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WAR UNCERTAINTY SHADES CFOs' REVENUE PREDICTIONS

Duration and Severity of War Are Key Factors

Geopolitical Woes Put Capital Spending on Hold

DURHAM, N.C. and MORRISTOWN, N.J., March 20, 2003 — For Chief Financial Officers of U.S. companies, a short successful war will mean positive revenue growth over the next year according to the March "CFO Outlook Survey," conducted this week by Financial Executives International (FEI) and Duke University's Fuqua School of Business. However, a prolonged war with Iraq would cause revenues to remain flat for the coming 12 months. If Iraq retaliates with weapons of mass destruction or new large-scale domestic terrorism, revenues would fall sharply, according to the CFOs.

The Sooner, The Better

If the war ends quickly with a minimum of casualties, CFOs say revenues will increase 8% over the next 12 months. If the conflict continues for more than six months, the financial executives say that revenues would remain flat. And if Iraq retaliates with weapons of mass destruction against U.S. troops or with domestic terrorism, revenues will decrease by 8%. In this final scenario, 76% of respondents believe that revenues will either be flat or decrease.

"It is important to keep these numbers in historical perspective," says Professor Campbell R. Harvey of Duke University. "During the last five recessions, sales revenues actually increased. It is very likely that the long war scenario, with zero sales growth, will push us back into recession." As for the response to the possibility of strong retaliation by Iraq, Dr. Harvey remarks, "We haven't seen negative eight percent sales growth in the last forty years. This magnitude of reduction in sales revenue could quite possibly lead to a severe economic contraction."

Geopolitical Woes Put Capital Spending on Hold

Corporations are deferring capital projects because of war-related uncertainty. In the survey, 67% of CFOs say they are spending cautiously or holding off all capital investment. “This is a major factor in keeping the economy in limbo. Without more robust capital spending, it is unlikely we will see growth in non-farm payrolls,” says Dr. Harvey.

Optimism Suffering

Polled on the eve of war, the CFOs were less optimistic about the prospects for the U.S. economy or their own individual company’s financial prospects than they were last quarter or the quarter before when their optimism was first gauged. In the current survey, a record 45% are less optimistic about the economy, compared to 15% last quarter. Forty percent, another high, are less optimistic about their own company, up from 23% last quarter.

About the Survey

The CFO Outlook Survey, conducted by Financial Executives International and Duke University’s Fuqua School of Business, interviewed the CFOs of U.S. companies electronically the third week of March. For the question about revenues in different war scenarios, 186 CFOs from both public and private companies from a broad range of industries, geographic areas and revenues responded.

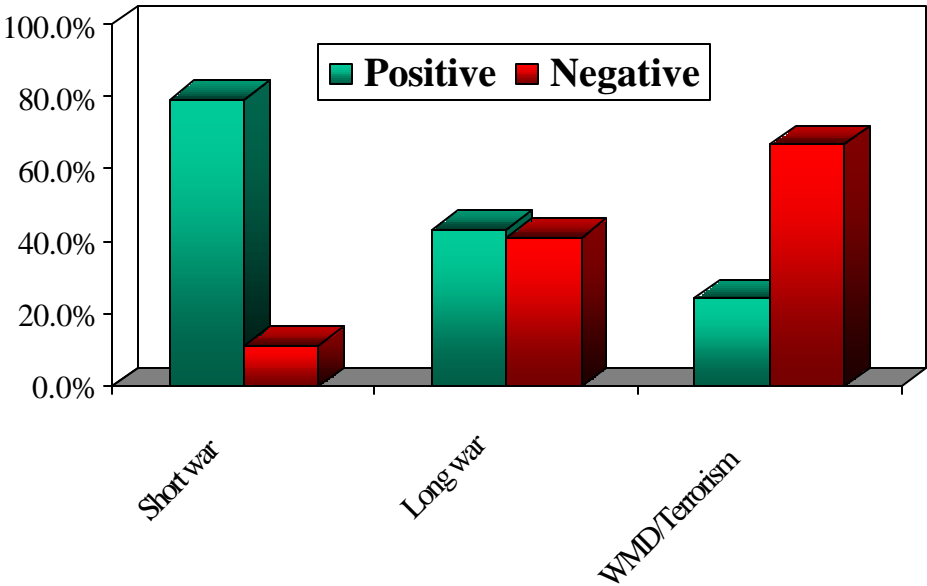
FEI and Fuqua have conducted surveys gauging the country’s economic outlook from the perspective of corporate CFOs for the past seven years. On Wednesday, March 26, detailed results of this survey will be available at <http://www.duke.edu/~jgraham/fei.html>. Other “CFO Outlook” surveys are currently available at the same site.

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special reports and research. Members participate in the activities of 86 chapters, 75 of which are in the United States and 11 in Canada. For more information about FEI, visit www.fei.org.

The Fuqua School of Business at Duke University was founded in 1970. Fuqua’s mission is to educate thoughtful business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

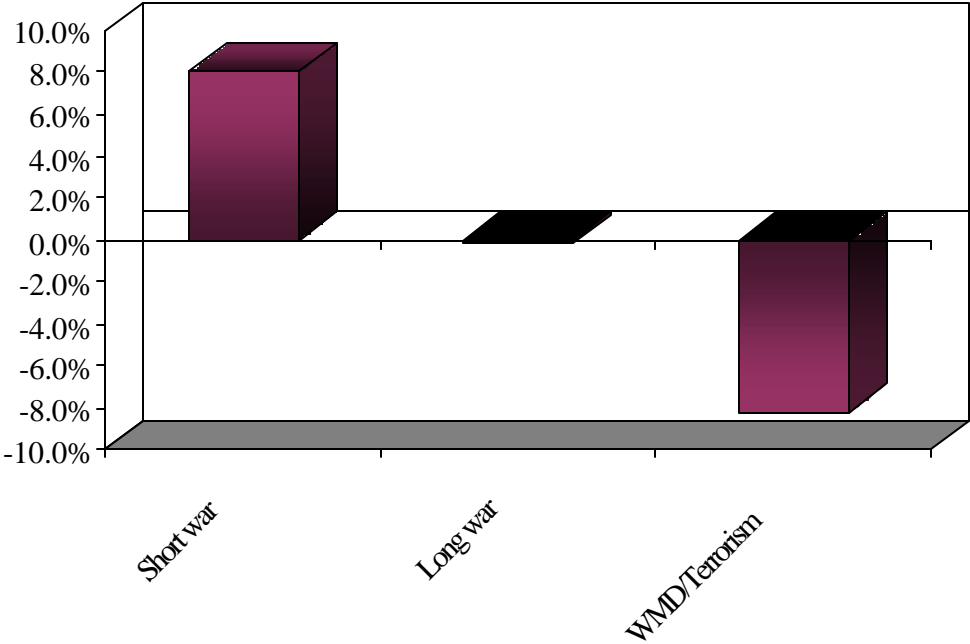
[Graphs follow]

% of Firms with Positive or Negative Sales Growth Projections



Source: CFO survey conducted in first quarter 2003 by Financial Executives International and Duke University's Fuqua School of Business

Revenue Growth Over Next 12 months



Source: CFO survey conducted in first quarter 2003 by Financial Executives International and Duke University's Fuqua School of Business