

Press release

Investor Relations governed by the shareholding structure

Zurich, August 8, 2003. A study published by The Investor Relations Firm AG (IR Firm) shows that the Investor Relations function at Swiss companies is governed by the shareholding structure. In terms of communication instruments, personal contact with investors continues to occupy first place in the rankings. The information was gathered in May and June 2003 from 44 of Switzerland's largest companies in a survey of the management and assessment of their own Investor Relations activities.

In May and June of this year, IR Firm conducted a survey by contacting the people responsible for Investor Relations at the 100 largest, stock-exchange listed companies in Switzerland. The purpose was to identify facts and trends in Investor Relations in Switzerland. 44 companies responded to the survey. The evaluation of the responses is now available.

Corporate strategy is the most important value-driver

One question has been causing arguments between the experts for a long time: What measurable benefits do Investor Relations really bring? Do they contribute to reducing the costs of capital? Do they alleviate the volatility of the share price? The companies agree on one point: The benefits of Investor Relations are higher than its costs. There is less unity in defining what the quantifiable benefits of Investor Relations really are. According to the view of Swiss companies, Investor Relations lead primarily to a fair valuation. Swiss Investor Relations officers are convinced that the most important value-driver for companies is the definition of the corporate strategy.

The more institutional investors, the more IR gains in importance

The importance of Investor Relations has risen sharply in the last five years. The analysis shows that for companies with a high percentage of institutional shareholders, IR is of more significance than at those companies which have a large number of small, private investors. The increased importance of Investor Relations is reflected in the higher commitment of top management for IR activities. In a direct comparison with SPI companies, the top management of SMI concerns tends to be extremely selective in its commitment. The generally higher specialisation in Investor Relations is also evidenced by the fact that the function is no longer integrated into Corporate Communication except in rare cases.

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Despite the internal growth in importance, companies in both segments have, on average, kept their IR-budgets practically unchanged in the last two years. This leads to the conclusion that IR-budgets have been linked to company-specific events and not to changes in the overall importance of the IR function.

Personal contact remains the most important instrument

The most important instrument is still personal contact with investors. For SMI companies, the second place is taken by road-shows, whereas SPI companies prefer the annual report. Organisations with a high percentage of institutional investors also regard the Internet as an instrument that provides an above-average effect. A glance at the individual industries shows that there are differences in the specific instruments used to maintain contact with the financial community. For the service-orientated financial sector, it obviously makes little sense to carry out "open days", but they are all the more important for product-orientated manufacturing operations. For banks and insurance companies, "investor days" enjoy high popularity.

Significant differences between SMI companies and Small- and Midcaps

Investor Relations have become established in Switzerland, and the high majority of Swiss companies today have an office that handles the Investor Relations function. Nevertheless, the study shows that there are some major differences between companies included in the Swiss Market Index (SMI), listed on the SWX Swiss Exchange and their counterparts in the Small- and Midcap sector.

Composition of responding companies

In total, 44 of the 100 largest companies in Switzerland (measured by market capitalisation) took part in the survey. Of those 44 companies, 14 are included in the Swiss Market Index (SMI); the other 30 are included in the Swiss Performance Index (SPI). 17 companies belong to the financial sector, 27 of them are active in various industries. 18 companies stated that more than 50 per cent of their shares are held by institutional investors. The study covers 38 per cent of the market capitalisation of all companies included in the SPI.

The study of Investor Relations at Swiss companies – available in English and German - is comprised of 22 pages and is illustrated with explanatory charts. It can be obtained from info@irfirm.biz.

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Brief profile of IR Firm

IR Firm supports mostly listed companies in the conceptualisation and implementation of their communications with shareholders and the financial community. IR Firm advises companies in their day-to-day investor relations and in capital-market transactions such as public offerings, mergers and acquisitions. It also conducts investor surveys and targeting analyses. IR Firm is the market leader in Switzerland. It networks with international partner companies. Further information is available at www.irfirm.biz.