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**SPECIAL CFO SURVEY:
CORPORATE AMERICA'S REACTIONS TO SEPTEMBER 11 ATTACKS**

DURHAM, N.C. and MORRISTOWN, N.J., October 8, 2001 — A special survey of Chief Financial Officers to gauge corporate America's reaction to the September 11th terrorist attacks found that 57% of CFOs expect the events to negatively impact their company's earnings over the coming year. However, despite the expected negative effect of the terrorist attacks, CFOs still predict moderate corporate earnings growth of 8.4% (median of 5%) on average during the next 12 months. These numbers are down from earnings predictions made in June 2001 of an average of 10% earnings growth.

In addition to earnings forecasts, the 669 CFOs who participated in the special survey conducted October 1-4, 2001 by Financial Executives International (FEI) and Duke University's Fuqua School of Business provided corporate policy information and economic forecasts.

Corporate Earnings Impacted

While the majority of firms (57%) who responded to the survey reported that the terrorist attacks on the U.S. will directly reduce their company's earnings in the coming year, 6% expect the events to have a positive impact on their company's earnings. Twenty-five percent expect no direct earnings impact; the remainder are unsure.

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Sixty-one percent of CFOs say that the earnings outlook for their *industry* is worse for the next 12 months. According to respondents, the banking and finance industry will be most affected with 80% of those CFOs predicting a reduction in their industry's outlook. The retail/wholesale industry will also be hit hard, with 71% predicting a drop in industry earnings as a result of the attacks.

Economic Rebound in 2002

Chief Financial Officers predict U.S. economic growth will be negative during the last two quarters of 2001 but foresee an economic rebound (at least 3% annual growth) for 2002.

The CFOs, on average, predict that U.S. GDP will shrink by 0.25% during the third quarter of 2001, and will shrink by 0.34% during the fourth quarter. Larger firms (those with sales of at least \$1 billion) were slightly less optimistic, predicting that U.S. GDP will shrink by 0.38% in the third quarter and by 0.73% in the fourth quarter.

Eighty-eight percent of CFOs expect an economic rebound in 2002, 17% predict the first half and 71% the second half. Twelve percent expect the recovery will come in 2003. Again, large firms (those with sales of at least \$5 billion annually) are less optimistic than smaller firms; 76% expect a recovery in 2002, while 24% expect the recovery to be delayed until 2003. Fewer than half a percent of all CFOs surveyed expect a rebound this year.

"CFOs in this survey see only a mild recession in 2001, followed by a return to normal economic growth in 2002," says John Graham, finance professor at Fuqua and the director of the survey.

Security and Air Travel Policy Response

Corporations have beefed up security and decreased business air travel in response to the September 11 terrorist attacks.

Forty-nine percent of the CFOs say that their firms initially postponed or cancelled company-related travel in response to the terrorist attacks; only 8% say that travel is curbed indefinitely. Large companies implemented the most changes in initial air travel policy, with 69% temporarily curbing travel.

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Forty-five percent of firms report plans to increase security measures in response to the terrorists attacks. Regionally, firms in the northeast are most likely to implement stricter security measures with 56% reporting plans to do so. The survey found a strong correlation between firm size and plans to increase security measures. Eighty-five percent of firms with sales of over \$5 billion will enhance security, while only 28% of companies with sales of less \$25 million will.

“Larger firms have more exposure and also are better able to afford to implement new policies,” noted Graham.

Employee Productivity and Capital Spending Effects

Seventy-one percent of companies plan no changes in capital spending as a result of the September 11th events. Twenty-six percent say they are postponing planned capital spending; the remaining 3% plan to accelerate capital spending.

Fifty-one percent of firms say that worker productivity has decreased due to the terrorist attacks. The effect is being most strongly felt in high-tech industries (e.g., software, biotech) where 66% of firms report a decrease in productivity. Fewer than 2% of CFOs report a boost in employee productivity.

About the Survey

The special CFO survey, conducted by Financial Executives International and Duke University's Fuqua School of Business, interviewed the CFOs of U.S. companies by an anonymous e-mail survey in the first week of October. 669 CFOs responded from companies representing a broad range of industries, geographic areas and revenues. Among the industries represented are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, and banking/finance/insurance.

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FEI and Fuqua have conducted surveys gauging the country's economic outlook from the perspective of corporate CFOs for the past five years. Detailed results of this survey as well as other "CFO Outlook" surveys are available at <http://www.duke.edu/~jgraham/fei.html> or www.duke.edu/%7ejgraham.

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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