

PRESS CONFERENCE

**“20 Years AKTIENFORUM – 1 Year Member of EuropeanIssuers:
Active Capital Market Policy for Listed Companies during the Financial Crisis”**

**Thursday 2 April 2009, 9 am
House of Industry, VIENNA**

Speech J. H. Schraven, Chairman

Mr President,
Mr Managing Director,
Ladies and Gentlemen of the Press,

It is a great honour for me to address you on this lovely spring day here in beautiful Vienna!

Today we celebrate a double anniversary: for twenty years now, our distinguished member AKTIENFORUM has been serving the interests of Austrian equity issuers and investors alike. On behalf of EuropeanIssuers, I would like to express warm congratulations to Mr Hellmut LONGIN, its President, and Mr Markus FICHTINGER, its Managing Director: Happy Anniversary!

I should say that EuropeanIssuers is most fortunate to count this fine organisation among its members. Indeed it's also a year since AKTIENFORUM joined our pan-European organisation: thanks for your support!

I. EUROPEANISSUERS AND ITS MISSION

EuropeanIssuers goes back to 6 March 2008 when EALIC, the European Association of Listed Companies, and UNIQUE, the Union of Issuers Quoted in Europe, decided to join forces. EALIC and UNIQUE were not newcomers on the scene: both looked back on several years of lobbying activities for listed companies.

For trade associations focusing at the European regulatory framework, it is important to have a large geographical coverage. The more member states are represented, the stronger their voice will be with the European decision-makers. EuropeanIssuers brings together some 60 leading listed companies and national associations from 14 countries: Austria, Belgium, Bulgaria, Cyprus, Finland, France, Germany, Greece, Italy, the Netherlands, Poland, Spain, Switzerland and the United Kingdom.

The members of EuropeanIssuers come from various sectors as there are: nutrition, energy, publishing, health care, the automotive business, construction, financial services

and many more. What brings them together in European Issuers is that all these companies are owned by the public.

Listed companies attract money from the market: their securities are traded on stock exchanges and alternative markets across Europe. As a consequence they are subject to an impressive set of complex and stringent rules and regulations in the area of corporate governance, company law, financial reporting, etc.

The great majority of this regulation is conceived in “Brussels” by the European legislator: a complex and time consuming process that involves numerous authorities, institutions and stakeholders. There are some 15.000 lobbyists active in Brussels, all competing for the lawmakers’ attention!

Some rules originate across the Atlantic and find their way to the desk of Europe’s corporate lawyers due to extra-territorial effects. Then there are the international standard setting bodies like the International Accounting Standards Board (IASB) that issue standards for financial reporting. Those standards have to be applied by European companies once they are endorsed by the European Commission.

Hence European listed companies need adequate and effective means to contribute to the legislative, regulatory and standard setting processes. For obvious reasons, European and international regulators are more receptive towards supra-national groups. Positions that were traditionally only taken by various national organizations need to be coordinated on a supra-national level.

We offer our members a forum to freely debate issues from a European perspective. We help them to come to workable common positions and give them a single and effective voice to engage in an active dialogue with the European and international authorities and with other market participants. The successes we have booked so far show that it is important to put our views forward in a professional and constructive manner.

II. FINANCIAL CRISIS AND EUROPEAN POLICY ANSWERS: THE ISSUERS’ VIEW

When we first presented ourselves to the market, we used to go by the following base line: “The markets represented through our national association members count some 9.200 issuing companies for a combined value of about € 8.500 billion.”

I am afraid we will have to review that line.

Billions of Euros simply “evaporated”: millions of investors are licking their wounds while they turn their back on equity markets. The companies are literally squeezed:

First of all there is a clear paradox: bureaucracy and administrative burdens are making it more and more cumbersome for the companies to undertake public offerings - or even to remain listed for that matter -; on the other hand the capital markets to which our companies are seeking access to, have less and less on offer. Indeed, although the crisis originated in the highly complex and opaque market of structured finance, investors were scared off all the same and lost confidence in the markets as a whole.

Secondly, many financial institutions are now preaching the virtues of old traditional banking, “providing a safe and lucrative harbour for deposits and engaging in thoughtful lending”. However, in practice dried up resources and downsized credit ratings coupled with a growing aversion of risk, are not exactly the right ingredients for a booming borrowing business. (That Steven SPIELBERG found himself knocking in vain on his banker’s door is not really encouraging either for the candidate borrower!)

Ladies and Gentlemen, I will leave it to the regulators and to the politicians to look for scapegoats. However there is one lesson to be learned from this crisis:

Capital markets did not reflect at all what was going on in the real economy, but rather it was the other way around. While companies were struggling to add real value through innovation and hard work, buyers of financial instruments expected short term value creation at rates of 15% or more. This was clearly not sustainable.

Some speaker at a recent conference in Brussels said that the financial system should be the good servant of the real economy, not its bad master! It seems a very simple statement but there is so much truth in there!

As European Issuers we need efficient, liquid and integrated financial markets. However we also strongly believe that this has to be balanced with good corporate governance and a responsible share ownership. After an 18 months’ succession of bad news, nobody can ignore the disasters to which short term thinking and greed have led.

We have never been a big fan of more regulation. But we also acknowledge that the crisis originated in this grey area that could only exist due to the conviction that professionals can take care of themselves and that markets are per definition self regulatory. Hence we welcome the initiatives that the authorities are taking in an attempt to deal with the financial and economic crisis.

The proposals set forward in the De Larosière Report were recently endorsed by the European Commission. It calls for a supervisory system combining much stronger oversight at EU level. It also supports the setting up of an early warning body to identify and tackle systemic risks. We are also expecting initiatives to regulate hedge funds and short selling. The European Parliament is currently working on the future authorisation and supervision regime for credit rating agencies.

But the crisis revealed so much more than regulatory issues. As a guest of an organisation that prides itself in taking care of both the interests of issuers AND investors, I would now like to turn the spotlights on our shareholders.

As a consequence of globalising capital markets, companies notice that their shareholder base is becoming a melting pot of the most diverse investors: domestic versus foreign, institutional versus retail, quick win hunters versus sustainable value searchers, investors in a security versus investors in a company, sovereign wealth funds, etc.

Despite this diversity, traditionally it has been a principle of good corporate governance that all shareholders should enjoy equal treatment: all have the same rights towards the issuer.

But many shareholders do not own their shares for more than weeks or months. There are examples of a multiple market turnover of the complete free float of a company's shares in a single day. Such shareholders cannot or do not want to exercise their voting rights and many simply do not wish to assume their "responsibilities as owners".

Moreover legislation focuses on accountability of companies towards the owners: this is "one way" accountability and it also disregards the legitimate interests of other stakeholders. Hence companies suffer from the "incidental majority" syndrome: the risk of activists "hijacking" the general meeting for their own private interests.

In recent years shareholder value has been the overriding driving force for company management. It was the measuring tool per excellence for a company's performance and success. But the crisis revealed the growing alienation between intrinsic value and market value: securities markets lead their own life: often an irrational one. Moreover the short term-ism of such approach conflicts with the long term approach of an economic undertaking.

Even Jack WELCH, ex CEO of General Electric, and long regarded as the guru of the "shareholder value credo", now publicly blames this model as having contributed to the mess we're in today.

Recent events are a perfect illustration of the importance of long term shareholders. We strongly believe that such shareholders should be more actively involved and should be encouraged to assume their responsibility as owners. On the other hand, companies should be enabled to know who these owners are in order to engage in a structured dialogue: what do long term investors expect from the company and what are the management's long term plans to add sustainable value? If the focus in the last decade had been on such more sustainable values, we could at least have mitigated some effects of the crisis.

EuropeanIssuers will reflect on possible solutions, to strengthen ties with those shareholders. A few ideas come to my mind in that respect, for instance:

We could make shareholder rights - voting, dividend, corporate action, etc – conditional or differentiate them depending on certain criteria. Long term shareholders would be entitled to multiple voting or to a loyalty dividend. One determining factor would be the duration of share ownership, but there may be other criteria. I know that I am now stepping on very thin ice. The "1 share 1 vote" camp will loudly protest once more, but I would like to tell them that they might be fighting the wrong battle.

The objective of a possible differentiation of treatment is to reward responsible owners and "stabilize" the shareholder base, NOT to make the management complacent. I dare say, it should be viewed as a measure of good corporate governance.

As an example, what would have happened if the major banks in Europe could have counted on long term shareholders as a countervailing power against hedge funds which were looking for short term profits. In my own country ABN AMRO might not have been

split up in three parts and Fortis and RBS would still have been proud banks serving their clients. To take this one step further, were the interests of such short term shareholders more important than the interests of millions of deposit holders with such banks? I leave it to you to answer this question.

III. CONCLUDING REMARKS

Mr President,
Ladies and Gentlemen of the Press,

European Issuers are keen to encourage public confidence in stock markets as without it liquidity and the ability to raise capital disappears. In order to have public confidence we must have effective and better regulation. In addition the issuer-shareholder relationship is to be preserved (or restored) and shareholders must be able to enjoy their rights and assume their responsibilities vis-à-vis the company of which they are co-owners. These corporate rights and obligations should not be sacrificed to the short term interests of fleeting capital owners.

Jacques SCHRAVEN
Chairman