AROUND THE BOARDROOM

THE DELOITTE CFO SURVEY
2016 Q1 RESULTS

CFOS CAUTIOUS ABOUT BREXIT

Deloitte.

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Key points from the 2016 Q1 Survey

69%
rate the general level of external financial and economic uncertainty as above normal.

Uncertainty stable

The percentage of CFOs who rate the current economic situation as uncertain has remained stable at 69 percent.

22%
are optimistic about the financial prospects for their company.

Business confidence decreases

CFOs' optimism about the financial prospects for their companies was 22 percent, compared to 28 percent in 2015 Q4.

25%
believe that now is a good time to be taking greater risk.

Risk appetite reduced

In 2016 Q1, some 25 percent of CFO believe that now is a good time to be taking greater balance-sheet-related risks, versus 54 percent one year ago.

44%
say that the exit of the United Kingdom from the EU would impact their business negatively.

Brexit fear

Some 44 percent of CFOs say that an exit of the United Kingdom from the European Union would impact their business negatively. Compared to other European countries, only Irish CFOs fear a Brexit more.

Economic context

Netherlands
Netherlands economic growth prospects have become less optimistic. In a report published in March, the government economic forecasting agency CPB said that it expects the Dutch economy to grow at 1.8 percent in 2016, down from 2.1 percent in its December estimate. The CPB characterized the Dutch economy as stable with its inhabitants spending more, thanks, in part, to the 5 billion euro package of tax cuts and falling unemployment. However, the decision to cut back gas production in Groningen province because of the earthquake risk will remain to have a negative effect on full year growth. CPB's forecast for economic growth for 2017 is 2 percent.

The mood among Dutch consumers deteriorated in March. The consumer confidence indicator fell by 3 points from – 1 in February to – 4 in March, according to Statistics Netherlands (CBS). The decrease is mainly due to the fact that consumers' opinions about the economic climate worsened, but their willingness to buy improved only marginally.

In the first two months of 2016, the recovery of the housing market continued. House prices are steadily rising, with a year-on-year increase of 3.8% recorded in February, in part because of the continued economic recovery. The price increase follows a gradual rise in prices from their absolute low, in June 2013. However, prices are still significantly below the peak levels of August 2008.

In March, the Purchasing Managers' Index (PMI) increased to 53.6 from 51.7 in February (values over 50 signal expansion). This increase was driven by higher manufacturing output and an acceleration in new orders.

Eurozone
On 10 March, in an attempt to prevent the Eurozone falling into a Japan-style deflationary situation the European Central Bank (ECB) exceeded investors' expectations by cutting all of the three main interest rates and widening its quantitative easing (QE) programme to 80 billion euros per month. The ECB will also start buying up debt issued by companies and is also offering new, very cheap four-year loans to banks. The ECB also revised its forecast for the Eurozone. It now expects growth of just 1.4 percent this year, down from 1.7% three months ago.

In March, consumer prices in the Eurozone fell for a second consecutive month, while economic confidence declined to the lowest level in more than a year. Eurozone unemployment fell to 10.3 percent in February, the lowest level since 2011.

Global
The US dollar headed for its worst month in March in more than five years after Federal Reserve Chair Janet Yellen said in a speech on 29 March that it is appropriate for U.S. central bankers to "proceed cautiously" in raising interest rates because the global economy presents heightened risks. The risks that were mentioned in particular, were a) slowing economic growth in China and the way Chinese policy makers will handle the transition from exports to domestic sources of growth and b) the outlook for commodity prices, oil in particular.

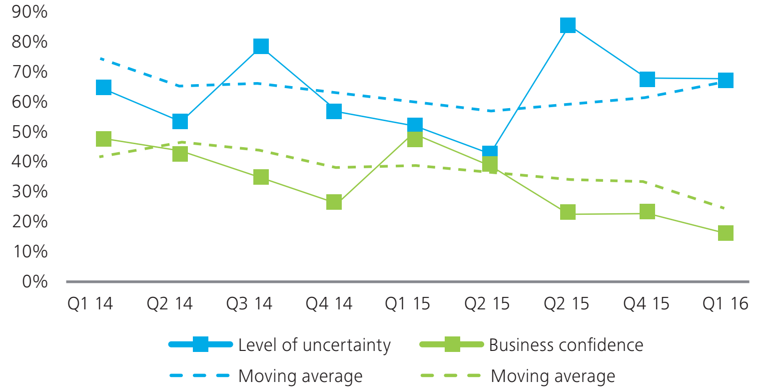
The economy and CFOs' outlook

The percentage of CFOs who rate the current economic situation as uncertain remained stable at 69 percent. This level of uncertainty is slightly above the moving average of 67 percent (interval is four quarters).

Business confidence deteriorated by 600 basis points to only 22 percent of the panellists who feel optimistic about the financial prospects for their companies compared to three months ago. This is the lowest level since 2011 Q3, when business confidence came to 12 percent.

Chart 1. Economic uncertainty and business confidence

Percentage of CFOs who rate the level of economic uncertainty as above normal and percentage of CFOs feeling optimistic about financial prospects



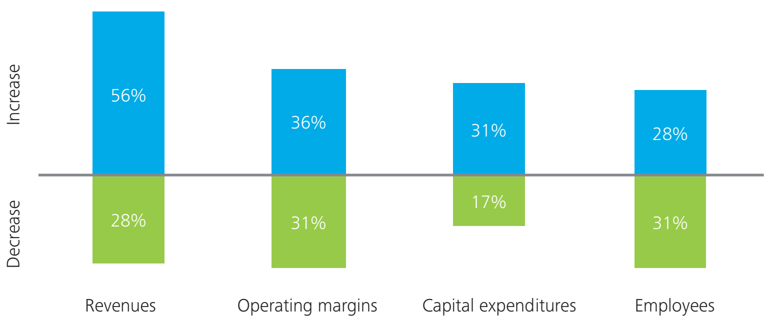
CFOs are still positive about prospects for growth. A majority of 56 percent of CFOs is expecting higher revenues over the next 12 months, compared to 52 percent a quarter ago.

The percentage of CFOs who expect increased operating margins is slightly up from 34 percent in 2015 Q4 to 36 percent now.

The level of investment is going up from 21 percent to 31 percent, while almost a third of CFOs expect to hire.

Chart 2. CFOs' outlook on revenues, margins, capex and workforce

Expectation of key metrics for CFOs' companies to change in the next 12 months



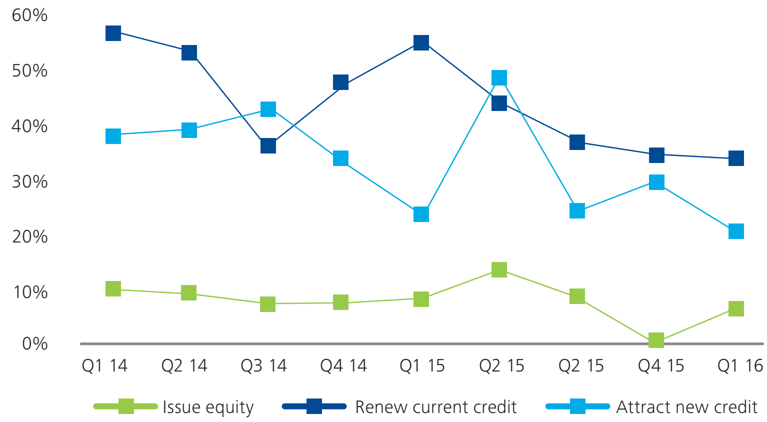
Financing and risk appetite

It appears that CFOs have used the past quarters to finance their companies in view of the availability of credit and its pricing, causing a decreasing need to attract or renew credit or issuing equity.

Some 33 percent of CFOs say that their company is going to renew current credit over the next 12 months – compared to 54 percent a year ago. Just 20 percent indicate that new credit must be attracted in contrast to 2015 Q2's peak at 48 percent.

Chart 3. Equity and credit lines

Percentage of CFOs who are (very) likely to issue equity or to attract and renew credit over the next 12 months

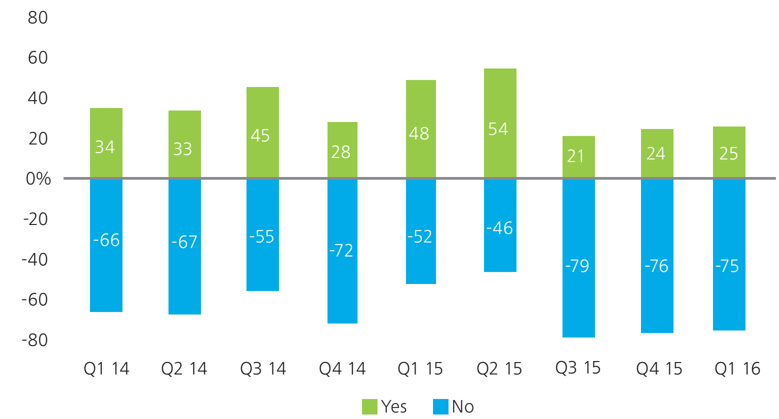


Risk appetite among CFOs has been stable for three quarters, albeit at a much lower level than one year ago. Balance sheet strategies have become more defensive, reflecting trends in financial markets.

In 2016 Q1, some 25 percent of CFO believe that now is a good time to be taking greater balance-sheet-related risks, versus 54 percent one year ago.

Chart 4. Risk appetite

Percentage of CFOs reporting that now is a good time to be taking greater balance-sheet-related risks



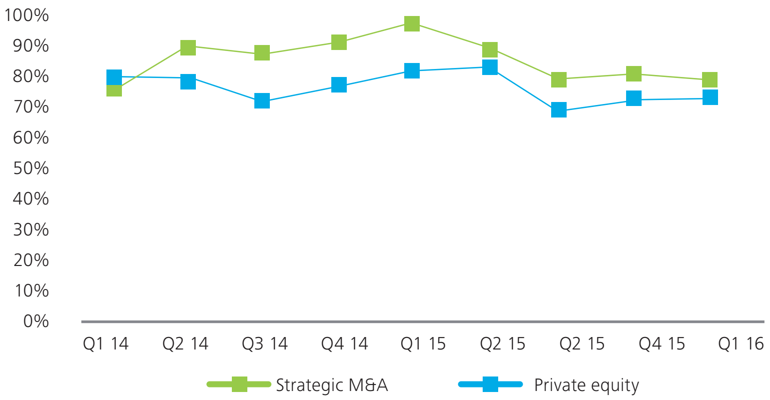
M&A

The outlook for corporate mergers and acquisitions activity declined further from 79 percent in the fourth quarter of last year to 74 percent now. One year ago, some 96 percent of CFOs expected higher corporate M&A activity.

The proportion of panellists who expect private equity deals to increase was up from 72 to 73 percent.

Chart 5. M&A outlook

Net percentage of CFOs who expect M&A activity to increase/decrease in the next 12 months



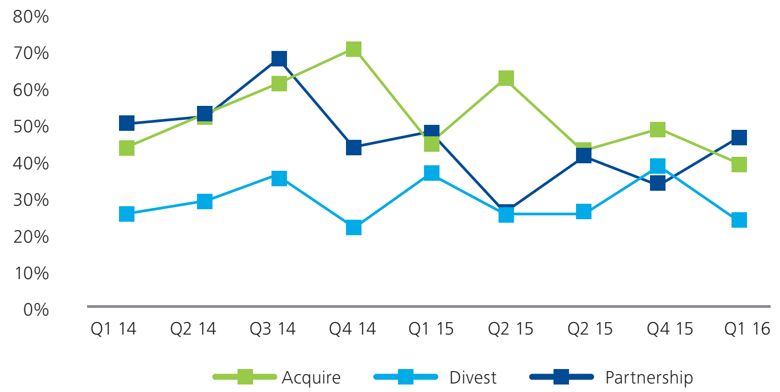
CFOs seem to place less weight on growth via acquisitions. The proportion of CFOs whose companies will be involved in an acquisition over the next 12 months, dropped to 37 percent, down from 48 percent in the fourth quarter of 2015 and a peak of 71 percent in 2014 Q4.

There is also less focus on divesting assets and/or subsidiaries. Some 26 percent (versus 38 percent last time) say that their companies will dispose over the next 12 months.

Strategic partnership is now the most favoured form of transaction.

Chart 6. M&A activity at a CFO's company

Percentage of CFOs who expect their company to be involved in a M&A transaction over the next 12 months



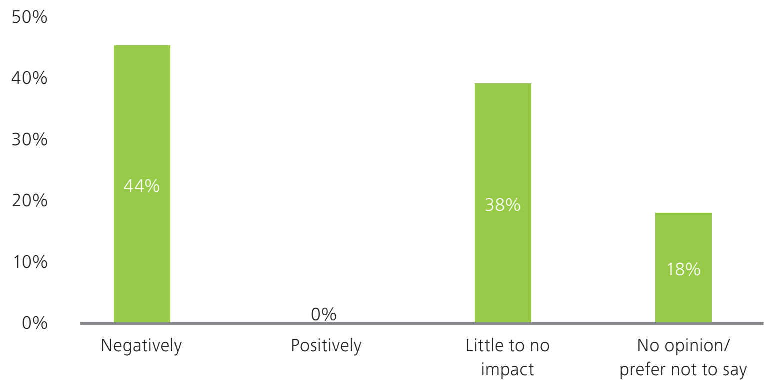
Brexit

On 23 June 2016, the UK public will have an important decision to make: Should the United Kingdom remain a member of the European Union (EU), or leave the EU?

Given the fact that Dutch companies are having a sizeable exposure to the UK, it is no surprise that 44 percent of CFOs believe that their companies will be negatively impacted by a "Brexit" while 38 percent of CFOs say that impact will be little or none.

Chart 7. Brexit impact Netherlands

Impact of the exit of the United Kingdom from the EU on CFOs' business



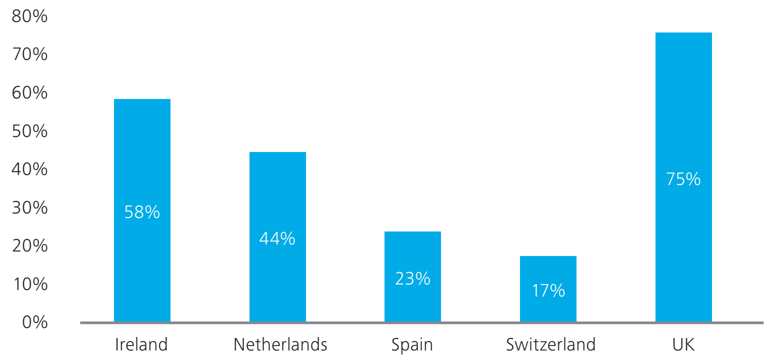
Compared to selected countries in Europe, only CFOs from Ireland fear a Brexit more than their counterparts in the Netherlands.

The anticipated negative impact of a Brexit is much lower in Spain and Switzerland due to a lower exposure to the UK.

And CFOs in the UK? Some 75 percent of CFOs say they believe it is in the interests of UK business for the UK to remain in the EU.

Chart 8. Brexit impact comparison

Percentage of CFOs who expect a negative impact of the exit of the United Kingdom from the EU on their business



A note on methodology

To enhance readability not all survey questions will be reported in each quarterly survey. Survey questions will be selected in response to the current financial economic situation. If you wish to receive information about non-reported questions, please contact us. The Deloitte CFO Survey is also executed by other Deloitte countries, for instance the UK. Comparisons will be made when relevant.

Some of the charts in the Dutch Deloitte CFO Survey show the results in the form of a net balance. This is the percentage of respondents reporting, for instance, that bank credit is attractive minus the percentage stating that bank credit is unattractive. This is a standard way of presenting survey data.
Due to rounding answers may not total 100%.

The 2016 Q1 survey took place between 3 March 2016 and 25 March 2016. A total of 36 corporate CFOs completed our survey, representing a net turnover per company of approximately EUR 2.3 billion. The responding companies can be categorized as follows: publicly listed (36%), privately owned (22%), family owned (11%), state or government owned (8%), other and/or unknown (22%).

We would like to thank all participating CFOs for completing our survey. We trust the report will make an interesting read and highlights the challenges facing CFOs. We also hope it provides you with an important benchmark to understand how your organization compares to your peers.

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