Field Fisher Waterhouse

25 February 2009

press release

Employee owned companies shares underperform in Q4 of 2008 but show long term resilience according to Employee Ownership Index

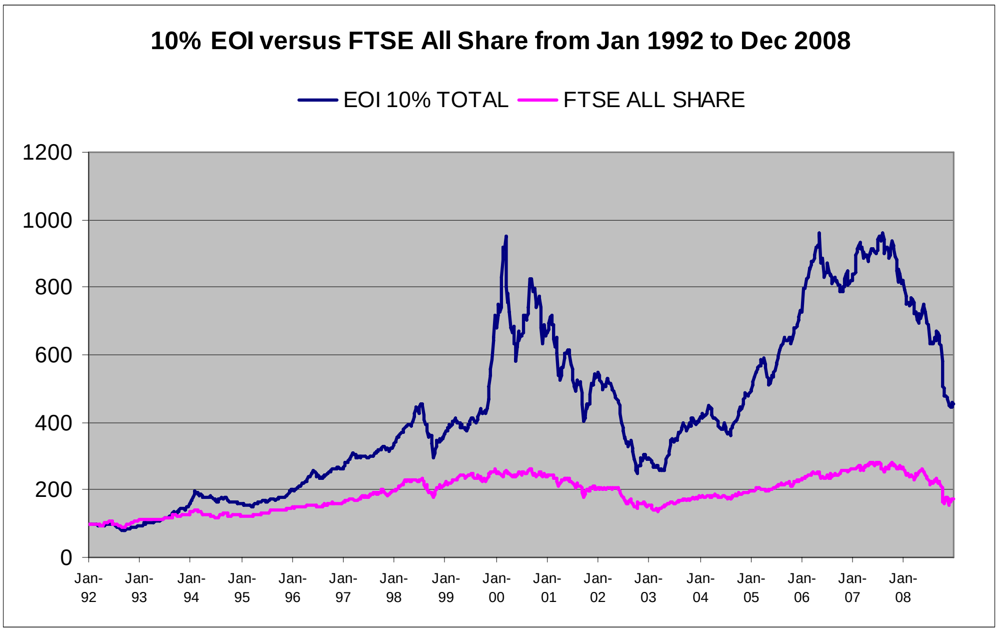
Employee owned companies underperformed at the close of 2008, dropping 22.9% compared to the FTSE All-Share which was down 11% in the last quarter of 2008.

In the long term view however, employee owned companies continue to outperform FTSE All-Share companies, according to the UK Employee Ownership Index (EOI) published by law firm, Field Fisher Waterhouse LLP.

The EOI, compiled by the firm’s Equity Incentives team, monitors the share price performance of listed companies, comparing the performance of FTSE All-Share companies with companies that are over 10% owned by employees.

Of the employee owned companies in the EOI, 25% outperformed the FTSE All-Share, with 75% underperforming. One of the reasons for this is the disproportionate number of financial services companies in the EOI.

The EOI started in 1992 and shows that despite the current drop in performance, over 17 years, employee owned companies have outperformed FTSE All-Share companies each year by on average 10%. Over successive five year periods they have outperformed by 78% and over three years by 41%. An investment of £100 in the EOI in 1992 would at the end of December 2008 have been worth £453 while the same investment in the FTSE All-Share Index would be worth £172.



Possible reasons for the improved long term performance of employee owned companies include higher employee engagement, higher standards of governance and conservatism in relation to growth strategies.

Graeme Nuttall, head of the Equity Incentives team at Field Fisher Waterhouse says:

"The EOI shows that in the last quarter, employee owned companies did not perform as well as the FTSE All-Share, in part due to the large number of financial services business included in the EOI. However, the EOI demonstrates that in the long term employee owned companies do better - they may show short term underperformance but prove to be more resilient over time. This is likely to be down to the higher level of employee engagement in companies– surveys by the Employee Ownership Association have shown that staff work more effectively if they work within a co-ownership structure. Other factors include the strategically cautious nature of employee owned companies which tend to have high governance standards."

The Equity Incentives team at Field Fisher Waterhouse produces quarterly reports on EOI performance and advises on employee ownership solutions for a variety of business structures as well as in incentive plans for UK and overseas listed and private companies. They have had detailed and broad ranging input into Government share plans policy.

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EOI

The UK Employee Ownership Index is compiled by the Equity Incentives team at Field Fisher Waterhouse and tracks the performance of UK-quoted companies that are over 10% owned by employees (excluding main board directors) or employee trusts. The degree of employee share ownership is determined on the basis of best available information. The UK Employee Ownership Index does not necessarily include all quoted companies with a significant degree of employee ownership.

Field Fisher Waterhouse LLP

Field Fisher Waterhouse LLP is a full service European law firm with offices in Brussels, Hamburg, Paris, London and Manchester and exclusive relationships with Spanish firm Jiménez de Parga and Italian firm, La Scala. The firm has 129 partners, 220 other lawyers and nearly 300 support staff. We assist a wide range of international clients, advising across the full range of legal issues.

Our international client base includes listed and unlisted companies, multinationals, banks and other financial institutions, professional partnerships, trade associations and Government departments. A distinctive feature of the firm is our industry focus. For example, we are acknowledged as leading experts in the public sector, technology and media sectors.