

Business Agenda of Europe's Top 100 Companies

**What's on the agenda of top 100
European companies?**



Düsseldorf, September 2004

PLEON

Analyses what the CEOs of the top European companies say

- to shareholders, analysts and business media
- about strategies, business agenda, investment policies and political framework

Business Agenda of Europe's Top 100 Companies

Methodology

Selection of relevant companies in nine countries across 13 industry sectors

Countries

Austria	Netherlands
Belgium	Poland
France	Spain
Germany	UK
Italy	

Industries

Automotive	Media	Telecommunications
Chemical Engineering	Oil	Transport
Consumer Goods	Retail	Utilities
Finance/Insurance	Service	
Health Care	Technology	

Selection of official CEO statements to shareholders and analyst community, and to the financial and economic press on their strategies and business agenda (1.785 articles) for the period January to June 2004, and of the Annual and Quarterly reports

Compilation of over 80 criteria in six relevant categories: Business priorities, sources of growth, investment dynamics, key challenges, main issues, political framework

Analysis and interpretation of results as: a) Key findings; b) National differences; c) Sectoral differences

Management Summary (1/2)

- **Growth tops the CEO agenda:** With three years of economic slowdown behind them, European CEOs look forward to higher revenues and profits. Growth is their number one priority.
- **Innovation is the key to success:** This growth is expected to be derived from innovation in products and services. Companies are reshaping their innovation strategy to achieve success.
- **Europe remains in focus:** Europe remains at the centre of the business and investment policies. CEOs are also intent on capitalising on the opportunities offered by Asian markets.
- **Focus on core competence emerges as a key preoccupation:** CEOs express the need to streamline their business portfolios in order to achieve leading positions in global league tables.

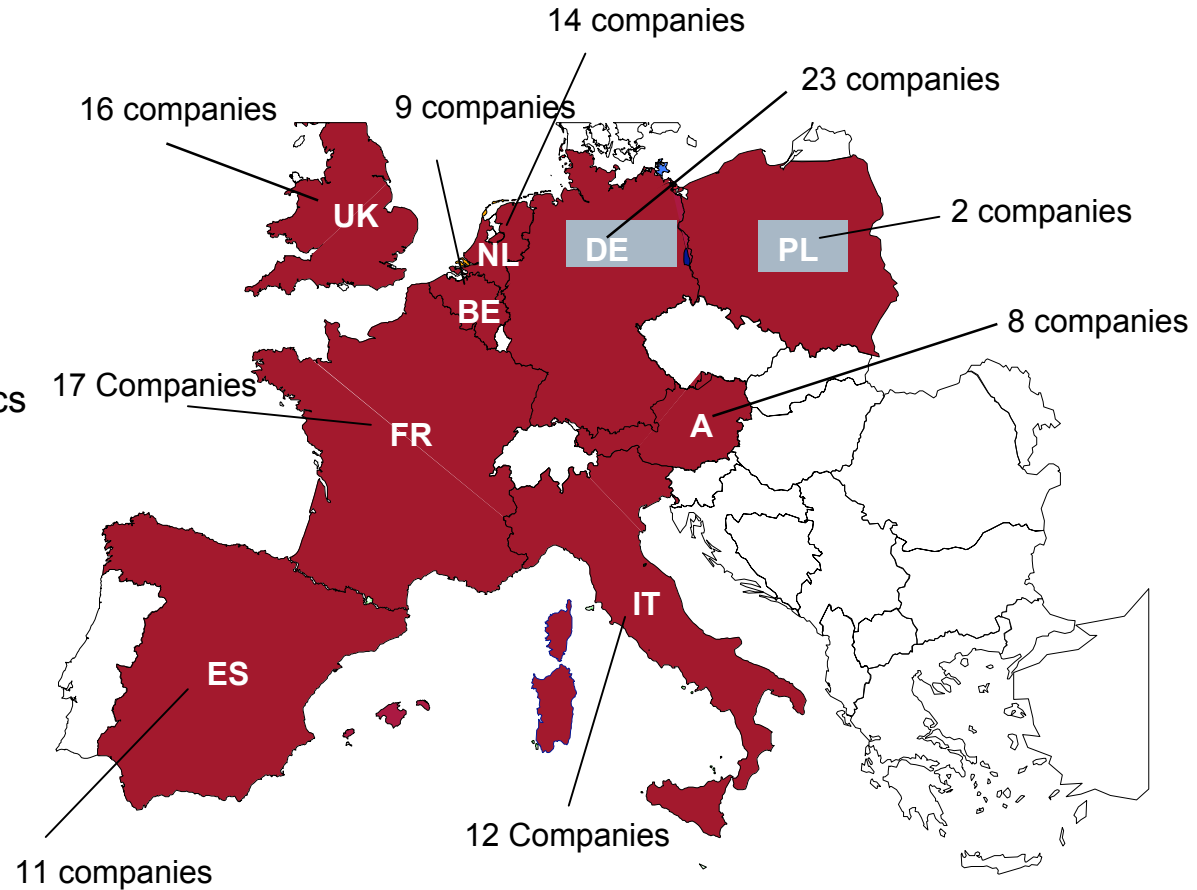
Management Summary (2/2)

- **Sliding dollar remains an important risk:** European companies are nervous about the Euro-Dollar fluctuations and cite it as a key risk to their businesses.
- **Demographics and regulations are big issues:** Concerns are rising fast about the negative impact of demographic development and regulations on European businesses.

Companies by Countries

Scope of the study

- Business Priorities
- Sources of Growth
- Investment Dynamics
- Key Challenges
- Main Issues
- Political Framework



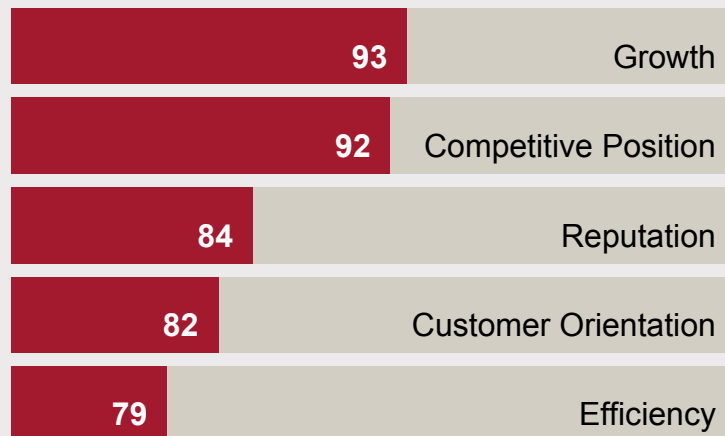
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Key Findings

Top Five Business Priorities for European Companies

Growth is the number one target for European CEOs.



n = 100 = 100%

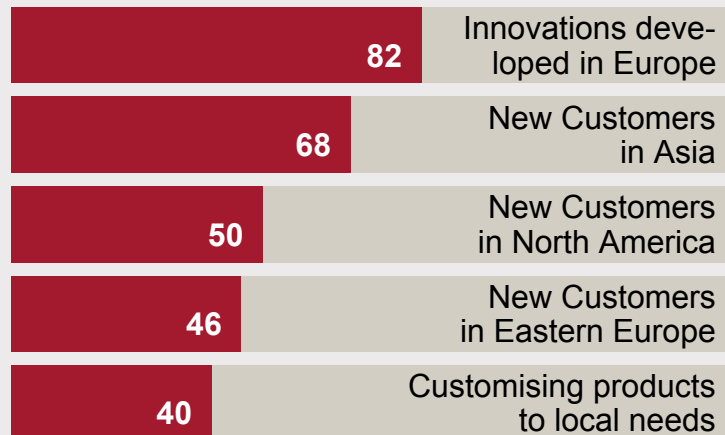
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

What are the main business priorities?

- For 93% of European CEOs, increasing business volume is the top priority.
- The importance of competitive position indicates more focus on the core business to achieve a leading position.
- Recent scandals have undermined corporate reputation, thus negatively impacting business development. Strengthening reputation is, therefore, key to market success.
- Customer orientation is seen as an important driver to increase sales, especially in Europe.

Sources of Growth for European Companies

This growth will be secured primarily by developing new products and services.



Note: For this study, Europe includes the western and central European countries and Eastern Europe includes the traditional east European countries like Poland, Czech Republic etc.

n = 100 = 100%

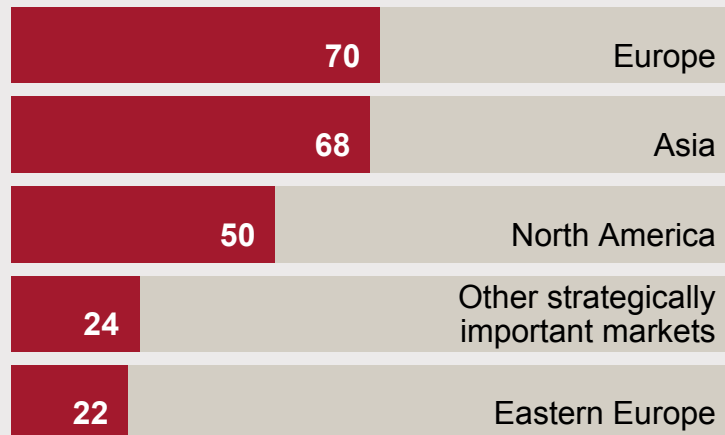
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Where does the expected growth come from?

- Innovation in products and services is expected to be the spur to growth. These innovations take place in the R&D units in Europe.
- Growth also results from leveraging products and services across new markets, especially the emerging ones.
- To increase sales in Western Europe, companies are now customising and individualising their products to the needs of the local markets.

Investment Dynamics of European Companies

The aim to grow by innovation implies major investments in Europe.



Note: For this study, Europe includes the western and central European countries and Eastern Europe includes the traditional east European countries like Poland, Czech Republic etc.

n = 100 = 100%

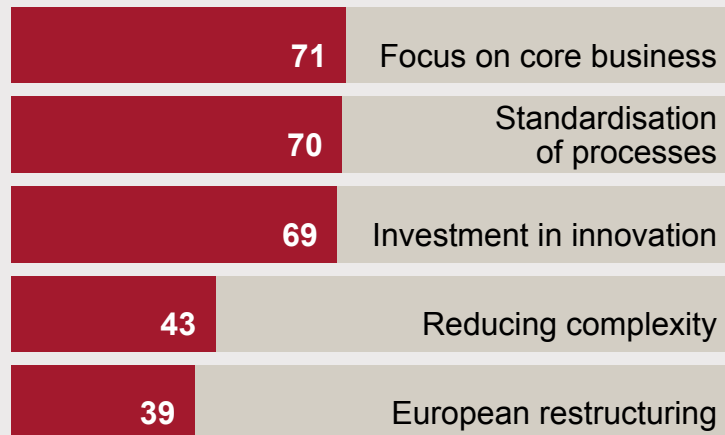
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Where do the major investments go?

- Europe remains a big investment destination.
- The investment strategies of European companies focus first on their domestic markets to secure a strong position there.
- Investments then go to Europe, followed by Asia and North America.
- Eastern Europe seems to be a *market* place, but not yet a huge *investment* choice.

Key Challenges Faced by European Companies

European businesses focus on core competence and stimulating innovations.



n = 100 = 100%

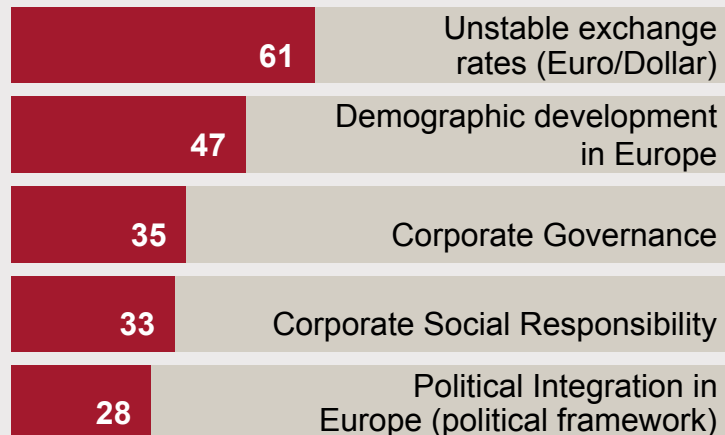
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

What are the biggest challenges faced by the European businesses?

- The clear focus on core business expresses the need to streamline portfolios to reach the top 3 or top 5 position.
- To improve efficiency and sustain growth, companies are increasingly recognising the need to standardise key business processes such as CRM, supply chain, resource planning, etc.
- Companies are keeping a close watch on current European restructuring in order to capitalise on opportunities offered by a unified market place.

Main Issues for European Companies

Unstable exchange rates and negative demographic development are the biggest impediments to the growth of European businesses.



n = 100 = 100%

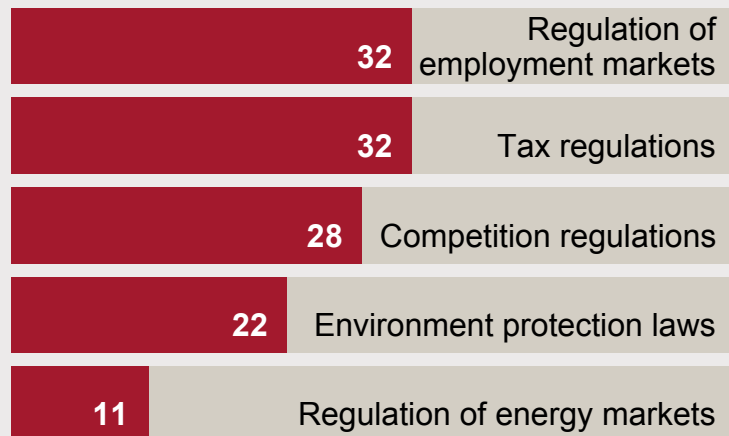
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

What are the key issues affecting the European businesses?

- Not surprisingly, Europe as an export region is nervous about exchange rate fluctuations.
- Demographic development does have a long term impact on business models, products and services.
- The issue of corporate governance takes importance because of lack of transparency and the need to solve this dilemma.
- Corporate Social Responsibility in fourth position reflects what society expects from the corporate world.

Political Framework Experienced by European Companies

Clearer regulations on the employment market, taxes and competition are necessary to secure the ground for European businesses.



n = 100 = 100%

Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

What are the most important political issues impacting the businesses?

- Over-regulated employment markets in Europe come in the way of businesses to operate in a flexible manner.
- Differences in tax regulations between Europe and other parts of the world still dominate corporate strategies when allocating their costs and profits.
- In addition, competition laws, especially in the context of a new Europe, have a critical impact on business models and strategies.

Selected Statements from CEOs on Growth

“All of us at Vodafone are working hard to grow revenue, navigate the forces that impact our business and lay claim to the benefits of our global scale and scope...”

– Arun Sarin, CEO, Vodafone, Business Report 2003

“We maintain our focus on fundamentals of growing income, improving efficiency and maintaining credit quality.”

– Fred Godwin, CEO RBS Group, Business Report, 2003

“The Group aims to build its top-tier position in Europe to accelerate its growth and sustain a distinctive edge in all its markets.”

– Thierry Breton, Chairman and CEO, France Telecom, Business Report 2003

“For the period 2004-06, Suez intends to continue its efforts to increase its operating profitability and generate cash By implementing a strategy that primarily focuses on organic growth.”

– Gerard Mestrallet, Chairman & CEO, Suez, Business Report 2003

“Raising the value of our services, we will cement our position in the marketplace as an essential business partner, while increasing our revenue, improving our margins and accelerating our growth”

– Rob van den Bergh, Chairman, VNU, Business Report 2003

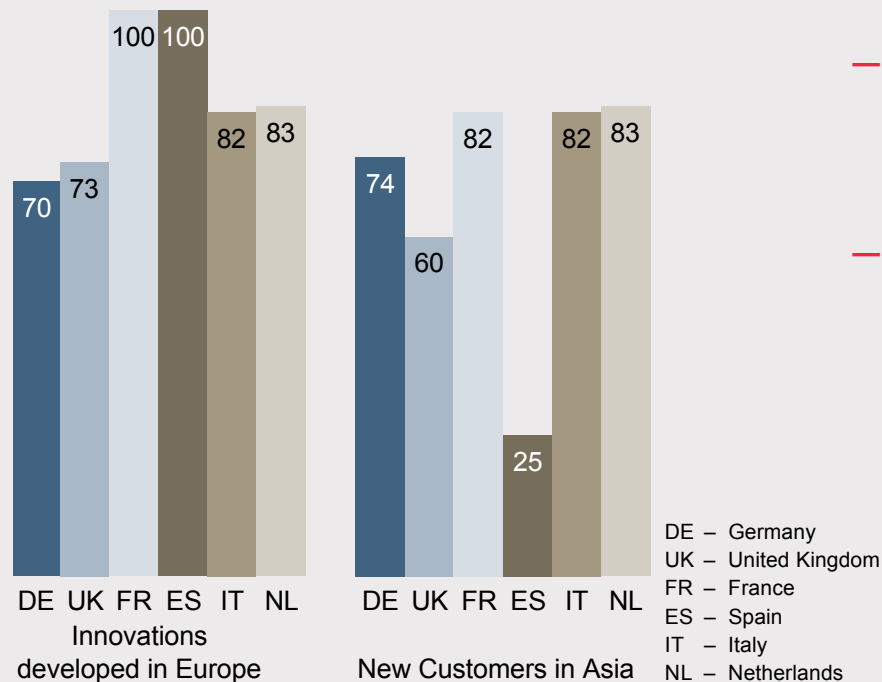
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Country Analysis

Sources of Growth: National Differences

Innovation remains at the top.



Are there any differences in CEO perceptions about sources of growth across countries?

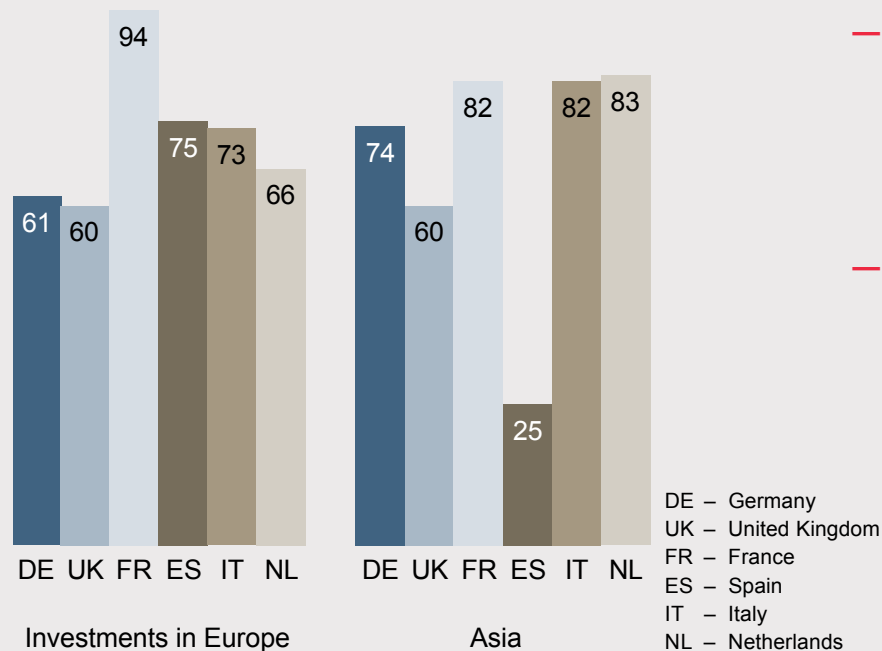
- Not really. Innovations developed in Europe remains the key source of growth for companies across countries.
- However, for Spanish companies, acquiring new customers in Asia seems to be low on agenda. One reason could be that they wish to expand more in Latin America because of a greater cultural affinity.

Note: Data is expressed a percentage of the total number of companies analysed in a country.
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Investment Dynamics: National Differences

Europe remains at the centre of investment strategies.

Do companies' investment strategies differ across countries?



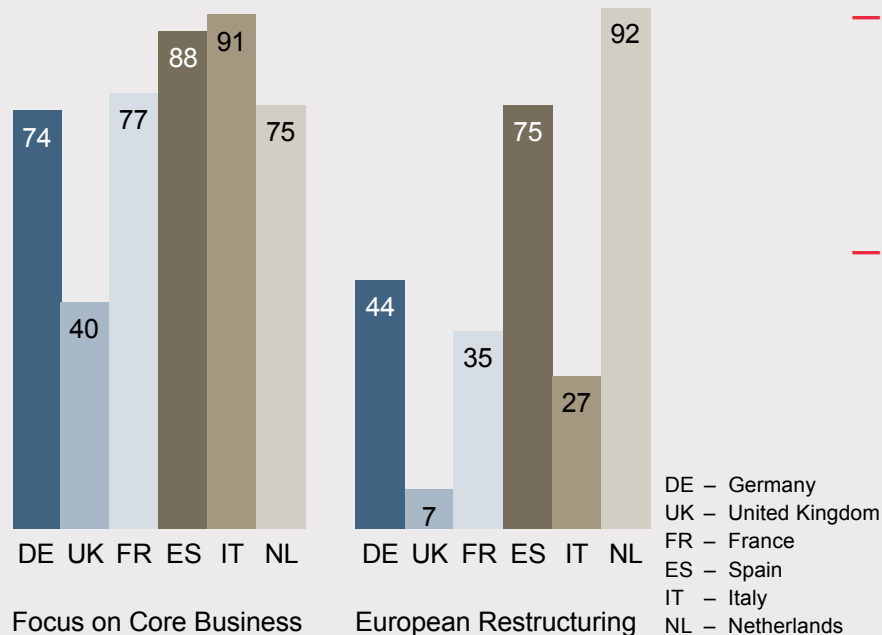
- Again, the answer is no. Europe, or perhaps domestic markets, dominate investment strategies. And French companies seem to be taking a lead here.
- But, as expected, Asia is low on the list of preferred investment destinations for Spanish companies.

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Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Key Challenges: National Differences

British companies seem to be motivated by expansion strategies.

Are there any differences in the perceived challenges for companies across countries?

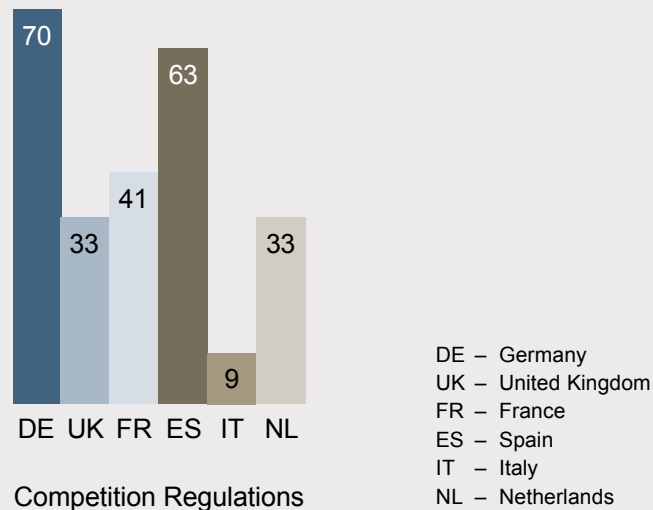


- Here, British companies seem to differ from their counterparts in other countries. They appear to believe in expanding rather than focusing on core business.
- It is also interesting to see that they are not that anxious about the ongoing European restructuring. This may be because they have confidence in their government to maintain lighter business regulation.

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Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Political Framework: National Differences

Impact of regulations varies across countries.



Note: Data is expressed a percentage of the total number of companies analysed in a country.
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

How do regulations affect companies across countries?

- European regulations on competition seem to be more of a concern for German and Spanish companies.
- Surprisingly, Italian companies are less concerned about these regulations.

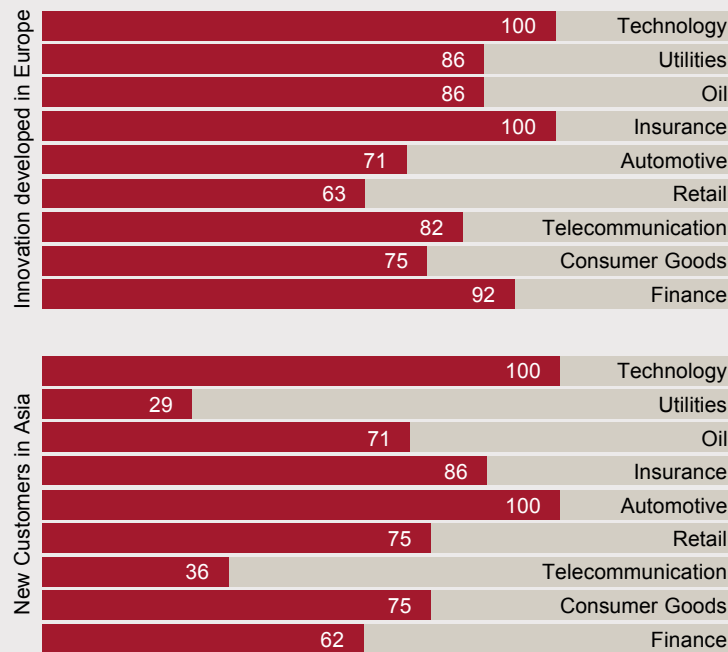
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Sectoral Analysis

Sources of Growth: Sectoral Differences

Innovation remains the key to success in different industries.



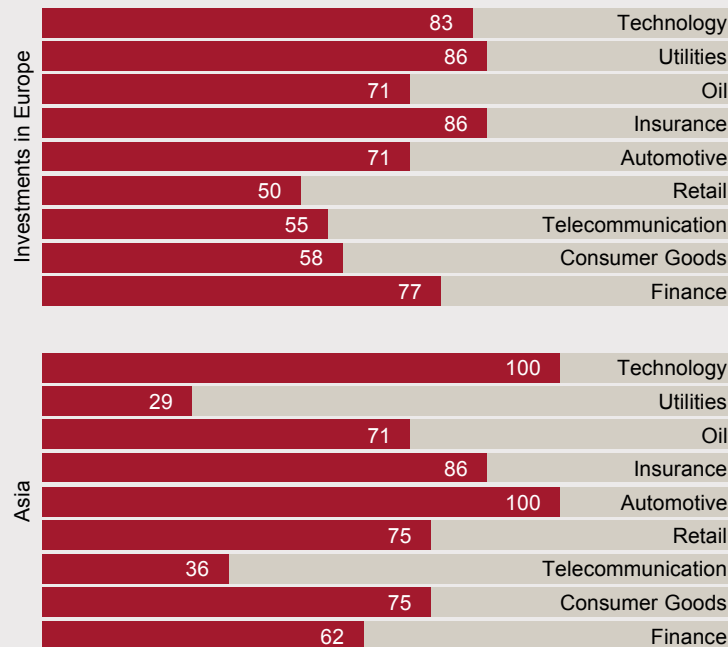
Note: Data is expressed a percentage of the total number of companies analysed in a country.
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Do perceived sources of growth differ across industries?

- Innovations developed in Europe remain a key source of growth across industries.
- However, acquiring new customers in Asia is not an important growth strategy for European utilities and telecommunication companies. This may be due to the fact that these sectors are still heavily regulated in most Asian countries, and thus entry barriers are high.

Investment Dynamics: Sectoral Differences

Again, Europe emerges as the prime destination for sectoral investments.



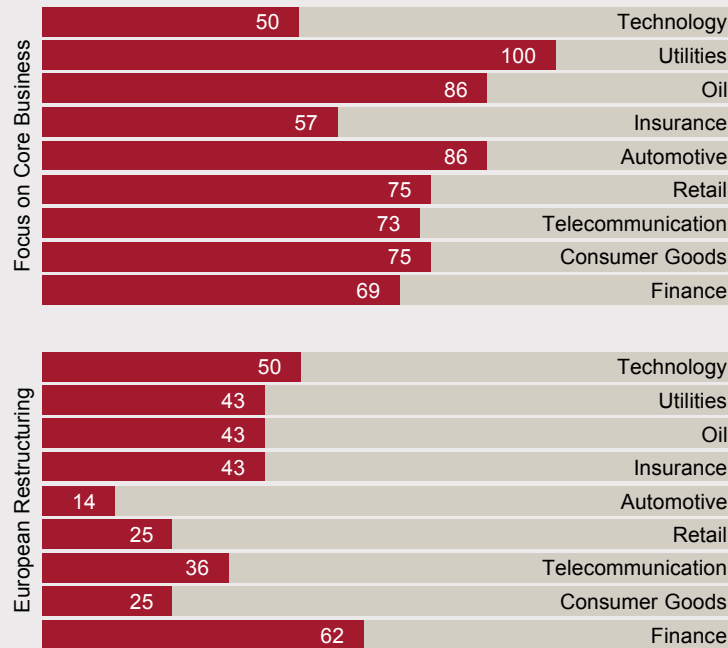
Do investment strategies differ across industries?

- Again, the answer seems to be no. Most of the investments in different industries are being done in Europe.
- And as before, Asia is a low investment opportunity for European utilities and telecommunications companies.
- But Asia seems to be a big investment destination for European Automotive and Technology companies.

Note: Data is expressed a percentage of the total number of companies analysed in a country.
Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

Key Challenges: Sectoral Differences

Core competency remains in focus across sectors as well.



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Source: Pleon "Business Agenda of Europe's Top 100 Companies", September 2004

What are the main challenges for different industries?

- Focus on core business is high on the agenda of companies across different sectors, in particular, for the utility companies.
- Finance companies also seem quite challenged by the current European restructuring. This may be because of the different financial regulations and laws followed in different European countries.

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List of Companies (1/3)

Selected by revenues, market value and rankings from business media

Austria: Bank Austria (Finance), Erste Bank (Finance), Uniqa (Insurance), OMV (Oil), Spar (Retail), Österreichische Bundesbahnen (Transport), Telekom Austria (Telecommunications), Verbund (Utilities & Services)

Belgium: Interbrew (Consumer Goods), Fortis (Finance), UCB Group (Health Care), Solvay (Industry), Umicore (Industry), Delhaize (Retail), Agfa-Gevaert (Technologies), D'leteren (Utilities & Services), Electrabel (Utilities & Services)

France: Michelin (Automotive), PSA Peugeot Citroën (Automotive), Renault (Automotive), Danone (Consumer Goods), L'Oreal (Consumer Goods), Axa (Finance – Insurance), BNP Paribas (Finance), Sanofi-Synthalebo (Health Cares), Total (Oil), Carrefour (Retail), Pinault-Printemps (Retail), Alstom (Technologies), France Telecom (Telecommunications), Vivendi Universal (Technologies), Air France (Transport), Suez (Utilities & Services)

List of Companies (2/3)

Selected by revenues, market value and rankings from business media

Germany: DaimlerChrysler (Automotive), Volkswagen (Automotive), Deutsche Bank (Finance), Allianz (Insurance), Münchner Rück (Insurance), BASF (Industry), Bayer (Industry), Karstadt-Quelle (Retail), Metro (Retail), Bosch (Technologies), Siemens (Technologies), Deutsche Telekom (Telecommunications), Lufthansa (Transport), Deutsche Post (Utilities & Services), Eon (Utilities & Services), RWE (Utilities & Services)

Italy: Fiat (Automotive), Pirelli & Co (Automotive), Unicredito (Finance), Mediolanum S.p.A. (Finance), Generali (Insurance), ENI (Oil), Finmeccanica (Technologies), Mediaset (Media), Telecom Italia (Telecommunications), Telecom Italia Mobile (Telecommunications), Alitalia (Transport), Enel (Utilities & Services), Ifil (Utilities & Services)

List of Companies (3/3)

Selected by revenues, market value and rankings from business media

Netherlands: Heineken (Consumer Goods), Unilever (Consumer Goods), ABN Amro Holding (Finance), Akzo Nobel (Industry), Aegon (Insurance), ING Groep (Insurance), Royal Dutch (Oil), TPG (Utilities & Service), Philips (Technologies), Reed Elsevier Group (Technologies), KPN (Telecommunications), VNU (Telecommunications)

Poland: Telekomunikacja Polska (Telecommunications), PKN Orlen(Oil)

Spain: Altadis (Consumer Goods), Banco Santander (Finance), BBV Argentaria (Finance), Repsol (Oil), Inditex (Retail), Logista (Retail), Telefonica (Telecommunications), Iberia (Transport), Endesa (Utilities & Services), Iberdrola (Utilities & Services)

UK: British American Tobacco (Consumer Goods), Cadbury Schweppes (Consumer Goods), HSBC Holdings (Finance), Royal Bank of Scotland (Finance), Glaxo SmithKline (Health Care), Aviva (Insurance), BP (Oil), Shell (Oil), Sainsbury (Retail), Tesco (Retail), Vodafone (Telecommunications), British Airways (Transport), Compass Group (Utilities & Services), Diageo (Utilities & Services)

List of Publications

Selected by reputation and circulation numbers

Austria: Die Presse, Der Standard, Neue Kronen Zeitung

Belgium: De Morgen, De Standaard, De Tijd, Trends

France: La Tribune, Le Figaro, Le Monde, Les Echos, L'Usine Nouvelle, Liberation

Germany: Financial Times Deutschland, Frankfurter Allgemeine Zeitung, Handelsblatt, Süddeutsche Zeitung, Die Welt, Focus, Spiegel, Manager Magazin, Wirtschaftswoche

Italy: Il Corriere della Sera, Il Giornale, Il Mondo, Il Sole 24 Ore, La Stampa, L'Espresso, La Repubblica, Panorama

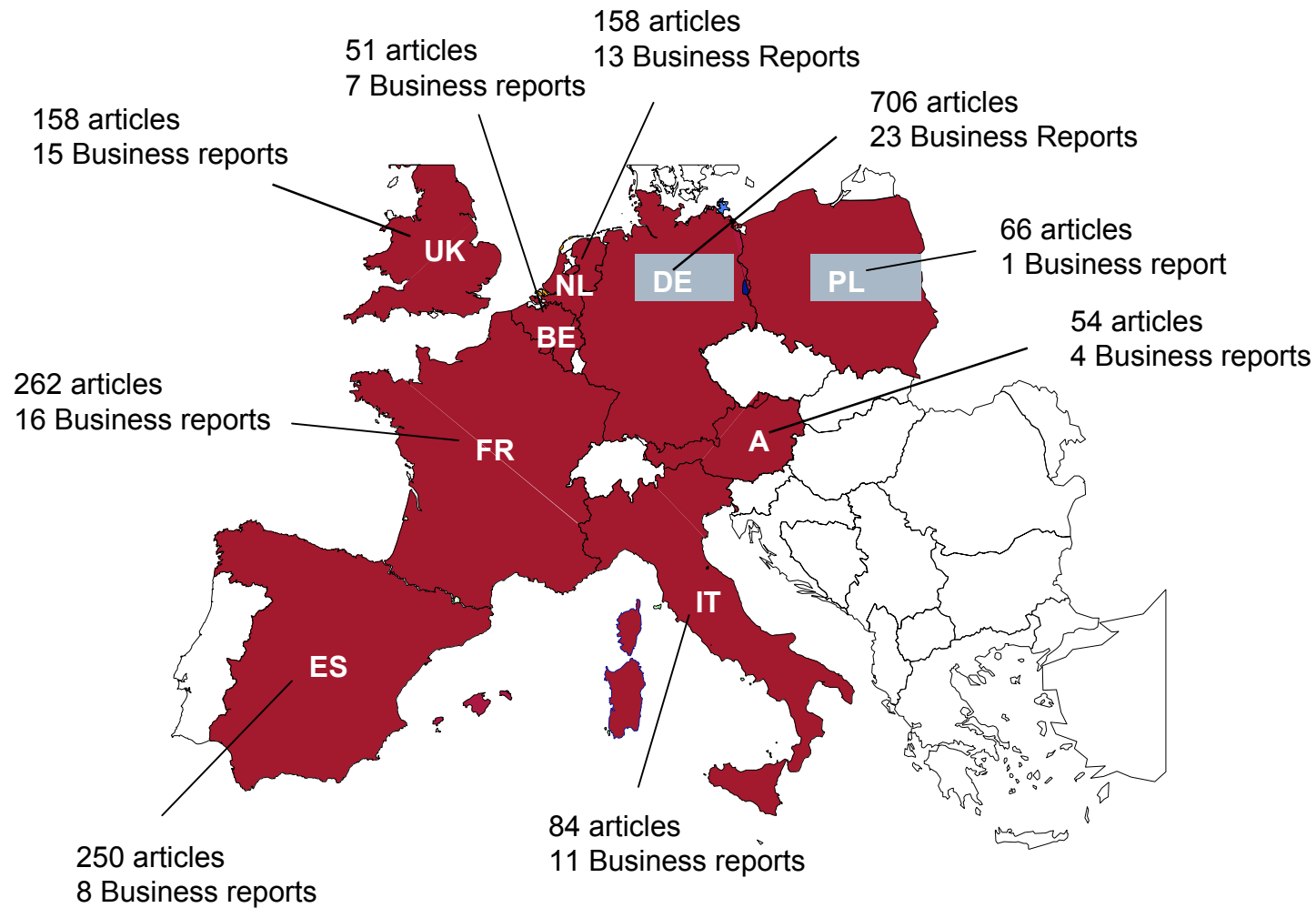
Netherlands: De Telegraaf, Het Financieele Dagblad, Het Nieuwsblad, Het Volk

Poland: Gazeta Wyborcza, Parkiet, Rzeczpospolita

Spain: Cinco Días, El Economista, El Mundo, El País

UK: Daily Telegraph, The Economist, Financial Times, Guardian, Independent/Independent Sunday, Observer, Times/Sunday Times

Articles by Countries



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