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The Dutch Deloitte CFO Survey
Reaching solid ground

2010 Q1 results
May 2010

Contents

Reaching solid ground

We are proud to present our fifth quarterly survey of Chief Financial Officers in the Netherlands, as part of the Deloitte CFO Initiative. The survey gauges attitudes to valuations, risk and financing, and reports trends and turning points for you and your business.

Key points from the 2010 Q1 Survey

- A solid base level of optimism about financial prospects has been created over the last three quarters.
- Three-quarters of the CFOs expect their company's cash flow to increase over the next 12 months.
- Bank borrowing is perceived as a more attractive source of funding for the first time since the start of this survey.
- Half of the CFOs expect to arrange new funding over the next 12 months.
- Almost half of the CFOs state that the government acted adequately and sufficiently by initiating a package of measures regarding government backed guarantees in order to restore the granting of credit.
- Key drivers for the corporate real estate portfolio this year are cost reduction and sustainability. One third of the CFOs has not identified key drivers.
- Focus on cost reduction (e.g. reduction of square meters, renegotiations of lease contracts) will exert pressure on the corporate real estate market.
- CFOs who acknowledge that Alternative Workplace Strategies will lead to cost reductions invest significantly more in the three cornerstones of Alternative Workplace Strategies.
- Main reasons to choose for sustainable accommodation are both internally focused (working environment) and externally focused (image).

General economic environment

Economic and financial conditions have a significant effect on the way in which companies run their finances. When growth is strong and credit is cheap, companies take on debt, plow profits into capital spending and pay dividends. This was the world before the recent credit crunch and recession.

The credit crunch and recession put these strategies into reverse. The new priorities were shedding debt and holding on to cash. Capital spending and dividend payouts collapsed. Now that financial conditions are improving and balance sheets are in better shape, we expect to see corporates, especially larger ones, start to position themselves for growth.

Not all corporates will have the appetite or access to finance that will enable them to start spending. It is expected that big, diversified corporates with strong balance sheets will be the first to start investing, borrowing from banks and paying out dividends. Smaller companies are likely to lag behind.

CFOs: Out of the rough

In many ways CFOs continue the trend of the last few quarters in their optimism about their own company's prospects, whilst awaiting the general economic recovery. Overall, the Governing Council of the European Central Bank expects the euro area economy to grow at a moderate pace in 2010, in an environment marked by continued uncertainty. The Dutch economy is expected to grow by 1.5% this year and 2% in 2011 according to the Netherlands Bureau for Economic Policy Analysis (CPB).

The financing environment for larger corporates continues to improve. Funding is becoming more easily available. For the first time since the start of this survey, bank borrowing has a positive net balance in terms of attractiveness as a funding source. Nonetheless, corporate debt and equity are still perceived as more favourable.

Half of the CFOs are likely to arrange new funding over the next twelve months (including refinancing). CFOs are more likely to issue debt, rather than equity.

The era of reducing financial risk on the balance sheet every quarter is coming to an end. However, most CFOs are still reluctant to increase the level of financial risk on the balance sheet. 78% of the CFOs agree that the time is not yet optimal to increase balance sheet financial risk, which confirms the market outlook.

Balance sheet tightening is beginning to draw to a close. There is a good chance that this year sees a turning point in corporate capital expenditure (CAPEX), dividend payments and bank borrowing.

Corporate Real Estate: a double dip in the making?

One third of the CFOs have considered cost reductions in square meters of company space and renegotiations of lease contracts in order to support their real estate portfolio key driver 'cost reduction'. The other significant key driver according to the CFOs is sustainable accommodation.

Not all CFOs consider Corporate Real Estate to be a strategic theme for this year. 30% of the CFOs have not yet analysed the key drivers this year of their corporate real estate portfolio for this year. One could say that real estate is not listed on top of their agenda (yet).

As mentioned above, CFOs are mostly considering reduction of square meters and renegotiations of lease contracts as a cost reduction opportunity for this year. This will exert extra pressure on the corporate real estate market.

The main reasons to choose for sustainable accommodations are corporate image and the creation of a healthy, productive working environment. Sustainability is therefore both internally and externally business driven.

Almost half of the CFOs fully acknowledge that Alternative Workplace Strategies (AWS) such as 'Het Nieuwe Werken' could lead to major cost reductions. This group of subscribers sufficiently invests in the three cornerstones of AWS, which are HR instruments, technology and accommodation projects. This is also based on the belief that companies should invest in their human capital policies in order to stay or become an attractive employer on future tight labour markets. This is in contrast to those who do not subscribe to the theory of AWS, who mainly invest in technology. For a successful implementation of AWS, the investments in the three cornerstones should be approached in a coherent manner.

All of the above represents the opinion and expectations of real estate users. Real estate companies and investors could anticipate these events by focusing on investing in sustainability of existing buildings and adjusting them to new environmental standards. The Dutch government is setting the standard with 'Duurzaam Inkopen'. As of January 2010 only green label accommodations are subject to new (lease) transactions.

Financial outlook

After a strong recovery in the last year CFO optimism saw a slight setback in the first quarter of 2010, which is consistent with UK sentiments.

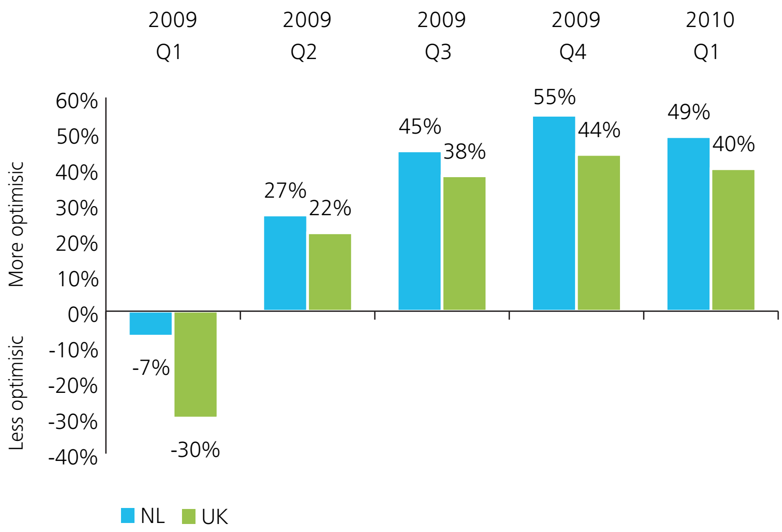
This is probably caused by uncertainty about the pace of future recovery.

However, a solid base level of optimism about financial prospects has developed over the last three quarters.

The Dutch economy is expected to grow by 1.5% this year and 2% in 2011 according to the Netherlands Bureau for Economic Policy Analysis (CPB).

Chart 1. Financial prospects NL & UK

Net percentage of CFOs who are more optimistic about the financial prospects for their company now than three months ago.

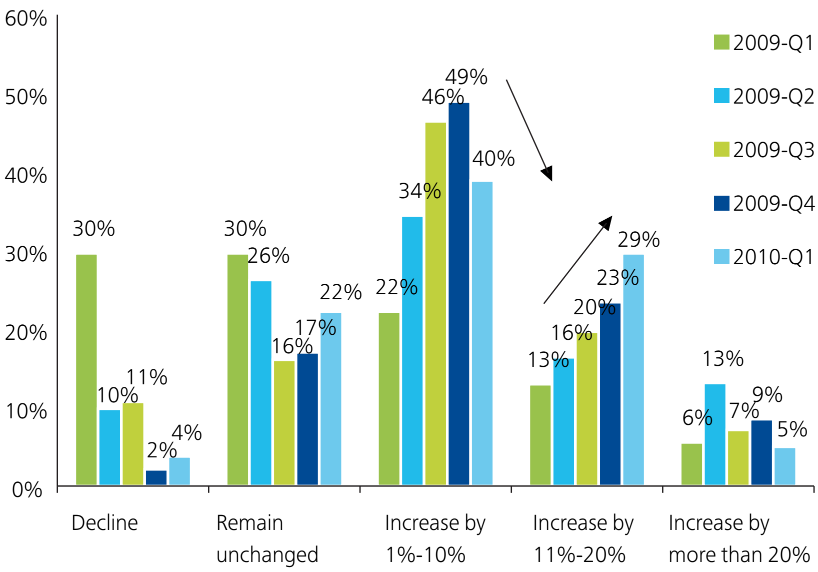


Three-quarters of CFOs are expecting their company's cash flow to increase over the next 12 months, which is consistent with general CFO optimism.

A distinction can be made between a group of cautious CFOs and an increasing group of optimistic CFOs. The first group is expecting no more than a modest increase or unchanged levels of their cash flow. The second, more optimistic, group of CFOs is expecting increasing cash flow levels of more than 11% over the next 12 months, indicating expectations of accelerated growth of cash flow levels.

Chart 2. Change in cash flow next 12 months

How do you expect your operating or free cash flow for your company to change over the next 12 months?



Risk

Risk reduction on the balance sheet is still a hot topic. About half of the CFOs report a decreased level of financial risk on the balance sheet over the last 12 months.

However, 31% of CFOs report 'no change' (not shown in chart) in risk reduction on the balance sheet, which signals an end to increasing levels of risk reduction.

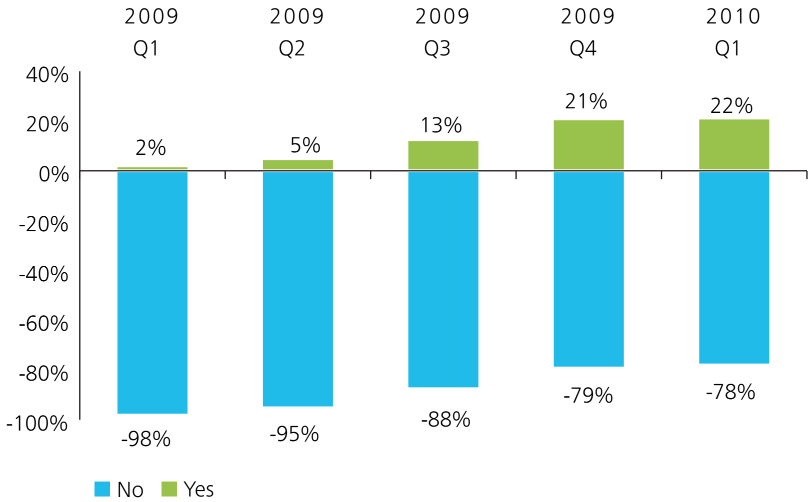
Chart 3. Change in financial risk* on the balance sheet
Percentage of CFOs reporting the level of financial risk on their balance sheet increased/decreased over the last 12 months.

** Financial risk could include, for instance: levels of gearing, uncertainty about the valuation of assets and sensitivity of interest rates and exchange rates.*

Nevertheless, the attitude towards future risk taking has not changed this last quarter.

The CFO sentiment predominantly remains that now is not a good time to be taking greater risk on the balance sheet, which confirms the uncertainty about the pace of recovery.

Chart 4. Attitude to greater risk on the balance sheet
Percentage of CFOs reporting now is (not) a good time to be taking greater risk onto the balance sheet.



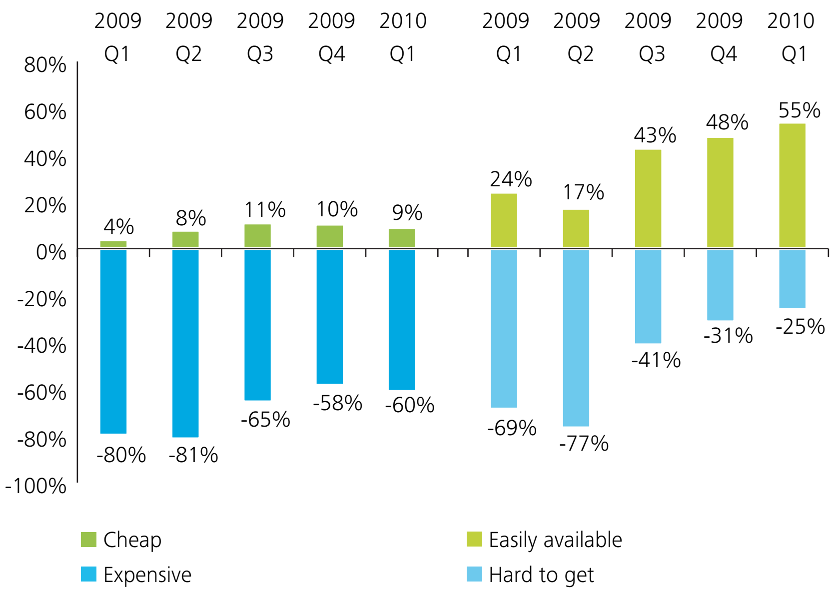
Funding

Most CFOs continue to rate funding as expensive. However, the availability continues to improve.

'Het Financieele Dagblad' published figures of Deutsche Bank reporting Dutch banks to be leading in a recovering (Euro zone) securitization market this year. The stable Dutch residential mortgage market enables trustworthy transactions which allures institutional investors. Banks have therefore more funds at their disposal to extend credit.

Chart 5. Cost and availability of credit

Percentage of CFOs reporting funding for corporates is expensive/cheap and hard to get/easily available.



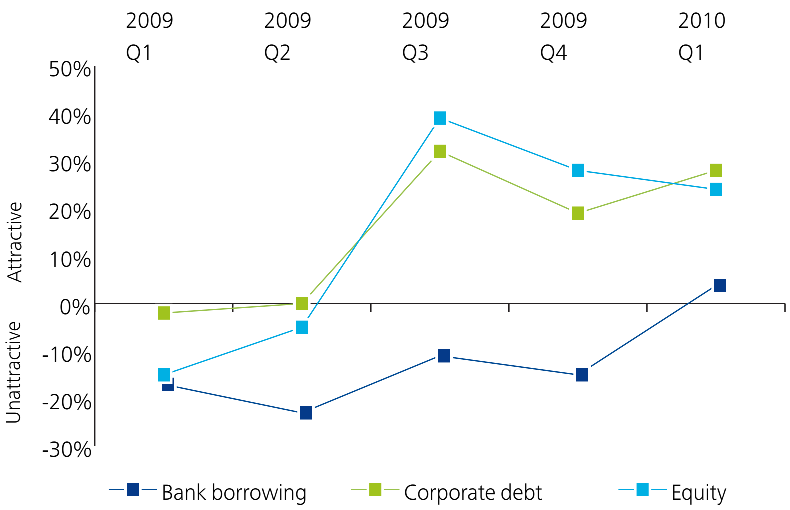
Bank borrowing is starting to regain popularity as a source of corporate funding with CFOs, both in the Netherlands and in the UK.

For the first time the net balance of bank borrowing is positive, since the Dutch CFO Survey started in the first quarter of 2009.

It appears that large companies are getting better access to a wider range of external sources of funding.

Chart 6. Favoured source of corporate funding

Net percentage of CFOs reporting the following sources of funding as (un)attractive.

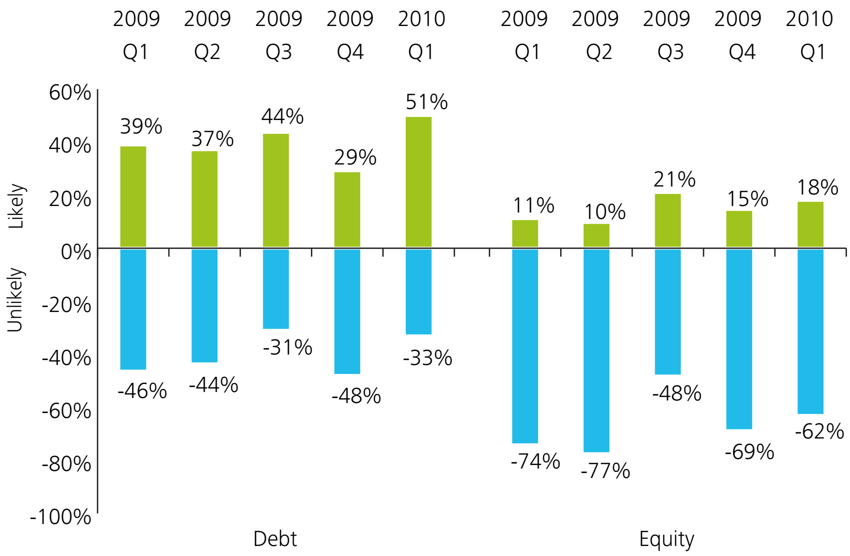


Half of the CFOs are likely to arrange new funding over the next twelve months.

CFOs are more likely to issue debt, rather than equity.

A quarter of CFOs plan an increase in their target debt/ equity ratios over the next 12 months. 35% of the CFOs plan a reduction in their level of gearing.

Chart 7. Likely to issue debt/equity?
Percentage of CFOs who are (not) likely to issue debt / equity over the next 12 months.



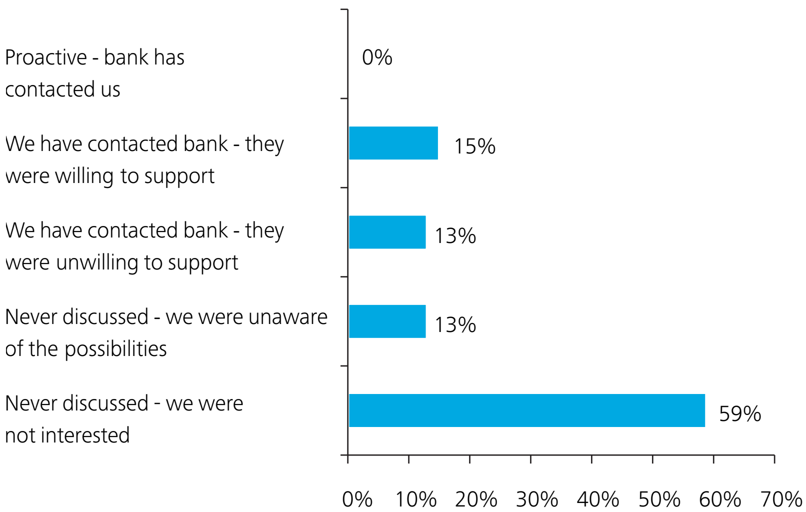
The government recently instituted a policy to reduce the reluctance of banks to give credit to healthy companies. In order to restore the granting of credit by banks, the Dutch government initiated a package of measures regarding the government backed guarantees for bank funding. These measures (e.g. Garantieregeling Ondernemingsfinanciering) became effective in March 2009.

Almost half of the CFOs (47%) state that the government acted adequately and sufficiently by taking these measures.

Nonetheless, a small group of CFOs (13%) encountered banks unwilling to support such a guaranteed credit application.

Most CFOs were not interested to qualify for this credit guarantee, and never discussed these measures with the bank.

Chart 8. Support by banks of government backed guarantees
How would you characterize the willingness of banks to support the government backed guarantees in financing/funding-solutions?



Equity / M&A

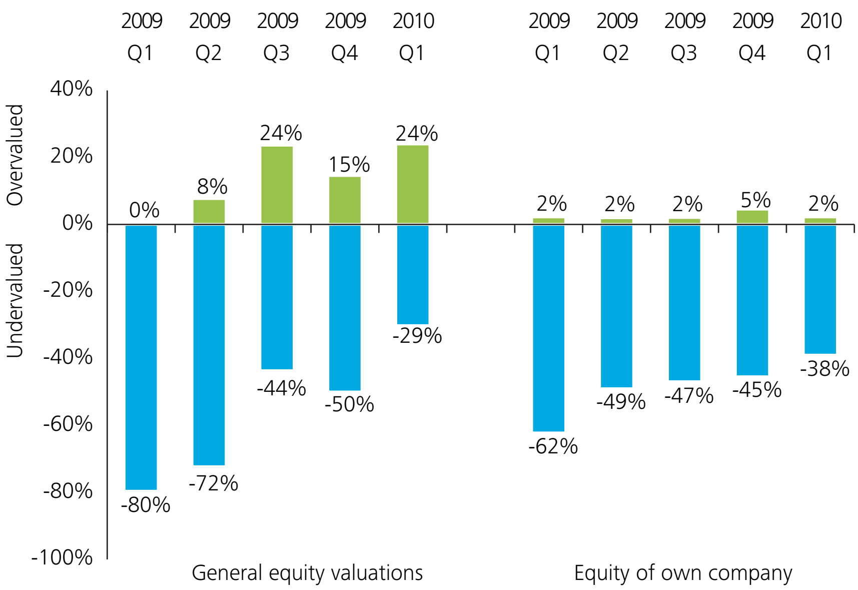
The general equity valuations are moving towards a new balance between perceived over- and undervaluation. Undervaluation is slowly running out of the market.

The average closing price of the AEX rose to 332.35 in the first quarter of 2010.

CFOs remain positive about the prospects of the AEX-index. Most CFOs (78%) expect the AEX to be at a higher level in a year's time.

Chart 9. General equity valuations and equity of own company

Percentage of CFOs who rate Dutch equity valuations in general and equity of own company as overvalued.



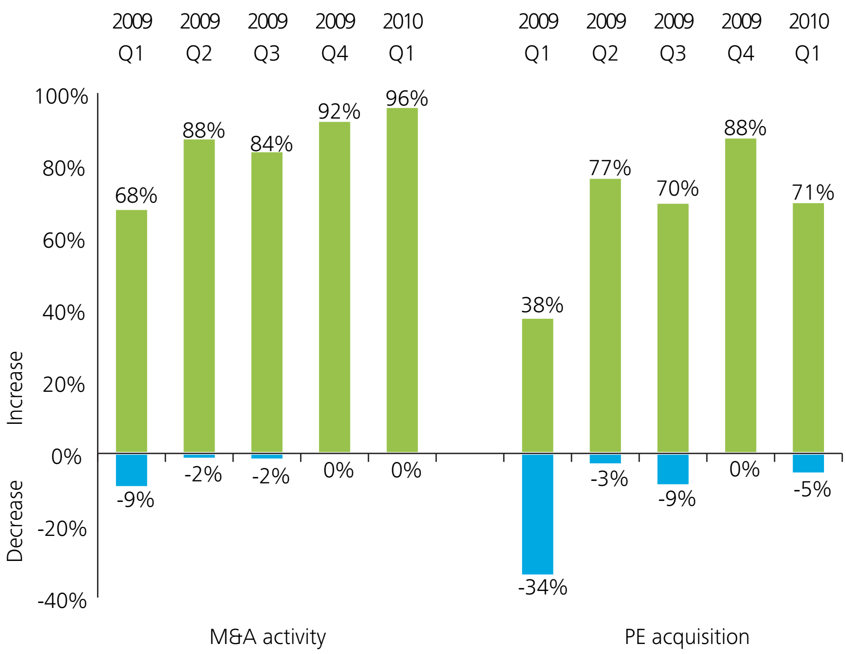
CFOs remain positive on the prospects for corporate activity.

The CFO expectations for private equity acquisition activity have flattened out at a relatively high level.

Domestic and foreign private equity firms collectively invested a total of €816 million in Dutch companies in 2009, compared with € 2.7 billion in 2008 according to recent figures of the Dutch Private Equity & Venture Capital Association (NVP). A big part of the investments were used for reinforcement of the balance sheet. The outlook for 2010 is a gradual improvement in the climate for private equity.

Chart 10. M&A and Private Equity outlook

Percentage of CFOs who expect M&A and PE activity to increase in the next 12 months.

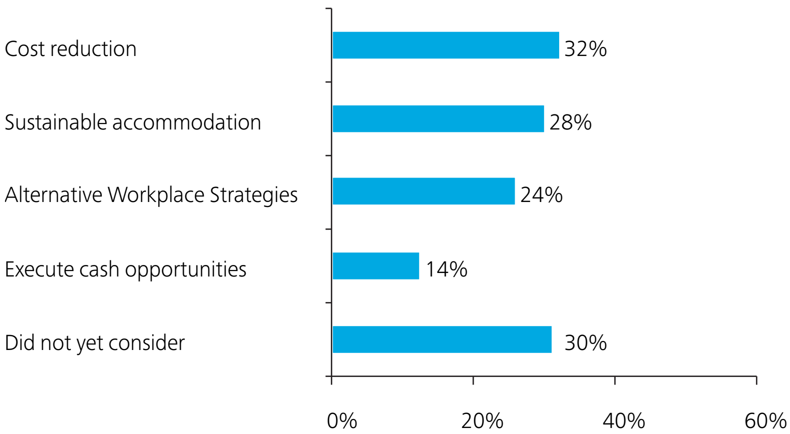


Key drivers in Corporate Real Estate

One third of the CFOs consider to cut costs by reduction of square meters of company space and renegotiations of lease contracts in order to support their real estate portfolio key driver 'cost reduction'. The other significant key driver according to the CFOs is sustainable accommodation.

Not all CFOs have a strategic mindset for their real estate portfolio. One third of the CFOs did not formulate key drivers for 2010. Real estate is not listed on top of their agendas (yet).

Chart 11. Key driver(s) of corporate real estate portfolios
What are the key driver(s) for your corporate real estate portfolio this year? (multiple answers possible)

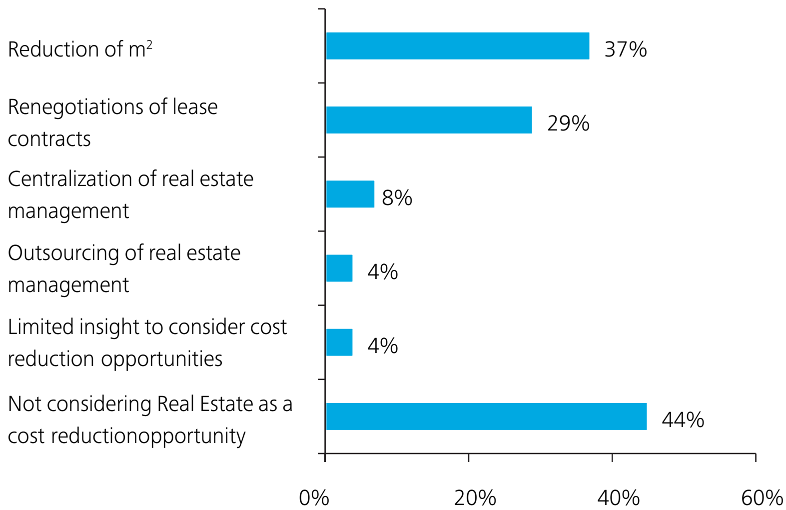


As already mentioned above, cost reduction is a significant key driver. 37% of the CFOs are considering reduction of company usable space and 29% are considering renegotiation of their lease contracts. In this way, the CFOs exert pressure on the corporate real estate market.

This could all lead to an increase in unoccupied office buildings, lower rents, reduced investor returns, depreciation of real estate, and a downward trend of prices due to an excess of vacant buildings.

Almost half of the CFOs (44%) are currently not considering any real estate cost reduction opportunities. If this group is mobilized, the pressure on the corporate real estate market can increase even more.

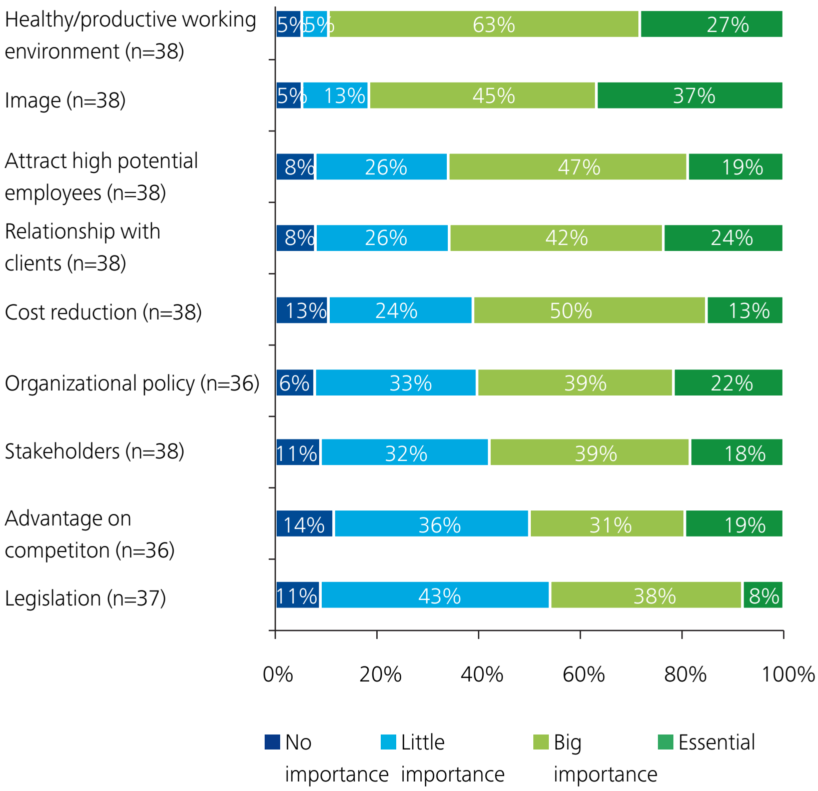
Chart 12. Real estate cost reduction opportunities
Percentage of CFOs considering to execute one of the following real estate cost reduction opportunities for this year. (multiple answers possible)



The second significant key driver for the real estate portfolio's in 2010 is sustainable accommodation. A healthy, productive working environment and image are the main reasons to choose for sustainable accommodation. Sustainability is therefore driven by both internal and external business factors.

Chart 13. Reasons to choose for sustainable accommodation

What is your main reason to choose for sustainable accommodation (environment)?

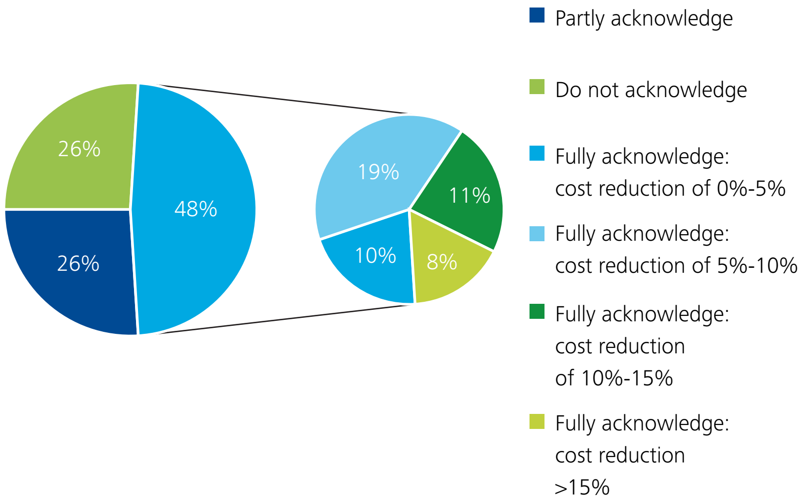


We do not choose for sustainable accommodation: N=12 (24%)

Almost half of the CFOs acknowledge that cost reductions can be achieved with Alternative Workplace Strategies.

Almost one third of the CFOs state that cost reductions between 5%-15% are possible.

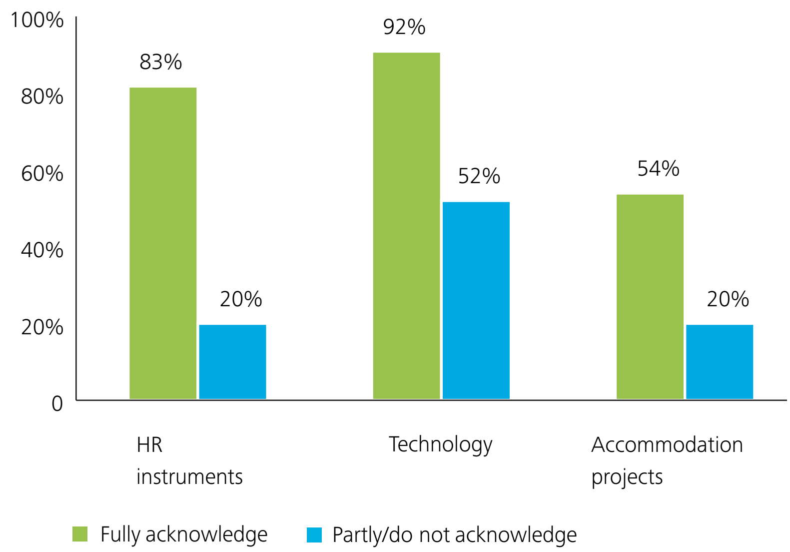
Chart 14. Alternative Workplace Strategies & cost reduction
Percentage of CFOs who acknowledge that Alternative Workplace Strategies are an opportunity for cost reduction.



Subscribers to the theory that Alternative Workplace Strategies (AWS) could result in cost reduction, invest significantly more in the cornerstones of AWS, which are HR instruments, technology and accommodation projects. There is also a significant relationship between CFOs who formulate key drivers for the real estate portfolio and those who acknowledge that AWS results in cost reduction.

There is a large variety within the level of investment among the three pillars. Both subscribers and non subscribers to AWS invest primarily in technology. However, the level of investment in HR instruments between both groups varies the most. For a successful implementation of AWS, the investments in the three cornerstones should be approached in a coherent manner.

Chart 15. Alternative Workplace Strategies & Level of investment
Percentage of CFOs who invest (more than) sufficient in the cornerstones of AWS broken down into CFOs who fully acknowledge that AWS leads to cost reduction and CFOs who partially/do not acknowledge.



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 would like to receive information about non-reported questions, please do not hesitate to contact us. The Deloitte CFO Survey is also executed by other Deloitte countries, for instance in 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 saying bank credit is unattractive. This is a standard way of presenting survey data. Some answers may not sum to 100 due to rounding.

The 2010 Q1 survey took place between the 19th of March and the 13th of April. A total of 55 corporate CFOs completed our survey, representing an average net turnover per company of approximately € 1.5 billion. The responding companies can be divided into the following categories based on revenue: less than 100 million (7%), 100 – 499 million (37%), 500 – 999 million (17%), 1 – 4.9 billion (26%), more than 5 billion (6%), unknown (7%).

The participating CFOs are active in a variety of industries (Healthcare, Construction, Retail / Wholesale, Real Estate, Consulting, Leisure / Entertainment, Technology, Communication, Energy & Utilities, Manufacturing and Banking / Finance / Insurance).

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

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