

How Accurate are the Brand Value Rankings?

- Findings of a Comparative Analysis of Brand Values from Different Sources

White Paper

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The public perception of the value of brands is largely influenced by the numerous brand value league tables released by three large brand valuation firms - Interbrand, Millward Brown and Brand Finance. Such league tables cover the top most valuable brands and are compiled for the globe altogether, for different countries, or for different industries. They find their way into the offline and online press, into the boardrooms of brand owners, into academic research, and into the minds of many brand-minded managers, marketers and private persons.

Interbrand, Millward Brown Vermeer and Brand Finance are specialist brand valuation firms. They all state that they have valued thousands of different brands. In the context of the various rankings it is important to understand their cause. The rankings are neither derived from a “marketplace” (like the most valuable companies are ranked according to their share prices and market capitalization), nor are they commissioned by the brands that are listed on them. The basic reason to compile the rankings is public relation and press coverage. The valuation firms do not and cannot rely on other information from inside the brand owner’s company beyond published financial statements.

Valuation is not mathematics. It depends on some key assumptions which of course can vary. One analyst may come to different conclusions than another. Therefore, some tolerance must be applied to the accuracy of any valuation, and for brand values as well.

A ranking gives the impression to be something official, authoritative, and legitimate. Journalists and readers tend to give such rankings great credit of trust, and the rankings have been published and referred to countless times. Still, the accuracy of the brand rankings has been questioned from time to time. Attentive readers have noticed numerous discrepancies between the rankings, like the following randomly selected examples:

- /** Different values for the same brand. In the 2014 global rankings, the Google brand was valued from US\$ billion 68.6 (Brand Finance) to US\$ billion 158.8 (Millward Brown), and Interbrand in between. Samsung was valued from US\$ billion 25.9 (Millward Brown) to US\$ 78.8 (Brand Finance), again with Interbrand in between. Similar ranges can be observed for many brands.
- /** Different composition of the rankings. Brands like Verizon, AT&T and Walmart appear high up on the rankings of Millward Brown and Brand Finance, but miss on Interbrand’s ranking. Vice versa, brands like Disney and Mercedes are missing on Millward Brown, or Visa and L’Oréal are missing on Brand Finance’s Top100.
- /** Time series. In the same year, the value of a particular brand increased in one ranking but decreased in the other. Or take the Porsche example. In the rankings of Brand Finance, the value of the Porsche brand increased from US\$ billion 5.4 in 2009 to 8.0 in 2010 and 11.2 in 2013 and thereafter collapsed to 3.5 in 2014 and 3.8 in 2015. Neither the rating of the brand by Brand Finance (AAA) nor the enterprise value of Porsche AG changed significantly.

Perhaps the most comprehensive comparative analysis of discrepancies between the rankings is done by Type 2 Consulting / Jonathan Knowles.¹ From this analysis he concludes: “*Brand valuation is in its infancy as a discipline*”, and “*It is a mistake for marketers to view brand valuation as a silver bullet for proving the business value of marketing*”. One interesting finding is that the discrepancies between the three firms are not systematic. It is not one of the three firms which always finds the highest or lowest values. The picture is very mixed, suggesting that the different proprietary methods leave room for subjectivity.

From time to time, the three firms provide some sort of explanations why their values may differ. Such explanations include – among others – different methodologies, different valuation dates, or different definition of brand. Such arguments are rather excuses than explanations, and the three firms undertake no visible efforts to make their results more transparent and converging.

The difficulty with the rankings is that the values are barely contestable. In fact, the most valuable (biggest) brands are quite safe from being acquired. They are too expensive, too big for integration, or too dominant for antitrust clearance. Acquisitions are rare at that level, and the brand valuation firms do not take big risks that their values will ever be tested in a market transaction.

Such testing of the ranking values against real market transactions has been postulated since quite some time. Mark Ritson, a marketing professor, branding expert and columnist of Marketing Week, wrote in 2012²: “*The only way to find out which is more on the money is to wait for an actual acquisition to take place and then compare the price paid with the one predicted by the firms. If this does not happen (or, more likely, if the value of the brand equity is not revealed publicly in the purchase price), we should arbitrarily select one of the three firms and strangle the other two.*”

All the same, from time to time such brands are acquired, and sometimes it even happens that their acquisition values are revealed in the financial statements of the acquirer. The value of the brand contained in the purchase price for a business is determined from fair value assessments done by “purchase price allocation” experts according to established national and international accounting standards. They represent brand valuations when there is a real financial transaction, i.e. the enterprise values reflect *actual willingness to pay*. Fair value is the amount at which an asset for which a market price cannot be determined (because there is no established market for the asset) could be bought or sold in a current transaction between willing parties.

MARKABLES, an online database providing comparables for trademark valuations, contains data from over 6,200 such acquisitions of businesses where the brand value in the purchase price was revealed (see examples in Appendix 1 and 2). And a few of these cases relate to brands that are also covered by one of the brand valuation firms in one of their brand value league tables. Based on such purchase accounting data, the values on the league tables are now subject to scrutiny against real acquisition values. We have identified 68 such transactions allowing 82 brand values from rankings to be tested (see Appendix 3).

82 pairs of data included in both MARKABLES and a ranking from one of the three brand value firms were identified for verification. For each pair, a maximum time lag of two years between the two valuation dates was allowed. Further, an adjustment for differences in remaining useful life assumptions was made. While the three brand valuation firms generally assume an indefinite life of the brand, 37% of the brands reported in MARKABLES have a

¹ <http://de.slideshare.net/jpoknowles/brand-valuation-review-of-the-2014-league-tables>

² <http://www.marketingweek.com/2012/10/10/please-make-the-brand-valuation-humiliation-stop/>

shorter (finite) life. In these cases, the brand values were inflated as if they were assigned an indefinite life. The fair value of the brand as determined from purchase accounting by the new owner was used as reference value 1 (or 100%). Below, we refer to “fair value” or “league value” to describe brand values from MARKABLES, and from one of the league tables respectively.

59 brands were identified from Brand Finance league tables, 15 from Interbrand and 8 from Millward Brown. This frequency corresponds to the number of brands covered by the three firms in their rankings. Brand Finance publishes the most rankings by far, including many country and industry specific rankings, while the other two firms focus on global and country rankings, plus the retail rankings of Interbrand. Following are three illustrative samples, one for each of the three firms.

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Three Samples

COMPAQ Compaq used to be a leading global provider of IT equipment, software, services and solutions, including industry-leading enterprise storage and computing solutions, fault-tolerant business-critical solutions, communication products, personal desktop and notebook computers, and personal entertainment and Internet access devices. In 2002, Hewlett Packard acquired Compaq and valued the brand at US\$ 1,422 million. In Interbrand's Best Global Brands 2002, Compaq was valued at US\$ 9,803 million (or nearly 7 times higher).

 **Bezeq** is the principal provider of telecommunication services in Israel. Bezeq's services include domestic fixed-line, cellular, internet services, international communication services, multi-channel television and satellite broadcasts. In 2010, B Communications Ltd. acquired Bezeq and valued the brand at US\$ 321 million. In Brand Finance's 2010 Global Telecom 500 ranking, Bezeq had a value of US\$ 951 million (or nearly 3 times higher).

 **Amil** is the largest health benefits organization in Brazil, assisting over 5.8 million members with the largest contract provider network in the country, including over 3,300 hospitals; 54,900 polyclinics and outpatient facilities; and 11,700 laboratories and diagnostic imaging centers. Amil was acquired by UnitedHealth Group in 2012, and the Amil brand was valued at US\$ 611 million. In Millward Brown's 2012 BrandZ Latam Top50 ranking, Amil had a value of US\$ 295 (or more than 50% lower).

Source: www.markables.net

The overall results of the comparisons are discouraging. The average absolute difference between league values and fair values for all 82 pairs is **276%**. Netting negative and positive deviations out, the average distance is still 254%. This means that the league values exhibit an average overvaluation of brand by a factor of **2.5x**.

Exhibit 1 illustrates the distribution of the single deviations:






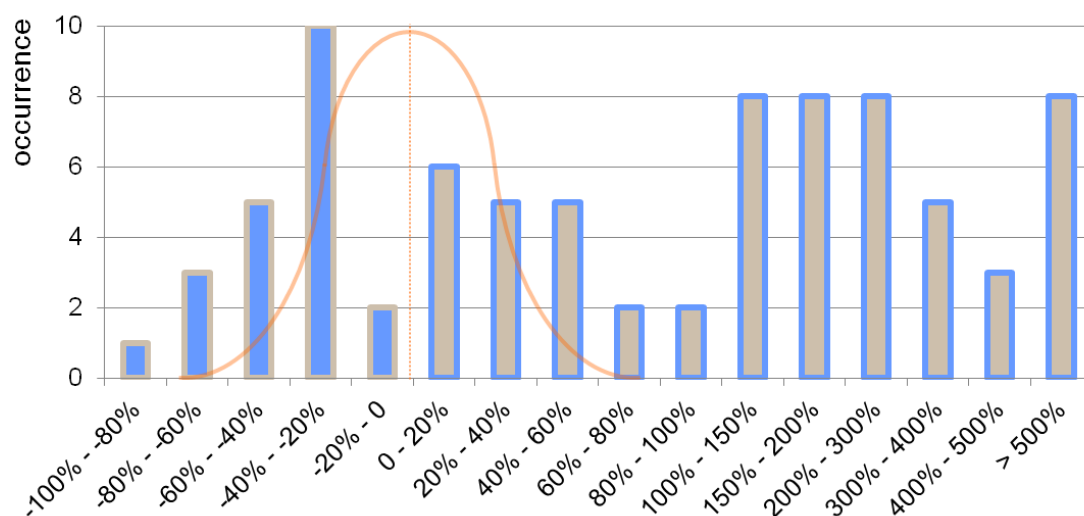
-  The distribution shows no characteristics of a typical normal distribution curve around the reference value.
-  The curve is right-skewed. 21 cases show a negative difference (league value lower than fair value), 61 a positive difference.
-  The curve does not peak around the reference value, nor around any other value. Only nine cases (11%) are within an acceptable range of $\pm 20\%$ from fair value.
-  48 cases (59%) even differ by more than factor 2 (more than -50% or +100%).
-  The curve does barely flatten out at its right end. The maximum difference is as much as 2750% (27.5x).

Exhibit 1 - Differences league value - fair value

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Source: www.markables.net

Looking at different industries or sectors, the potential reasons for the differences eventually become clearer.

Sector	observations	avg abs difference
- Consumer retail	11	39%
- Consumer goods	6	60%
- Auto	5	107%
- Electronics	5	290%
- Telecommunications	26	383%
- Banks	17	398%

Overestimation of brand value seems to increase with the complexity of asset structure. In that respect, retail businesses are rather simple to understand. They have inventory, and their intangibles include not much more than brand and goodwill (plus eventually some minor favorable leases or key moneys). As a result, the brand value estimations for that sector are accurate up to a certain point. However, the accuracy diminishes the more complex and the less brand focused the sectors are. For example in sectors like telecoms or banks, intangible assets include – besides goodwill and brand – many other important intangibles like licenses, concessions, complex software, contracts, and customer relations. Without a detailed understanding of all these intangibles, it seems to be impractical to find a realistic value for the brand intangible alone. In the end, the value of all assets taken together must not exceed enterprise value or market cap. The Kabel Deutschland case provides a good illustration for this predicament.

The Case of Kabel Deutschland

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In 2013, **Kabel Deutschland** was acquired by Vodafone. Kabel Deutschland was founded in January 1999 by the former German telecom monopoly Deutsche Telekom operating as Deutsche Telekom Kabel Services GmbH (DeTeKS) in order to spin off its entire Cable Television business as required by regulatory terms. With a basic plan, Kabel Deutschland offers about 30 free-to-air analogue TV and an equal number of FM and digital radio channels. On top of that, about 100 digital Pay TV channels (including Sky Deutschland) can be ordered as a subscription-based service. Furthermore, Kabel Deutschland offers Internet (Kabel Internet) and telephone services (Kabel Phone). For historic reasons, Kabel Deutschland cannot offer its products directly to all who are connected via Kabel Deutschland's network, since only one third of all viewers are direct customers.

Historically, Kabel Deutschland was never a real brand. For its new owner Vodafone, Kabel Deutschland is an infrastructure company that owns, operates and leases to third parties a cable network of 266,000 km. Tangible assets account for 67% of enterprise value which is typical for an infrastructure company. Intangible assets include mostly licenses, concessions (for laying cables on third party land) and customer contracts (with resellers). Kabel Deutschland is neither a TV programming nor a broadcasting business which typically have strong brand names. It does not create or organize content. For its owner Vodafone, the Kabel Deutschland brand is of minor value, with a short remaining useful life of seven years and a value of US\$ 28 million. This value translates into an annual trademark royalty rate of 0.25% on sales, and 0.25% of enterprise value.

The brand valuation companies see this brand from a different perspective. In their view, it is the largest cable TV brand in Germany and compares to other strong pay TV brands (like Sky). Brand Finance values Kabel Deutschland at US\$ 1,030 million (or a 5% royalty rate on sales), and Interbrand arrives at a brand value of US\$ 1,540 million (or 16% of enterprise value). Millward Brown does not cover Kabel Deutschland in their rankings. This difference of opinions likely results from a different understanding of the business itself.

Source: www.markables.net

Overall, the differences between the league values and fair values are barely acceptable from a professional standpoint - with a cautious exception for consumer staples brands. The other interesting question is which of the three valuation firms sticks out positively. To find out, we analyzed the firm-specific differences, with Millward Brown with an average difference +119% showing the smallest difference. Interbrand and Brand Finance rank second and third, but seem to fall far apart.

	Millward Brown	Interbrand	Brand Finance
no. of observations	8	15	59
avg abs difference	119%	261%	301%
avg difference netted	81%	232%	284%

With this analysis we have to keep in mind the different number of observations for each of the three firms. The results seemingly worsen the higher the number of observations. In other words, does Millward Brown show the best results because their brand portfolio is focused on few easy-to-assess classic consumer goods brands? To test the results against sectoral composition, we looked for cases that are directly comparable between the firms. Six out of the 82 cases are brands that are covered in the rankings of two firms, and three brands are covered by all three firms.

The pair wise comparison suggests that Millward Brown performs better than both Interbrand (one observation) and Brand Finance (three observations). Interbrand and Brand Finance

are drawn (two observations). A three way comparison with three different brands covered by all three firms confirms Millward Brown in the lead position (26% difference), followed by Interbrand (43%) and Brand Finance (113%) (see exhibit 2).

Exhibit 2 - Three way comparison		MARKABLES®		
Brands	Owner's Brand Value US\$ million	Millward Brown US\$ million	Interbrand US\$ million	Brand Finance US\$ million
Porsche (2012)	17,760	12,413 (1)	5,149 (3)	11,241 (2)
IKEA (2012)	11,563	9,206 (2)	12,808 (1)	15,211 (3)
Vivo (2011)	1,164 (extrapolated from 984 at 20 year definite life)	857 (1)	1,700 (2)	4,316 (3)
mean ranking		(1.3)	(2.0)	(2.7)
mean abs difference		26%	43%	113%

Source: www.markables.net

In all three measures – absolute average difference, pair wise comparison, three way comparison – Millward Brown is in the lead. We leave it to the judgment of the reader if Millward Brown's average difference of +119% merits calling them "the best". It is advisable for all three firms to improve their approaches, methodologies and assumptions towards more reliability and a better convergence both between them and against real purchase values.

Interestingly, third ranked Brand Finance – through its Brand Finance Institute – launched a "Campaign for Independent Brand Valuation" in 2011 which claimed that "large marketing services firms should be banned from valuing the brands which they earn the bulk of their revenues creating and building."³ This campaign aimed at both Interbrand (which is part of Omnicom Group) and Millward Brown (which is part of WPP Group). Our findings suggest that independence is no guarantee for more accurate valuation results. Perhaps, Brand Finance's focus on brand valuation makes them even more dependent on the (positive) outcome of their valuation reports.

Another question remains. Are brand values from acquisition accounting (fair values) better than from the league tables? As for any asset which is not traded on an active market, a real and true value of a brand does not exist. Usually, brands are traded as parts of enterprises or branded businesses. Only very rarely, brands are traded standalone, without other assets bundled with the brand. Even in these rare cases, the pricing does not result from an active market, but is a rather incidental and buyer-specific price (similar to a price paid by a collector for a rare item). Therefore, any brand value is more or less factitious. This holds true for both brand values from purchase accounting, and brand values published in league tables.

Marc Fischer, Professor of Marketing and Market Research, University of Cologne, and Associate Professor of Marketing at UTS Business School, Sydney, is a respected expert in

³ http://www.brandfinance.com/images/upload/campaign_for_independent_by_final.pdf

the area of brand valuation methodologies. He carries and analyses a database with nearly 40,000 brand values from nearly 5,000 different brands published in numerous league tables, and he has perhaps the most profound knowledge worldwide about the validity of the methods of the different vendors.⁴ For Marc Fischer, brand values resulting from purchase accounting are the “gold standard” of validity of all brand values contained in his database. He states: “*Real brand transaction prices obviously represent a “gold standard” that reflects managerial decisions.*”⁵

Purchase accounting – or purchase price allocation – is performed under the fair value principle, based on a real financial transaction and a price paid for an enterprise or business. Purchase accounting splits and allocates this purchase price on the different assets acquired, including – among others – brand. The question now is if the results of this split (for example the values for brands) are realistic, and more realistic than the values calculated externally by the brand valuation firms.

It is true that values from purchase accounting may be arbitrary or skewed – either by accounting policy (for example for tax, amortization or managerial bonus effects) or by inexperience of the appraiser.⁶ But this is rather unlikely, and the results of purchase accounting must be considered to be quite robust, for a number of reasons:

- // Purchase accounting is based on a real transaction, thus a managerial decision and a real willingness to pay.
- // In contrast to a standalone valuation of a particular asset, purchase accounting has to fit into the 100% cap of the purchase price. The sum of all individual assets may not exceed total enterprise value. All different assets are not only valued individually, but also relative to each other. This relative valuation provides for an additional quality check.
- // Purchase accounting is performed under established international and national accounting standards. Such standards exist since long and are continuously improved. Standards like IAS and IFRS set a globally accepted framework for financial accounting and reporting.
- // The results of purchase accounting (including any brand valuation) are checked and approved by independent auditors and chartered accountants.
- // Purchase accounting is performed by specialized and experienced valuation professionals. Such professionals work in the valuation and forensic accounting branches of accounting firms, or in financial advisory and valuation firms. The business valuation profession is organized in professional associations which organize education, examination and credentials of valuation professionals. There are close to 20,000 trained business valuation professionals worldwide holding credentials like ASA BV, CPA ABV, CICBV, IACVA, NACVA, CBA and others.
- // Business valuation professionals are independent – from both the owner of the valuation object and from the chartered auditor of the financial statements.
- // Business valuation professionals deal with any type of (intangible) assets being part of a business. They are impartial with regard to particular types of assets. In contrast, brand valuation specialists might tend to be passionate for the value of brands.

⁴ Marc Fischer and Alexander Himme (2013), “20 Years of Brand Valuation – Facts and Insights, <http://www.themasb.org/wp-content/uploads/2013/02/H.-BVs-What-is-Known-Fischer-2.13.F.pdf>

⁵ Marc Fischer and Tobias Hornig (2014), “How useful are Brand Valuation Methods for Brand Management? A Validation Study,” Working paper, University of Cologne.

⁶ Business valuation specialists are often blamed by marketers for understanding little about brands.

- Arbitrary accounting policy is a rather theoretical argument which cannot be confirmed in reality. If this was true, the share of indefinite lived goodwill or trademarks (which are not subject to amortization) in enterprise value would increase. Overall and over time, this cannot be observed. The proportion of goodwill is very stable, and indefinite lived trademarks are on the decline.

For these reasons, purchase accounting can be considered to be the most accurate and reliable methodology for the valuation of brands as of today.

Partiality, dependence and policy would be too simple reasons to explain the differences between league values and fair values, although they might in one way or another cloud the view of appraisers. But there are certainly more tangible root causes which help to understand more about brand value and to harmonize the outcome of different valuations approaches.

- In purchase accounting, **customer relations** have to be valued separately from brands. Customer relations are considered as separable assets if the name, contact information and purchase history of customers is known. Such customer relations (“customer list”) are separable assets that can be (must be) acquired, sold and valued independently. A customer relation may be based on a contractual relation. A customer contract would be classified as “order backlog”, a cancelable customer subscription or customer account would be classified under customer relations.

Purchase accounting very often involves the valuation of customer relations, thus of customers known in person. The importance of such customer relations has been increasing during the last 10 years as a result of more direct, personal and digitalized contact points.⁷ The brand valuation firms often argue that such customer relations result from and must be subsumed under brand. It would be for the brand that these customers stay loyal, and customer loyalty would not be separable from brand. Therefore, league values might explicitly or implicitly include a part for customer relations.

To some extent, this view is certainly true. But there are good arguments for the separation. A customer list (or customers known in person) makes the brand less important and more vulnerable. Brand messages can be conveyed easily via direct communication channels; traditional and expensive mass media are no longer needed. The customer list could be sold separately. A salesperson leaving the company could take with it such customers and their business. A new owner of the business could rebrand (replace the brand) comfortably by simply informing the customers about the new name. And last but not least, the remaining useful life of customer relations is different (shorter) than brand.

Logically, acquiring an established brand without the related customer list would result in a different (lower) value and price tag. And the seller would try to capitalize on his remaining customers himself, under a different name. Although it is not trivial to separate customer relations from brand methodologically, most arguments are in favor of such split.

- Most valuations follow an income approach whereby the expected future income from the subject asset is projected. In the valuation of brands, it is not so easy how to account for “**brand potential**”. Purchase accounting values a brand as the acquirer finds it at the date of the acquisition, including a “normal course” business plan. Purchase accounting does not include future growth from activities or investments that are not yet initiated or paid. Specialized brand valuers sometimes account for potential future growth of the

⁷ Christof Binder and Dominique Hanssens (2015), “Why Strong Customer Relationships Trump Powerful Brands”, HBR Online; <https://hbr.org/2015/04/why-strong-customer-relationships-trump-powerful-brands>

brand that is not yet foreseeable. Especially when asking consumers or experts about their assessment of a particular brand, they often express their fantasies as to how much more or what else they could buy or expect from the brand in the future, including the potential to extend the brand regionally and to add more products. Such positive but still untouched expectations increase the value of the brand.

- From their external perspective, the brand valuation firms have limited access to internal information. As far as they refer to brand equity embedded in the minds of customers, they can indeed ask these customers directly through market research. As far as they refer to financial data about the business, they can rely on published financial statements and stock market prices. From there they know the excess of enterprise value over book value of tangible assets. This excess is the total value of intangible assets and goodwill of the business. Brand value must somehow fit into this amount.

What they don't know from outside is which **other intangibles** the business owns, and how important and valuable they are. Take for example customer relations. It is impossible to know from outside the size of the customer list, repeat purchases and attrition rates. Or take the value of spectrum licenses and concessions of a telecommunication company. Or the value of landing rights (slots) of airlines. Or the value of developed technology of a software company. All these different intangibles and their values are unknown to the brand valuation firm.

Knowing the 100% (the excess value over book value) but not knowing all of its different elements that constitute the 100% makes it rather impractical to put a price tag only on one of its elements (the brand). That is what brand valuation firms somehow try to achieve with their league tables.

- As far as the relief from royalty method is applied to value a brand, the brand owner can often rely on better information which is more relevant guideline **royalty rates** from in-house license agreements or from royalty agreements from within the industry that are unpublished but known to him. From outside, the brand valuation firm can only use guideline royalty rates that are in the public domain and often do not fully match the subject industry.
- As stated earlier, purchase accounting follows the "fair value" standard. Fair value is the amount at which an asset for which a market price cannot be determined could be bought or sold in a current transaction between willing parties. Brand valuation firms might use a different valuation concept – the "**value in use**". Value in use is the benefit the asset generates for its current owner under its current use. They might argue that they know nothing about a potential buyer and a different use. For the current brand owner, the brand thus can only have a "value in use".

That argument again is both right and wrong. There is nothing to say against a value in use approach, which is also accepted in accounting under certain circumstances. And a value in use approach can of course create a different result than a fair value approach. Still, value in use must not result in numbers that are far higher than realistic fair values or market values. If that was possible, a bankrupt company could easily inflate the book value of its assets with the value in use argument ("for me these assets have much more value (in use) than for the liquidator"), thereby escaping or delaying bankruptcy proceedings.

- For marketers and brand valuation specialists, brands will not die. They are deemed to **live** into perpetuity, or at least longer than one can ever imagine. Thus, the projection of future income from a brand goes into perpetuity. In purchase accounting and accounting however, any asset is wearing down. Although it is permitted in purchase accounting to

assign an indefinite life to a brand, this does not mean that it will live infinitely.⁸ Sooner or later it needs to be either impaired or reclassified to a definite life with regular amortization. One half of trademark valuations from purchase accounting even assume a finite life with an average of 11 years right from the beginning.⁹ And the sample of 82 brand from above shows 37% with a finite live. This is something a brand valuation specialist would barely do.

Whatever the reasons for the widely differing results of brand valuations in each particular case might be – there is urgent need for improvement. There is not only need to standardize methods. There is need to attach to each brand value figure that is published in the press the basic premises under which it was valued.

MARKABLES is an unbiased collection of results of thousands of independent trademark valuations of which the premises are known and transparent. Although not “true”, brand values filed in MARKABLES may serve as a robust pool of guideline cases for future brand valuations. In any case, there are convincing reasons that these brand values are more realistic than those published in league tables.

⁸ Christof Binder and Robert Morrison (2015), “Once indefinite – always indefinite”, Business Valuation Update, May 2015.

⁹ Stefan Rüssli and Christof Binder (2014), “The useful life of trademarks”, World Trademark Review, December 2014, https://www.markables.net/files/Useful_Life_of_Trademarks_WTR_Dec2014.pdf

Appendix 1 –Purchase Price Allocation

- Example Iberia Airline 2011

€ million	January 21, 2011
IAS value	
British Airways fair value	3,862
Iberia stake in British Airways	(385)
	<u>3,477</u>
British Airways' shareholders ownership in IAG (per cent)	56
IAG value	<u>6,209</u>
Purchase price	
IAG value	6,209
Iberia's shareholders ownership in IAG (per cent)	44
	<u>2,732</u>
British Airways stake in Iberia	370
Purchase price	<u>3,102</u>

On January 21, 2011 the assets and liabilities arising from the acquisition are as follows:

€ million	Acquiree's carrying amount	Fair value
Property, plant and equipment	1,264	1,385
Intangible assets		
Goodwill	-	249
Brand	-	306
Loyalty programmes	-	253
Landing rights	-	430
Other	45	88
Investments in associates	157	157
Other non-current assets	1,254	1,263
Cash and cash equivalents	689	689
Other current interest-bearing deposits	1,175	1,175
Trade and other receivables ¹	568	568
Inventories	215	215
Other current assets	201	201
Interest bearing long-term borrowings	(462)	(462)
Trade and other payables	(1,549)	(1,549)
Other current liabilities	(184)	(184)
Non-current provisions	(1,203)	(1,265)
Deferred tax liability	(191)	(537)
Other non-current liabilities	(265)	(265)
Net identifiable assets acquired	<u>1,714</u>	<u>2,717</u>

¹ The gross contractual amount for trade receivables was €603 million, 94 per cent of which is expected to be collected.

Appendix 2 – Purchase Price Allocation Example Vivo Participações (Vivo Movél) 2011

Trademark

The fair value of the trademark was calculated using the "relief-from-royalty" method. This method establishes that an asset's value is calculated by capitalizing the royalties saved by holding the intellectual property. In other words the trademark owner generates a gain in holding the intangible asset rather than paying royalties for its use. The royalties saving was calculated by applying a market royalty rate (expressed as a percentage of revenues) to future revenues expected to be generated from the sale of products and services associated with the intangible asset. A market royalty rate is the rate, normally expressed as a percentage of net revenues, that a knowledgeable, interested owner would charge a knowledgeable, interested user for the use of an asset in an arm's length transaction. The allocated fair value of the licenses on the date of the acquisition was R\$1,642,000, which is being amortized over a 19.5 year period for accounting purposes.

The provisional fair values, goodwill and cost of the identifiable assets acquired and liabilities assumed in this transaction at acquisition dates were the following:

In R\$ thousands (provisional data)	Vivo Participações S.A. Fair value
Current assets	7,244,124
Non-current assets	28,134,683
Deferred tax asset, net ⁽²⁾	417,883
Other non-current assets	2,385,177
Property, plant and equipment	6,198,358
Intangible assets ⁽¹⁾	19,133,265
Current liabilities	(7,964,209)
Non-current liabilities	(5,352,456)
Other non-current liabilities ⁽³⁾	(5,352,456)
Net asset amount	22,062,142
Cost of shareholdings	31,222,630
Goodwill of the transaction	9,160,488

- (1) Includes the allocation of fair value attributed to licenses (R\$12,876,000), trademark (R\$1,642,000) and customer base (R\$2,042,000). The Company does not consider trademark and customer base as deductible items for tax purposes.
- (2) Includes the recognition of deferred income tax over (1) and (3).
- (3) Includes allocation of fair value attributed to contingent liabilities of R\$283,000.

Appendix 3 – List of Brands

MARKABLES ID	Brand	Country / Domicile	Industry	Acquirer	Year
12390	Denizbank	Turkey	bank	Dexia SA	2006
12984	Sampo Pankki	Finland	bank	Danske Bank AS	2007
13074	The Body Shop	United Kingdom	retail (personal care, beauty)	L'Oréal	2006
13080	Bulgari	Italy	luxury goods (jewelry)	LVMH	2011
13113	Puma	Germany	sports goods	Kering SA (fka PPR)	2007
13161	Schneider Electric	France	electrical distribution and control	Schneider Electric SAS	2011
13206	GVT (Global Village Telecom)	Brazil	telecommunications	Vivendi SA	2009
13293	Deutsche Postbank	Germany	Bank	Deutsche Bank AG	2010
15054	Burger King	US	fast food restaurants	Burger King Worldwide	2010
15081	IKEA	Sweden	retail (furniture)	Inter IKEA Systems	2012
15747	First Republic Bank	US	bank	First Republic Bank	2010
15990	Compaq	US	computer	Hewlett Packard	2002
16041	EMS Technologies	US	network connectivity products	Honeywell Int.	2011
16317	J.Crew	US	retail (multibrand apparel)	J. Crew Group	2011
16533	Global Crossing	US	telecommunications (global service provider)	Level 3 Communications	2011
17424	Clearwire	US	telecommunications	Clearwire Corp.	2009
17427	Virgin Mobile	US	telecommunications (wireless)	Sprint Nextel	2009
18165	Sadia	Brazil	branded food (meat products, pasta, margerine, desserts, pizza)	Brasil Foods	2009
19530	FairPoint	US	telecommunications (broadband service provider)	FairPoint Communications	2011
19536	MobiNil	Egypt	telecommunications (wireless)	France Telecom	2010
19551	Deltacom	US	telecommunications (broadband service provider)	Earthlink	2010
19563	Vivo Movél	Brazil	telecommunications, wireless	Telefonica Brasil	2011
20058	Bezeq	Israel	telecommunications	B Communications	2010
20070	The Carphone Warehouse	United Kingdom	retail (mobile telecommunications)	Best Buy Co. Inc.	2008
20178	NBCUniversal	US	media and entertainment	Comcast	2011
20454	TripAdvisor	US	internet travel	Liberty Interactive	2012
20853	ABSA (Amalgamated Bank of South Africa)	South Africa	bank	Barclays plc	2005
21045	Whitney National Bank	US	bank	Hancock Holding	2010
21435	012 Smile Telecom	Israel	telecommunications	Partner Communications Co.	2011
21537	HBOS (Halifax Bank of Scotland)	United Kingdom	bank	Lloyds Banking plc	2009
21585	Merrill Lynch	US	bank	Bank of America	2009
21729	Finansbank	Turkey	bank	National Bank of Greece	2006
21912	St George Bank	Australia	bank	Westpac Banking	2008
21936	TAM	Brazil	airline	LAN Airlines / LATAM	2012
22131	Casas Bahia	Brazil	retail (electronics, home appliances, furniture)	CBD (Grupo Pão de Açúcar)	2010
22134	Ponto Frio	Brazil	retail (electronics, home appliances, furniture)	CBD (Grupo Pão de Açúcar)	2009
22248	Digitel	Philippines	telecommunications	Philippine Long Distance Telephone Company	2011
22923	Edison	Italy	utility (electricity, gas)	Electricité de France	2012

23040	Amil	Brazil	health benefit plan	UnitedHealth Group	2012
23463	Hughes Communications	US	telecommunications (satellite)	Echostar Corp.	2011
23952	NAVTEQ	US	software, digital maps	Nokia	2008
24654	Fortis Banque	Belgium	bank	BNP Paribas	2009
24663	Grupo Pão de Açúcar (GPA)	Brazil	retail (foodstores, consumer electronics)	Casino	2012
24945	Banca Antonveneta	Italy	bank	Banca Monte dei Paschi di Siena SpA	2008
24957	Banca Popolare	Italy	bank	Banca Popolare	2011
25116	Sofofa (Telecom Argentina)	Argentina	telecommunications	Telecom Italia	2010
25146	Capitalia	Italy	bank	UniCredit SpA	2007
25149	HVB Hypo- und Vereinsbank	Germany	bank	UniCredit SpA	2005
26067	Hochtief AG	Germany	construction	ACS SA	2011
26100	Iberia Líneas Aéreas de España	Spain	airline	IAG (British Airways)	2011
26289	Porsche	Germany	automotive (passenger cars)	Volkswagen AG	2012
26292	MAN	Germany	automotive (trucks)	Volkswagen AG	2011
26460	Conforama	France	retail (furniture, home appliances)	Steinhoff Intl. Ltd.	2011
27435	SonyEricsson	Sweden	mobile handsets	Sony Corp.	2012
27555	Volvo Cars	Sweden	automotive (passenger cars)	Geely Sweden AB	2010
27789	Sprint	US	telecommunications	Sprint	2013
28773	AWD	Germany	wealth consulting, insurance broker	Swiss Life Holding	2008
29145	PTCL	Pakistan	telecommunications	Emirates Telecommunications Corp.	2012
29358	MetroPCS	US	telecommunications (wireless)	Deutsche Telekom AG	2013
29640	3Com	US	networking products	Hewlett Packard	2010
29871	Jefferies	US	bank (investment banking)	Leucadia National	2013
29952	PAETEC	US	telecommunications (local exchange carrier)	Windstream Corp.	2011
30930	Banco Pastor	Spain	bank	Banco Popular Espanol	2012
30981	Cable & Wireless Worldwide	United Kingdom	telecommunications (broadband service provider)	Vodafone	2012
30984	Kabel Deutschland	Germany	telecommunications (broadband service provider)	Vodafone	2013
31020	HJ Heinz	US	branded food (sauces)	HJ Heinz Holding	2013
31476	Tunisiana (Orascom Telecom Tunisie)	Tunisia	telecommunications (wireless)	National Mobile Telecommunications Co. KSC	2011
31512	Korea Express	Korea	transportation (trucking and parcel delivery)	Cheiljedang Corp.	2011
31668	Leap Wireless	US	telecommunications (wireless)	AT&T Inc.	2014
31830	tw telecommunications	US	Telecommunications (network services)	Level 3 Communications	2014