+)	2,911	5,798	2,822	1,438	–2,665	5,922	7	11,145	9,562	11,927
Net result before tax	**22,537**	**26,943**	**28,095**	**25,261**	**18,465**	**32,689**	**33,426**	**49,279**	**51,152**	**57,874**
Taxes on profits (–)	5,276	5,822	6,491	6,479	6,156	6,587	7,347	8,145	8,527	9,243
Net result after tax	**17,261**	**21,121**	**21,604**	**18,782**	**12,309**	**26,102**	**26,078**	**41,133**	**42,625**	**48,632**
p.m. Net result after tax excluding the exceptional result	***14,350***	***15,323***	***18,782***	***17,344***	***14,973***	***20,179***	***26,071***	***29,989***	***33,062***	***36,705***

Source: NBB.

TABLE 2 LARGE FIRMS: MOVEMENT IN THE MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT BETWEEN 1998 AND 2007

(millions of euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 e
Value added	**84,875**	**87,246**	**93,840**	**95,281**	**96,425**	**100,653**	**107,082**	**111,521**	**117,617**	**122,132**
Staff costs (–)	50,616	52,865	56,007	58,142	59,935	60,809	62,558	64,228	66,645	70,200
Depreciation (–)	14,932	15,704	16,919	17,465	17,494	16,388	16,152	16,581	17,310	18,069
Other operating expenses (–)	6,017	5,317	6,483	7,345	6,389	7,262	7,236	7,800	8,979	7,652
Total operating expenses	*71,565*	*73,886*	*79,409*	*82,951*	*83,818*	*84,459*	*85,945*	*88,610*	*92,934*	*95,922*
Net operating result	**13,310**	**13,360**	**14,431**	**12,330**	**12,607**	**16,194**	**21,137**	**22,911**	**24,683**	**26,210**
Financial income (+)	21,797	24,291	34,035	35,850	45,112	48,175	41,826	39,736	35,646	41,159
Financial charges (–)	18,140	19,697	26,677	27,828	39,678	41,517	34,382	30,291	25,543	29,773
Financial result	*3,657*	*4,594*	*7,358*	*8,022*	*5,435*	*6,658*	*7,444*	*9,445*	*10,103*	*11,386*
Ordinary result	**16,967**	**17,954**	**21,789**	**20,352**	**18,041**	**22,852**	**28,582**	**32,356**	**34,785**	**37,596**
Exceptional result (+)	2,313	4,875	2,035	873	–3,185	5,345	–852	9,865	7,852	10,215
Net result before tax	**19,280**	**22,829**	**23,823**	**21,225**	**14,856**	**28,198**	**27,730**	**42,221**	**42,637**	**47,811**
Taxes on profits (–)	3,931	4,274	4,724	4,615	4,353	4,793	5,368	5,968	6,092	6,472
Net result after tax	**15,349**	**18,555**	**19,099**	**16,609**	**10,503**	**23,405**	**22,362**	**36,253**	**36,545**	**41,339**
p.m. Net result after tax excluding the exceptional result	***13,036***	***13,680***	***17,064***	***15,737***	***13,689***	***18,059***	***23,214***	***26,388***	***28,694***	***31,124***

Source: NBB.

TABLE 3 SMES: MOVEMENT IN THE MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT BETWEEN 1998 AND 2007

(millions of euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 e
Value added	**23,396**	**25,300**	**27,205**	**28,251**	**28,871**	**30,176**	**32,422**	**34,352**	**37,104**	**40,024**
Staff costs (–)	13,139	14,095	14,979	15,592	16,179	16,517	17,415	18,139	19,299	20,568
Depreciation (–)	5,049	5,489	5,943	6,213	6,398	6,471	6,872	7,301	7,833	8,301
Other operating expenses (–)	1,332	1,447	1,544	1,629	1,631	1,701	1,852	1,878	1,933	2,032
Total operating expenses	*19,520*	*21,031*	*22,467*	*23,435*	*24,208*	*24,689*	*26,139*	*27,318*	*29,065*	*30,901*
Net operating result	**3,876**	**4,269**	**4,738**	**4,816**	**4,663**	**5,487**	**6,282**	**7,034**	**8,039**	**9,123**
Financial income (+)	1,462	1,483	1,689	1,805	1,762	1,885	2,003	2,152	2,427	3,306
Financial charges (–)	2,680	2,561	2,943	3,151	3,337	3,458	3,448	3,408	3,662	4,079
Financial result	*–1,217*	*–1,078*	*–1,254*	*–1,346*	*–1,575*	*–1,573*	*–1,445*	*–1,256*	*–1,235*	*–772*
Ordinary result	**2,659**	**3,191**	**3,484**	**3,470**	**3,088**	**3,914**	**4,837**	**5,778**	**6,804**	**8,351**
Exceptional result (+)	598	923	787	566	520	577	859	1,279	1,711	1,712
Net result before tax	**3,257**	**4,114**	**4,272**	**4,036**	**3,609**	**4,491**	**5,696**	**7,057**	**8,515**	**10,063**
Taxes on profits (–)	1,345	1,548	1,767	1,863	1,803	1,794	1,979	2,177	2,436	2,770
Net result after tax	**1,912**	**2,566**	**2,505**	**2,173**	**1,805**	**2,697**	**3,717**	**4,880**	**6,079**	**7,293**
p.m. Net result after tax excluding the exceptional result	***1,314***	***1,643***	***1,718***	***1,607***	***1,285***	***2,120***	***2,858***	***3,601***	***4,368***	***5,581***

Source: NBB.

TABLE 4 MANUFACTURING INDUSTRY : MOVEMENT IN THE MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT BETWEEN 1998 AND 2007

(millions of euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 e
Value added	**39,682**	**39,749**	**42,689**	**42,402**	**42,853**	**44,240**	**45,807**	**46,830**	**49,642**	**49,560**
Staff costs (–)	23,890	24,325	25,105	26,159	26,502	26,328	27,054	27,222	27,899	28,953
Depreciation (–)	7,882	7,984	8,479	8,799	8,674	7,933	7,740	8,017	8,372	8,136
Other operating expenses (–)	1,812	1,722	1,851	2,459	1,929	2,876	2,034	2,097	2,758	1,705
Total operating expenses	*33,584*	*34,031*	*35,435*	*37,418*	*37,104*	*37,136*	*36,829*	*37,336*	*39,030*	*38,794*
Net operating result	**6,098**	**5,717**	**7,254**	**4,985**	**5,749**	**7,104**	**8,978**	**9,494**	**10,613**	**10,766**
Financial income (+)	3,915	3,473	4,678	4,390	5,334	6,199	7,088	6,810	8,756	10,945
Financial charges (–)	3,829	3,617	4,915	5,214	5,385	5,459	5,678	5,618	5,849	6,880
Financial result	*86*	*–144*	*–237*	*–824*	*–51*	*741*	*1,410*	*1,192*	*2,907*	*4,066*
Ordinary result	**6,184**	**5,574**	**7,018**	**4,161**	**5,698**	**7,844**	**10,388**	**10,686**	**13,520**	**14,832**
Exceptional result (+)	656	921	1,033	1,072	–215	808	–729	7,034	2,526	3,889
Net result before tax	**6,841**	**6,494**	**8,051**	**5,233**	**5,483**	**8,652**	**9,659**	**17,719**	**16,046**	**18,721**
Taxes on profits (–)	1,989	1,889	2,298	1,927	1,842	1,928	2,184	2,355	2,361	2,362
Net result after tax	**4,852**	**4,605**	**5,753**	**3,305**	**3,641**	**6,725**	**7,476**	**15,365**	**13,685**	**16,359**
p.m. Net result after tax excluding the exceptional result	***4,196***	***3,684***	***4,719***	***2,233***	***3,856***	***5,916***	***8,205***	***8,331***	***11,159***	***12,470***

Source : NBB.

TABLE 5 NON-MANUFACTURING BRANCHES: MOVEMENT IN THE MAIN COMPONENTS OF THE PROFIT AND LOSS ACCOUNT BETWEEN 1998 AND 2007

(millions of euro)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 e
Value added	**68,590**	**72,797**	**78,356**	**81,129**	**82,443**	**86,589**	**93,696**	**99,043**	**105,079**	**112,596**
Staff costs (–)	39,866	42,636	45,881	47,574	49,612	50,998	52,918	55,145	58,045	61,816
Depreciation (–)	12,099	13,209	14,383	14,879	15,218	14,926	15,283	15,865	16,771	18,311
Other operating expenses (–)	5,537	5,041	6,177	6,515	6,091	6,087	7,054	7,581	8,154	7,901
Total operating expenses	*57,502*	*60,886*	*66,441*	*68,968*	*70,921*	*72,011*	*75,255*	*78,591*	*82,970*	*88,028*
Net operating result	**11,088**	**11,912**	**11,915**	**12,161**	**11,521**	**14,578**	**18,441**	**20,451**	**22,109**	**24,568**
Financial income (+)	19,344	22,301	31,047	33,266	41,541	43,861	36,741	35,079	29,316	33,520
Financial charges (–)	16,991	18,641	24,706	25,765	37,630	39,517	32,152	28,082	23,356	26,972
Financial result	*2,354*	*3,660*	*6,341*	*7,500*	*3,910*	*4,345*	*4,589*	*6,997*	*5,961*	*6,548*
Ordinary result	**13,441**	**15,571**	**18,256**	**19,662**	**15,432**	**18,922**	**23,030**	**27,448**	**28,070**	**31,116**
Exceptional result (+)	2,255	4,878	1,789	367	–2,449	5,114	736	4,111	7,036	8,038
Net result before tax	**15,696**	**20,449**	**20,044**	**20,028**	**12,982**	**24,036**	**23,767**	**31,559**	**35,106**	**39,154**
Taxes on profits (–)	3,287	3,933	4,193	4,551	4,314	4,659	5,164	5,790	6,166	6,881
Net result after tax	**12,409**	**16,516**	**15,851**	**15,477**	**8,668**	**19,377**	**18,603**	**25,769**	**28,940**	**32,273**
p.m. Net result after tax excluding the exceptional result	***10,154***	***11,638***	***14,063***	***15,110***	***11,117***	***14,263***	***17,866***	***21,657***	***21,903***	***24,235***

Source: NBB.

Annex 2

SECTORAL CLASSIFICATION

	NACE-Bel reference
Manufacturing industry	**15-37**
of which:	
Agricultural and food industries	15-16
Textiles, clothing and footwear	17-19
Timber	20
Paper, publishing and printing	21-22
Chemicals	24-25
Metallurgy and metalworking	27-28
Metal manufactures	29-35
Non-manufacturing branches	**01-14 and 40-95**
of which:	
Retail trade	50-52
Wholesale trade	51
Hotels and restaurants	55
Transport	60-63
Post and telecommunication	64
Real estate activities	70
Business services	72-74 (1)
Energy and water	40-41
Construction	45

(1) Except 74.151 (management of holding companies).

Annex 3

DEFINITION OF THE RATIOS

	Item numbers allocated	
	full format (1)	abbreviated format
1. Return on equity		
Numerator (N)	70/67 + 67/70	70/67 + 67/70
Denominator (D)	10/15	10/15
Ratio = N/D × 100		
Conditions for calculation of the ratio:		
12-month financial year		
10/15 > 0 (2)		
2. Degree of financial independence		
Numerator (N)	10/15	10/15
Denominator (D)	10/49	10/49
Ratio = N/D × 100		
3. Degree to which borrowings are covered by cash flow		
Numerator (N)	70/67 + 67/70 + 630 + 631/4 + 6501 + 635/7 + 651 + 6560 + 6561 + 660 + 661 + 662 – 760 – 761 – 762 + 663 – 9125 – 780 – 680	70/67 + 67/70 + 8079 + 8279 + 631/4 + 635/7 + 656 + 8475 + 8089 + 8289 + 8485 – 9125 – 780 – 680
Denominator (D)	16 + 17/49	16 + 17/49
Ratio = N/D × 100		
Condition for calculation of the ratio:		
12-month financial year		
4. Average interest charges on financial debts		
Numerator (N)	650	– 65 – 9125 – 9126
Denominator (D)	170/4 + 42 + 43	170/4 + 42 + 43
Ratio = N/D × 100		
Condition for calculation of the ratio:		
12-month financial year		
5. Liquidity in the broad sense		
Numerator (N)	3 + 40/41 + 50/53 + 54/58 + 490/1	3 + 40/41 + 50/53 + 54/58 + 490/1
Denominator (D)	42/48 + 492/3	42/48 + 492/3
Ratio = N/D		

(1) In which the profit and loss account is presented in list form.
(2) Condition valid for the calculation of the median but not for the globalised ratio.