

Best Annual Reports 2007

Report *Watch* by e.com

Top Annual Reports **2007**



So-So Annual Reports **2007**



Low Annual Reports **2007**



Editor's Note

Why this year's survey is different

This year's **Annual Report on Annual Reports** (°) is somewhat different from the past issues. How come and why's that?

Today's economic, market and geopolitical context is characterized by volatility, instability, unpredictability, and publicity. That can make an impact on -and sometimes seriously affects- reporting quality, validity, and, let's put it straight, honesty.

Consider four trends that reflect both the context and its impact on reporting:

- > The risk of talking about a report whose company has been merged, acquired or delisted in the meantime has increased dramatically, making some reports outdated in a few weeks and any comment irrelevant or pointless.
- > The increasing quarterly, daily (and sometimes even hourly!) media coverage of business events, financial information, company releases requires more than ever longer-term information to get the full picture. That is, something else than a series of blips on screen, or taking too many things at face value without questioning. Annual reports should therefore allow more relativist views.
- > The rising influence of Asia-Pacific economies and companies that, bar a few exceptions, has not yet been translated into greater transparency on information and in reporting.
- > The growing number of companies that toe the line by just publishing a 10-K or 20-F, without other effort or value added, and thus making report comparisons irrelevant besides checking the numbers. It is a paradox of today's financial markets, where everything (a lot of things, really) seems to be permitted, that reporting seems for some to be totally inhibited by a "Sarbox" fear of scrutiny.

How has the **ReportWatch** team dealt with those challenges?

No, we didn't twiddle our thumbs! Instead, we moved in two directions.

First, we thought that ranking reports in such turbulent times would necessarily prove to be more imperfect than in the past. Therefore we decided to be more selective and shortlisted about the half of our list of companies, dropping or shelving the ones plainly using the legal files, leaving out many yet not all the ones acquired or merged, not chasing some not keen to send their documents, forgetting the many who had a poor reporting record over the last five years, and still trying to strike a balance on industries and geographies.

Second, we have tweaked our report scanning methodology to better spot high-value reports, applying some of the lessons we've learned over the past ten years (°), and reckoning with recent trends and standards. 50 report items or reporting areas were checked, instead of 25 in the past surveys, making our assessment deeper and even more accurate.

Consequently, the **Annual Report on Annual Reports 2007** does not feature a ranking as such, because we thought it wouldn't be truly representative or relevant. This is replaced with three lists of 50 selected "top", "low" and "so-so" reports. They are ranked in alphabetical order. For each of them, you will read a wrap-up of report assets (and liabilities) made by e.com analysts and external panelists. Reports are now rated with stars. 25 "picks" and 75 "notable" ones have also been singled out for their performance on a number of report attributes.

Another difference is that our report is for the first time published online only. To save a few trees (yet we would always recommend a printout for a better grasp), but also to keep up with the pervasive web-based reporting trend.

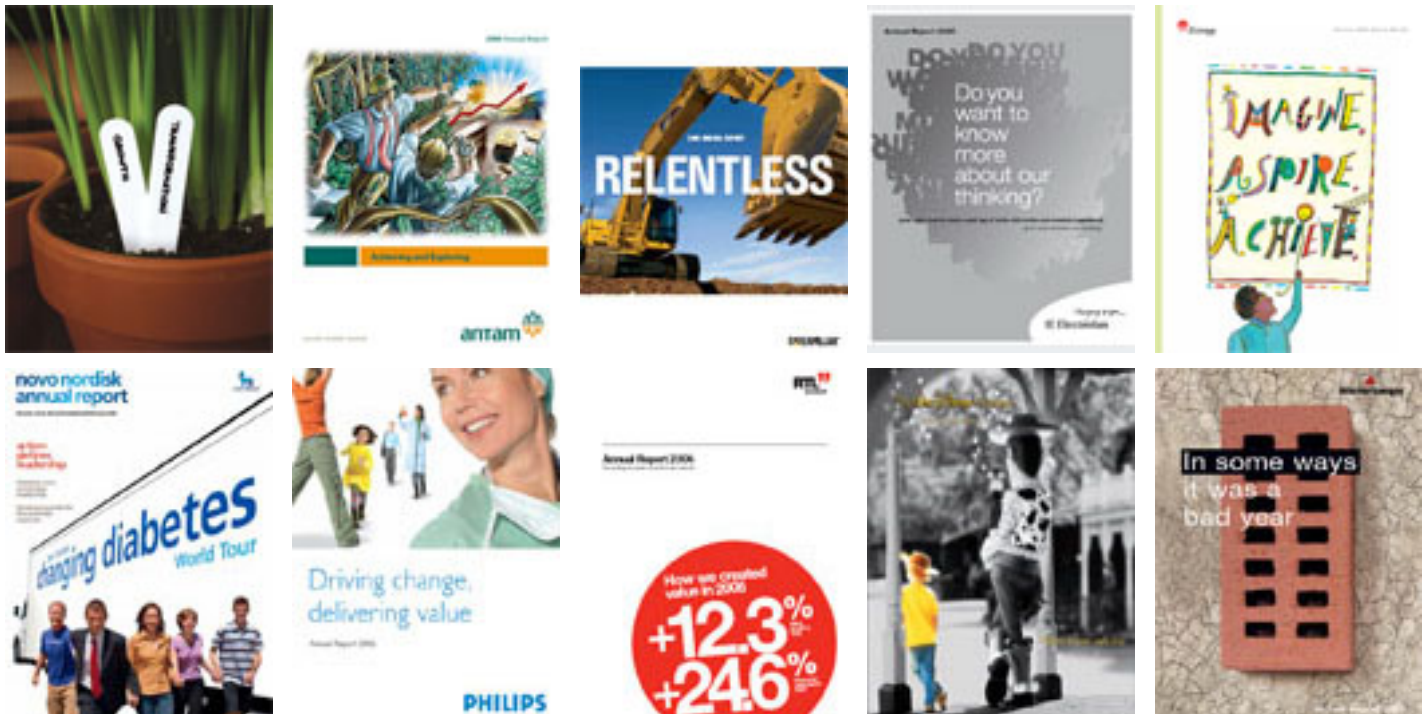
Enjoy reading it -and send us your comments!

The Editor

(°) This is the 11th issue of the **Annual Report on Annual Reports**. For a journey through the past issues, download last year's (2006) one.

50 top reports

Name these topmost, top-class, top-notch, top-drawer, top guns, or just on top of others. They are rated from fine to excellent to world-class.



AEGON	Netherlands	***(*)	<i>A view on pensions</i> is a chapter that gives clear insights into the challenge, does it a lively way, and enlightens about one the core purposes of the company.
AGRIUM	Canada	***(*)	Financial highlights, segment data and a basket of ratios are originally and conveniently gathered in a foldout section placed inside the back cover. Question: Are apples really served to the boards?
AIFUL	Japan	***(*)	The leading Japanese financial services group serves it up palpably. See e.g. the <i>Diversification of Receivables</i> and the <i>Risk Profile</i> charted for the the last eight years, or a <i>Schedule for Amortization of Goodwill</i> . But the <i>share of non-consolidated results'</i> analysis blurs the MD&A and the interpretation of actual financial performance.
ALLIANZ	Germany	***(*)	Where tables and charts can be very helpful also for complex matters: check e.g. those <i>extensive Property-Casualty Operations by Geographic Region</i> , or <i>Third-party assets under management</i> .
ANTAM	Indonesia	***(*)	Despite being mainly state-controlled, the Indonesian mining group doesn't pay lip-service to share-owner matters. It even goes further than many public firms, by disclosing how the IPO money was used, for example.

BARRICK	Canada	***(*)	<i>Comments on significant trends and variances for cost and expense</i> items are here not like gold dust and made clearer through tables than in the usual continuing text.
BAYER	Germany	***(*)	<i>Calculation of Core Ebit and Core Earnings per Share</i> follow worthwhile dividend graphs. Pushing <i>Highlights</i> to p 204 of a heavily packed 228-page book: is this about highlighting?
BUHRMANN	Netherlands	***(*)	<i>How Buhrmann became a dedicated office products company</i> makes up a good reminder of the company's roots and history. Especially before renaming it. <i>Key figures</i> on p 56 don't exactly make them "key". Still, their structure and contents go beyond key figures as usual.
CANADIAN TIRE	Canada	****	A showpiece of two-document management serving strategic reporting: the first is built in a newsletter format where there is <i>more than meets the eye</i> (title of the review); the second is made of a strongly structured MD&A with performance checks.
CATERPILLAR	United States	***(*)	The <i>Sustainability Report</i> now weighs as much as the (too) short <i>Annual</i> one. It highlights 14 performance indicators and targets. Still, how can a leading truck manufacturer not bulldoze to think more globally, first by scraping that pointless EAME segment, second by cleaning that <i>outside U.S.</i> export-minded account?
CITIGROUP	United States	***(*)	Contrary to numerous chartless peers, Citigroup doesn't sit on its laurels by going for the idly complacent 10-K. Its MD&A is preceded with a charted medium-term summary. Though not perfectly laid out, revenue reviews deliver up to the intro.
CONOCOPHILLIPS	United States	***(*)	CFO's review is short and to the point. Not that it is crude, but the MD&A could be treated and refined so as to be an easier read.
DAIMLERCHRYSLER	Germany	***(*)	Ja, the management report is better balanced than the group itself. Hence the rating. Since the <i>merger of equals</i> (sic) the report had always looked -and sounded- more Daimler than Chrysler and never convincingly sold the case. So, selling the latter off was logical from that viewpoint. For the "rest", ask the shareholders!
DAIWA HOUSE	Japan	***(*)	Among other convincing features -including three CEO-COO-CFO statements- and an overall reporting clarity, stands the <i>Message from the CFO</i> , introduced with a clearly stated view of year-on-year growth and financial ground; and ending with the following: <i>I will be completely committed to cash flow management and will aim to reach a 9% ROE.</i>
DEUTSCHE POST	Germany	***(*)	A candlestick graph that clearly charts the share price movements over the last financial year.

ELECTROLUX	Sweden	****	Where so many reports almost make you think that figures come out of the blue, the white-good leader is proud to show that color come from products and turns it into a lively showroom -without overlooking the data in black. On the puzzling cover, readers are invited to go to a website to get a recipe for making roast leg of lamb with herbs. Why not simply asking Mr. Wakuda (portrayed inside) to give it in the book and let them go to the kitchen full steam ahead?
ENERGY	United States	***(*)	The New Orleans energy group remains among the rare engaged primarily in electric power reporting in jazzy style, whatever the results and the context (remember this is made in Louisiana).
FINNAIR	Finland	***(*)	Kicked off with an exchange between the <i>SVP Communications</i> and the CEO, and, although not all are in the black, taking off with extensive key figures. Risk reporting not up to high-flying requirements.
FORTUM	Finland	***(*)	The strategic route since the Finnish heat and power company was established in 1998, its growth conditions and the value added for shareholders are explained without delay; after a strong <i>Financial summary</i> .
FOSTER'S	Australia	***(*)	Relative TSR performance smartly charted, with <i>LTIP (Long term Incentive Plan)</i> shown as background. This is just one of the features of solid governance disclosure. Aussie! Oi, oi, oih! <i>A Great Drink Business</i> is the title of the CEO's letter for the... <i>Sustainability Report</i> .
GENERAL ELECTRIC	United States	***(*)	A rather convincing <i>Invest and Deliver</i> message, substantiated with statements and figures. Still, reporting style and content have not really kept up with the real changes at corporate and segment level. Among others, and bar the numbers, skimpy key figures and <i>Selected Data</i> have remained the same for almost a decade under or after Jack Welch.
HENKEL	Germany	***(*)	Balance sheet structure chart points to pension provisions, but a chart merges the significant intangible assets with other more "solid" components.
HOLMEN	Sweden	***(*)	Not seeing the forest for the trees? With so many figures originally displayed on the back cover under the heading <i>Holmen in 90 seconds</i> , it probably takes much more than 1.5 minutes to get the picture. A substantiated responsibility report, in which <i>How growth can be increased</i> makes out a strong case for increasing company's forests by 25% over the coming 30 years.

HONDA MOTOR	Japan	***(*)	The report caravan is made of compact annuals, a complex environmental book (check e.g. the comparison of results and targets on p 19), an active (safety) CSR report, and a <i>Philanthropy report</i> . The four reports plus a <i>FactBook</i> look as different from each other as the two Civic ranges are.
IBM	United States	***(*)	It has taken years to IBM to drive the MD&A up to higher standards, both in contents and layout. But this one finally matches them. The front cover used to be a rocking intro (remember them?). Now it has turned into a mix of déjà vu and a page one of an otherwise good <i>Chairman's Letter</i> .
INTRUM JUSTITIA	Sweden	***(*)	The Swedish credit management services company serves no less than 24 European markets and is able to wrap them up in one page.
ITOCHU	Japan	***(*)	Segment and ratio analysis is much aided with smartly-scaled charts, spanning over minimum five years. Grasping the full picture and actual strategic direction is not easiest, mainly because of the overdiversified machinery of the group.
JOHN KEELLS	Sri Lanka	***(*)	Year-on-year changes in group's financial position and liquidity are commented. <i>Capital productivity</i> is calculated for each division. And <i>Portfolio movements</i> are somewhat decoded.
METSO	Finland	***(*)	Demonstrates its corporate responsibility by summing up procurements, personnel's wages, income taxes, financial expenses decrease and shareholder value increase in just a single spread.
NORDEA	Sweden	***(*)	A four-year peer group comparison of TSR among twenty European banks appears. But read appeal is as cold as northern ice.
NORSKE SKOG	Norway	***(*)	The sustainability report claims that the company is the largest user of <i>recovered paper</i> . But the directors' report looks like a melting pot.
NOVO NORDISK	Denmark	***(*)	A sense of social responsibility that is pervasive throughout the whole reporting exercise -and is not lacking in measures to demonstrate.
OCE	Netherlands	***(*)	The <i>Part 1: Close-up</i> finely profiles the professional printing system supplier in 44 pages. While the heavier (156-page) <i>Part 2</i> is straight about ambitions, strategy, market environment and actions taken. <i>Beyond the Ordinary</i> is the message on the front covers of the two books. Unfortunately, inside covers are not the least ordinary and design not the most innovative print we've seen in annuals.
PEARSON	United Kingdom	***(*)	Elements of remuneration and performance conditions clearly set out.

PFIZER	United States	***(*)	<i>Strong Medicine</i> is a well-sustained theme... and is much needed to navigate through the <i>Notice-Proxy-Financial Report</i> . <i>Prescription for Change</i> required here! But the <i>Summary of cash flows</i> is administered in plain language.
PHILIPS	Netherlands	****(*)	The CEO reminds the reader about past objectives and reviews their achievement, before setting an agenda for the coming year. The financial review stands among the clearest. And the volume problem is well managed thanks to various reading facilities.
ROCHE	Switzerland	***(*)	The R&D pipeline is announced as strengthened further and is still displayed in a fold-out section that, besides therapeutic areas and pharmaceutical classes, also shows venture partners involved.
ROYAL BANK OF SCOTLAND	United Kingdom	***(*)	356 pages over three books, which are rich in informative value. However, the OFR looks more Gordian than Tartan. On both aspects, mind the next merger, if you see what we mean.
ROYAL DUTCH SHELL	Netherlands - United Kingdom	***(*)	Competitive position and environment are fairly presented. Stakeholders and analysts have to be patient to get medium-term analysis. Share indicators and ratios are a rare commodity.
RTL	Luxembourg	***(*)	The recipe for -reporting- success is simple and richly illustrated, yet animation never comes here to the detriment of information (check profit-centre reporting, among others). In spite of its 170-page length, never a slow motion.
SCOTIABANK	Canada	****	A <i>Risk measurement summary</i> lies among the brief rundowns provided across a clear and substantial <i>Risk management</i> report.
SECURITAS	Sweden	****	Using <i>Six Fingers</i> (yes, six), the CFO describes the internal model for financial reporting and charts four main financial targets and two <i>financial stability objectives</i> .
SKANSKA	Sweden	***(*)	Two-year comparisons of revenue, income, operating margin, return on capital employed for each geographic area in market reviews.
TRANSALTA	Canada	***(*)	Pulling the tab on page 1 allows you to know quickly what the Alberta power group does. Turning the page, CEO's message includes a check-up of operating and financial goals.
UBS	Switzerland	***(*)	A great degree of clarity on matters not always made clearest in the (Swiss) financial sector, such as industry trends and projected growth, recovery portfolio, risk measurement, hedge accounting, and even a transparent directors and executives' background information. Nevertheless, 472 pages in total, spread over 3 books and the allocation of information are questionable.

VOLVO	Sweden	****(*)	Leads the pack on key reporting issues such as business and financial strategy -and associated targets-; historical, financial and segment performance reviews; share indicators. The truckload of historical data is not easy to go through, and document design is functionally but driven but a bit dry.
WALT DISNEY	United States	***(*)	True, the front cover shows an almost dreamlike appeal (literally). Further, Walt Disney remains among the rare American annuals which go beyond the feature film by delivering a real review of businesses. And the CFO is part of the cast of characters, by signing off a review that is shown before <i>Pirates</i> and other not too <i>desperate</i> stories.
WELLS FARGO	United States	***(*)	<i>Which Measures Really Matter?</i> Go straight to the inside back cover to get them charted. <i>Double-digit?</i> Maybe, yet the stagecoach is slowing down in terms of reporting performance.
WPP	United Kingdom	****(*)	The fast read -which takes more than six minutes, except for superficial next-door analysts- remains a good way to kick off -and sum up- a 188-page book. The communication group claims to work with 340 of the Fortune 500 (<i>Who we are</i> , p 2). Does this explain why being so conservative on the financial reporting format?
XSTRATA	United Kingdom - Switzerland	***(*)	<i>Key Performance Indicators</i> are well defined and charted on pp 26-27. And both the 2006 sustainability scorecard and 2007 targets are more accurate than many, especially in the field of mining.

50 so-so reports

These do it the m way, m for medium, mainstream, middle-of-the road, midway. Their marks are average, neither worse nor better.



ACCOR	France	***	<i>Managing the sustainable development process</i> sets out objectives, performance indicators, year results, and commitments for 2010 for each category of stakeholders. The report stays in the waiting (process) room for some time. And the financial review doesn't fulfill.
ALTRIA	United States	***	Note 19 is about contingencies and is... eleven pages long. Enough said?
AMERICAN EXPRESS	United States	***	The financial review is not really made express, also because of a reading sequence illogically interrupted by critical accounting policies. And the rare charts included look fuzzy.
ASTRAZENECA	United Kingdom	***	Sales growth is compared over the last five years for <i>key growth</i> products, <i>patent expiry</i> ones and base products. The disease area focus sets forth (sic) <i>grow, maintain and exit strategies</i> . Still, comparability, readability and responsibility give the reader a headache.
AUDI	Germany	***	Stories about cars -and beyond- presented in the best possible light and serving the branding purpose a lively way. 20% of cars sold are "other" <i>Volkswagen Group brands</i> . Why aren't these broken down like they are all Audi models? Probably a demand from the very <i>Dear Shareholder...</i>

BAE SYSTEMS	United Kingdom	***	<i>Key issues for our stakeholders address the tough question: Is there any substance in the ongoing media allegations on bribery and corruption? Watch the photos but read the captions: Meeting the customer's needs. Bradley combat vehicles have been playing a crucial role in Iraq, providing outstanding survivability, mobility and lethality in all types of combat.</i> (caption for p 9 picture). Yes, lethality! Never mind, a separate (sic) <i>Responsibility</i> report comes along.
BANCO SABADELL	Spain	***	Ratio-intensive key figures, with all ratios clearly defined. Not as heavy as other bankers, yet it could probably make it in twenty percent less pages and chart the course a more efficient way.
BMW	Germany	***	Efficiency and fuel consumption improvement charted, in a two-book report not designed for easy handling. And that lone Rolls-Royce on the poster!
BOEING	United States	***	Outside: <i>Charting the Course</i> is the report title. Inside: five charts are used to set the course.
BP	United Kingdom	***	Does BP now stand for 'boring petroleum'? From the totally uncommunicative p 1 to the ending pages intentionally left blank (?), the 224-page <i>Annual Report and Accounts</i> is as dull as, yes, dishwasher. Non-renewable.
CARDO	Sweden	***	A <i>Cost and sales agenda</i> that features seven strategies for growth. Should it begin with cost matters? Why not, but the balance and the net results should be made clearer.
CARLSBERG	Denmark	***	Probably not the best report cover we have seen, with the name reading back to front and not in full. More bubbles in between, with markets and sales summaries that point out beer consumption, market maturity and growth trends.
COCA-COLA	United States	***	<i>What's our secret formula?</i> States the front cover. <i>There is no one answer</i> , insists the Chairman in his letter. A CD version is enclosed. Any secret formula for financial reporting here? Nope. <i>Highlights</i> are tasteless, <i>Selected Financial Data</i> are ratioless, and the attached 10-K is a recipe made by and for soft-drinking accountants.
COMPASS	United Kingdom	***	Chairman's statement (p 2): <i>Our priority is to manage your business with the creation of shareholder value firmly at the top of the agenda.</i> A Chairman's Q&A on governance can be found, too. Chief Executive's statement (p 4): <i>Our objective is to maximise shareholder value through etc.</i> Harping on such boilerplate probably makes many incredulous.

DAIWA SECURITIES	Japan	***	A thorough overview of the achievements, plans and assumptions of the previous and projected <i>Medium-term Management Plan</i> . The MD&A lacks a bit in... <i>discussion and analysis</i> .
DEUTSCHE BANK	Germany	***	It's a well respected bank, doing the report things so conservatively (courtesy of The Kinks). The smaller formatted <i>Short Report</i> is helpful, yet plainly duplicating the <i>Review</i> . The rest is following the old fashion.
DIAGEO	United Kingdom	***	Obtaining a copy of that report whose cover image is a Smirnoff martini is not easy. And which (non-)drinkers are entitled to get more than the very dry <i>Annual Report</i> ?
ENIRO	Sweden	***	A quarterly summary that gives a real insight into geographic and segment growth cycles. Illustrating risk management with a photo is fine, but the one used is far-fetched.
ERICSSON	Sweden	***	Does a one-segment company make sense for analysis? Or simply exist? That said, it doesn't sound fuzzy about board's work and procedures, also through a nice way to display year board meetings.
FORTIS	Belgium - Netherlands	***	A <i>scorecard</i> sums up 2004-09 objectives and checks up 2004-06 performance. Long-term financial targets for 2004-11 are set. That's for the review. Heavy tree consumption 360 pages) and no layout effort were made to have the longish statements and notes and the <i>Statistical Review</i> readable outside the accountants' community.
GREEN CARGO	Sweden	***	The Nordic rail transportation company places the three levels of sustainability -social, environmental and financial- on the same footing, and wraps it in green.
H&M (Hennes & Mauritz)	Sweden	***	A good retailing exercise from of one of those very rare reports displaying items' prices all across and turning Lady Madonna into no less than a page three girl. But the whole is sometimes skin-deep.
HANDELSBANKEN	Sweden	***	<i>Review and Report covers</i> are not designed with consistency. Displaying all branches on the <i>Report covers</i> and just repeating them in the <i>Review</i> last pages is pointless.
HARLEY-DAVIDSON	United States	***	A <i>Financial Performance Summary</i> entirely built upon charts remains a driver. What used to stand among the United States report kings of the road turns into a corporate document brandishing the legend and a bit of jingoism, with the 10-K as usual for tokenism.
HEINEKEN	Netherlands	***	Sure it's not laid out by a drunk driver yet lacking in control, thread and fizz. And stating that <i>as such no business segments are reported</i> is not really palatable to sober analysts.

INBEV	Belgium	***	The theme is served through a good blend of visual and text ingredients. The financial brew lags far behind, with liquidity (yes!) analysis poorest.
J SAINSBURY	United Kingdom	***	A nicely shot <i>One day on our journey</i> , yet the financials don't live up to it.
JM	Sweden	***	The Nordic housing group makes it clear about the value chain and cash flow generation in project development, and explains movements in financial statements next to them.
KELLOGG	United States	***	The giant from Battle Creek, MI used to deliver <i>crazy good</i> (mind the trademark!) reports with integrated crispy financials and well-fed strategic developments (go back to 2002 and 2003 for that). Number crunchers must now get equipped with <i>Special K2O</i> bars to go through another flavorless 10-K.
KIMBERLY-CLARK	United States	***	A 100-page 10-K preceded with a 'buy this' 10-page advertising section is not the most optimum way to connect with stakeholder-readers.
KONICA MINOLTA	Japan	***	An <i>Intellectual Property Update</i> follows the financial review: it includes information about patents by segment and their contribution to the whole business, as well as technological priority areas.
MEDTRONIC	United States	***	The <i>Investment Calculator</i> is immediately accessible on the IR web pages and goes back to 1990. Raised in a small town? International segmentation first looks as an afterthought after the newest accounting pronouncement. On second thought, it is not there by chance and just shown as part of... <i>Market Risk</i> .
MERCK KGaA	Germany	***	<i>Size alone is not the only important factor when it comes to further growth</i> , states and somewhat demonstrates the 300-year-old German group. Why then that emphasis on the acquisition of Serono?
mitsubishi	Japan	***	A laudable attempt to make a company with 24 divisions and 138 business units reportable. Yet the heavy use of diagrams results in overkill and thus certainly contributes to the image of an organization of byzantine complexity.
MOLEX	United States	***	After years of worthy reports, the Illinois-based leader in electric components has also joined in the long (toe) line of 10-K makers. But the letter to shareholders is summarized in Chinese, Spanish and Japanese and translates a certain commitment to walking the global talk.
NESTLE	Switzerland	***	Key brands' group sales, geographic and product organic growth are well charted. Financial management looks less important in reporting than water management, which is certainly topical. But is this sufficient to demonstrate the whole sustainability dimension?

NOBEL BIOCARE	Switzerland - Sweden	***	Far-fetched toothpaste: does the Executive Team really wear sneakers with their two-piece suits at meetings?
NOVOZYMES	Denmark	***	<i>This year Novozymes has launched an online reporting universe which brings together... reporting on a dedicated website. However, in the event of discrepancy... the printed report is to take precedence.</i> A double attempt to combine financial and social responsibility reporting in print and online that is far from optimized yet.
OJI PAPER	Japan	***	<i>Breakdown of Increase/Decrease of Consolidated Profit</i> puts the impact of positive and negative factors in black and white in the report first pages.
PAPERLINX	Australia	***	<i>We know paper!</i> states the cover. And the Australian producer is not yellow -on the contrary!- in making it. Still, is a report announced as a <i>Full Financial Report</i> really 'full' with statements and notes only? The <i>Finance Overview</i> is only half a page long. <i>Paper is a wonderful material</i> (p 11), but why duplicating so much? Well, it's a <i>unique recyclable product</i> (p 11 again).
PEABODY ENERGY	United States	***	Energy may mean <i>More Clean Coal</i> , as the cover tells. A few facts and figures (including <i>Unmatched Reserves</i>) fuel the message. But, on the whole, the case is neither clearest nor cleanest.
REED ELSEVIER	United Kingdom - Netherlands	***	Highlights are two-faced: <i>Adjusted</i> only in the <i>Review</i> and <i>Reported</i> also in the longer <i>Reports</i> . And that makes a difference!
REUTERS	United Kingdom	***	<i>Our risk radar... captures key external and internal risks that could affect Reuters ability to reach its full potential</i> (<i>Review</i> p 9). The company was acquired by Thomson in the following weeks. And analysts look forward to an eastbound move in the report output, as the acquired has always delivered more than the acquirer reportwise.
RIO TINTO	Australia - United Kingdom	***	Though it doesn't lack raw information material, this one doesn't supply essential reporting resources, with a layout -from line spacing to page cutting- that makes it a bore.
RWE	Germany	***	The energy challenge and its translation for the utility's outlook are strongly addressed. But neither the reporting format nor a heavy style optimally serve the strategic message.
SALZGITTER	Germany	***	Steely charts add real value to an otherwise heavy-industry looking piece of work.

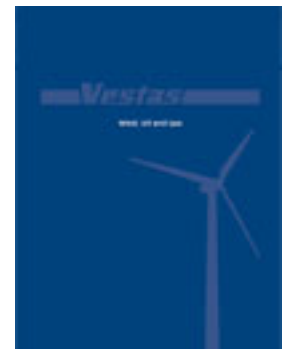
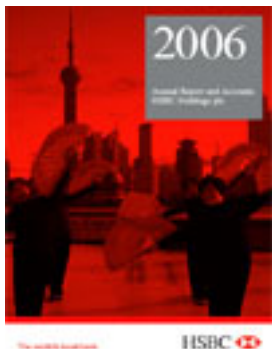
SARA LEE	United States	***	Though all shot at the same location (why's that?), the front covers fairly convey some of the major brands. <i>Exited non-core businesses</i> (see CEO's message and the list of sales under <i>Portfolio Highlights</i>)? Maybe, but the food giant has also exited core reporting components year after year (who remember them as a N° 1 report? We do!), making it turn into a banal serving.
SCHINDLER	Switzerland	***	The company's products <i>help transport 700 million people worldwide</i> , but, despite a number of great visuals, the report doesn't transport the reader to the financial side of it.
SCOTTISH & SOUTHERN ENERGY	United Kingdom	***	<i>What We Do</i> charts gas and electricity businesses an intelligible way, while <i>Where We Are</i> maps power stations and centers.
VOLKSWAGEN	Germany	***	Want to check how hollow a Supervisory Board's report can be -mind it's <i>in accordance with section 171(2) of the AktG</i> ? Then read that one. This exemplifies what governance is not about. Never mind, it set up a (sic) <i>Shareholder Business Relations Committee</i> and <i>unanimously backed an amicable solution for the MAN/Scania issue</i> . And it's signed by Mr. Piëch. Ach so!

50 low reports

These don't make it, some meaning well, some meaningless, some just mean. At best, they are uneven; at worst, (very) deficient.



Annual
Review &
Notice of
Meeting
2006



ABN AMRO	Netherlands	**(*)	For 2006 ABN Amro published its heaviest ever -and probably very final- report. But except for the volume, report style, message and strategy hadn't changed for years. No illustrations: even the chairman (photograph!) was not shot.
AHOLD	Netherlands	**(*)	A company entirely governed by internal control(ler)s (under some funds' close watch, of course) and a report that looks designed mainly by accountants. Towards themselves -and funds, naturally.
ALCATEL-LUCENT	France	*(*)	Late in April 2007, in response to a report request, the recently merged group sent the Alcatel only report for the year... 2005. Meanwhile, thousands of lay-offs happened, etc. One thing is certain: like others, this merger of two companies already not best reputed for their report output has not brought any extra report value so far.
ASTELLAS	Japan	**(*)	The recently merged company vows to improve the health of people, but healthy investors don't seem to be wooed through a website where they have no contact point, and a basic sitemap doesn't help.
BELL (Bell Canada Enterprises)	Canada	**(*)	The report has been scaled down to a thin <i>Business Update</i> . However, the MD&A remains a point of reference for its plain-English style.

BT	United Kingdom	**(*)	The <i>Annual Review & Notice of Meeting</i> (a mix which probably implies that not all shareholders get the same amount of information) refers to <i>new wave</i> revenue. But this is just an old-fashioned, poorly designed document lacking in <i>specific</i> items -except those relating to the accounts.
BURBERRY	United Kingdom	**(*)	Why are the board, chairman and chief executive faceless?
CAMPBELL SOUP	United States	**	The company <i>going from 14K to 24K</i> (see p 18) for chocolates is also in line as regards the 10-K trend: a very simple meal baked as a ratioless, chartless and lifeless recipe.
CISCO SYSTEMS	United States	**	Sales are more finely and deeply broken down (with variance in dollars and in percent) than in so many U.S. annuals, but the narrative is not the Frisco sound and more of a standard AM three-minute track and MT financials aren't in full swing.
CONAGRA FOODS	United States	**(*)	6 <i>Must Do</i> spread over the first twelve pages. The 7th should have been to turn the uninteresting 10-K that follows into something more digestible.
DANSKE BANK	Denmark	**	Packed like a DTPish report from the eighties, the financial review is hardly up to what a large bank should deliver. But the online archive system for reports is very handy.
DEUTSCHE TELEKOM	Germany	**(*)	<i>Adjusted financial targets largely achieved</i> , states the incoming board chairman. Luckily, they had been adjusted first. But where can we check that? And can someone explain how the Management Board chair of Deutsche Post can chair the Supervisory Board of Deutsche Telekom?
E.ON	Germany	**(*)	It may help for <i>cooking with friends</i> (p 42) and for <i>chocolate bunnies on parade</i> (p 49), but the whole is dry and heavy. And get some light to read the footnotes to <i>Highlights!</i>
ESTEE LAUDER	United States	**(*)	Body building required: the Fifth Avenue beauty-care leader doesn't make up: almost chartless, poor in ratios, lacking in tables.
FORD MOTOR	United States	**	Sign of the times. Have you noticed that Ford doesn't report on business anymore? <i>Great Products From Strong Brands</i> span over two pages only. With eight illustrated pages the Motown giant doesn't really care about (report) design anymore either. The rest is a plainly functional financial report, including that 4th quarter 'special'.

FYFFES	Ireland	**	Banana skin: fruits are for the cover only. Inside, report watchers and analysts will go bananas: highlights not most meaningful, business (report) is not juicy, and layout is dry.
GENERALI (ASSICURAZIONI)	Italy	*(*)	Pictures of buildings, like in the reports published these last ten (or is it twenty?) years. No chairman's message. No board details. And statements that look like photocopies from the eighties.
GROUP 4 SECURICOR	United Kingdom	**(*)	The OFR consists mainly of accounting accounts written by accountants for accountants.
GSK (GlaxoSmithKline)	United Kingdom	***	Already standing among the laziest report senders these last years, the pharma giant now makes it worse by 'inviting' people -and investors- on its corporate website to request a printed copy from the <i>Registrar's Order Line</i> . Another following of that bad SECish fashion.
HSBC	United Kingdom	**(*)	456 pages actually laid out not to be read, with KPIs buried on p 116.
LINDE	Germany	**(*)	<i>The merger of Linde and BOC has created a leading global industrial gases player</i> , as the maps depicts it on pp 20-21, with an emphasis placed on the <i>minimal overlap</i> . The merger has certainly not (yet) created a reporting leader. Style and content look very much made in Leopoldstrasse, with a bit of UK-leaning advertising pages in the first book.
LONZA	Switzerland	**(*)	After a few <i>Essential Figures at a Glance</i> , the <i>Financial Report</i> is unsuitably named, as it is just composed of statements and notes without commentary.
MONSANTO	United States	**(*)	An <i>Annual R&D Pipeline Review</i> is available on the investor website to demonstrate increased breadth and depth of the pipeline. It also features available markets and penetration percentage.
MOTOROLA	United States	*(*)	<i>Motorola is known around the world for innovation... in communications</i> (in the inside cover). This does not apply to financial reporting, which is another churned-out 10-K printed on tissue paper.
NIKE	United States	**	Turning your investor run on from the website is not easy at all. The report? Stripped down to another run-of-the-mill 10-K. Nike's reports were better run in Knight's heyday. Now they have burned out.
NISSAN MOTOR	Japan	**	E-mail reply to an annual report request: <i>Unfortunately, we are unable to distribute documents under our departmental policy. We ask you to perusal (sic) the links attached below to acquire a printed copy...</i>

NTT	Japan	**(*)	According to the <i>CSR Report</i> sketch (pp 10-11), <i>Fingerprint authentication at the office</i> is part of <i>Social Issues and Creating New Value for Society... Through Ubiquitous Broadband Communications</i> . Matter of perception.
ONEX	Canada	**(*)	The Canadian technology services group has typified for years the shift from glossy printed annuals to e-reporting. The latter is fairly tuned yet also shows the limits of the online view and requires a high dose of printing to get the full picture.
PADDY POWER	Ireland	**(*)	<i>To enter the Paddy Power Annual Report 2006 you must be at least 18 years of age and definitely NOT an American resident</i> . Probably one of the most humorous annual report covers produced these years. But the OFR and other ingredients don't live up to the cover (girl) promise. And should Zidane (sic) defending mother's honour come opposite to... <i>Corporate Governance?</i>
PEPSICO	United States	***	Ever tried to reach investor relations via the very provincial website (no field outside North American states or provinces)? Then it goes round in circles, as the transfer agents redirect to their client's website.
PORSCHE	Germany	**(*)	Sales of all models over the last ten years highlighted under an outdated (report) body styling: the unimaginative design hasn't changed for a decade. Almost like the 911, but without turning the report into a classic.
RICOH	Japan	**(*)	The four-book report certainly demonstrates some good sides of the CSR trend -see e.g. <i>Environmental Accounting</i> cost and benefit analysis on p 57. Downside: the so-called <i>Economics</i> report is much too short to be relevant.
SANLAM	South Africa	**(*)	Very long and heavy (312 pages of thick paper). Even the <i>In short</i> foldout introduction is not made reader-friendly.
SES	Luxembourg	**	The satellite transmission leader's annuals are financially reviewed in Luxembourg -hollow, that is. And designed in a place near River Thames -visually predictable, that is.
SIEMENS	Germany	***	The walk: <i>Innovations of the year</i> are highlighted as much as the too short <i>Key figures</i> . And <i>Regional Highlights</i> help demonstrate the worldwide presence (474,900 employees in 190 countries). The talk: besides a 30% volume increase in three years, style, design and most of the content have remained similar for years. Erklärung? Go to the portrait on p 73 and the Supervisory Board's report that follows.

STARBUCKS	United States	**(*)	Segment reporting change is highlighted as much as the link to the 10-K on the IR page. Does the move from two to three segments improve the contribution brewing grasp? Not really.
STORK	Netherlands	***	<i>Calculation of Economic Profit</i> charted for the last two years. But the rest -the whole- has no theme, no thread, no real message, and poorly performs on sustainability.
SYMANTEC	United States	*(*)	A world leader in IT security solutions goes for a 14-page figureless report. And then you get a separate boring 10-K.
SYNGENTA	Switzerland	***	Following the GAAPish year-on-year fashion and not caring much about making it legible turns the OFR into a tedious read and doesn't help for comparisons.
TUI	Germany	**(*)	Although operating in the travel industry, the German group ships a hefty 224-page book which is less fun to read than most brochures at their agencies.
TXU	United States	***	<i>As shareholders, you have played a critical role in TXU's development and success</i> , concludes the CEO in his last statement. Their reward? <i>A move to private ownership</i> , as explained a few paragraphs before in the same statement. That move will not require annoying 10-K, at least.
TYCO	Bermuda - United States	**	It takes some time to fix the dressing room in Bermuda: four months after the fiscal year end the annual report -another basic 10-K- was not yet posted on the website and the calendar of IR events was showing no upcoming events scheduled.
UCB	Belgium	***	A well-dotted book -literally. But before or after the acquisition of Schwarz Pharma, the pipeline looks a bit thin. Like financials.
UNILEVER	Netherlands - United Kingdom	***	<i>Operating, underlying, (non-)continuing...</i> and other <i>ing</i> forms are more tanning than actually highlighting.
UNITED OVERSEAS BANK	Singapore	***	Delete the tables and charts from the financial review and there is almost no analysis left. Still, the reader can bank on well-balanced risk analysis.
VALSPAR	United States	**	On the cover <i>If it matters, we're on it</i> is just another phrase legally stolen as a trademark. Inside lies another 10-K with a coat of paint.
VESTAS Wind Systems	Denmark	**	Not that is windy, but operating in such a promising industry in the climate challenge context might deserve a better commitment to making the report appealing. Apart from this, a leader in wind turbines displays its market shares in about 30 countries.

VODAFONE	United Kingdom	(*)	Phony: the <i>Chief Executive's Review</i> of the world's N°2 wireless services provider begins with the words <i>We delivered another set of robust financial and operational results</i> . Check: slipped down from a £7.9 million operating profit to a £14 million loss, with £23.5 million impairment of intangible assets! The company happened to deliver good numbers, but has never produced a valuable report yet.
WENDY'S	United States	**	<i>Revitalizing the Wendy's brand: Our evolving media strategy. Our advertising will emphasize more clearly our points of differentiation...</i> (p 3). Apparently, this doesn't apply to reporting, which has turned into an indigestible and undifferentiated 10-K.
WIPRO	India	**	Reading this lifeless 264-page book is a discouraging experience.

Another CSR?

Corporate substance and relevance -or another definition of "CSR"

How to square the inevitable and increasingly rapid changes in the economic, market and geopolitical environment and their impact on reporting with a fair report assessment and rating?

In other words, how to check the relationship between company value and report value -if any? How not taking everything -or at least too many "things", including messages, strategy, description of (changes in) business and... the numbers- at face value? And getting down to "book (or should we write "fair") value"...

We got back to the basics 1-0-1 of what an annual report should be about: a **corporate** communication vehicle based on and delivering **substance** (and if possible making this in style). A document that is **relevant** on a number of issues and questions that go beyond the quarter, filing purpose and compliance, blips and images, and mean something to shareholders, investors and other stakeholders. Everybody is now familiar with the CSR acronym, which stands for "*Corporate Social Responsibility*". Well, we believe it might as well mean "*Corporate Substance and Relevance*" when it comes to its application to annual report input and output, and analysis and rating. To use another concept that should be more than a buzzword: it's about **sustainable** reporting, too.

Besides fundamental questions about companies' decisions and strategies which are outside our scope, recent trends and ongoing events have led many, including us, to question some (and for some all) of the annual reports' features -should we write virtues: clarity, quality, validity, intelligibility, transparency, credibility.

- **The fear factor**. An increasing number of companies toe the line by publishing a 10-K (or 20-F for foreign listed ones), without any further reporting commitment or value added to help understanding the numbers (and behind) and their underlying components. Those are especially American, but hundreds of others have aped the model. An example among many: Toyota which, after years of improvement has leveled off and much Americanized its reporting format, not always for the better, and whose report is now almost as difficult to get hold of as... General Motors' one! Mind the ga(a)p, report drivers!

It is a paradox of today's financial markets where everything (a lot of things, really) seems to be permitted that reporting often seems to be totally inhibited by the fear of scrutiny. This is illustrated among others with those cautionary statements, which, without being stretched that much, almost imply that the company (and report) cannot be held responsible for any action! On some shores and plains (not only western), annuals are introduced with boilerplate or corporate claptrap -such as the often hollow "*Managing for shareholder value*". Then sometimes follow some pictures -"one of the great things about books," said one day G.W. Bush- to embellish. And then? To paraphrase another "bushism", "*It's clearly a report. It's got a lot of numbers in it.*" The British leadership's expert Robert Heller wrote that a key feature of strong leadership may be summed up by: "*Be governed by what you know and not by what you fear.*" This is not far from a Jeffersonian issue. Too many reports (and not only annual ones) are produced for covering (pun intended) purpose only, and are not playing straight about what the company (management) knows and what stakeholders should know, making their validity and sincerity questionable.

- **Sarbox (or Sox)**. Chalk this up to the fear factor to a large extent, and the rise and fall analyzed in our tenth anniversary issue. The post-Enronitis, a sickness that affected many more than just a "*Dirty Dozen*" has turned into a "*synonym for heavy-handed regulation*" imposed by SEC (Financial Times, August 1, 2007, about five years of Sarbanes-Oxley). Some say it has perhaps increased the quality of account reporting. As far as we are concerned, we doubt it. Reporting is more regulated but it is made to the detriment of medium-term financial analysis and overall clarity. "*There is a concern that the financial review will turn into an unwieldy document with so much information that you can't see the important information,*" said a head of the English and Welsh Institute of Chartered Accountants in 2005 (Financial Times). We're getting there. The result: many North American financial sections are now as dull as dishwasher and just differ by the numbers, some of them not within reach and hard to compare. Others point to governance improvement helped by Sarbox? Really? Look at the number of CEOs still chairing the board, and those sitting on multiple boards -can someone explain how a full-time executive can be an effective director on other company boards and committees... or at his/her "own" one? And the way governance and related matters (e.g. compensation and independence) are reported is still patchy, not to say phony in many cases.

- **Great or just big?** How not to say a word about the merger frenzy? As many deals were announced in the first six months of 2007 as for the whole year 2006, and records of private-equity investments have been beaten month after month.

As authors such as Jim Collins ("*Good to Great*") and Bo Burlingham ("*Small Giants*") put it, size for the sake of size has become the mantra of today's capitalism. Among many examples of this is the farce around the planned acquisition of the Dutch bank ABN Amro, for which no less than four European big shots were still bidding when we wrote these lines, after almost one year of speculation. Multiple studies have shown the limited impact of M&As in general and in the financial sector in particular. Bar a few noticeable exceptions, "limited" often translates as negative for clients, shareholders, and employees. Apparently, bank and insurance boards don't care as much about those reports as, say, about improving customer service. Reality checks are to be found aplenty, from the Pfizer indigestion to the Daimler "merger of equals" -now almost a humorous expression nevertheless often copied and pasted since then, e.g. as a branding exercise (ChevronTexaco, Alcatel-Lucent, et al.). Still, those "dear" analysts keep on talking of consolidation, and those cherished funds keep on pressing or pushing around. How about reporting in hunter and hunted times? Most pre- or post-merger situations result in bigger reports, but certainly neither in greater nor better ones. Whether for the acute observer or the poor (?) stockholder, measuring the actual impact of acquisitions (or divestments) and external growth often turns into a headache for which calculations and comparisons are rarely optimized, or simply provided, in annuals.

- **A credibility gap.** Perhaps one of the most worrying developments of these last years and months, which often clashes with the claims of accountability and responsibility.

What to think of and how to judge the relevance of reports from: e.g. BAE on "support services" (great understatement there) and political responsibility; Carrefour on fair trade (remember those Danish goods withdrawn for cartoon reasons?) and governance (from one boss to another); Goldman Sachs on remuneration; VW and Audi or Porsche buddies on "interacting" governance; BP on safety vs. profit, and something else at the top; Chiquita on the Colombian connection (we mean, segmentation); Delphi on employee compensation; General Motors on pension accounting; Bear Stearns on reporting exposure to markets and mitigation measures (not) taken; Suez and GDF on long-lasting pre-merger window dressing; Halliburton, many other contractors, and a few "generals" on responsibility (no added word needed here); the oil bigwigs on "proved reserves"; and so on.

How to judge the degree of transparency and credibility of a report about such malfunctions or malpractices? That's a tough issue. Because, taken to extremes, it makes the report that precedes or follows the events or situations irrelevant -or almost. Bearing in mind that our ReportWatch checks report value and not company value, we have gone for a selective approach, leaving out some which really don't pass the credibility test, checking others, and showing mercy to some (even shown in higher marks) whose annuals pass the exam on important reporting features, in spite of lagging behind on core issues.

- **Face value?** "*November 17, 1998, saw the birth of DaimlerChrysler -a child with extraordinary genes and potential. We are coming together as one... DaimlerChrysler has tremendous opportunities and a clear vision that will set us apart.*" (Joint Chairmen's Letter, DaimlerChrysler Annual Report 1998).

"*The stock markets have not yet given tangible recognition to our achievements, nor to our potential. During 2002, DaimlerChrysler has made significant progress on its way to sustainable profitability.*" (Chairman's Letter, DaimlerChrysler Annual Report 2002).

"*In 2004 your company once again made significant progress in spite of... difficult circumstances. Chrysler Group achieved a turnaround and performed very well... I believe that you too, as shareholders, appreciate being part of a company that has both heart and sound business sense.*" (Chairman's Letter, DaimlerChrysler Annual Report 2004).

"*The strategic Transformation Process aims at redesigning the Chrysler... business model in such a way that it will remain profitable in the long term...*" (Chairman's Letter, DaimlerChrysler Annual Report 2006).

"*Managing for shareholder value, sustainability, responsibility, und so weiter*" (fictitious Chairman's Letter, Daimler AG Annual Report 2007).

That sums it up: a report -and statements- should not be taken at face value.

- **The point of return.** Ratios should remain an important constituent of annuals. According to our estimates, not more than 50% of reports calculate the return on equity (ROE) over three or more years, and this percentage is even lower in U.S. reports, where ratios and returns tend to be left to the reader (read: funds' analysts) to be calculated. That proportion hasn't varied significantly over the last five years. So little that some may wonder how much (some) companies -and their corporate officers and reporters- still care about a ratio that stands as one of the key measures of profitability... and a primary indicator of the so much trumpeted "shareholder value". Though very worthwhile and rather meaningful in a bigger lender perspective, the broader defined ROI or ROC or ROIC are sometimes used as a smokescreen, and anyway underused beyond some European or Japanese shores. As no smoke detector is usually provided, they often blur relevant profitability analysis.

In relation to the size issues (see above), is it really surprising to see so few companies seeming to care and measure the return on assets (ROA)? No, as size (we didn't write weight) has become the main measure for so many.

The various levels of margin and return on sales -from EBIT-something to net before or after "everything" (or almost)- are often more generously reported than other ratios. But grasping organic growth for instance -for those who still give little heed to this despite statements and promises- is still a complicated job.

- **Outlook not expressed.** In a special issue of the Harvard Business Review (July-August 2007), Geoffrey A. Moore (a venture partner with a Californian firm) states that "*To Succeed in the Long Term, Focus on the Middle Term*", adding that "*Strategy's no-man's-land lies between the budget and the long-term plan.*"

In his as well as in other strategic consultants' opinions, projects -and may we add reports- with a time horizon "*require processes, metrics, and performance targets.*" Sometimes, and not always for legitimate accounting reasons (such as the switch to IFRS or various GAAP reconciliations), the comparability and continuity of figures are hard to decode. This may also result in questions on the reporting process or even about the strategic course. Key performance metrics or indicators (or KPIs) should therefore be provided in all reports. The least that can be said is that the so much hyped KPIs are far from equally distributed, relevant and significant in hundreds of annuals. These even less set out goals and set medium- to long-term targets that would substantiate a simple auditor-labeled "Outlook". This looks a bit contradictory with the so-called "guidance" made on quarterly basis and often disclosed much more shyly over the longer term. Was a crystal ball needed to predict -and anticipate- another real estate boom and bust? (Well, the New York Times wrote in August 2007 that "*investors were blind to coming U.S. mortgage crisis.*")

A major *raison d'être* of annual reports should be to set (out) and chart the course, and to explain possible changes -past, ongoing and future- in this course. Reporting numbers is a matter of the utmost importance. But putting figures in perspective is certainly as important. Even though they are on the rise, annual reports meeting those three strategically driven standards and reporting accurately and thoroughly on their measures still represent a minority.

Based on the above trends and facts, as well as other considerations (see the [Editor's Note](#)), the **Annual Report on Annual Reports 2007** does not feature a ranking. You can perhaps chalk that up to the increasing volatility...

Instead, we have turned the spotlight on 250 annuals, selected among 500. And, thanks to a reinforced and deeper scanning methodology, now based on 50 report items (against 25 previously), we have identified some of the best -and many among the not so good- across the board and on a number of attributes.

Here is the good news. Come rain, shine, or climate change, there are still corporate, substantial and relevant -in one word: **great**- reports!

Editorial comments to the "**Annual Report on Annual Reports 2007**", by Mike Guillaume. Franklin Manchester and Jérôme Pétion contributed.

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Our picks

25 doing best on key report attributes -and 75 notable ones

Covers

Design and layout

Style

Visuals

Business at a glance

Theme

Key figures

Executive message

Share information

Financial review

Charts

Risks (all industries)

Risks (financial sector)

Goals and targets

Governance

Corporate responsibility

Financial clarity

Strategy

Ratios

Historical data

Growth factors

Two-book policy

Reading facilities

Photography

Non-listed company report

Our picks

25 doing best on key report attributes -and 75 notable ones

Covers



Wienerberger (Austria - Bricks)

Overall report rating: *****

Two covers -front and back- that announce a story, built with Austrian billboard humor and visual effects: the message changes when you press on it. Contrary to many, the Vienna brick manufacturer also uses all covers with the same intensity, e.g. for thorough key data and charts. Chalk that covering expertise up to facing bricks? Perhaps, at least they know that a report can be laid down both ways on a table. In between? Delivers up to the message and is not hollow.

Also notable

H&M (Sweden)

Paddy Power (Ireland)

Xerox (U.S.)

Our picks

25 doing best on key report attributes -and 75 notable ones

Design and layout



Cascades (Canada - Paper)

Overall report rating: ***(*)

Outside: the three report booklets -totaling about 100 pages- are held by a strip of embossed corrugated cardboard produced by the company itself. Inside: a fresh eye-catching typography and color-coding aims at making numbers visible and accessible. All this being produced in recycled material and designed by the Montréal agency Ardoise Design.

Also notable

Caterpillar (U.S.)

RTL (Luxembourg)

WPP (UK)

Our picks

25 doing best on key report attributes -and 75 notable ones

Style



Land Securities (UK - Property)

Overall report rating: ****

A brilliant feat of design from front to back, "*with a little help from six hundred children from 14 towns across Britain (sent) into their local surroundings to draw*"! And an almost perfect example of styling not just for the sake of it but for conveying a strong message, weaving the business story, and making a convincing case for readers, analysts and investors. Drawings, as well as full-page photos, maps and diagrams, animate most of the book, unfortunately too thick and rigidly bound.

Also notable

Daiwa House (Japan)

Entergy (U.S.)

Qualcomm (U.S.)

Our picks

25 doing best on key report attributes -and 75 notable ones

Visuals



Danone (France - Food)

Overall report rating: ***(*)

Takes a pride in its business model and nurtures its "Economic and Social Report"• with organic growth (figures), strong brand and product displays. All of these are lightly packed in a lively magazine format that abounds with pictures, stories, advertising campaigns while not lacking in food for thought. Let us also point out the directors whose portraits are taken in discussions or walking down the streets of Paris.

Also notable

Audi (Germany)

Numico (Netherlands)

Walt Disney (U.S.)

Our picks

25 doing best on key report attributes -and 75 notable ones

Business at a glance

Kao (Japan - Cosmetics)

Overall report rating: ***

Although not following the general "must"• of early-placed pages -this one comes as late as on p 28- the "Kao at a Glance"• smart foldout section makes up a good mix of product lineups in images, sales and income contribution in charts, and a rather detailed year overview for each segment in words.

Also notable

Abitibi (Canada)

Metso (Finland)

Trelleborg (Sweden)

Our picks

25 doing best on key report attributes -and 75 notable ones

Theme



FedEx (U.S. - Logistics)

Overall report rating: ***(*)

The Memphis-based logistics giant is still on good form at packaging its report. Not least by using covers as a clever theme driver, beginning the trip with "We're all part of something bigger"• and ending with a pleased worker (and stockholder?) to explain that the company has posted a 11,050% return over its 28 years of public listing.

Also notable

Electrolux (Sweden)

Legal & General (UK)

Wienerberger (Austria)

Our picks

25 doing best on key report attributes -and 75 notable ones

Key figures



IOI (Malaysia - Plantation)

Overall report rating: ***

A four-step highlighting process that spreads across the first fifteen pages and strikes a good balance between the five-year perspective and more short-term data (year-on-year progress charted in the inside cover, quarterly data on p 13). It is also rich in operating statistics and not lacking in ratios. The analyst is very fortunate to grasp that strong performance overview so rapidly and efficiently in an otherwise much too heavy tree-consuming 246-page document.

Also notable

Alfa Laval (Sweden)

Allianz (Germany)

Fortum (Finland)

Our picks

25 doing best on key report attributes -and 75 notable ones

Executive message



Procter & Gamble (U.S. - Consumer goods)

Overall report rating: ***(*)

Addressed to the "Fellow Shareholders", the Chairman's message strongly stresses that growth at most levels is up to expectations. Besides the words, it is substantiated with a "Report Card" checking progress against "Long-Term Goals". "Core strengths", "Clear strategies" and the importance of a "Unique Organizational Structure" are emphasized with the same convincing commitment.

Also notable

TransAlta (Canada)

WPP (UK)

Xerox (U.S.)

Our picks

25 doing best on key report attributes -and 75 notable ones

Share information



Stora Enso (Finland - Paper)

Overall report rating: ****(*)

"Stora Enso in Capital Markets"• comes as the first chapter in the "Financials"• book and covers most of what investors can expect from annuals: changes in capital and repurchases, ownership, price performance and trading graphs, a batch of ratios, and the debt structure. The three reports -"Company, Financials, Sustainability"•- are conveniently packed in a folder based on the company's innovative "DiscBox Slider"• packing system.

Also notable

Alfa Laval (Sweden)

SAS (Sweden)

SEB (Sweden)

Other cover(s)



Our picks

25 doing best on key report attributes -and 75 notable ones

Financial review



BMO (Canada - Banking)

Overall report rating: *****

A long-standing benchmark for financial performance analysis -not only in the financial sector but also across the board- the Canadian bank reviews its operating groups, financial condition and capital management with a rarely matched savoir-faire. Year achievements are put in a medium-term perspective (not least through numerous charts and abundant historical data), intrinsic performance is benchmarked against peers, and forward-looking targets matter here as much as the past records.

Also notable

IBM (U.S.)

Industrial Alliance (Canada)

Telus (Canada)

Our picks

25 doing best on key report attributes -and 75 notable ones

Charts

Asahi Breweries (Japan - Beverages)

Overall report rating: *****(*)**

For starters, five charts -all double-scaled and with all numbers plotted- span over 5 years to highlight ROA, EPS, equity ratio, etc. A few chart shots are also used to support segment and financial reviews, including six ratios. But the main course is made of those twenty charts and tables that help digest high-calorie market indicators and product trends -all concentrated in "Fact Sheets"• in the middle.



Also notable

Itochu (Japan)

Sasol (South Africa)

SEB (Sweden)

Our picks

25 doing best on key report attributes -and 75 notable ones

Risks (all industries)



Trelleborg (Sweden - Engineering)

Overall report rating: ****



After a welcome reminder that "All business activity involves managing risks", operational and financial risk management lines are tightly packed in four loaded pages. These go from reduced revenues to transaction exposure to fire and burglary at facilities, with thorough comments on the financial ones. Fairly stated, clearly engineered and sealed.

Also notable

Adidas (Germany)

CLP (Hong Kong)

SAS (Sweden)

Our picks

25 doing best on key report attributes -and 75 notable ones

Risks (financial sector)



Barclays (UK - Banking)

Overall report rating: ***(*)

Sure we are here in the financial sector with its special capital management requirements and related risk reporting, but the thing is to do it thoroughly and plainly. After years of patchy annuals, this one deals with those often byzantine risk matters in a strongly structured and highly informative form. Check risk-weighted assets, responsibilities within the governance framework, "Risk Appetite"• concepts, "Average economic capital allocation by risk type"•, "Movements in allowances"• charts, among others.

Also notable

Nordea (Sweden)

Royal Bank of Canada (Canada)

UBS (Switzerland)

Our picks

25 doing best on key report attributes -and 75 notable ones

Goals and targets



Telus (Canada - Telecoms)

Overall report rating: ****(*)

The Canadian telco stands out as one of those rare listed companies setting out the next year targets in the very first pages of its summary 28-page "Business Review". Furthermore, after the CFO has introduced the financial report by insisting on responsible cash management, a table checks out past-year performance vs. previous targets, sets new targets and show how these vary from the previous ones.

Also notable

BMO (Canada)

Canadian Tire (Canada)

Wolters Kluwer (Netherlands)

Our picks

25 doing best on key report attributes -and 75 notable ones

Governance



ANZ (Australia - Banking)

Overall report rating: ****

Governance is here best translated, e.g. with committee meetings' attendance and directors' experience and expertise. Then check a remuneration report that really stands out as best practice across the oceans. Besides comprehensive tables (and notes), a Target reward mix, average payments against target, disclosed executives' contract terms, equity instruments relating to directors and executives et al. are fully transparent.

Also notable

Foster's (Australia)

UBS (Switzerland)

WPP (UK)

Other cover(s)



Our picks

25 doing best on key report attributes -and 75 notable ones

Corporate responsibility



Kesko (Finland - Retail)

Overall report rating: ***(*)

In its all-embracing 7th CSR report the Finnish retail specialist defines the "specification of key stakeholder groups"•, lists products of domestic origin in its purchasing basket, breaks down economic benefits in regions serviced, measures indicators such as "funds used for health care per person"•. Various case studies include one about drink cans recovery.

Also notable

Accor (France)

Holmen (Sweden)

Ricoh (Japan)

Our picks

25 doing best on key report attributes -and 75 notable ones

Financial clarity



CLP (Hong Kong - Utility)

Overall report rating: ****(*)

"How can you approach our Financial Statements?"• constitutes a model of clarity, probably unrivalled to date in annuals: it helps decode, illustrate the statements, their components, their significance, and, not least, the links between each other. "Financial Results and Position at a Glance"• shows the relationships and changes between last year's balance sheet and today's one.

Also notable

PotashCorp (Canada)

Securitas (Sweden)

Telus (Canada)

Our picks

25 doing best on key report attributes -and 75 notable ones

Strategy

adidas
GROUP



Adidas (Germany - Sporting goods)

Overall report rating: ****

Not that many annuals open with year results compared with past targets and new objectives for the coming year. Many (pep) talk about strategy, the Adi-Dassler heirs walk -or run- it, without overlooking the ways and means ("Key Financial Metrics"• shown as fractions). Another bold step is to supplement the risk report with an "Opportunities Report"• -a pleasant change from the cautionary-statement walking sticks.

Also notable

BASF (Germany)

PotashCorp (Canada)

Randstad (Netherlands)

Our picks

25 doing best on key report attributes -and 75 notable ones

Ratios



Sasol (South Africa - Oil and gas)

Overall report rating: ****(*)



"Key performance indicators"• compare changes in six categories of ratios over the last ten years. A number of reports do this, but this one clearly defines them intelligibly nearby. Note also the value added statement and the intensive use of charts for percentage segment analysis, even among the notes to statements.

Also notable

Aiful (Japan)

Infosys (India)

John Keells (Sri Lanka)

Our picks

25 doing best on key report attributes -and 75 notable ones

Historical data



SAS (Sweden - Airlines)

Overall report rating: ****(*)

The "ten-year financial overview"• comprises 50-plus indicators, with a separate table for "Financial key figures and return requirements"• and brief comments on trends and metrics. 20-odd operational figures follow. The intensive use of medium-term tables and charts add a historical perspective to in-depth analytical annuals that are definitely no hot air.

Also notable

Sasol (South Africa)

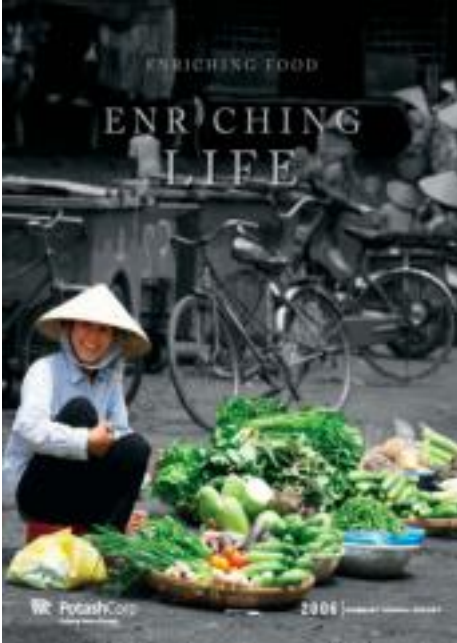
Scotiabank (Canada)

Volvo (Sweden)

Our picks

25 doing best on key report attributes -and 75 notable ones

Growth factors



PotashCorp (Canada - Fertilizers)

Overall report rating: ****(*)

Enriched information: the seven factors that make the company a leader are set out on the very first page of the "Summary Report"•. Factors that shape business conditions are reported. A SWOT recap is made amid a chapter describing demand trends. KPIs are aligned with "Key Corporate Goals"•. Fertilization, that is.

Also notable

Alfa Laval (Sweden)

Securitas (Sweden)

Trelleborg (Sweden)

Our picks

25 doing best on key report attributes -and 75 notable ones

Two-book policy



Lundbeck (Denmark - Pharmaceuticals)

Overall report rating: ***(*)

Reporting about brain diseases with brains, and an effective blend of content and communication. This also thanks to a separate "Lundbeck Magazine"• that enlightens how the company works and what it stands for. Let us point out that the two-book option is not here made to the detriment of the high legibility of the "core"• annual.

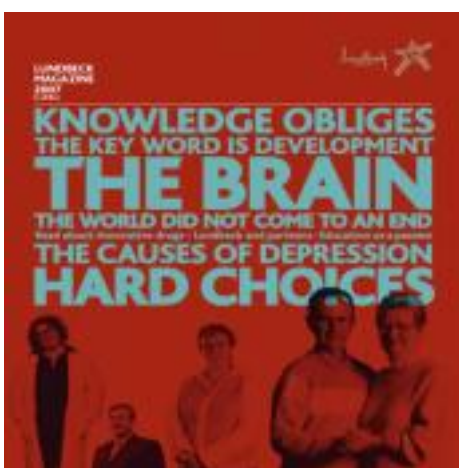
Also notable

Canadian Tire (Canada)

SEB (Sweden)

Telus (Canada)

Other cover(s)



Our picks

25 doing best on key report attributes -and 75 notable ones

Reading facilities



BASF (Germany - Chemicals)

Overall report rating: ****

Ja, the covers are very rigid and the total of Corporate Report + Financial Report adds up to 248 pages. But "the world's leading chemical company"• manages it effectively: inside covers are maximized (flaps, key figures, segments, index); headers help find the way, and footers are actively used for summaries, pictures, charts and tables. Fine chemistry!

Also notable

Abitibi (Canada)

Paperlinx (Australia)

RTL (Luxembourg)

Other cover(s)



Our picks

25 doing best on key report attributes -and 75 notable ones

Photography



Novartis (Switzerland - Pharmaceuticals)

Overall report rating: ***(*)

The pictorial route goes from the hard reality to breathtaking beauty and back again. Illustrating how to "ease suffering"• in black and white while not viewing the issues and solutions to "enhance the quality of life"• only in black and white is a feat of visual sobriety and reporting control.

Also notable

Caterpillar (U.S.)

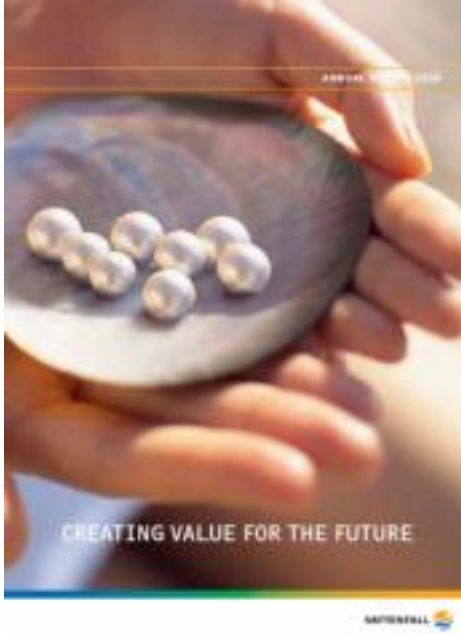
Qualcomm (U.S.)

J Sainsbury (UK)

Our picks

25 doing best on key report attributes -and 75 notable ones

Non-listed company report



Vattenfall (Sweden - Utility)

Overall report rating: ****

The fact of still being "100%-owned by the Swedish state"• (as stated "at a glance"•) doesn't prevent "Europe's fourth largest generator of electricity"• to review its operating environment, sum up the driving forces, and compare with competitors. On top of that, it is more transparent on what new electricity generation costs than any public and most private international utilities have probably ever reported.

Also notable

Antam (Indonesia)

Finnair (Finland)

Neste Oil (Finland)

FAQs

How we do it?

When was the Annual Report on Annual Reports created?

In 1996. Like many ideas, it originated in a customer request for getting their company report compared with best practice in their industry. First a limited survey faxed to customers and contacts focused on a few industries, it took off as a wider survey in 1997.

Who created the survey?

The Annual Report on Annual Reports was created at the Enterprise Group, a small international consulting boutique whose main shareholders were one of the founders and a Dutch holding group. The two "generators" of the idea were Vero Escarmelle and Mike Guillaume. After the spin-off of the reporting unit renamed enterprise.com (or e.com) in 1999, the Annual Report on Annual Reports became a trademark of e.com.

What is the main purpose of the Annual Report on Annual Reports?

The purpose is to benchmark best -and worst- practice in order to strive for higher -and highest- standards in financial and performance reporting, investor and stakeholder information, and corporate communication. With higher report value, access to information and decreased cost of capital as subsequent results.

How much does it cost to participate in the Annual Reports on Annual Reports?

Participation in the survey is entirely free of charge, except of course for mailing, downloading or printing costs incurred. The use of e.com report evaluation services is no prerequisite to -and no guarantee for- being selected, rated and ranked and is independent of the ReportWatch process and the results as published in the Annual Report on Annual Reports. We view this as a guarantee of neutrality.

What is e.com's core business?

enterprise.com (e.com) specializes in report input, evaluation, analysis and benchmarking. Our core business is to assess and compare corporate & financial communication tools and investor & market information vehicles, mainly annual reports. Originally controlled by Dutch and British investors, e.com is now part of U.S.-based Corporate Essentials, Inc. Its operating office is located in the middle of the three largest European stock markets and the team of report analysts and financial communication specialists is directly or via network partners in the loop with the major financial centers in America, Europe and Asia-Pacific.

Why doesn't e.com disclose the names of its clients?

We understand that client names can constitute references in most, if not all, industries. Still, a bit like physicians and as consultants involved more or less deeply in the reporting input, process and output, we consider that our clients have the right to confidentiality. Although we are proud of the reputation of many and the work we have done for them, we do not disclose their names, except when asked in inquiries or in one-on-one meetings. We appreciate to see companies advised whose reports score high or best. But on a more modest note (not much a consultant or analyst's virtue, we know), we also like to rate reports for which we haven't done anything (yet).

How international are e.com and the Annual Report on Annual Reports?

From the outset the profile and the perspective were international. e.com's founding members had a European, American and Asian background, track record or leaning. Teams initially in charge of the Annual Report on Annual Reports included American, Belgian, British, Canadian, Chinese, French, German, Italian, Russian, Spanish people. Our staff and network have operated in 30 countries and consulted for 100-plus corporate clients from London to Stockholm, from Vancouver to Tokyo, from Illinois to Hong Kong.

The roots, the mindset and the angle have probably guaranteed a rating that doesn't sound as national or doesn't look as "best foreign oscar report" as others.

What is ReportWatch?

While e.com provides customized reporting services to companies, ReportWatch is the name given to the continuous report monitoring, scanning and scoring process that results in the Annual Report on Annual Reports. It is run independently and is jointly managed by e.com and Corporate Essentials.

What is our (report) world?

The ReportWatch monitoring process consists of selecting a sample of listed companies around the globe. We do not claim to have all companies from everywhere selected. But it is fair to say that our list of companies is a representative cross section based on the relative importance of stock markets, aiming at reflecting the industrial and geographical diversity.

How many companies are selected?

The number of companies selected has grown to a range of 1,000 to 1,500 these last three years from 250 to 500 in the first years. That number is both big and small. Although striving for a sample as representative and large as possible, we easily admit to cover a small portion of the worldwide quantity of listed companies, now estimated at 35,000. A survey of all of them would be a mission impossible to accomplish. Even gathering larger resources would probably never allow any updated rating or ranking exercise. Our main goal is anyway more to be representative than to be comprehensive.

Our selection has always been based on six major criteria:

- Listed companies;
- Company position;
- Market, financial and commercial performance;
- International span;
- Peer groups;
- Past reporting performance.

Those features can either complement or contradict each other. Our selection is based on published company rankings as well as on a continuous internal market monitoring and database updating.

Which companies are not considered?

Any company -even not listed or currently planning a listing- may submit its report for rating. However, the report is subject to the same criteria as the ones applying to listed corporations. Any company officer or duly mandated person has the right to decline to participate in our survey and to compete for scoring, rating and ranking.

Selection and submission do not guarantee scoring, rating and final ranking.

However, e.com reserves the right to judge reports that are requested via downloads or public annual reports services or transfer agents. Are not considered for selection:

- Privately owned companies (except those electing to compete);
- Purely government-owned companies (except those electing to compete);
- Wholly-owned subsidiaries (except those electing to compete);
- Investment, income, mutual or real estate funds and trusts;
- Listed stock exchanges;
- Central banks;
- Development or reconstruction banks and similar financial institutions;
- Public agencies;
- Non-profit organizations;
- Group submissions made by intermediaries or agencies (which might create bias);
- Reports for a fiscal year before 2006 or interim/quarterly reports.

What is judged -the company or the report?

The ranking as well as the rating or undisclosed score are based on an evaluation of the company report and output and cannot be interpreted as such as an assessment of the company that releases the report. Even though a relationship may be found -and argued- between company, report and shareholder value, the survey does not represent directly an offer to buy, sell, hold or trade the securities to which the reports cited or ranked in this survey are related.

How are reports shortlisted?

For the 2007 survey 1,500 companies were preselected. The list was narrowed down to 1,000 companies, after eliminations of 10-K or 20-F-only formats, companies with a poor report output record, companies having merged or unlisted, etc. 500 reports were considered as eligible to compete, requested by e-mail or via websites (for formality, time zone difference and language reasons, requests are never made by phone).

Those 500 reports received before June 30 were then scanned and scored by e.com's team of analysts and communication specialists. Comments about 250 reports are published.

Which documents are assessed?

The documents received from the companies are evaluated.

Reports made up of more than one document were assessed in full only if all the documents were received.

Reports simply made up of a legal file (e.g. 10-K, 20-F or other similar GAAP forms) were not considered as eligible as they fail to match a significant number of our evaluation criteria.

Proxy documents or related annual meeting files were only considered when they were made available in print.

Corporate responsibility or sustainability or related reports were taken into consideration only when they were received from companies (in printed or downloaded versions).

Those factors can seriously impact on the report evaluation, scoring, rating, and ranking.

Which evaluation criteria are used to score reports?

The assessment criteria entirely rebuilt in 2002, refined in 2004, adapted in 2005 have been refined and broadened in 2007. The number of items and areas has doubled from 25 to 50 -which allows a greater accuracy and a with a maximum of 2 marks for each and a maximum total score of 100.

The complete list of report items and reporting areas scanned can be found in a separate file.

What is the role of the report rating panel?

ReportWatch often calls in an independent rating panel. For 2007 it was decided that no formal panel of renowned experts would be convened. This was mainly due to the decision of not going for a formal "ranking". Instead, a small-scale panel was set up. It was made up of: an accountant, an auditor, a financial analyst, a fund manager, a communication specialist, and two e.com consultants. Panelists' names have been withheld by request.

The primary role of the rating panel is to double-check reports scored by e.com and to help move from a very quantitative scoring to a more qualitative rating. As a result, some reports are upgraded while others are marked down, sometimes significantly.

Panel members have to judge independently of e.com scoring process. For that reason the score and pre-ranking are not disclosed in advance to panelists. Panel members must judge independently of their own interests. Panelists' individual votes are not publicly disclosed.

What company names are used in the publication?

The name of the company that appears in this document is the one as referred to on the covers or as written or abbreviated in key report sections. For legibility reasons, legal forms or words such as corporation, company, group, holding, etc. have not been reproduced. Names do not take into account mergers, acquisitions or brand identity changes that might have occurred and been approved after the fiscal year-end or the report release.

Are the report score and marks made public?

No. Only the ratings are made public. In line with our tradition since the launch of this survey the total score or its breakdown is never publicly disclosed. It may be obtained by companies or their advisers through an order for a Report Scan, which is the edited and rewritten version of e.com's internal desk research. The revenues generated through scans and other evaluation services help us produce the Annual Report on Annual Reports -and keep it independent.

How are reports rated?

***** = World-class

****(*) = First-rate

**** = Excellent

***(*) = Fine

*** = Average

**(*) = Uneven

** = Ordinary

() = Deficient

* = Unsatisfactory

(*) = Uncompetitive

FAQs

Which evaluation criteria?

- Front cover
- Use of covers
- Report length and volume
- Branding and identity vehicle
- Profile and mission
- Key figures
- Share highlights
- Year events - Salient facts - Major products
- Chairman/CEO statement(s): substance
- Chairman/CEO message: style
- Segment snapshot
- Theme - Thread - Route
- Read appeal
- Sequence and structure
- Visual ingredients - Pictures
- Achievement of past objectives
- Strategic direction - Outlook - Targets
- Use of charts
- Key performance indicators and metrics
- Review of operations and businesses
- Segments and areas
- Industry, markets, competitors
- Financial review: structure, style, support
- Segment performance and contribution analysis
- Geographical segmentation
- Financial condition, liquidity and cash flow
- Historical and growth figures
- Ratios and returns
- Risk management and financial control
- Risk and influencing factors
- Financial statements
- Index for statements and notes
- Accounting principles and policies
- Restatements, reconciliations, exceptional items
- Notes to statements
- Boards and executives: details and portraits
- Corporate governance
- Committees
- Compensation principles and policies
- Remuneration figures
- Employees
- Stakeholder/responsibility/sustainability chapter
- Responsibility issues
- Targets for responsibility measures
- Shareholder/investor section
- Share fundamentals
- Share ownership and shareholder control
- Share price
- Online downloadable version
- Readers' facilities provided

Report Scan?

What is your report rating? How does it score?

What is your report rating? How does it score in total and on all evaluation criteria used for the *Annual Report on Annual Reports*?

Order a REPORT SCAN. An edited output (°) of desk research done by e.com report analysts, it provides your company or its advisers with the complete score breakdown for 50 report areas (instead of 25 these last years), and a summary of pluses and minuses for each of them.

The price? ? **750 or US\$ 900 or £ 600.**

(°) For copywriting and editing reasons allow a few weeks for delivery.

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Ratings

How have annual reports been rated?

***** = World-class

****(*) = First-rate

**** = Excellent

***(*) = Fine

*** = Average

**(*) = Uneven

** = Ordinary

() = Deficient

* = Unsatisfactory

(*) = Uncompetitive

e.com - ReportWatch

Profile

enterprise.com

enterprise.com (e.com) specializes in report input, evaluation, analysis and benchmarking. Our core business is to assess and compare corporate & financial communication tools and investor & market information vehicles, mainly annual reports.

We have developed an international, independent, integrated and competitive approach to report preparation and evaluation. Our founders, staff and network have operated in 30 countries and consulted for 100-plus corporate clients from Stockholm to Amsterdam to Vancouver, from Connecticut to Surrey to Hong Kong. A spin-off from The Enterprise Group (est. 1986, inc. 1990, liq. 1999), and originally controlled by Dutch and British investors, e.com is now part of U.S.-based Corporate Essentials, Inc. Our operating office is located in the middle of the three largest European stock markets and our team is directly or via network partners in the loop with the major financial centers in America, Europe and Asia-Pacific. The international clientele mainly consists of CFOs, IR and CC managers of listed blue chips, but also includes spin-offs, IPOs, consultants, analysts, design agencies and -private or institutional- investors.

e.com provides customized reporting services to companies, while ReportWatch is the name given to the continuous report monitoring, scanning and scoring process that results into the Annual Report on Annual Reports.

A spin-off from The Enterprise Group (est. 1986, inc. 1990, liq. 1999), e.com is now part of U.S.-based Corporate Essentials, Inc. We operate virtually in the middle of the three largest European stock markets and are directly or via our partners in the loop with the major financial centers in America, Europe and Asia-Pacific.

Annual Report on Annual Reports

e.com is the researcher and publisher of the "*Annual Report on Annual Reports*"• (created in 1996), the only global report ranking. Based on a selection of 1,000 to 1,500 listed corporations worldwide that results in a scoring and rating (with the support of an independent rating panel) of more than 500 annuals, it is often regarded as the most comprehensive, authoritative and international survey on reporting practice.

www.reportwatch.net

e.com is the owner and webmaster of www.reportwatch.net, a website built in collaboration with web architects Inventis (www.inventis.be) and entirely dedicated to state-of-the-art reporting practice and monitoring; report news, trends and essentials; and best-practice benchmarking.

Besides explaining surfers, navigators, report users and corporate or financial reporters what we have done -and can do- to add value to report(ing), we also invite any company or individual concerned and visiting this website to contribute to strive for higher reporting standards by sending their feedback anytime.

Thank you for visiting this website!

Your feedback is welcome!

Looking forward to hearing/reading from you.

Annual Report on Annual Reports

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