

3rd annual survey provides insights into the relationship between companies and their investors

Survey reveals Investor Relations professionals' views:

- ***A decline in corporate earnings is not expected to threaten the rise in the stock market***
- ***21% of respondents feel the quality of analyst coverage has declined over the past 12 months***
- ***Companies are disclosing more information on strategy and objectives (64% of respondents) and on the drivers behind revenues and profits (60% of respondents)***
- ***Lack of investor engagement is the biggest barrier to effective corporate governance according to 41% of respondents. 30% of companies feel that unnecessary regulation is also a barrier to effective corporate governance***

In the third wide ranging annual survey by international IR, financial and corporate communications consultancy Citigate Dewe Rogerson ("CDR"), over 150 Investor Relations Officers ("IROs") from 17 countries across Europe offered their opinions on the potential threats to the stock market rally, the information they disclose to investors and their views on investor engagement.

- ***A decline in corporate earnings is not expected to threaten the rise in the stock market***

Only 14% of respondents expect a decline in corporate earnings to halt the stock market rally over the next 12 months. This suggests that companies are feeling confident that they can maintain increased levels of corporate profitability. Our survey reveals that companies are more concerned with demand with 43% of respondents believing that a reduction in consumer spending threatens the continuing rise in the stock market. Together the figures suggest that companies can at least maintain productivity gains eked out over the past year or so. Seventy percent of respondents believe the biggest threat comes from the sovereign debt crisis where the risk to the stock market is twofold: Current account deficits or plans to reduce them could choke off demand and destroy the rally.

- ***21% of respondents feel the quality of analyst coverage has declined over the past 12 months***

There are concerns about the quality of analyst coverage and this has been a feature of our survey since it first sought the views of IROs three years ago. Twenty-one percent of respondents feel the quality of analyst coverage has declined over the previous 12 months, which is an improvement on the previous year when 26% of respondents felt quality of analyst coverage had declined. On balance, the quality of coverage is not

getting better, but the deterioration is slowing. Seventeen percent of respondents feel it has improved over the past year, compared to 14% of respondents in 2010.

- *More disclosure on strategy and objectives and the drivers behind revenues and profits*

Sixty-four percent of respondents are disclosing more information on objectives and strategy and 60% are disclosing more information on the drivers behind revenue and profit growth. Michael Berkeley, Executive Director of CDR and head of its Investor Relations practice commented, *“Many companies have had a strong story to tell in terms of costs savings over the past couple of years. Companies are now feeling more confident to be talking again about strategic objectives, growth initiatives and revenue drivers. We’re not out of the woods yet, but the fact that companies are prepared to look ahead with more confidence has got to be encouraging. What’s less encouraging is that one fifth of investor relations officers believe the quality of analyst coverage has declined in the last year, with short-termism and lack of depth often cited as an issue.”*

Only 25% of companies are disclosing more information on the risks to their business. Reporting on risks is still in its infancy and for too many years companies chose to avoid this area for fear of drawing attention to weaknesses in their business. The financial crisis provided an impetus for companies to address this and fund managers and analysts are paying more attention to this area. Sean Bride, author of the survey said *“Companies need to communicate business risks within the context of their business model and strategy with links to KPIs to demonstrate the likelihood and impact of key risks with clear strategies to help mitigate them. This can reinforce management credibility which helps to build trust with investors.”*

- *Lack of investor engagement is the biggest barrier to effective corporate governance*

In a year when the issue of corporate governance remained prominent and a number of initiatives born out of the financial crisis came to fruition, 41% of respondents feel that the biggest barrier to effective corporate governance is lack of engagement from shareholders, coupled by lack of feedback from investors cited by 33% of respondents. It is therefore the view of a significant proportion of companies across Europe that measures to get investors more engaged in corporate governance are desirable.

Following on from its consultation on reforms to corporate governance in financial institutions, the European Commission has launched a green paper on corporate governance in European companies (5/4/11). The role of regulation must be finely judged. Thirty percent of respondents said that unnecessary regulation was also a barrier to effective corporate governance, although only 15% of financial institutions and 25% of banks felt the same.

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Notes to Editors

The Director of Investor Relations for Europe's leading companies offers a unique perspective. As the main conduit between a company and the market, this professional works closely with the chief executive officer and chief financial officer to ensure that the company's investment case is properly understood by investors.

This survey was conducted by Citigate Dewe Rogerson in January-February 2011. The survey is based on the views of 151 IROs (up 20% on 2010) representing companies from 17 countries across Europe and 35 of the 39 FTSE sector indices. Participants included 27% of the FTSE100, 20% of the IBEX 35, 17% of the DAX and 15% of the CAC 40.

Citigate Dewe Rogerson

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