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CFO SURVEY: STRONGER EMPLOYMENT AND CAPITAL SPENDING GROWTH IN 04

Economic Optimism at Survey's Historic High
Majority of Public Companies To Reduce Stock Option Use
Half May Make Changes to 401(k) Plans

DURHAM, N.C. and FLORHAM PARK, N.J., Dec. 17, 2003 — Chief Financial Officers of U.S. companies predict stronger growth in their companies' employment and capital spending, and they continue to grow more optimistic about corporate financial prospects. This upbeat perspective extends to the U.S. economy, with CFOs recording the highest level of economic optimism in the history of the survey.

These are findings from the year-end "CFO Outlook Survey," conducted by Financial Executives International (FEI) and Duke University's Fuqua School of Business. In the survey, the CFOs forecast numerous financial and operating measures, and identified key economic factors impacting performance. They also offered projections on the use of stock-based pay in employee compensation plans and changes to 401(k) offerings in response to the mutual fund scandal.

Capital and Tech Spending, Employment

Capital spending numbers are up sharply. An increase in capital spending in 2004 is expected at 63% of the companies, with an average increase of 5%, compared to an expected 1% increase six months ago. Nearly 40% of firms are spending at normal levels, and another 16% are making ambitious investments in capital expenditures. These numbers are up sharply compared to all other quarters during the past year. The expected increase in technology spending is a strong 6%.

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Employment is also beginning to pick up. Two-thirds of the surveyed companies plan to increase their number of employees in 2004, and only 14% expect to reduce employment. Overall, the number of employees should increase by 2% in 2004. These numbers are up sharply from six months ago, when no employment growth was expected. Finally, outsourced job growth is expected to increase 3%.

"Corporate America is beginning to loosen their purse strings, and they're beginning to hire as well," noted John Graham, a finance professor at Duke University and the director of the survey. "These are key drivers to a robust economy."

Outlook on the Economy and Key Issues in 2004

Eighty-eight percent of CFOs are more optimistic about the U.S. economy this quarter than they were the prior quarter; only 1% are less optimistic. This optimism translates into a higher GDP expectation, with a 3.6% growth predicted for 2004, a higher prediction than in any other quarter during the past year.

The CFOs also identified the economic factors that would have the most positive impact on their companies in 2004. The most popular response was corporate investment, cited by slightly more than one-quarter of CFOs as having the most positive impact. That was followed closely by improving U.S. employment and low interest rate levels.

One-third of survey respondents said that healthcare costs would have the most negative influence on their companies in 2004. (In response to another question, 98% said they expected healthcare costs to increase, with the average increase at 11%.) Indicating a concern that rates will rise in 2004, 20% expect interest rates to have the most negative influence on their companies, an interesting contrast to those who see interest rates as a positive factor.

Equity Pay

"The use of stock options as pay and their accounting treatment have been widely debated in the news media, by regulators and legislators, and in corporate board rooms," said Dr. Graham. "Our survey findings suggest that the debate is moving towards action, and the changes in 2004 among public corporations may be dramatic."

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Among the public companies that responded to the survey, 13% say they will eliminate the use of stock options, and another 60% plan to reduce stock option compensation. The remaining 27% of companies say that they will not change the use of options in their employee compensation plans.

Among the public companies that will decrease the use of stock options, 28% will not replace the options with any other form of compensation, according to the CFOs. Stock grants will be increased to replace the reduction in stock options at 52% of the companies.

Mutual Fund Scandal and 401(k) plans

In response to the ongoing mutual fund scandal, a significant minority of companies (23%) have already made changes to the investment options available to employees in their 401(k) plans, and another 29% are considering changes. The remaining companies, 48%, do not plan to make changes at this time.

"We're seeing some of the wide reaching ramifications of mutual fund wrongdoing," noted Colleen Sayther, President and CEO of FEI. "Companies have some hard decisions to make in terms of what's a reasonable response to an allegation about a 401(k) provider, but survey results indicate companies are voting with their feet. Defined contribution vendor relationships are typically very long term. The fact that half the firms in our survey may change their current investment vehicles represents a sea change."

Earnings and Other Key Corporate Measures To Increase

Eighty-eight percent of the surveyed CFOs expect corporate earnings to increase in 2004, with an average increase of 14% (median, 10%) over the next 12 months. This strong growth in earnings is brought about in part by continued strong growth in productivity, which is expected to increase 4% in 2004. The CFOs say that they expect the prices of their companies' products to increase by 2% over the next 12 months, a two-fold increase over the 1% price increase expected six months ago.

Merger and acquisition activity should pick up, to coincide with the expected economic recovery. CFOs expect that M&A activity at their firms will increase 10% in 2004, up significantly from growth predictions over the past year.

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To accompany increased employment, American companies expect to increase wages by 3.4% in the coming year, up slightly from earlier surveys. After declining for many quarters leading into the summer, overtime is expected to increase by 1.4% in 2004, just slightly down from last quarter's 1.9% growth prediction.

About the Survey

The CFO Outlook Survey, conducted by Financial Executives International and Duke University's Fuqua School of Business, interviewed 236 CFOs of U.S. companies electronically the second week of December. CFOs from both public and private companies and from a broad range of industries, geographic areas and revenues are represented. Among the industries represented are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, and banking/finance/insurance. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending, R&D spending, advertising spending, inventory, merger and acquisition activity, dividends, and prices of products. Employee-weighted mean growth rates are used for health care costs, productivity, wages, number of employees, outsourced employment, and overtime.

FEI and Fuqua have conducted surveys gauging the country's economic outlook from the perspective of corporate CFOs for the past seven years. Detailed results of this survey as well as other "CFO Outlook" surveys are available at http://www.cfosurvey.org

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.

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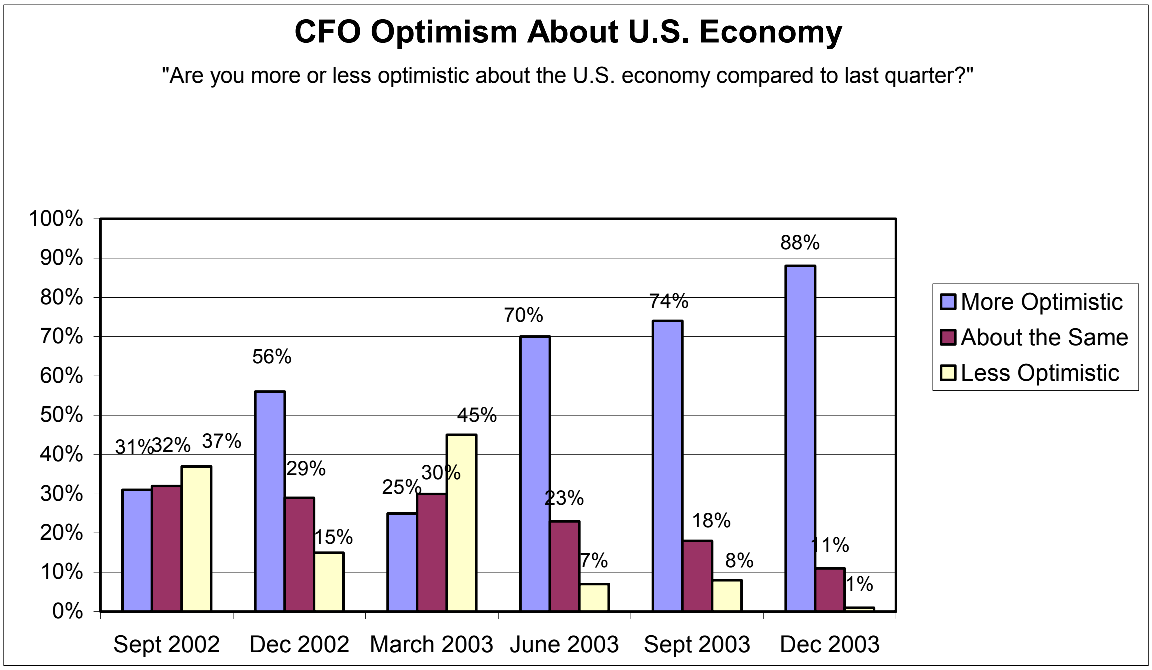
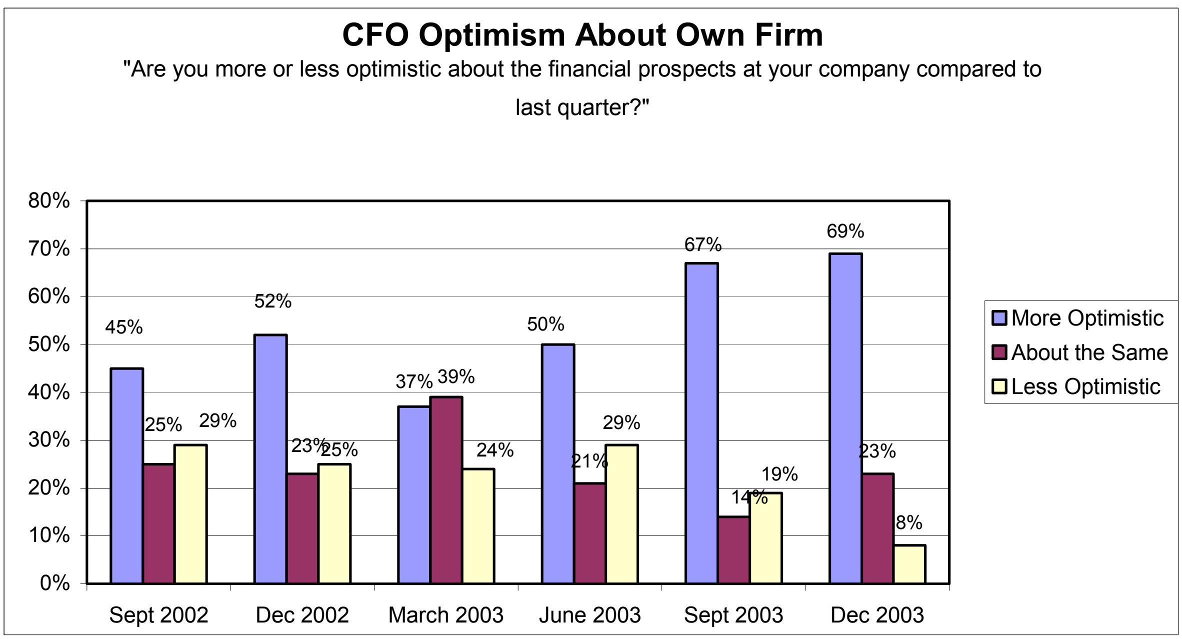

CFO Optimism About U.S. Economy
"Are you more or less optimistic about the U.S. economy compared to last quarter?"
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
31%
32%
37%
56%
29%
15%
25%
30%
45%
70%
23%
7%
74%
18%
8%
88%
11%
1%
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
More Optimistic
About the Same
Less Optimistic


CFO Optimism About Own Firm
"Are you more or less optimistic about the financial prospects at your company compared to last quarter?"
80%
70%
60%
50%
40%
30%
20%
10%
0%
45%
25%
29%
52%
23%
25%
37%
39%
24%
50%
21%
29%
67%
14%
19%
69%
23%
8%
Sept 2002
Dec 2002
March 2003
June 2003
Sept 2003
Dec 2003
More Optimistic
About the Same
Less Optimistic