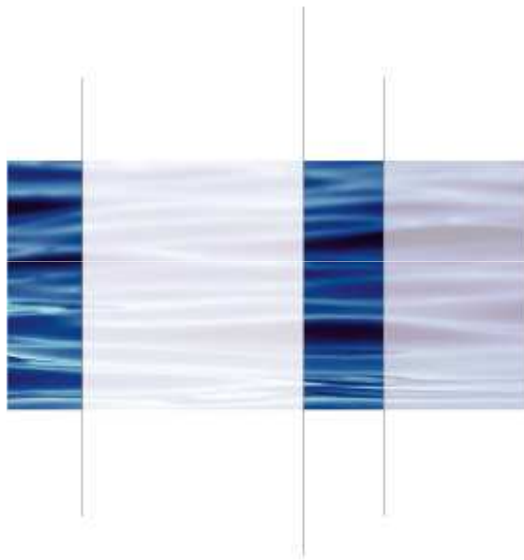


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DIRK Trend Indicator, Autumn 2011 “Credit rating agencies”

October 2011

Bernhard Wolf
Global Head of Corporate Communications, GfK SE

Survey details



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- Half-yearly survey of IR professionals (DIRK members)
- Internet-based written survey from 07.09.2011 to 20.09.2011
- Basis: 331 DIRK members (1-2011: 283)
- Responses: 121 = 37% (1-2011: 36%)
- Broken down by indices, the responses came from:
 - 14 DAX companies (= 47% of all DAX-listed companies)
 - 27 MDAX companies (= 54% of all MDAX-listed companies)
 - 14 TecDAX companies (= 47% of all TecDAX-listed companies)
 - 19 SDAX companies (= 38% of all SDAX-listed companies)
 - 16 companies that are not part of a selection index
- 79% of all the companies to have responded belong to the Prime Standard segment

Survey details



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- Half-yearly survey of IR professionals (CIRA members)
- Internet-based written survey from 07.09.2011 to 20.09.2011
- Basis: 63 CIRA members
- Responses: 28 = 44% (1-2011: 35%)



- Half-yearly survey of IR professionals (IR Club members)
- Internet-based written survey from 07.09.2011 to 20.09.2011
- Basis: 56 SIRV members
- Responses: 21 = 38% (1-2011: 38 %)

IR club

Agenda



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- Situation of companies in Germany, Austria and Switzerland
- IR environment: employees, analysts and investor appointments
- Special topic: “Credit rating agencies”

Agenda



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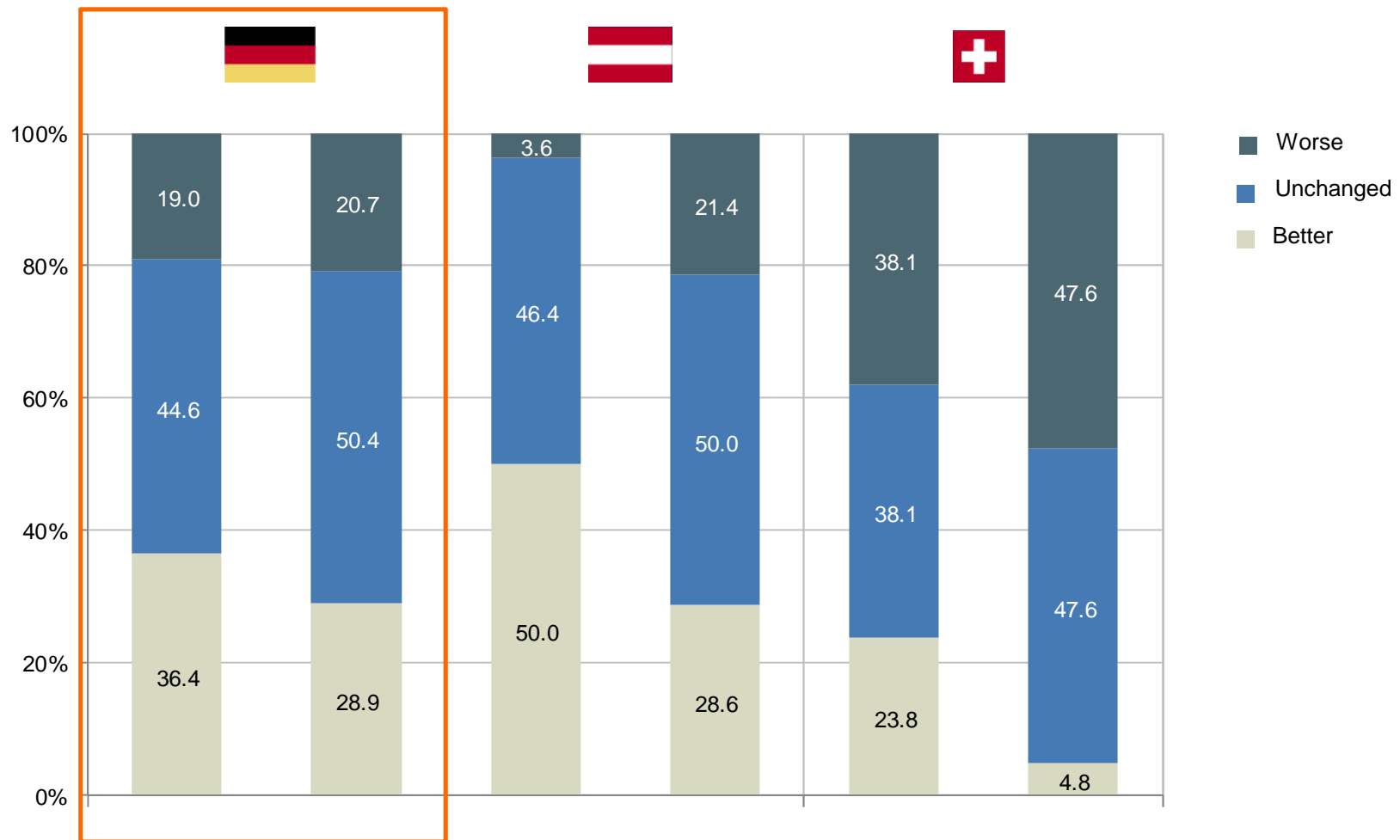
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- Situation of companies in Germany, Austria and Switzerland
- IR environment: employees, analysts and investor appointments
- Special topic: “Credit rating agencies”

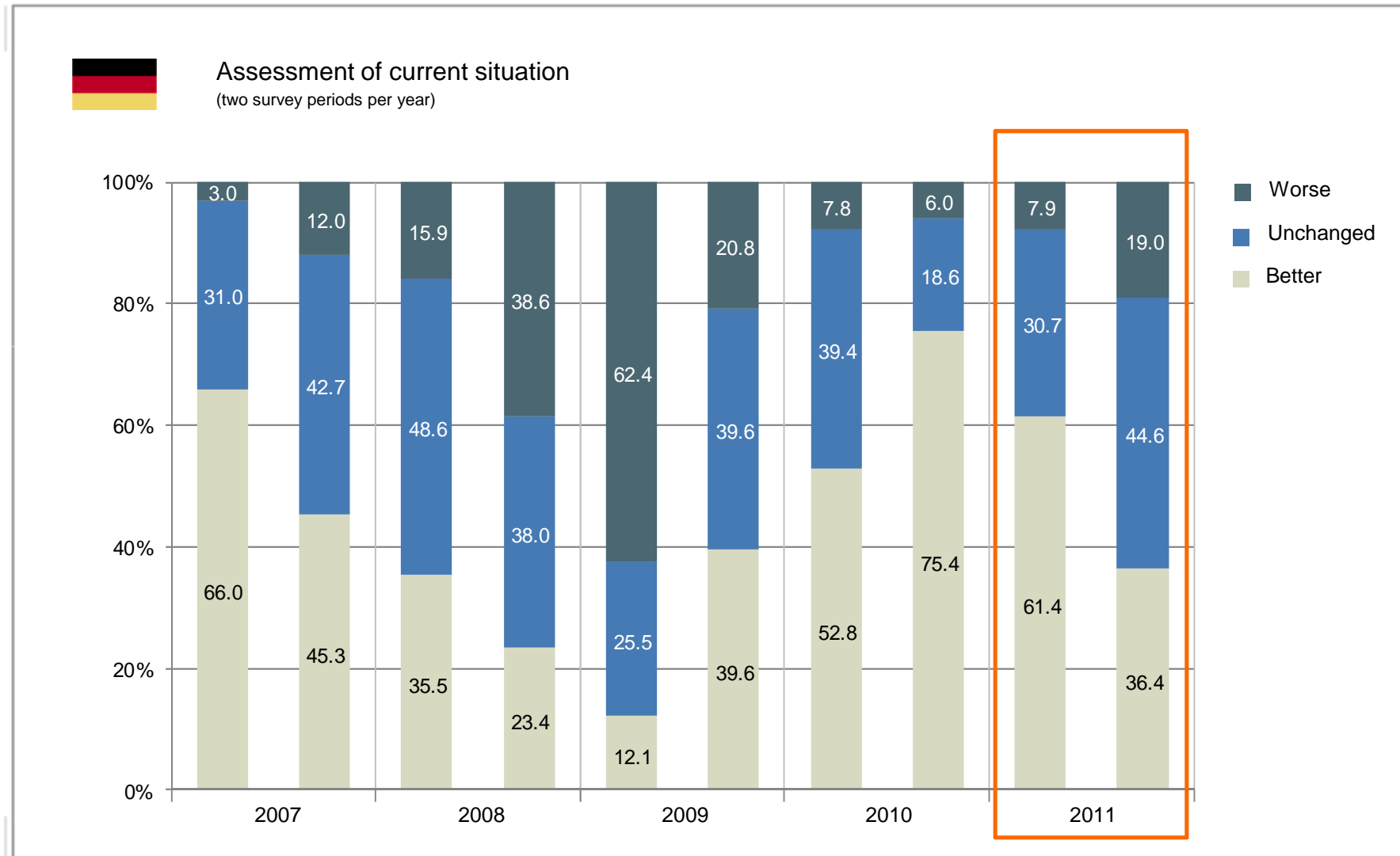
The companies' economic situation mostly unchanged – outlook is bleak



By country – left-hand bar: assessment of current situation; right-hand bar: assessment of future situation



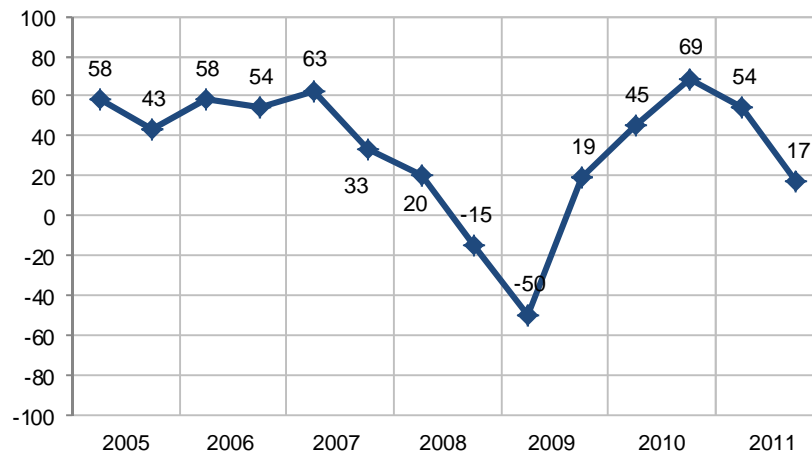
Assessment of current situation of companies in Germany from year to year



Economic assessment: Sharp decline and negative outlook

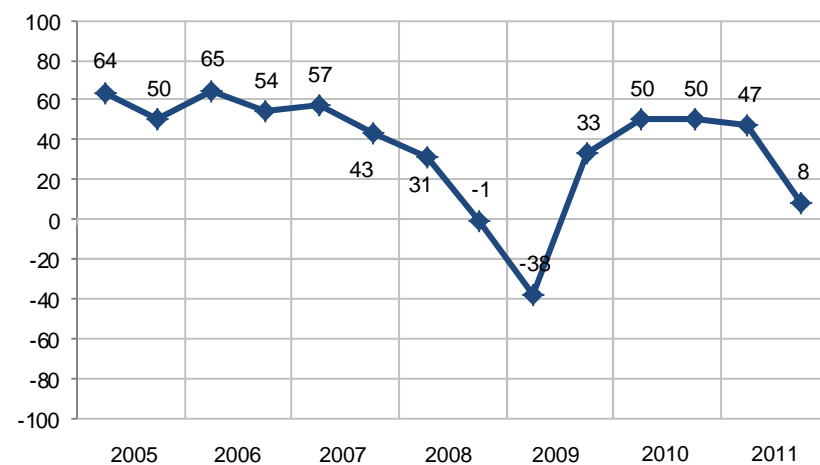


Assessment of current prospect
(two survey periods per year)



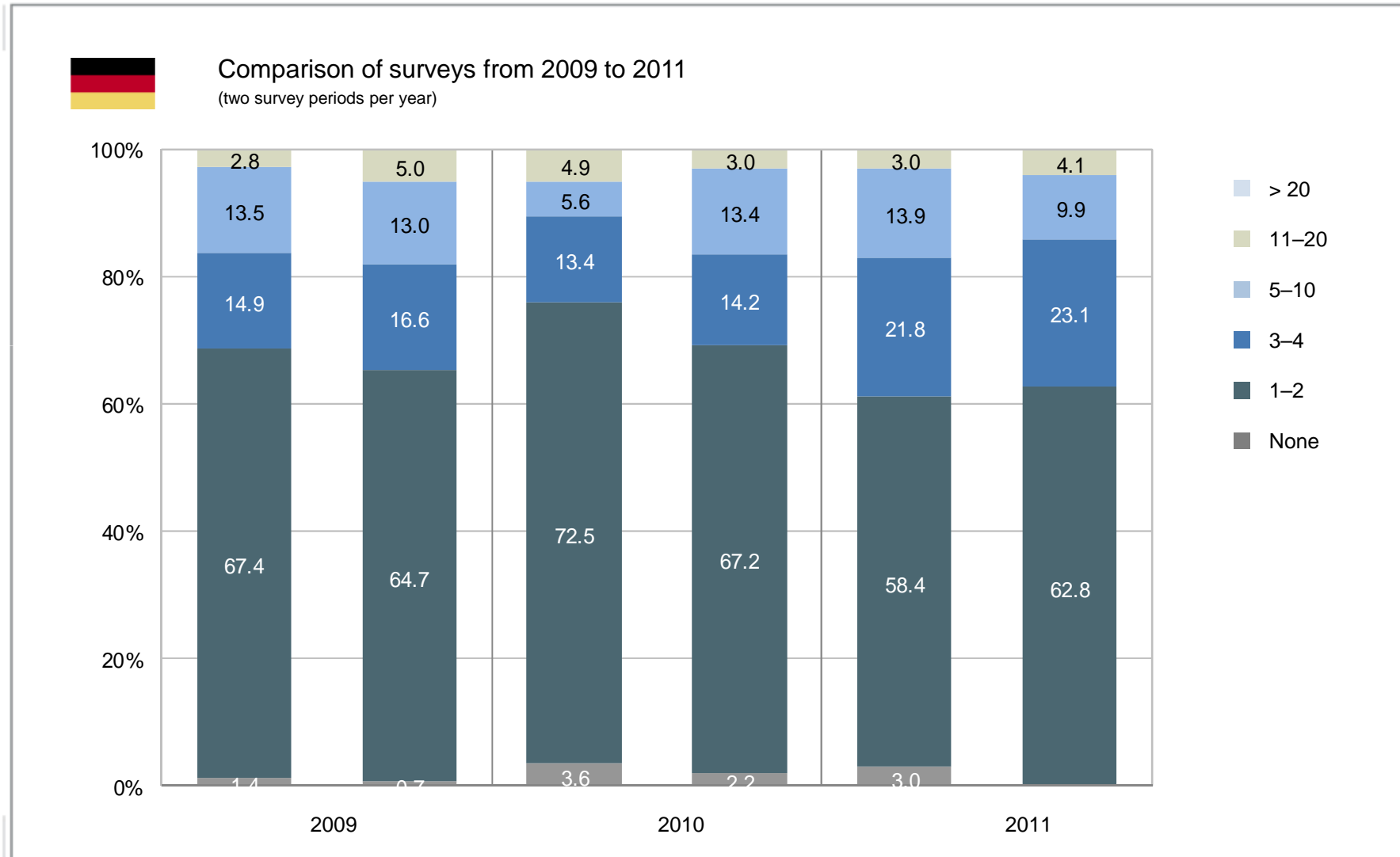
The indicator currently stands at 17 points in Germany, which represents a decline of 37 points. On a positive note, this is the fifth time in a row that the indicator has been in positive figures and it is nowhere near its rock-bottom result of 1-2009.

Assessment of future prospects
(two survey periods per year)

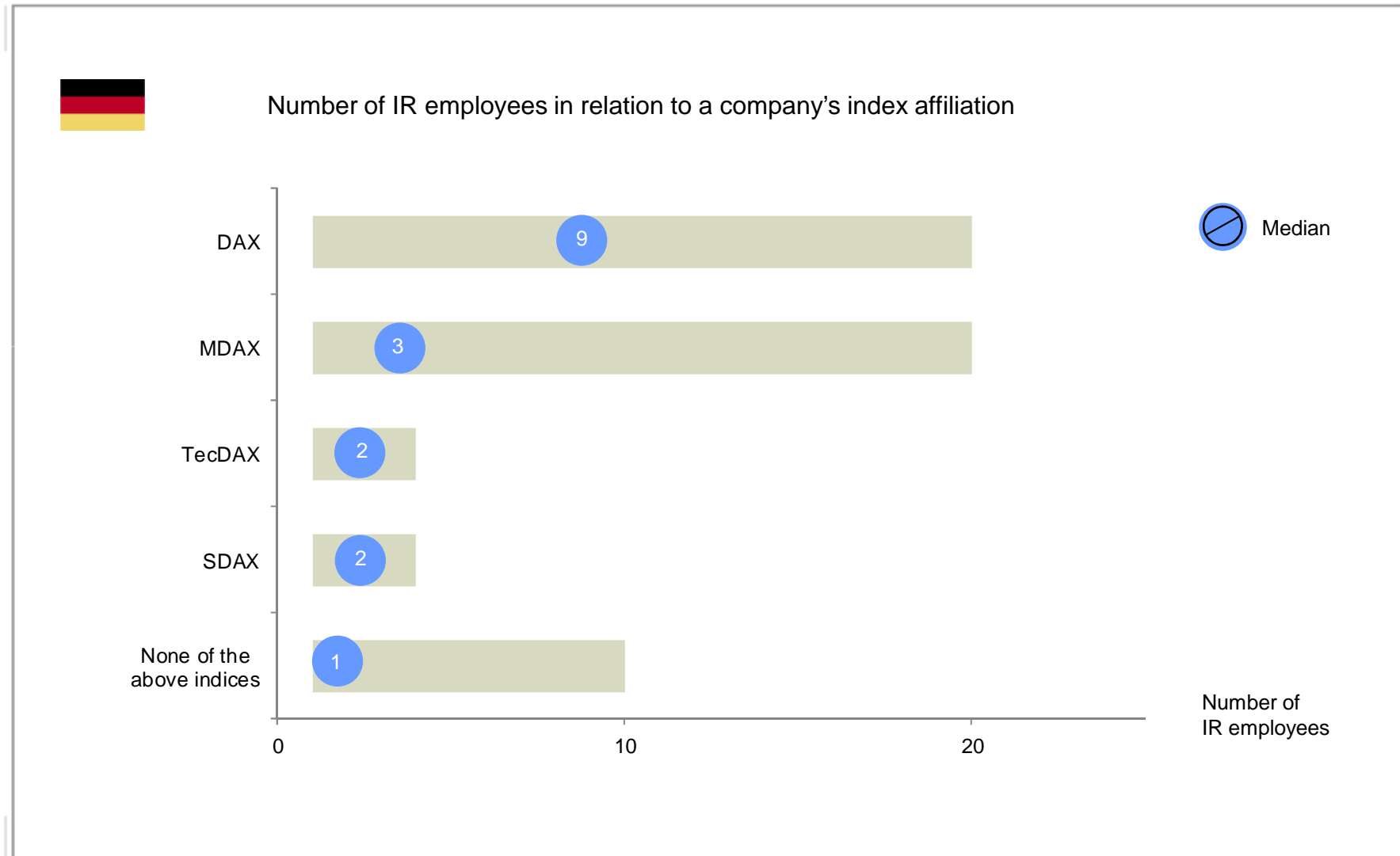


The indicator for future prospects fell even sharper to a low of 8 points, a decline of 39 points since spring 2011. Nevertheless, half of the German companies expect to see a continuation of the economic situation and only a third think it will get worse from now.

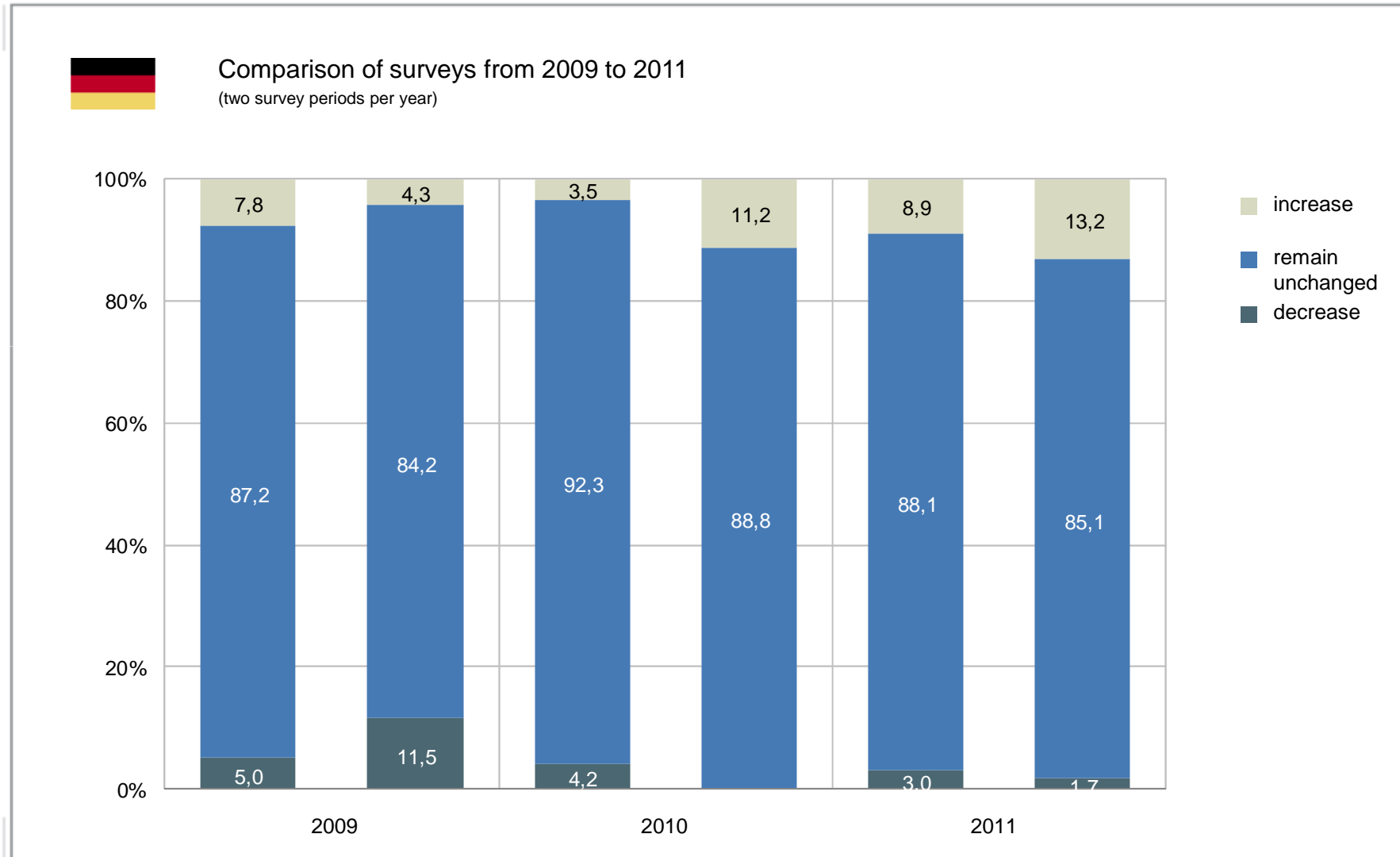
Current number of IR employees (full-time)



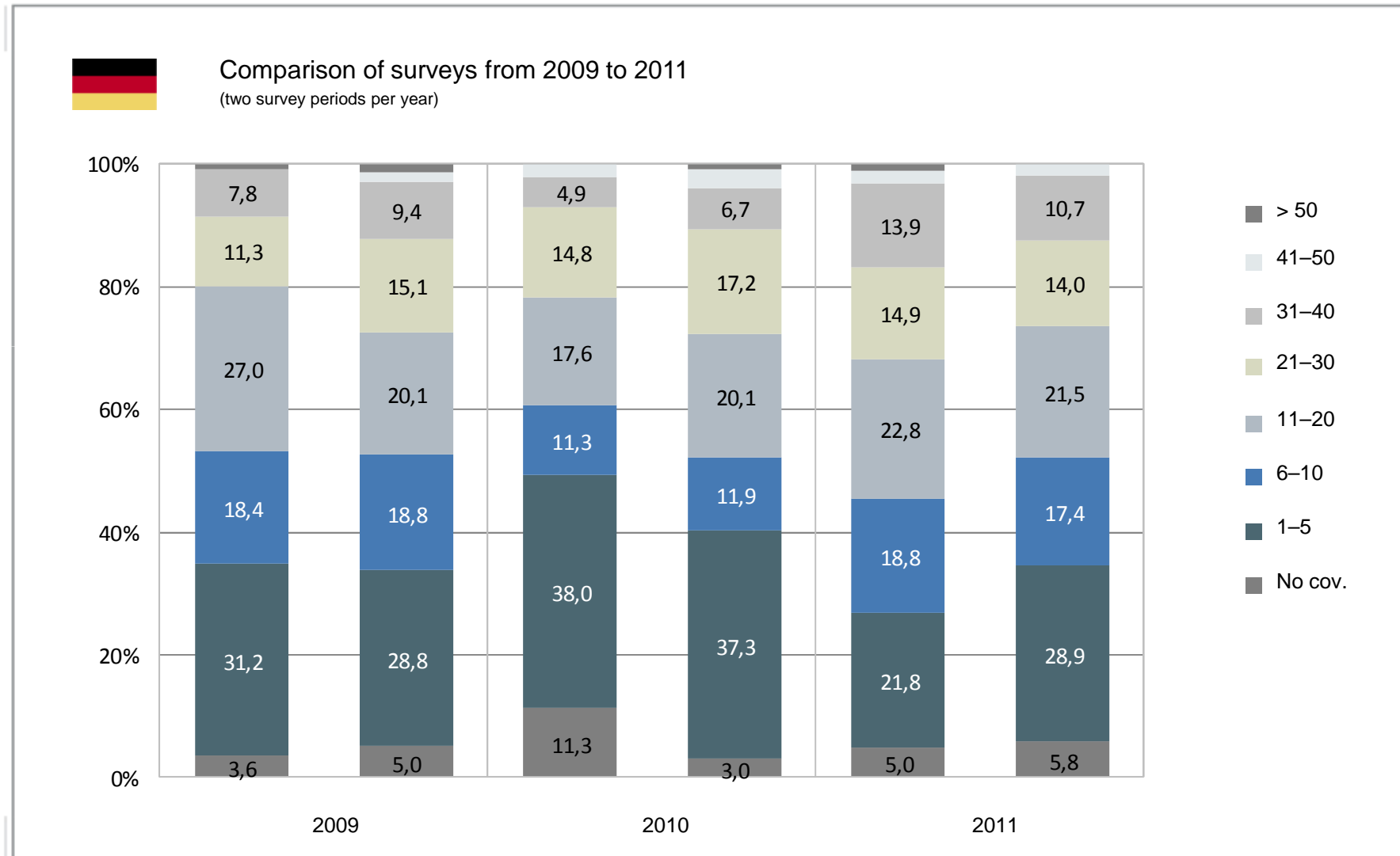
The number of IR employees increases according to index affiliation



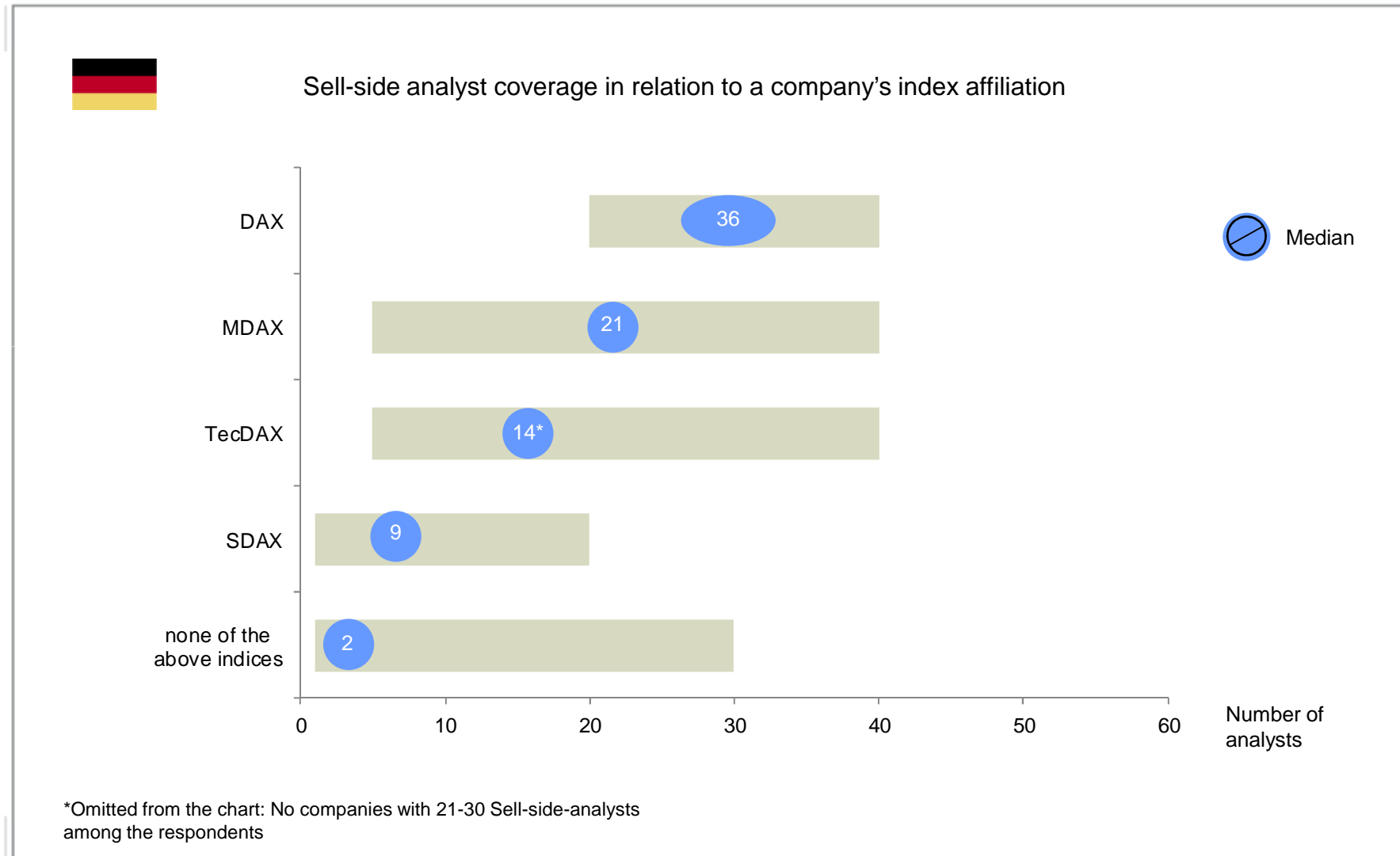
In the next six months, the number of IR employees (full-time) will ...



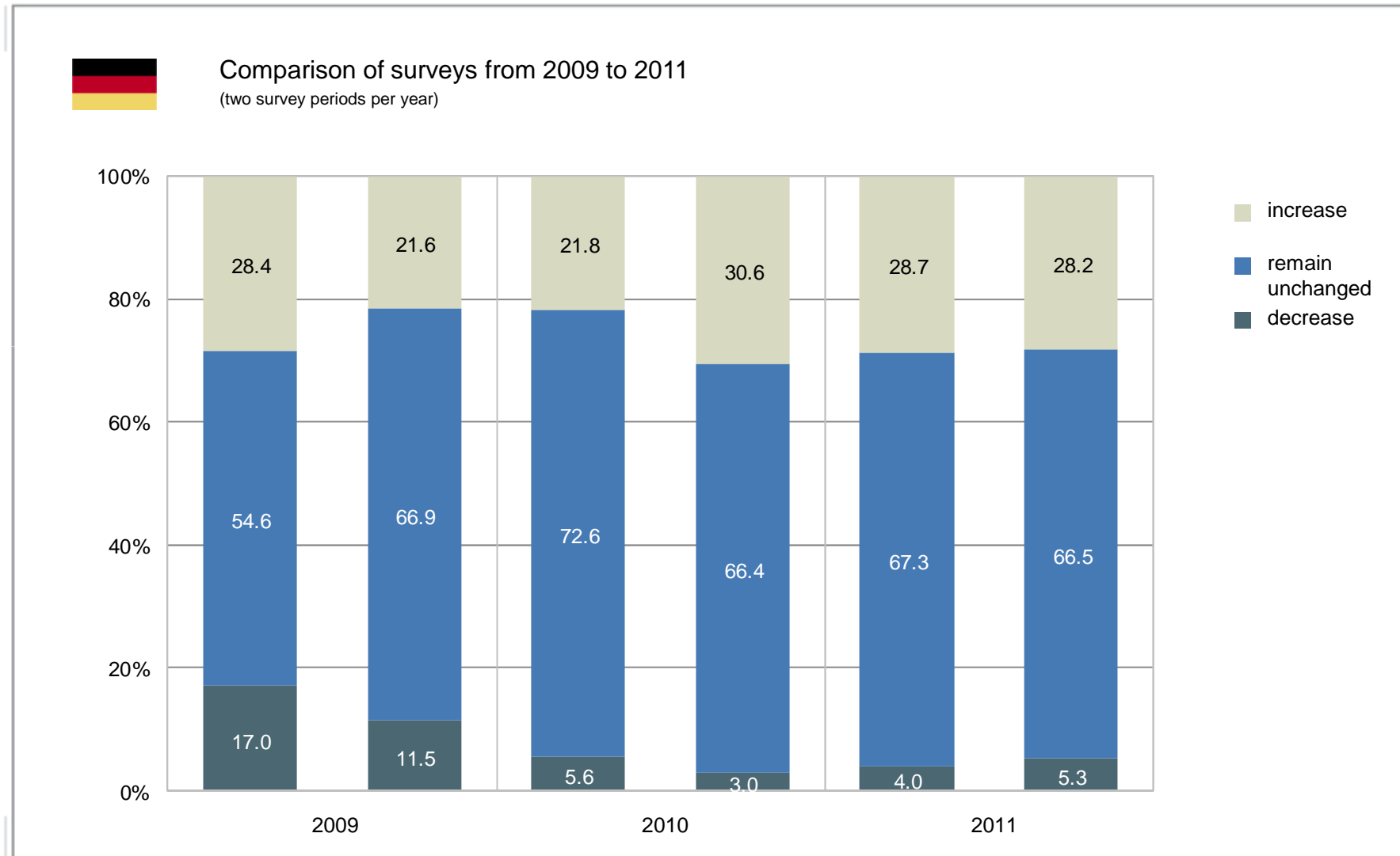
Current sell-side analyst coverage is in decline: only growth in the 1-5 analyst bracket



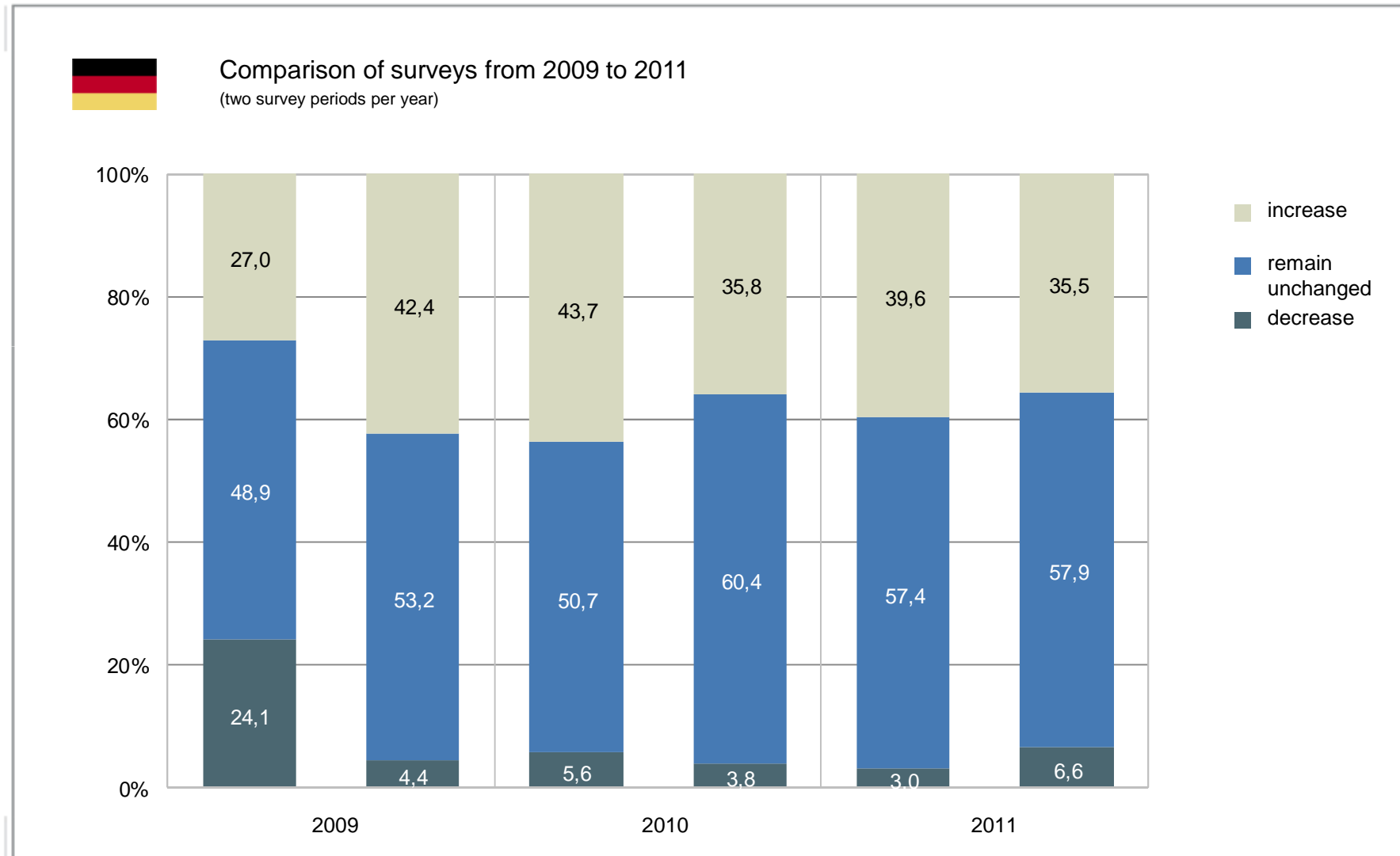
Sell-side analyst coverage increases according to index affiliation



In the next six months, sell-side analyst coverage will be stable



Negative Outlook: In the next six months, the number of investor appointments will remain stable



Agenda



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- Situation of companies in Germany, Austria and Switzerland
- IR environment: employees, analysts and investor appointments
- Special topic: “Credit rating agencies”

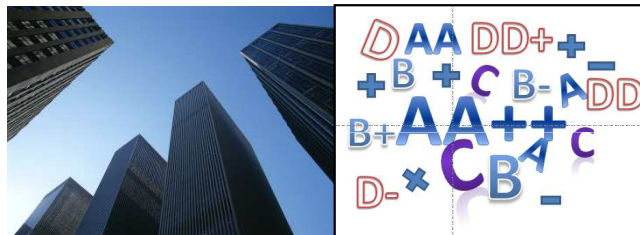
Special topic of the autumn 2011 survey



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“Credit rating agencies”



Agenda: special topic



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- The status quo on credit ratings
- Reasons for and against commissioning a credit rating
- The image and importance of credit rating agencies
- The “European rating agency concept” by Roland Berger
- Characteristics of an ideal rating agency

Agenda: Special Topic



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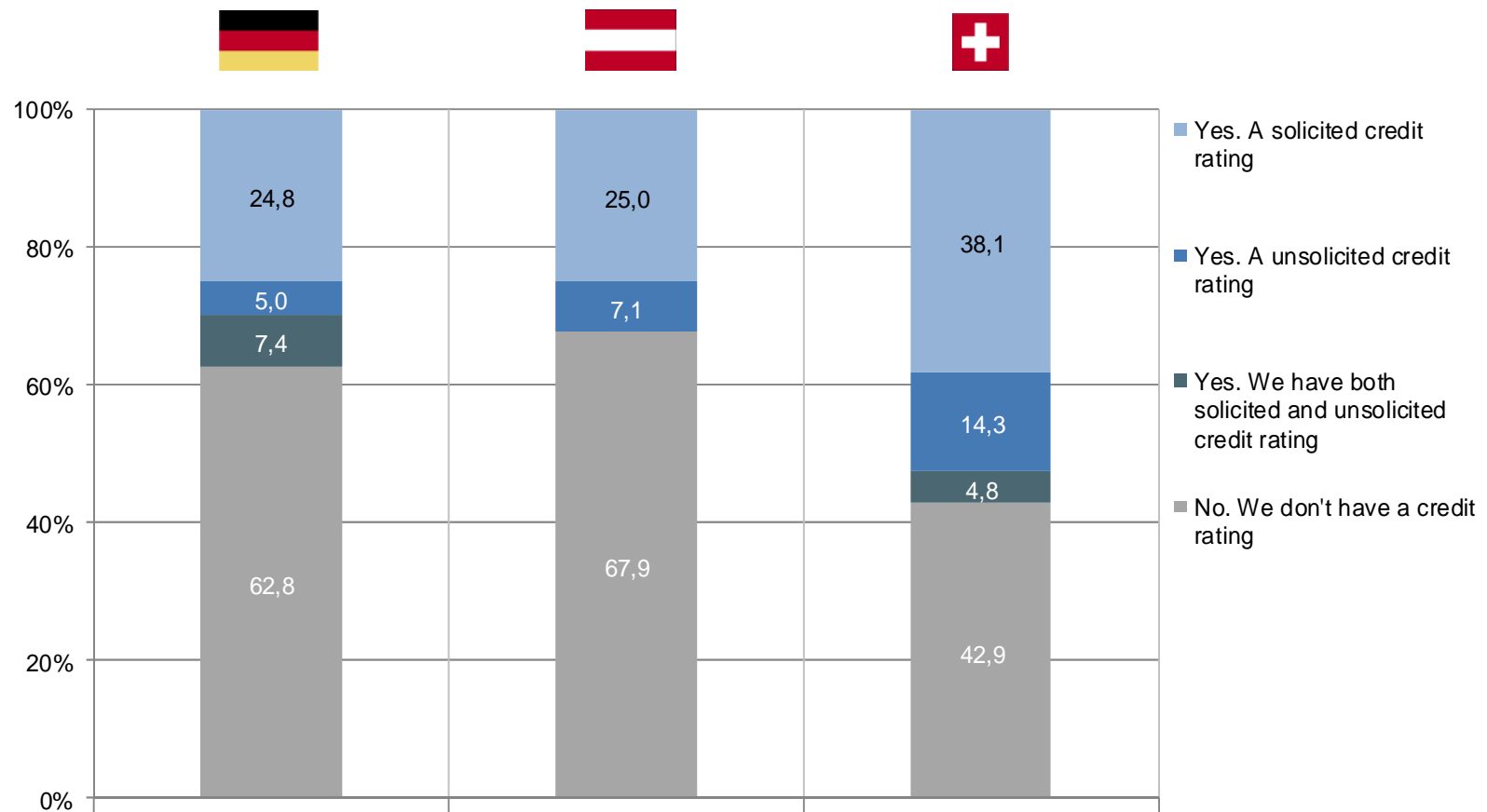


- The status quo on credit ratings
- Reasons for and against commissioning a credit rating
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- The “European rating agency concept” by Roland Berger
- Characteristics of an ideal rating agency

Well-balanced mix in the survey: Third of respondents have at least one credit rating



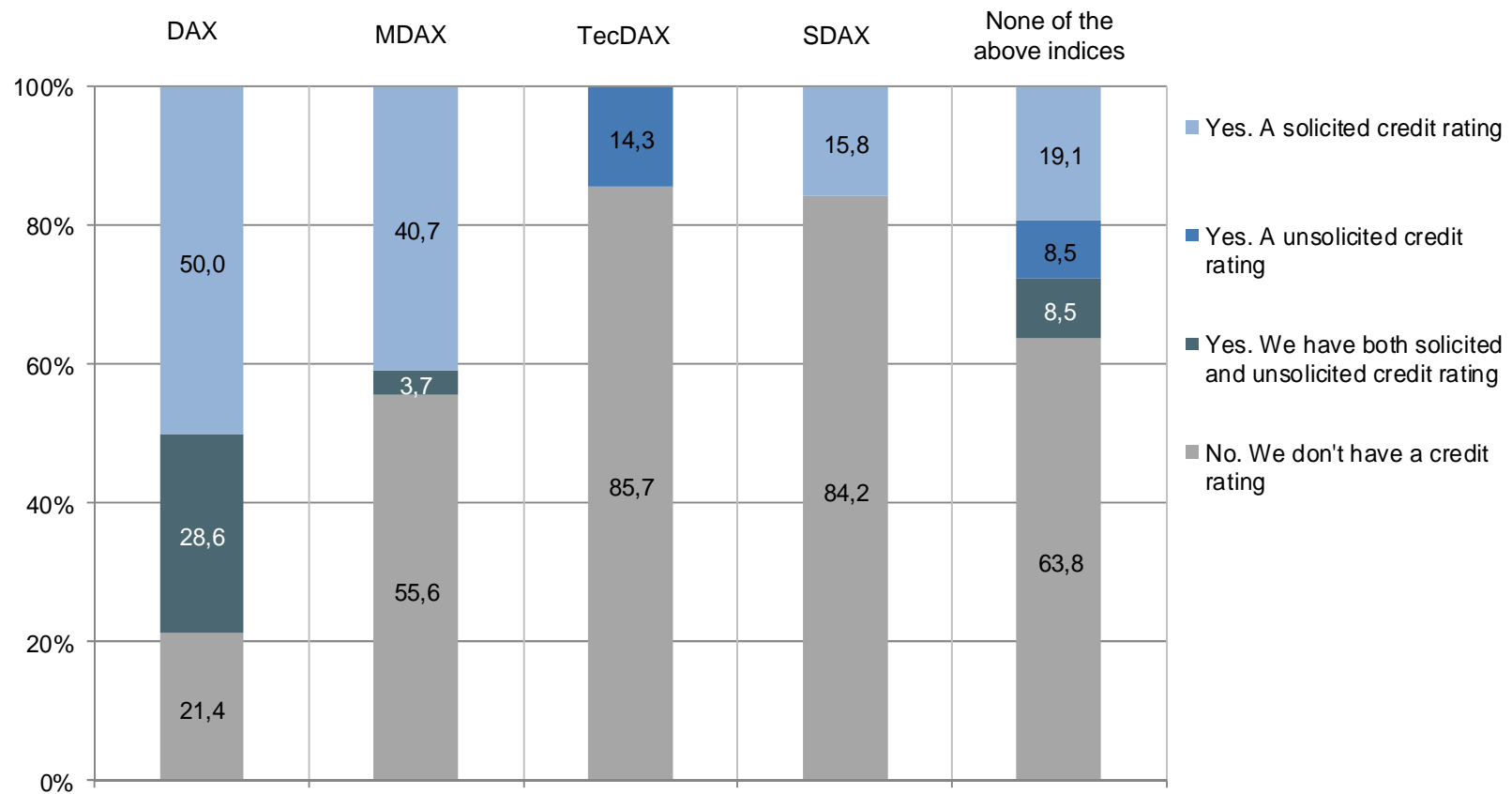
Does your company have a credit rating?



Affiliation with an index increases the probability of a company having a credit rating



Does your company have a credit rating?



Majority prefers more than one rating

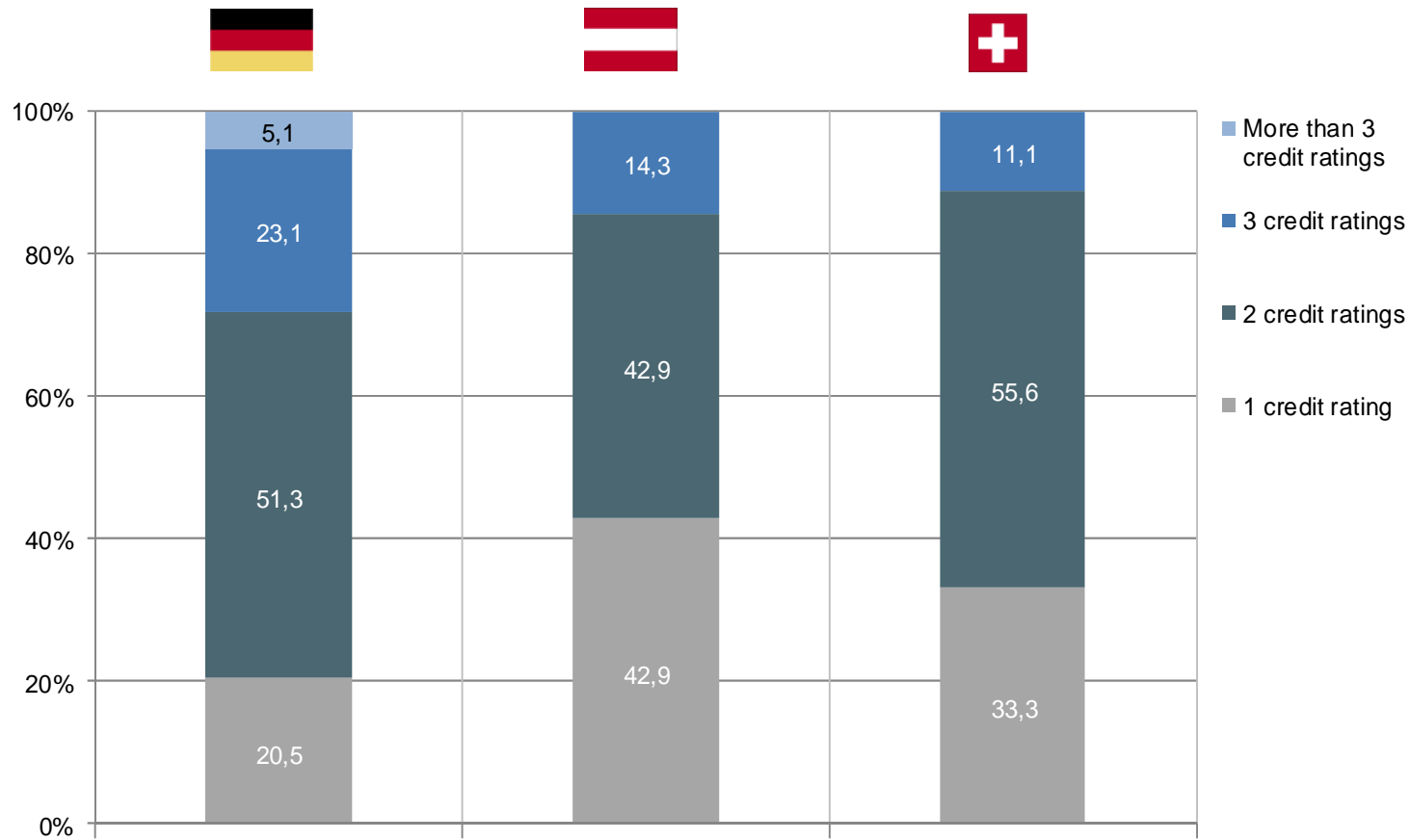


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How many solicited credit ratings does your company hold?



The Big Three dominate the market for credit ratings

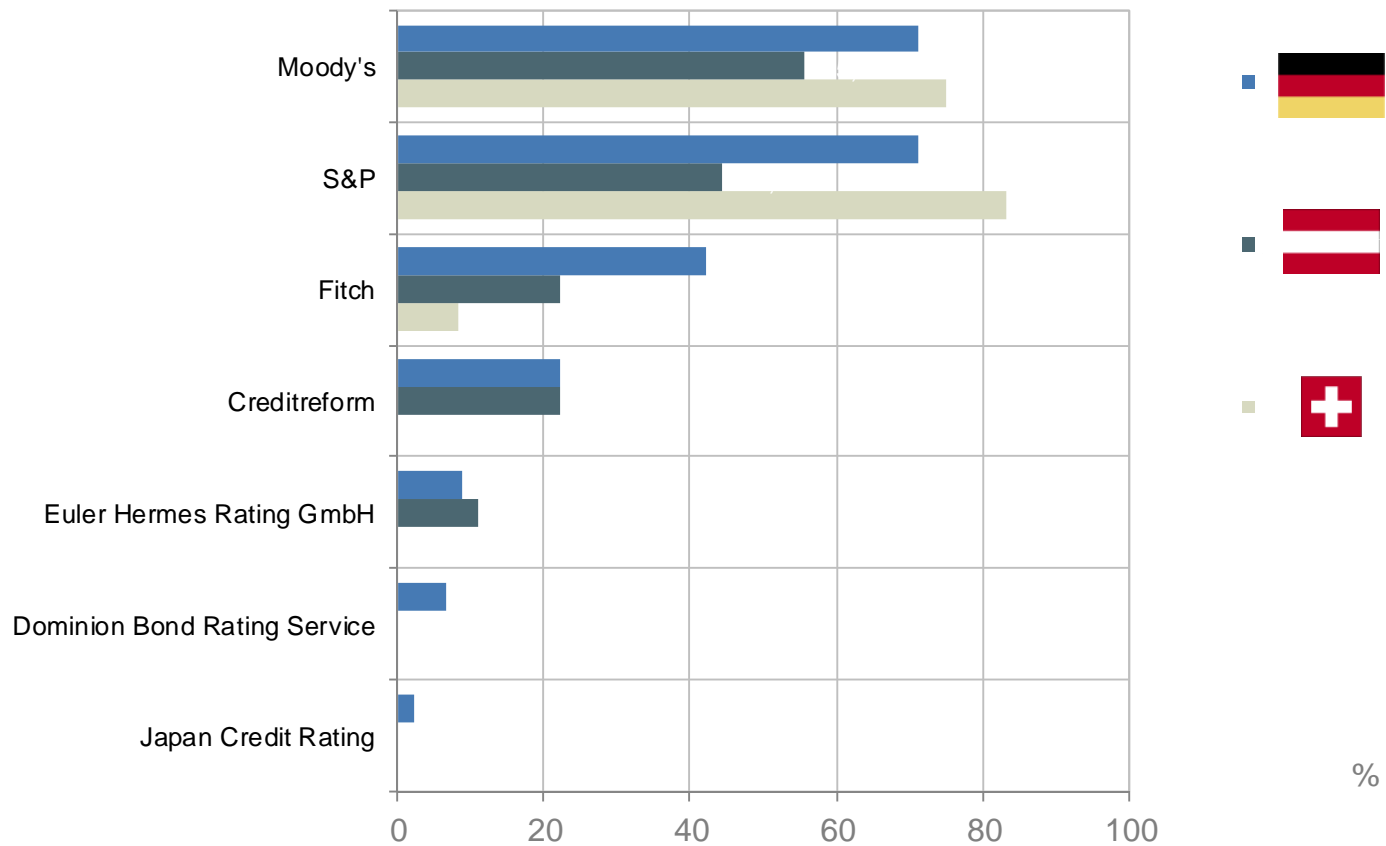


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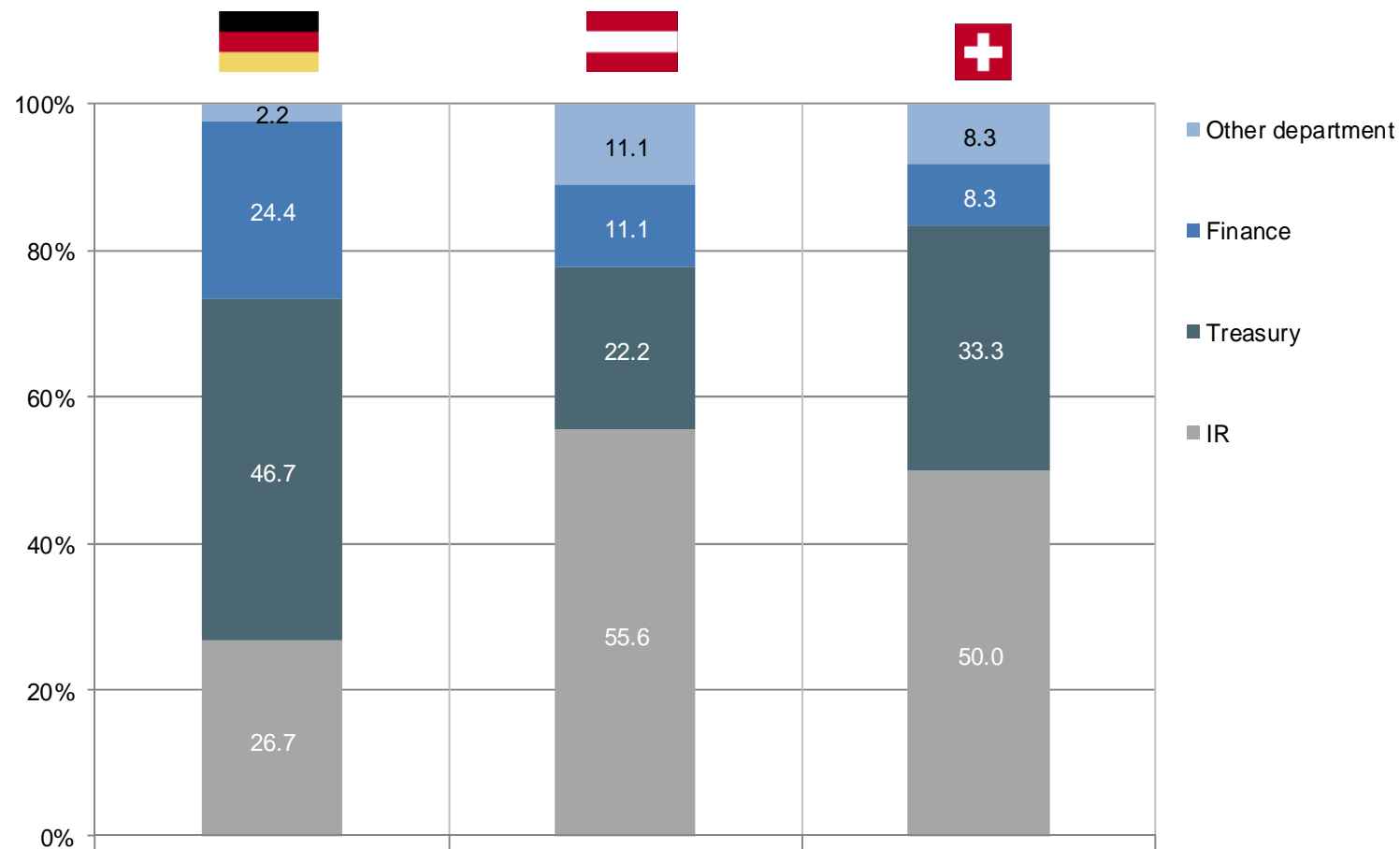
Which agencies have given your company a credit rating?



DE: Treasury responsible for credit rating agencies AT and CH: IR take the lead



Which department of your company is looking after the relationship with the credit rating agency/ies?



Agenda: Special Topic



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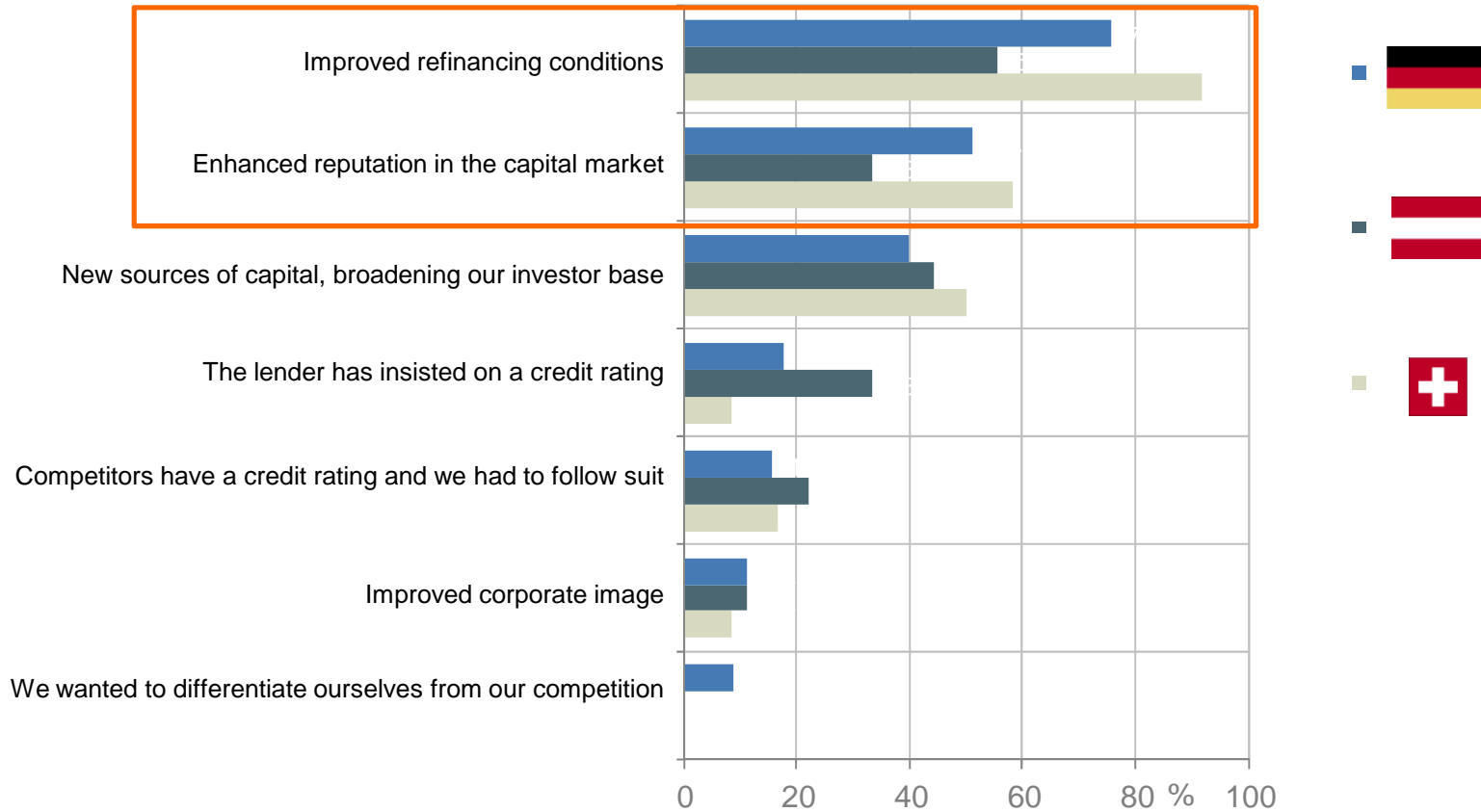


- The status quo on credit ratings
- **Reasons for and against commissioning a credit rating**
- The image and importance of credit rating agencies
- The “European rating agency concept” by Roland Berger
- Characteristics of an ideal rating agency

Market suggests the need for credit ratings: financing, reputation and investor acceptance



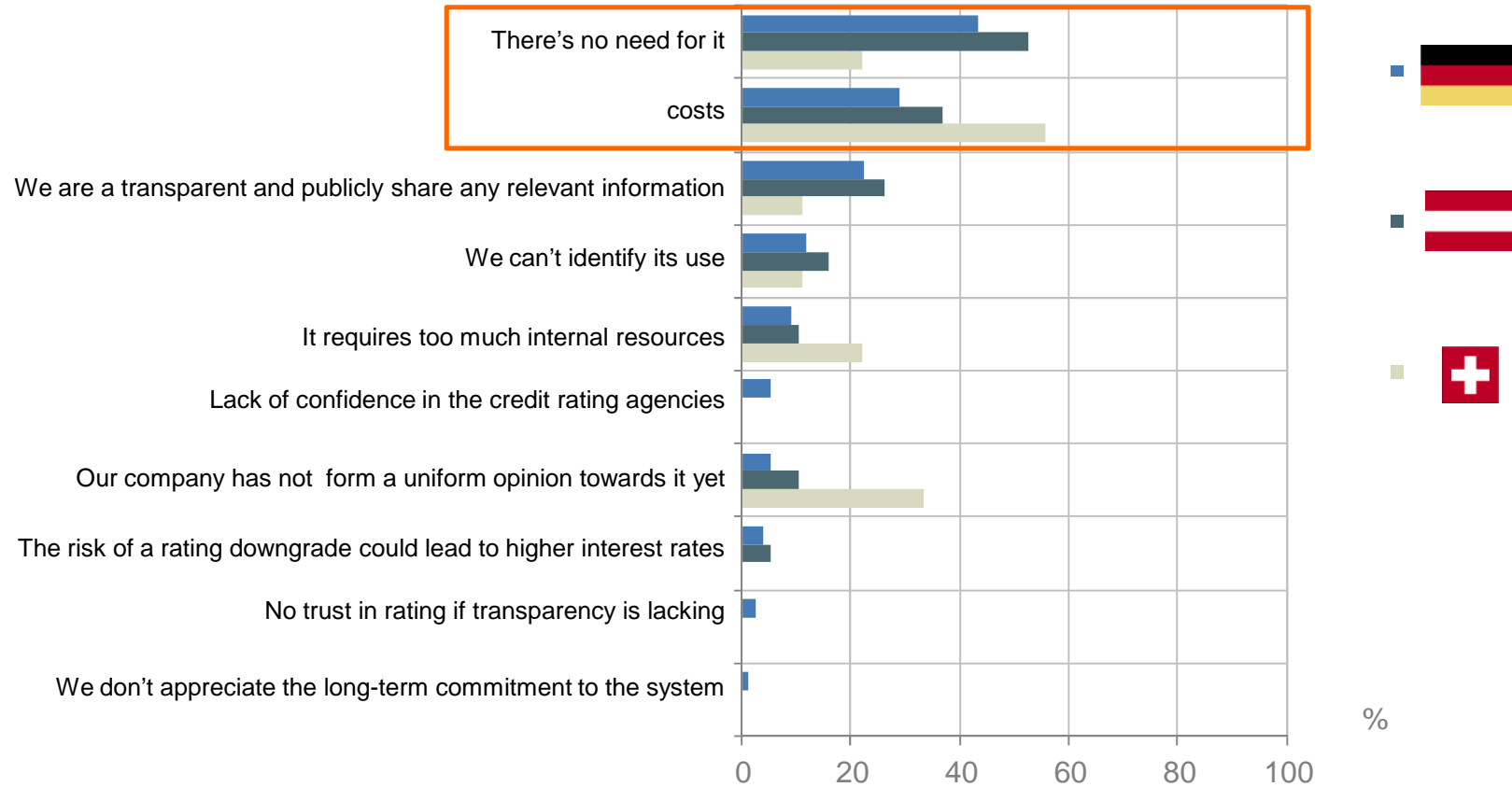
Why did you commission a credit rating for your company?



Costs and lack of requirement main reasons for not having a credit rating



What are the reasons for your company not having a credit rating?



Agenda: Special Topic



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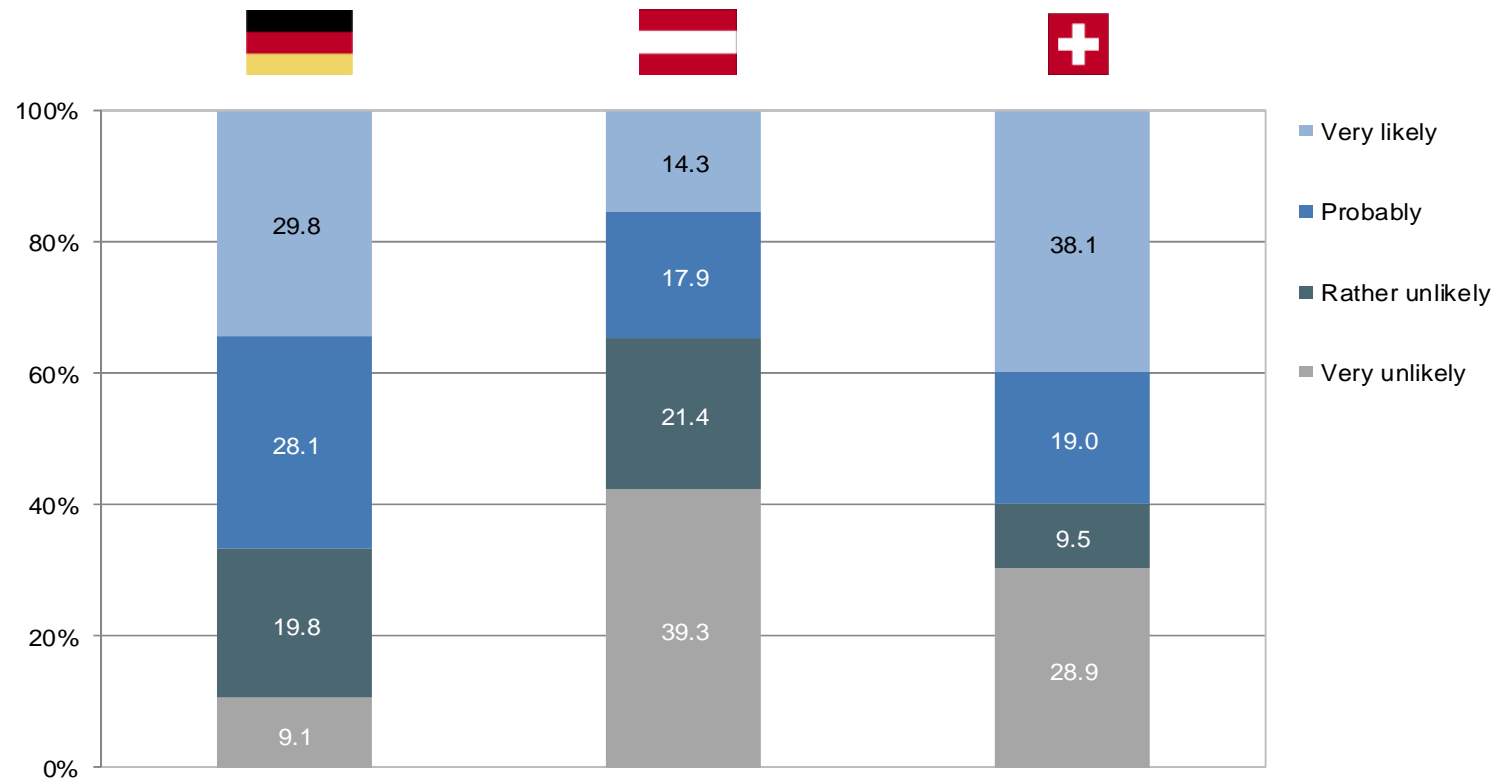


- The status quo on credit ratings
- Reasons for and against commissioning a credit rating
- **The image and importance of credit rating agencies**
- The “European rating agency concept” by Roland Berger
- Characteristics of an ideal rating agency

DE and CH: credit ratings are transaction driven: 60% to commission a rating for a bond



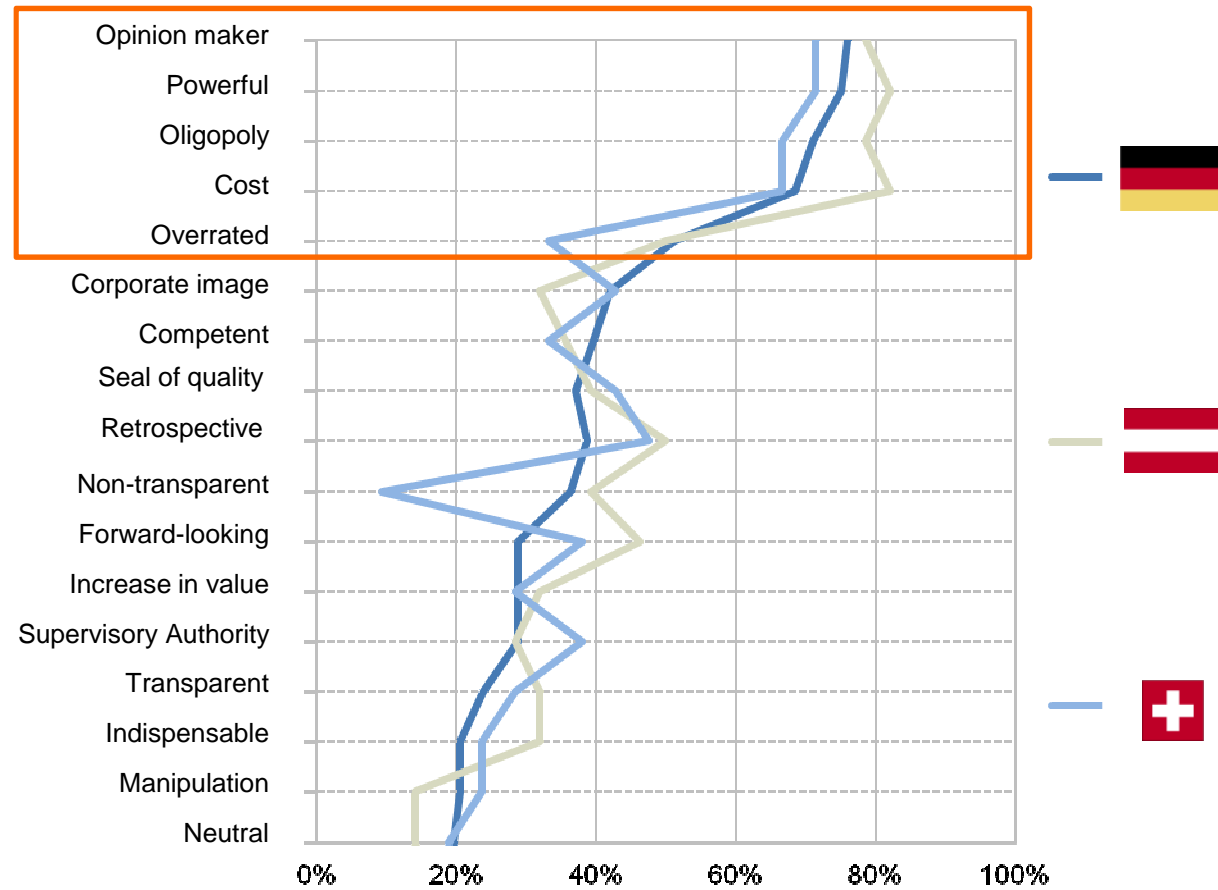
If you would issue a bond tomorrow: What is the likeliness of your company commissioning a credit rating?



Credit rating agencies are seen as powerful and costly opinion shaper; but also as overrated institutions



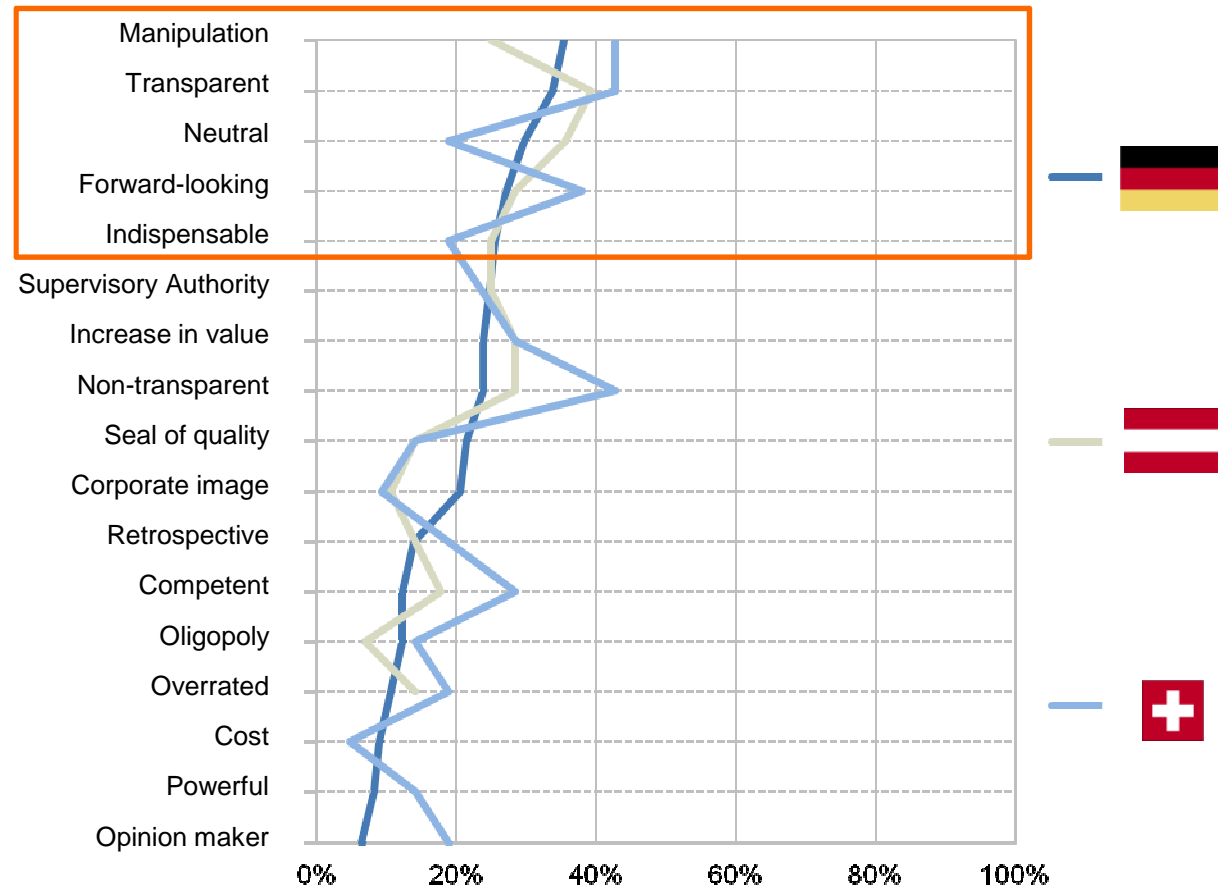
Which of the following terms do you associate the most with credit rating agencies?
(Top 2 boxes)



Transparency and neutrality are amongst the least associated attributes



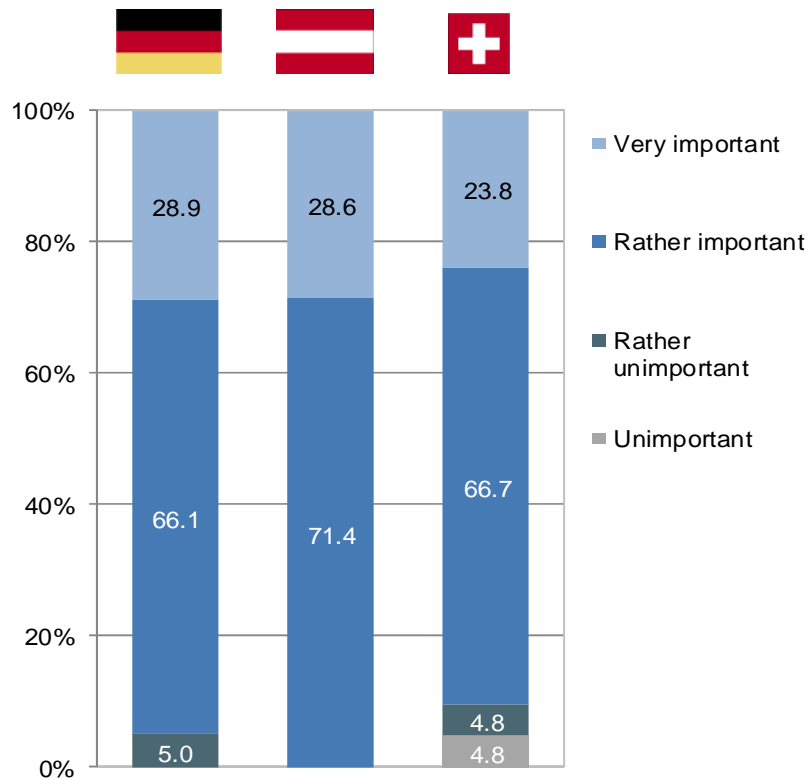
Which of the following terms do you associate the least with credit rating agencies?
(Low 2 boxes)



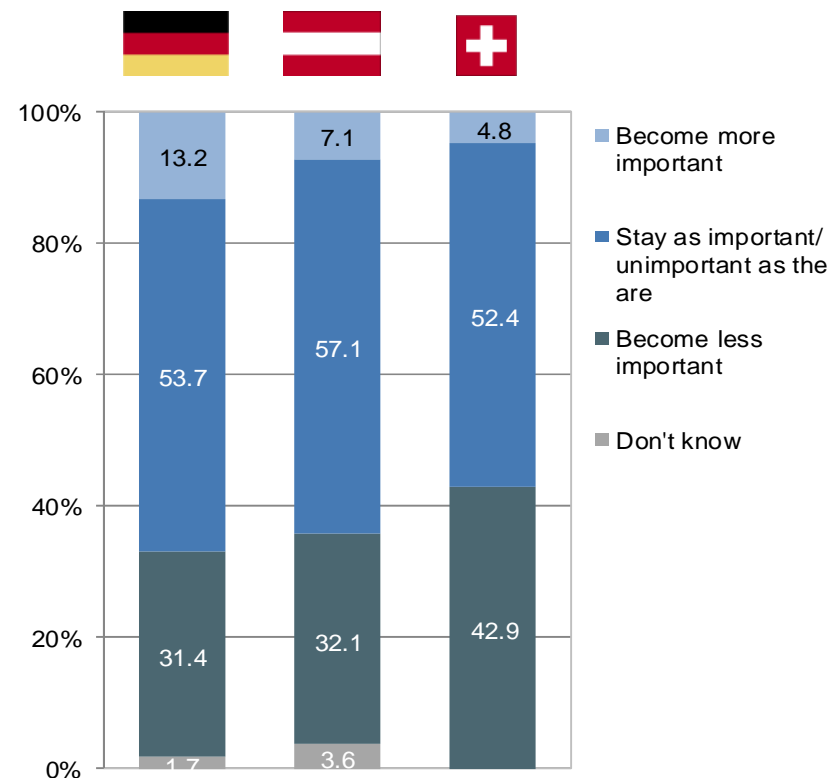
Credit rating agencies are seen as important but they also reached their peak



How do you assess the role of the credit rating agencies: in the present and in the future?



At present, credit rating agencies are...



In three years, credit rating agencies will...

Agenda: Special Topic



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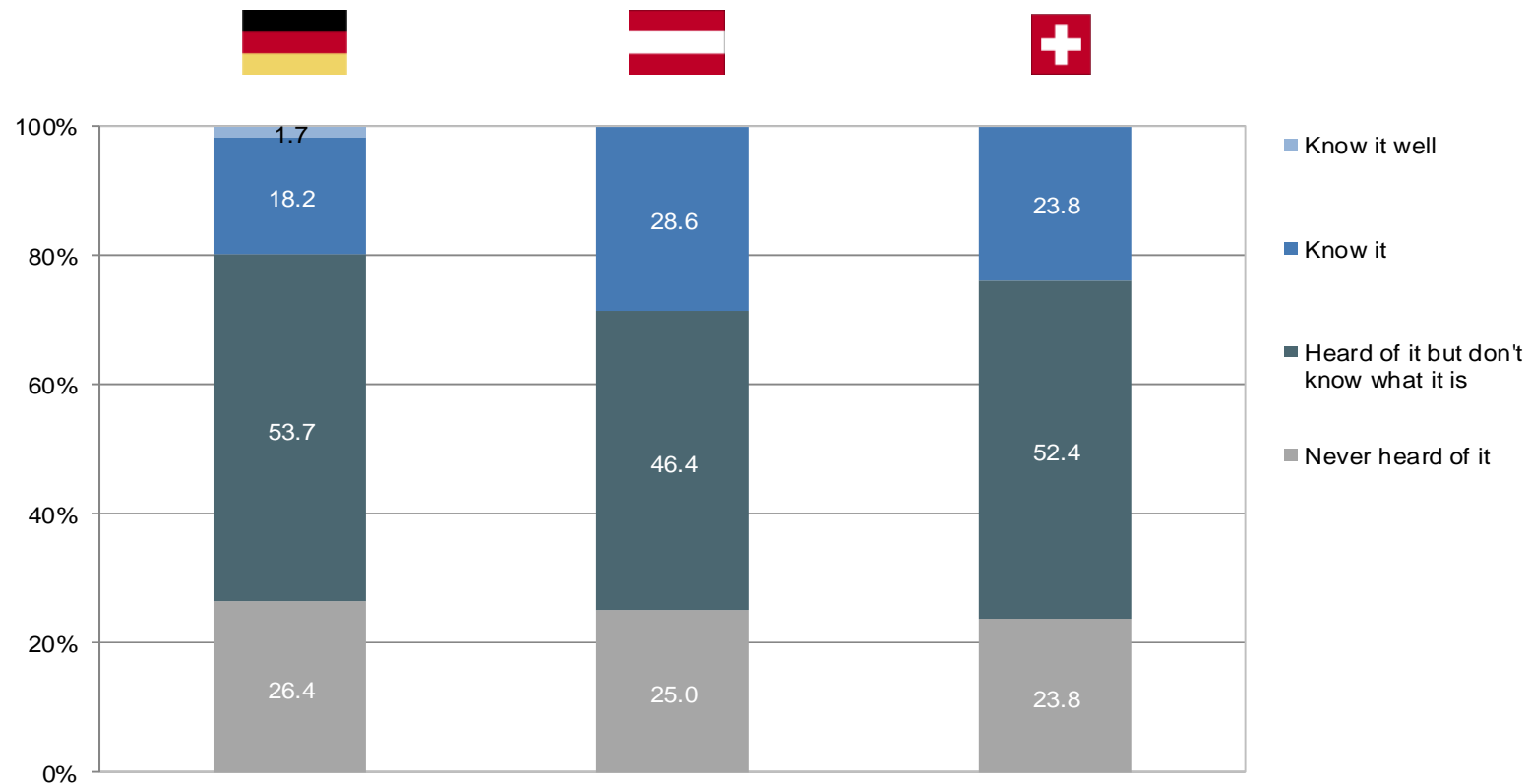


- The status quo on credit ratings
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The majority doesn't trust themselves with an explanation of the concept



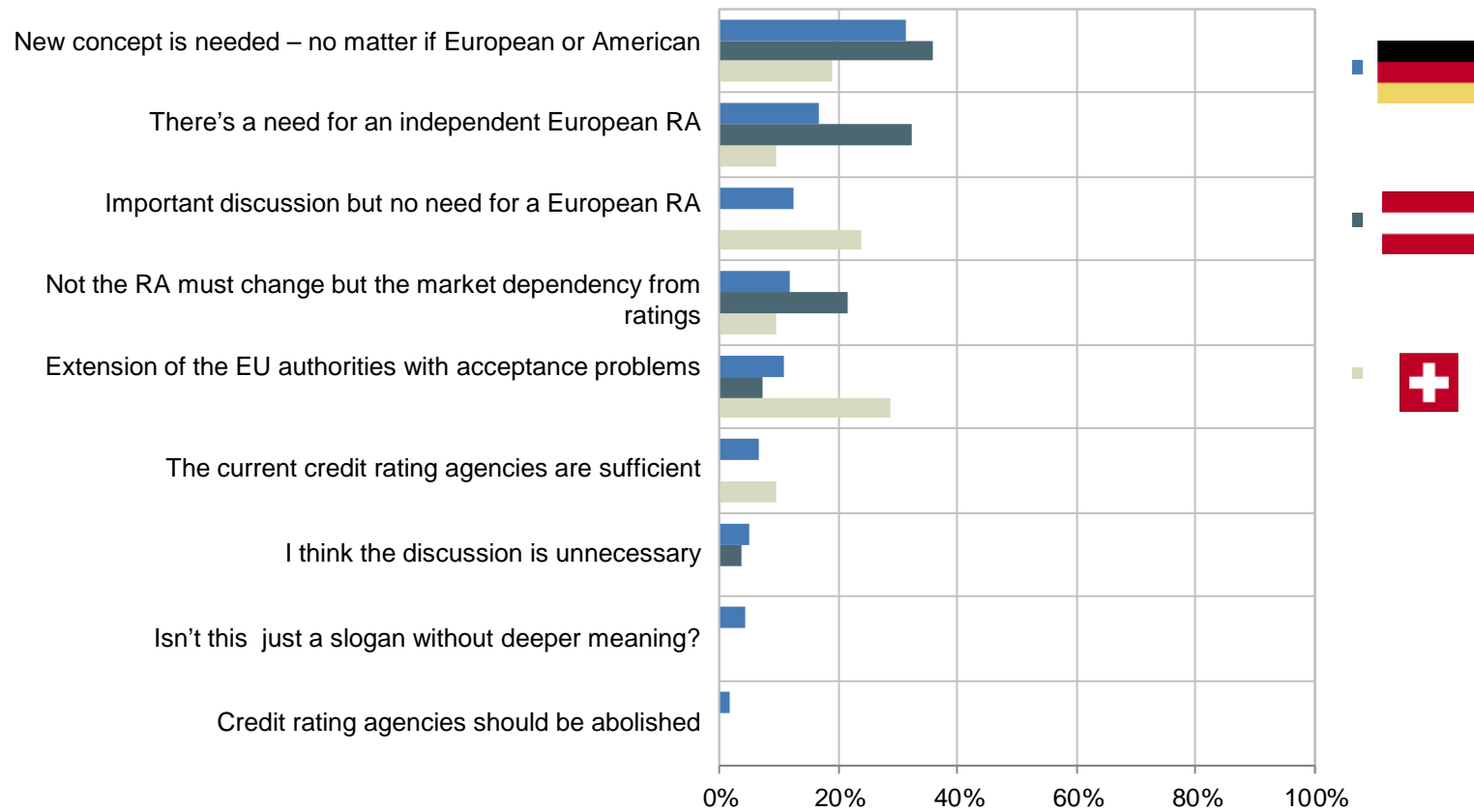
Are you familiar with the so-called "European Rating Agency" concept by Roland Berger?



The need for change is strikingly clear; the need for a European solution less so



What do you think of the current discussion on the establishment of a European Rating Agency (here: RA)?



Agenda: Special Topic



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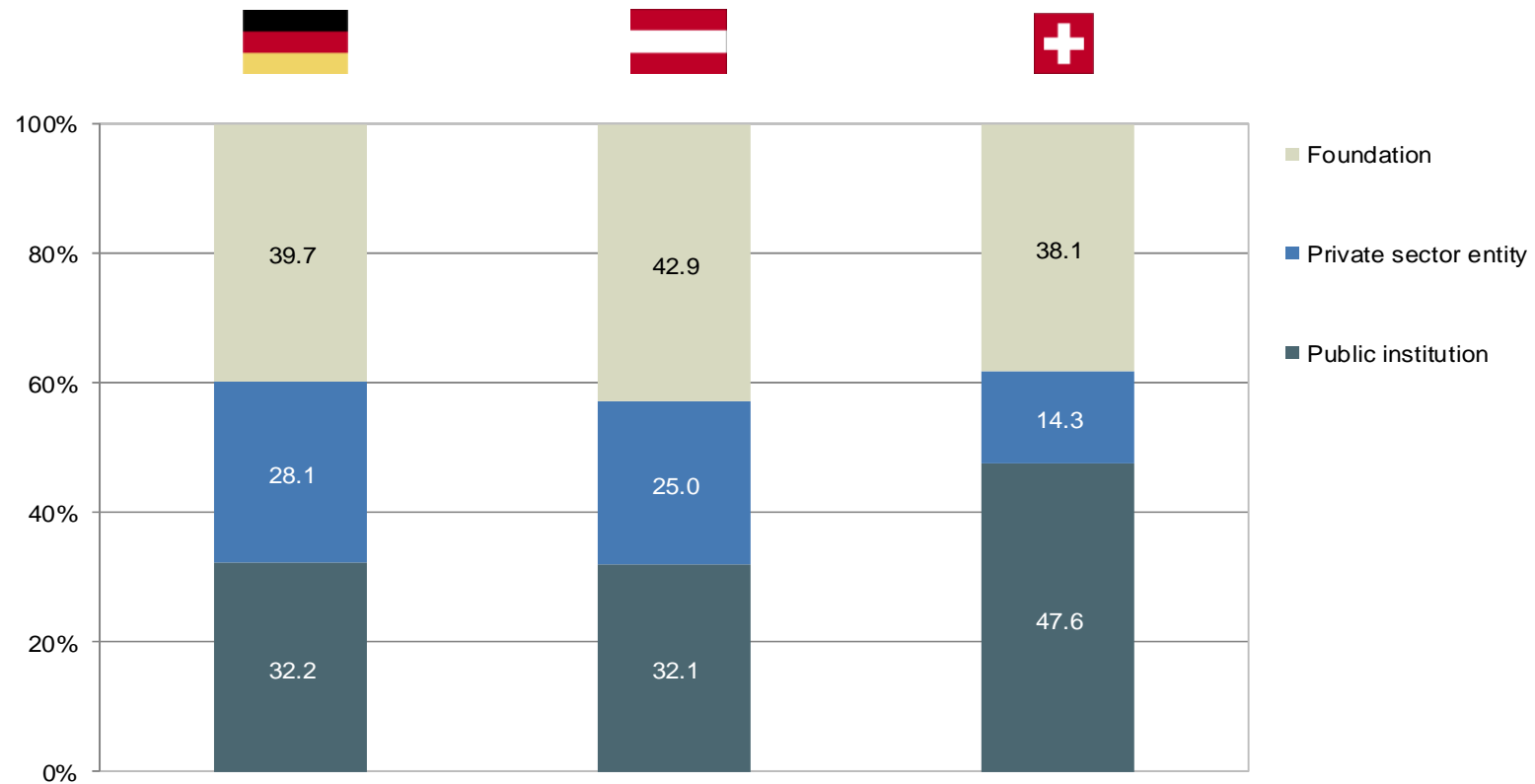


- The status quo on credit ratings
- Reasons for and against commissioning a credit rating
- The image and importance of credit rating agencies
- The “European rating agency concept” by Roland Berger
- **Characteristics of an ideal rating agency**

Private businesses are seen as the least suitable legal form of credit rating agencies



In your opinion; which of the following aspects would describe an ideal credit rating agency?
- Legal status -



Investors paying for the information they receive

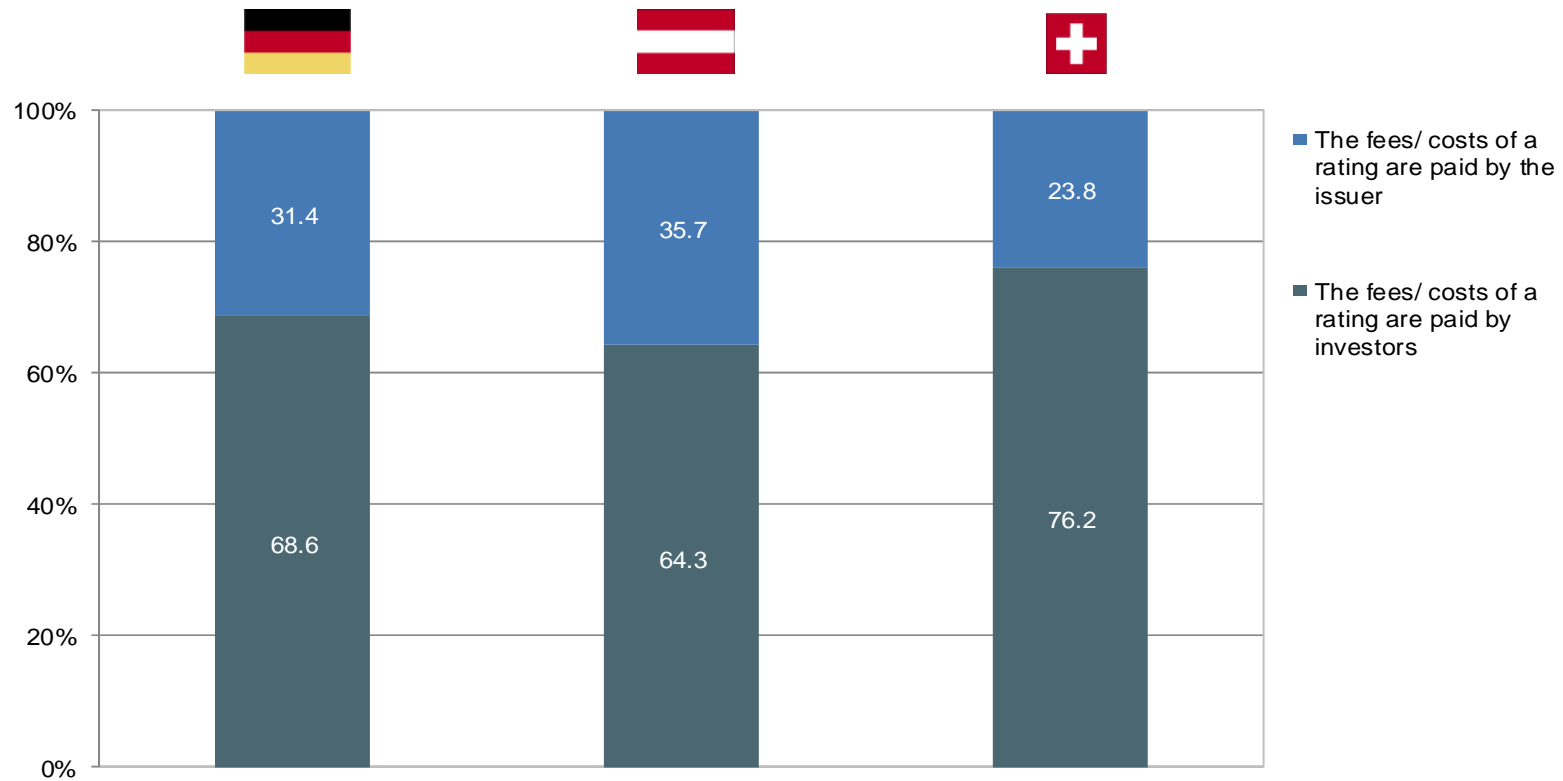


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In your opinion; which of the following aspects would describe an ideal credit rating agency?
- Fees/ Costs -

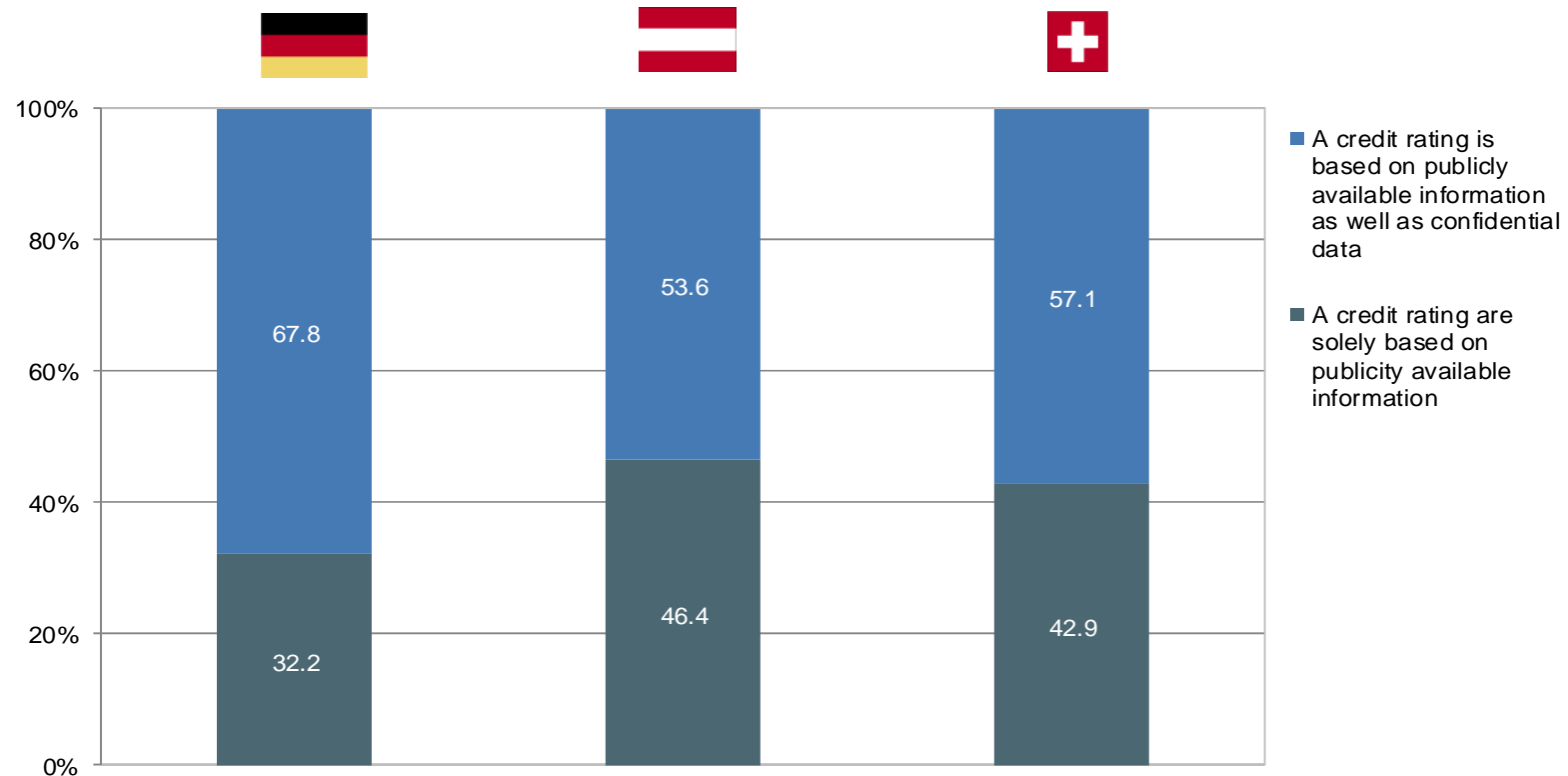


Ratings should give an insight in the inner workings of the business



In your opinion; which of the following aspects would describe an ideal credit rating agency?

- Data -

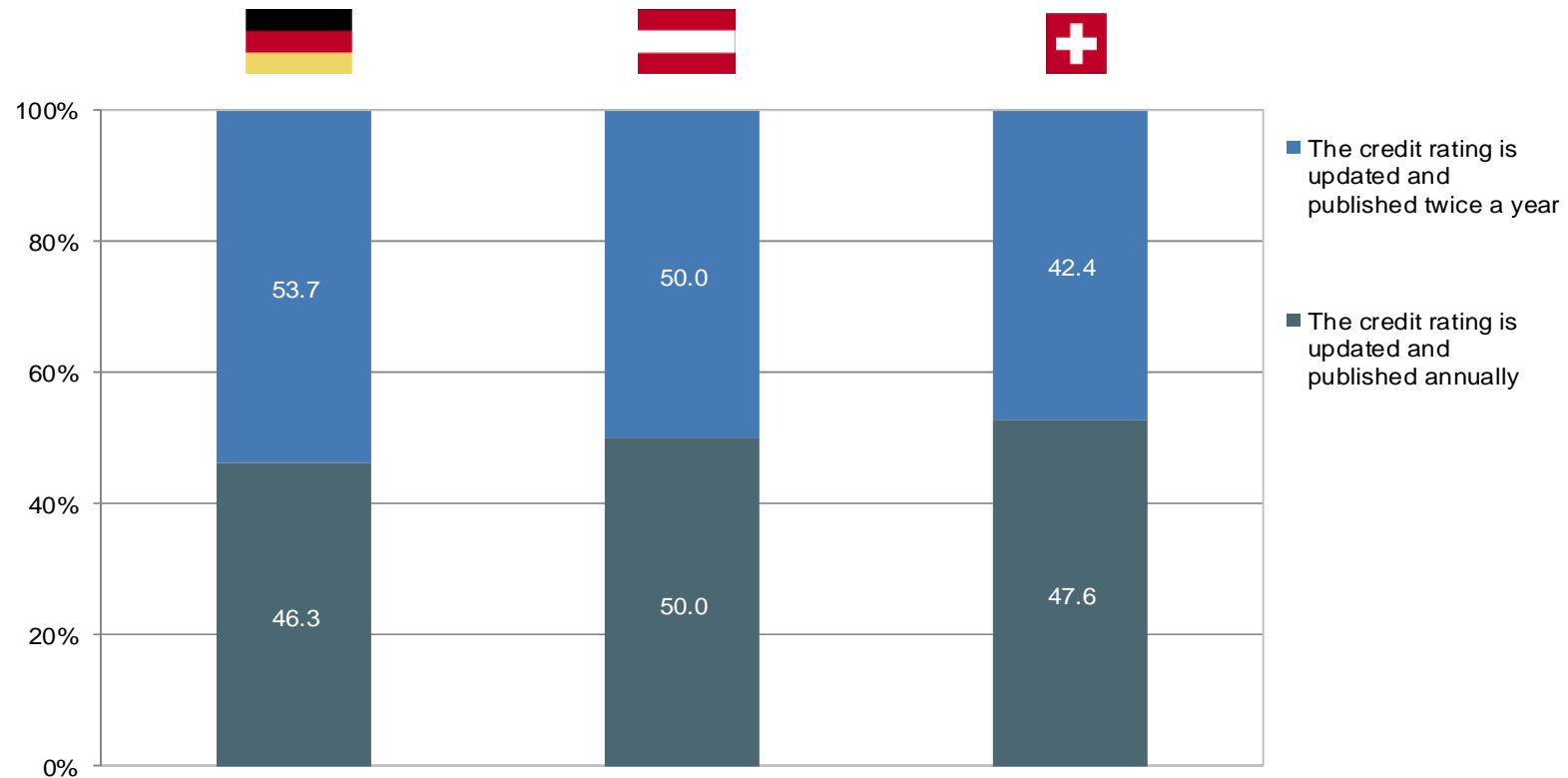


The trend goes to a more frequently updated credit rating



In your opinion; which of the following aspects would describe an ideal credit rating agency?

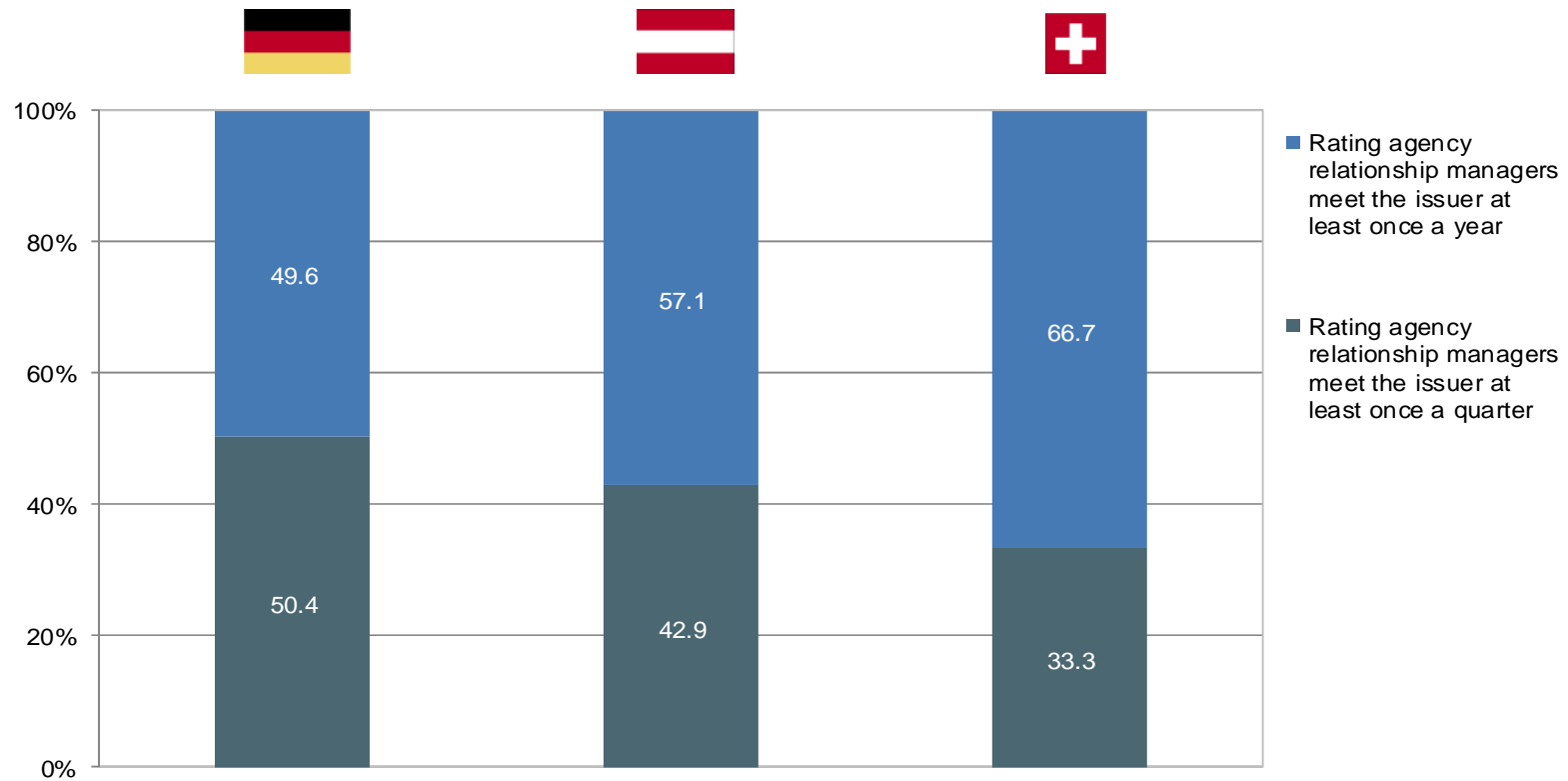
- Updates -



Regular contact is important; at least once a year



In your opinion; which of the following aspects would describe an ideal credit rating agency?
- Regular contact -

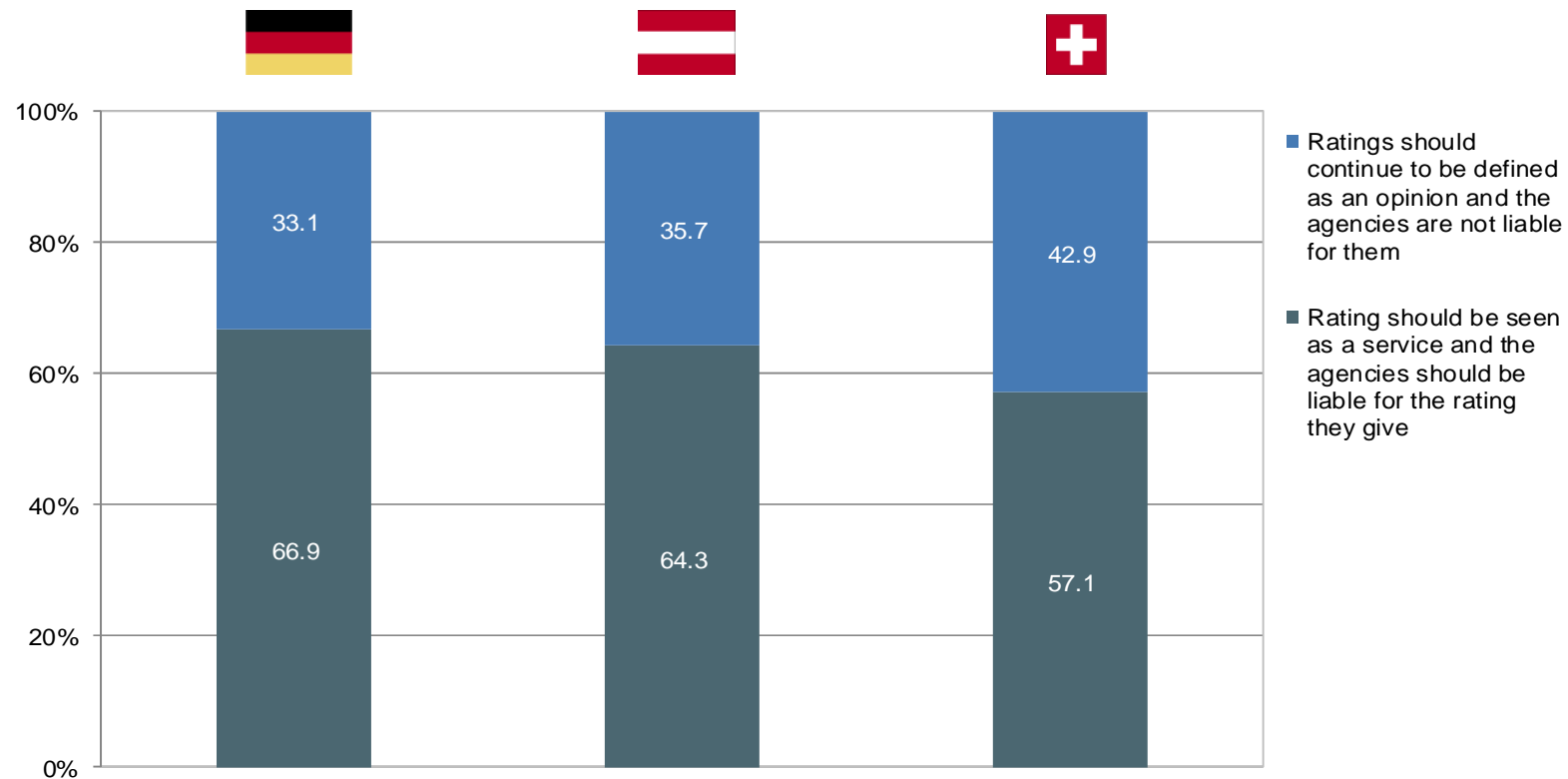


Credit ratings are not seen as voicing an opinion but providing a service



In your opinion; which of the following aspects would describe an ideal credit rating agency?

- Liability -



Transparency is especially important when it comes to costs

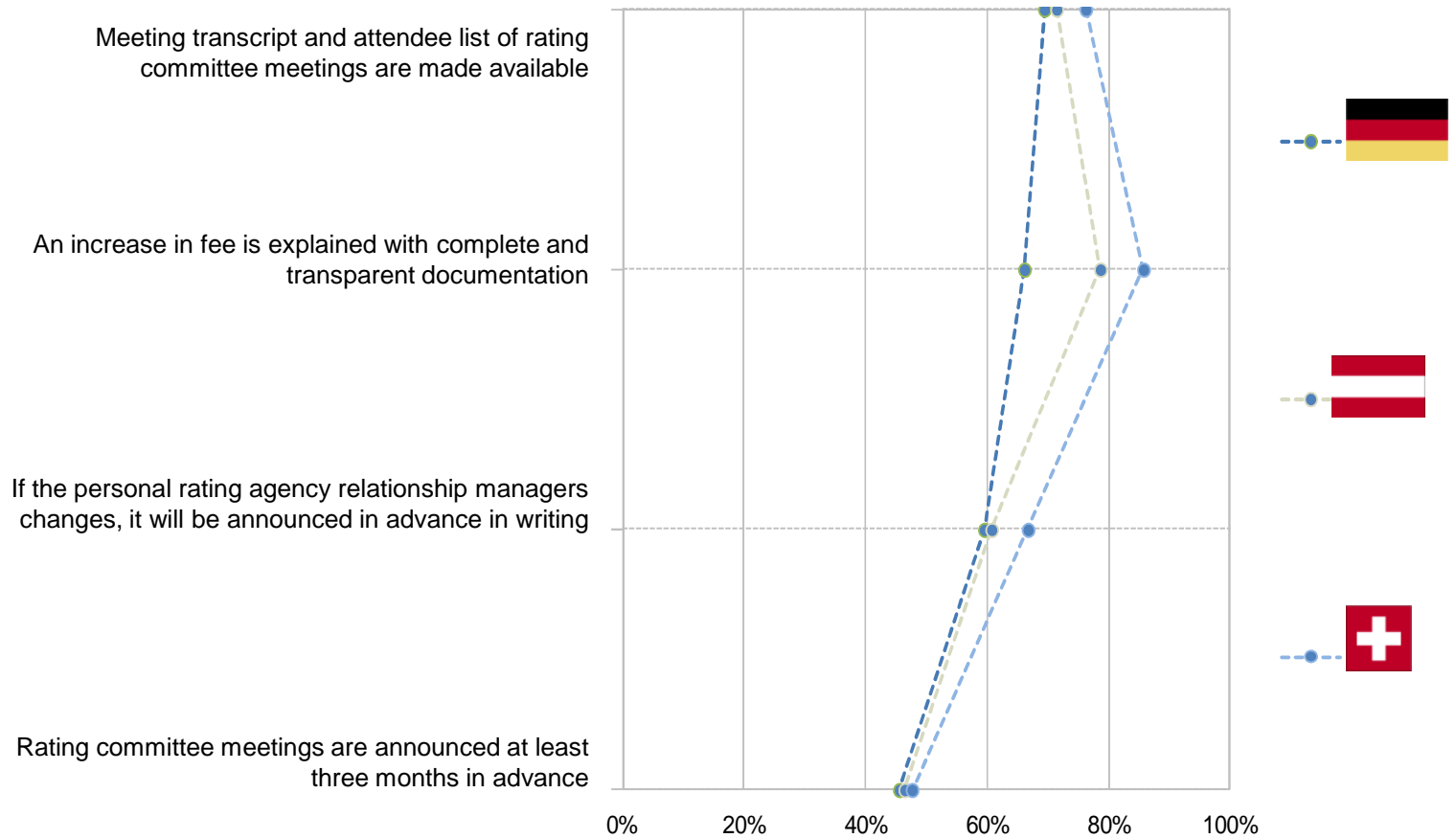


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In your opinion; how important are the following aspects for an ideal credit rating agency?
Top2-Box (very important/ important)



Summary: credit rating agencies' current situation



- Credit ratings are especially a hot topic for **index-listed companies**
- Top 3 credit rating agencies are the global players **S&P, Moody's and Fitch**
- If companies have a rating they tend to be on the safe side with **2 or 3 different ratings**
- Within the company it's mainly **Treasury (DE)** and **IR (AT and CH)** to look after the relationship with credit rating agencies
- The main reasons for having a credit rating are **financial considerations** such as refinancing opportunities, broadening of investor base and the general **reputation in the capital market**
- The main reasons for doing without a credit rating are **costs** and a **lack of requirement** for it
- Credit ratings are seen as **important** for issuers of a **bond**
- Credit rating agencies are seen as **powerful** but also **costly opinion-maker** which **lack transparency** and neutrality
- Their **importance** is immense; however, credit rating agencies may have **reached their peak** in importance
- The majority of IR Managers believe the credit rating **situation must change** and the current agencies are not providing the ideal scenario
- Although the majority of respondents wouldn't be able to explain the Roland Berger **concept of a European credit rating agency**, their view of an ideal rating agency **has similarities** with it

Summary: Characteristics of an ideal rating agency



- The legal status should be a **foundation** (40.0% of all respondents)
- Fees/costs should be **paid by investors** (68.8% of all respondents)
- The credit rating should be based on **publicly available information as well as confidential data** (64.1% of all respondents)
- The credit rating should be **updated and published twice a year** (52.9% of all respondents)
- Rating agency managers **meet the issuer at least once a year** (52.9% of all respondents)
- Ratings should be seen as a service and the agencies should be **liable for the rating they give** (65.3% of all respondents)
- Meeting transcript and attendee list of rating committee meetings are made **available to the issuer after the meeting** (70.6% important)
- An increase in fee is explained with **complete and transparent documentation** (70.6% important)
- If the personal rating agency relationship managers changes, it will be **announced in advance** in writing, accompanied by information about the new manager (60.6% important)
- Rating committee meetings are announced **at least three months in advance** in writing (45.9% important)

Annex: the European credit rating agency concept



What is the Roland Berger Concept for a European Credit Rating Agency?

The Roland Berger Strategy Consultancy has published their assessment of the credit rating agency situation in 2011 and suggested the formation of a European credit rating agency.

This agency is supposed to...

- Be a **profit-making foundation**
- Have its initial capital funded by **national banks, funds and stock exchanges**
- Be **transparent**: All interested parties shall be able to receive online information on what data is used, who is using it (organization of the agency), the rating model and the process
- Let the **investor pay**: the ratings will be available from a database where the investors can pay to receive the rating and the information

The formation of an initial European credit rating agency is supposed to then initiate **more competition**.

Contacts regarding the study



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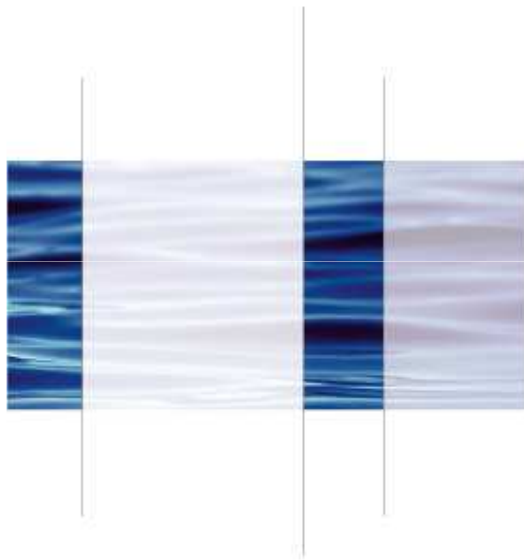
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