Field Fisher Waterhouse

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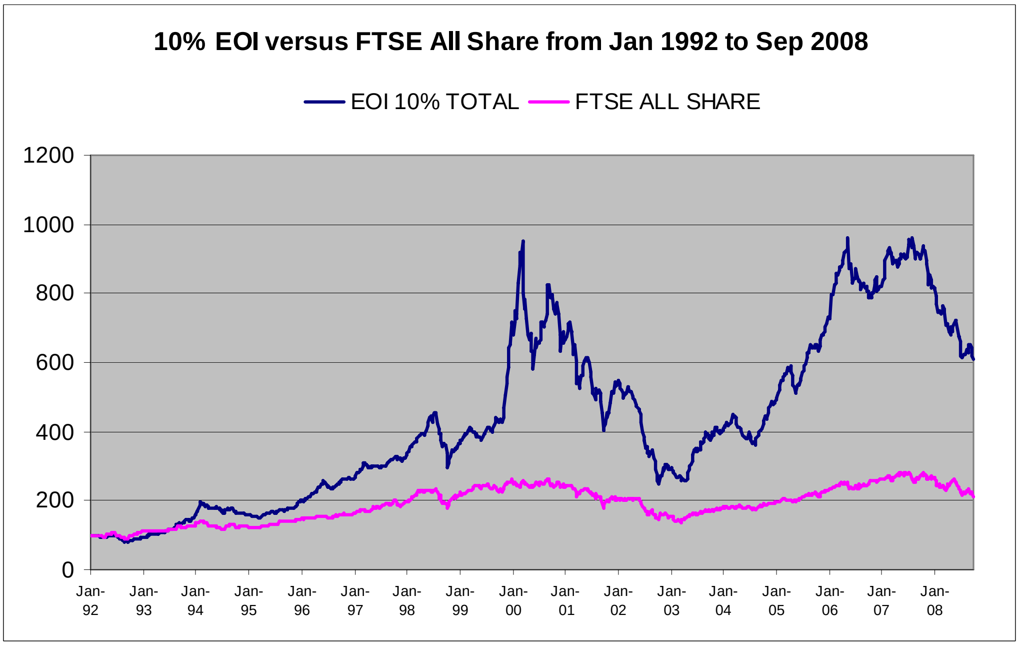
press release

Employee owned companies shares perform better in the long term according to Employee Ownership Index

Employee owned companies outperform FTSE All-Share companies in the long term, 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.

The EOI has been running since 1992 and shows that over the 17 year period, employee owned companies have outperformed FTSE All-Share companies each year by on average 10 %. Over successive five year periods they have outperformed by 79%, over three years by 41% and over single years by 10%. An investment of £100 in the EOI in 1992 would at the end of September 2008 have been worth £611 while the same investment in the FTSE All-Share Index would be worth £210.



There are number of possible reasons for the improved long term performance of employee owned companies, including:

- Employee engagement is generally higher in employee owned companies, leading to improved performance

- Employee owned companies tend to demonstrate high standards of governance and be more conservative in relation to growth strategies. This is because they are more accountable to employees and are under more scrutiny

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

"The EOI demonstrates that in the long term employee owned companies do better than FTSE All-Share companies. These businesses may show short term underperformance because of their concentration in certain sectors such as IT and financial services but prove to be more resilient in the long term. 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

FTSE is a registered trademark of London Stock Exchange plc and The Financial Times Limited. All-Share is a registered trademark of FTSE International Limited. The UK Employee Ownership Index is complied by the Equity Incentives team at Field Fisher Waterhouse and tracks the performance of UK-quoted companies that are over 10% owned directly or through employee trusts by employees (excluding main board directors). 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 over 131 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.