

Orchard Finance Monitor

Presentation December 2011



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- Introduction
- Financial performance
- Balance sheet and capital structure development
- Trends in equity / share capital
- Interest-bearing debt composition
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Introduction

- Last year Orchard Finance Consultants (OFC) developed a database to monitor the financing and financing policies of the major Dutch publicly listed firms (excluding financial institutions and real estate investment trusts) on the basis of the annual reports
- Available databases are normally based on public financing transactions (e.g. listed bonds) or data from financial statements. In our database, we have included relevant statements from the executive board and disclosures on the financial statements
- This enables us to follow not only the trends and developments of capital structures and corporate funding, but also the transparency of disclosure and the stated financing policies
- This year we expanded our database by including the top 20 non-listed firms based on their sales performance of 2010 (for so far 2010 figures are available). This presentation discusses the financing and financing policies of 37 publicly-traded non-financial firms of the AEX* (17 firms) and AMX (20 firms) indices compared to non-listed (top 20)¹ firms over the period 2007 – 2010
- We end with an outlook

1: Excluding pure (commodity) traders and PE owned firms

| AEX* | AMX | Top 20 non-listed |
|---------------|---------------------|---------------------------------|
| Ahold | Aalberts Industries | Blokker |
| AirFrance-KLM | AMG | Cosun |
| AkzoNobel | Arcadis | Damen Shipyards |
| ASML | ASM | De Vierschaar (De Heus Voeders) |
| Boskalis | BAM | Delta |
| DSM | Brunel | Dura Vermeer Groep |
| Fugro | CSM | Eneco |
| Heineken | Heijmans | FrieslandCampina |
| KPN | Imtech | Handelsveem Beheer (Steinweg) |
| Philips | Logica | Luchthaven Schiphol |
| Randstad | Mediq | Nederlandse Gasunie |
| Reed Elsevier | Nutreco | Nederlandse Spoorwegen |
| SBM Offshore | Ordina | Pon Holdings |
| TNT | Pharming | Sperwer |
| TomTom | Ten Cate | TBI Beheer |
| Unilever | UNIT4 | The Greenery |
| WoltersKluwer | USG People | Van Oord |
| | Vopak | VDL Groep |
| | Wavin | VION Holding |
| | Wessanen | VolkerWessels |
| 17 companies | 20 companies | 20 companies |

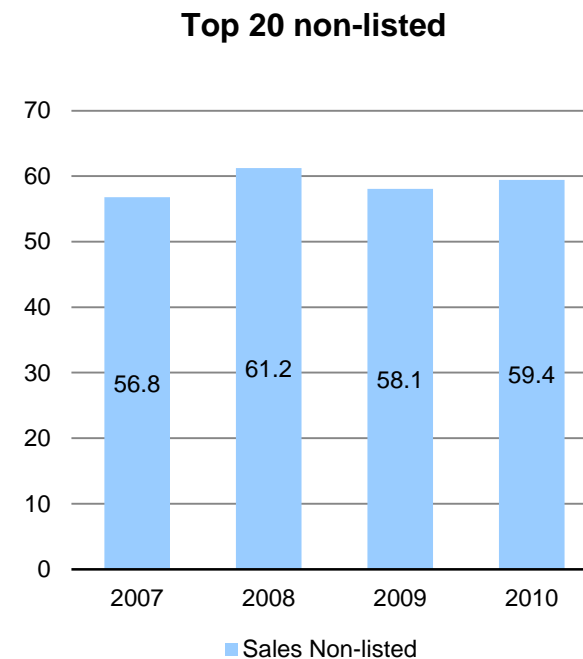
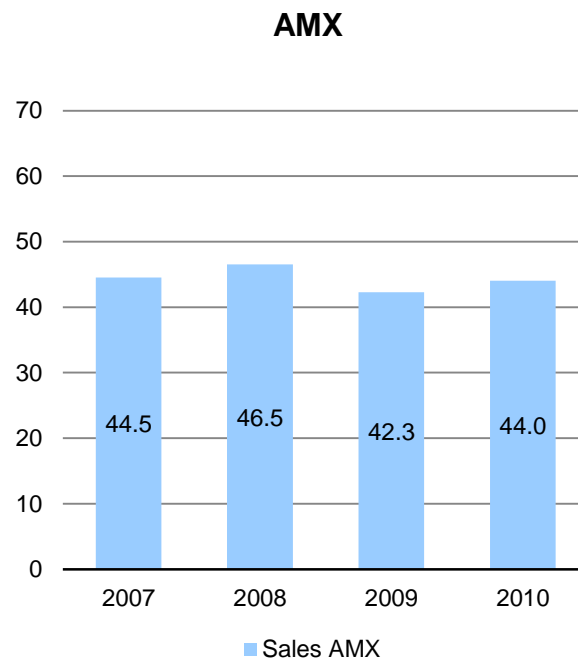
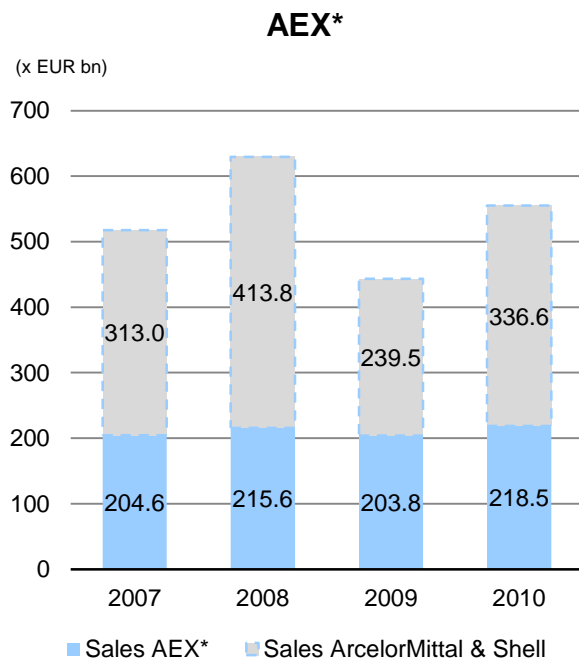
*: excl. ArcelorMittal and Shell

Note: average sales for these groups in 2010 was EUR 12.9bn (AEX*), EUR 2.6bn (AMX) and EUR 3.5bn (Top 20 non-listed)

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Revenues fueled by economic recovery and favorable currency effects, organic growth limited for both listed and non-listed firms

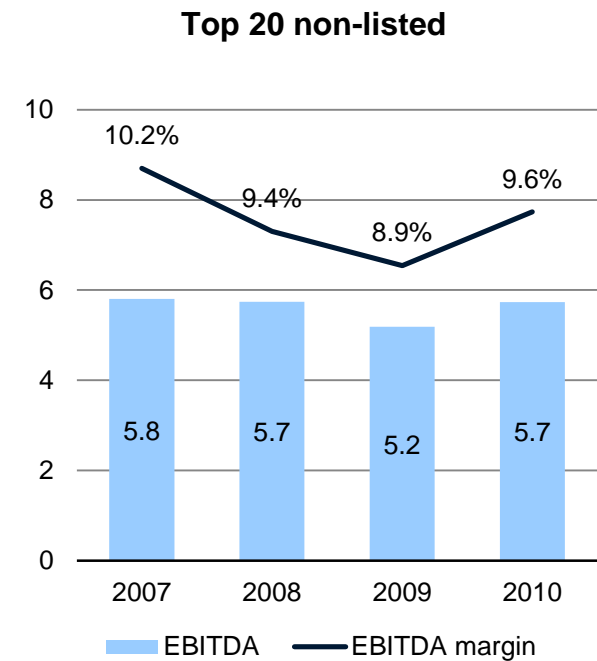
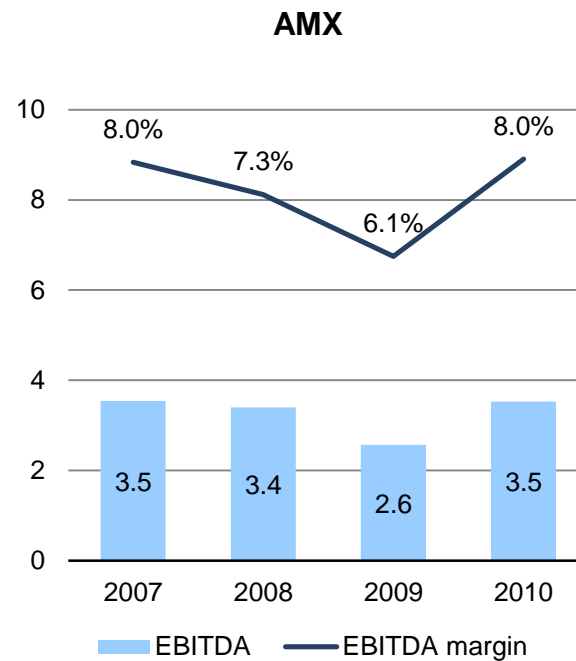
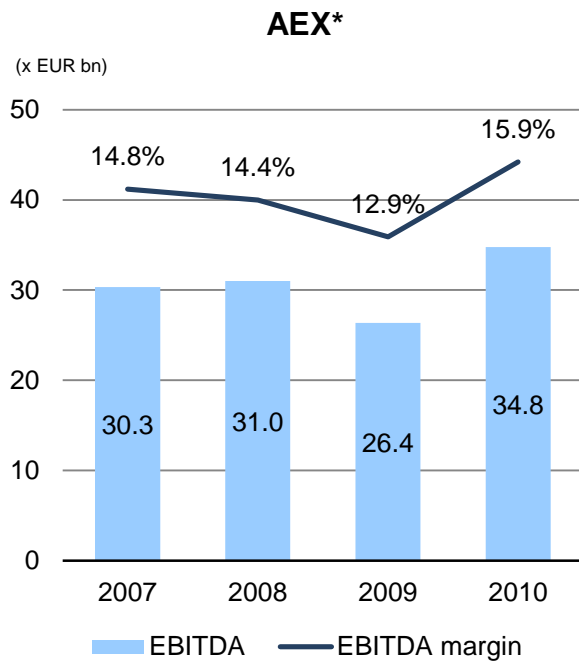


- Sales growth of 7.2% in 2010
- Economic recovery one of key drivers for growth in sales (e.g. ASML +182%)
- Favorable currency effects increased revenues of AEX* firms (e.g. Philips)

- Sales growth of 4.2% in 2010
- Cyclical industries strongly benefited from economic recovery (e.g. Aalberts, ASMI)
- Difference in growth with AEX caused by late cyclical companies (e.g. BAM, Heijmans)

- Sales growth of 2.4% in 2010
- Netherlands primary market of non-listed firms, no impact of positive currency effects
- Overall organic growth of non-listed firms also limited like AEX* and AMX firms

Operating profit at near record levels due to heavy cost cutting during the crisis



- EBITDA of AEX* increased by 31.9%
- EBITDA margins at record levels

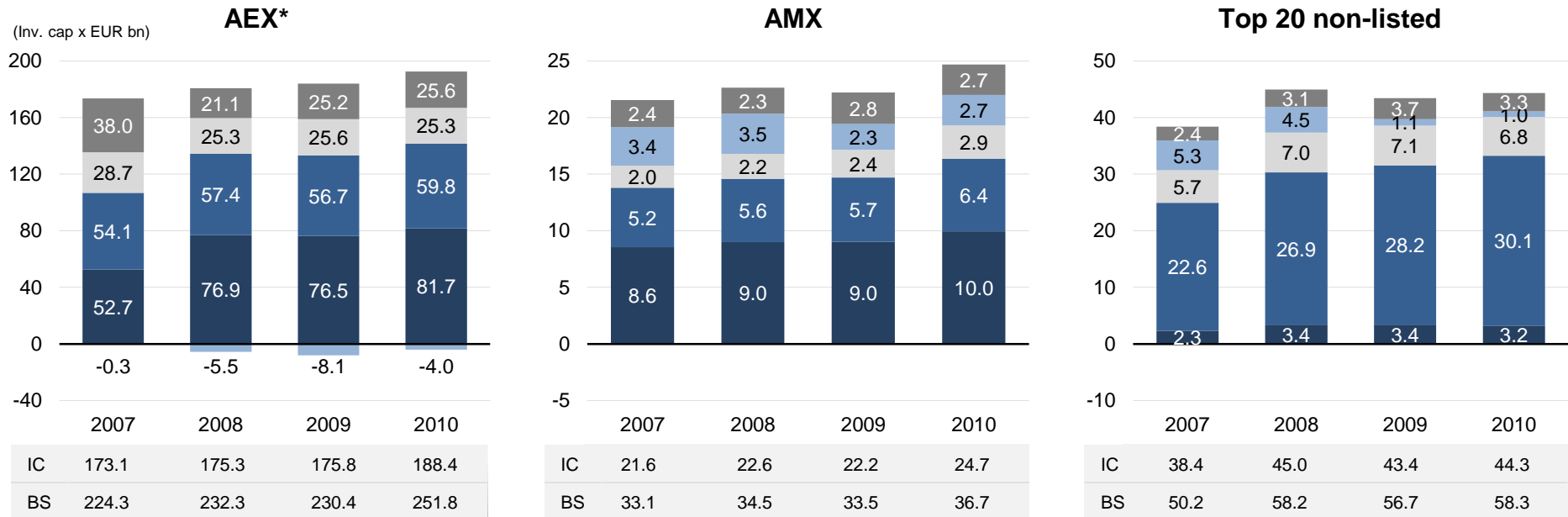
- EBITDA of AMX increased by 37.5%
- EBITDA margin back to 2007 pre-crisis levels

- EBITDA of non-listed increased by 10.9%
- EBITDA margin almost back to 2007 pre-crisis levels

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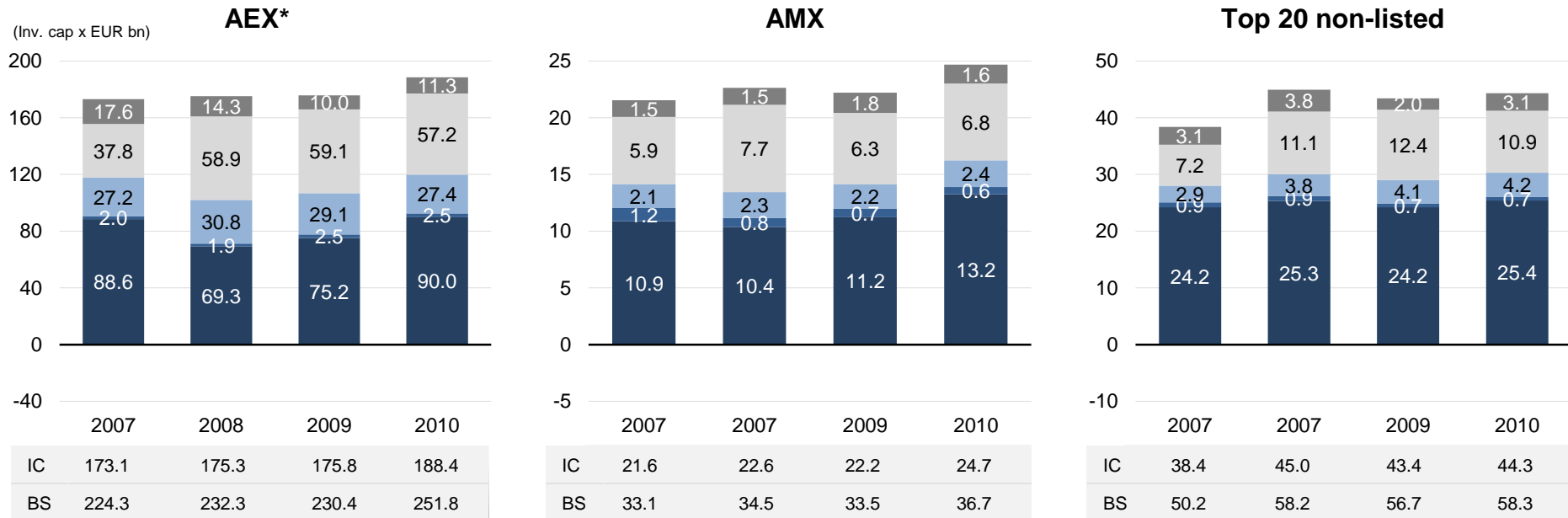
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Growth in assets regained momentum through large acquisitions



- Several companies used their strong balance sheet for further expansion in wake of the economic recovery, which resulted in a large number of acquisitions in 2010 (e.g. Boskalis, CSM, Heineken, Imtech and Unilever)
- Net working capital increased for AEX* and AMX after record lows in 2009, slight decrease for non-listed in 2010
- Cash and cash equivalents fairly stable, except for small decrease for non-listed firms

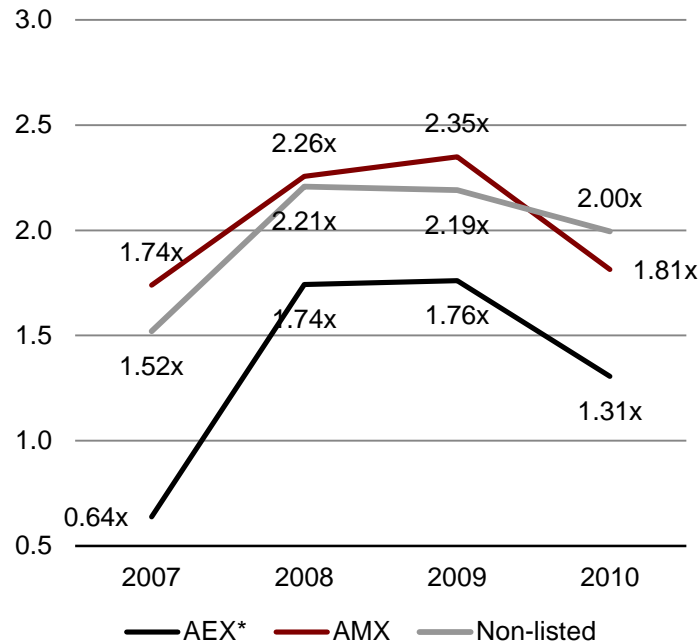
Equity at record levels in 2010



- No significant changes in the amounts of interest-bearing debt outstanding, slight reduction for non-listed firms
- Mezzanine (or hybrid capital) remains limited in size, slight decrease for AMX firms, fairly stable for AEX* and non-listed
- Growth in assets, particularly fixed assets, is mainly financed by equity

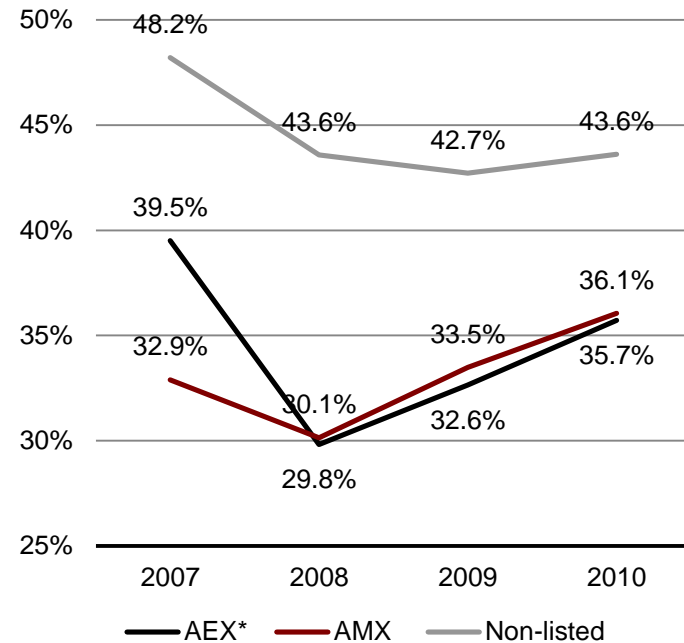
Further improvement in capital structure

Net debt / EBITDA



- Strong growth in EBITDA and fairly stable net debt resulted in a strong decrease in leverage for AEX* (1.31x) and AMX (1.81x) in 2010
- Leverage of non-listed firms slightly improved to 2.00x

Solvency

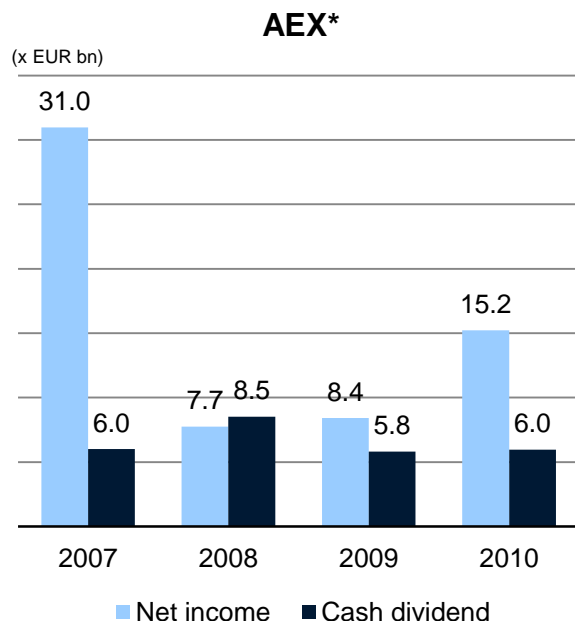


- Listed firms: since 2008 continued improvements in solvency due to strong increase in equity
- Non-listed firms have significant higher solvency levels than listed firms, due to the presence of utilities

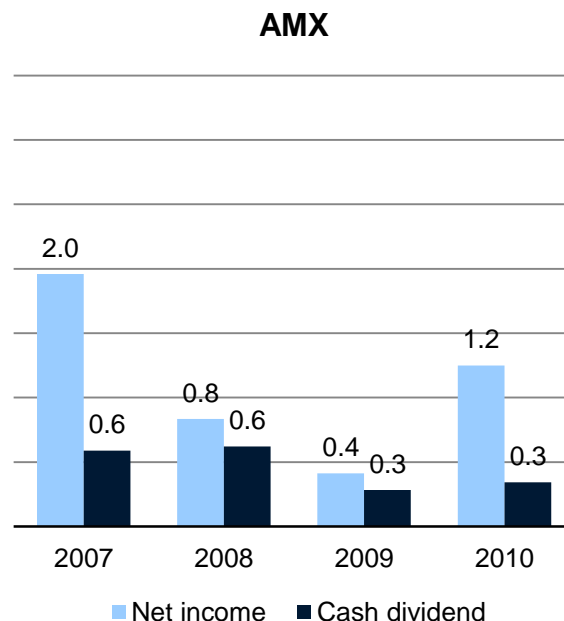
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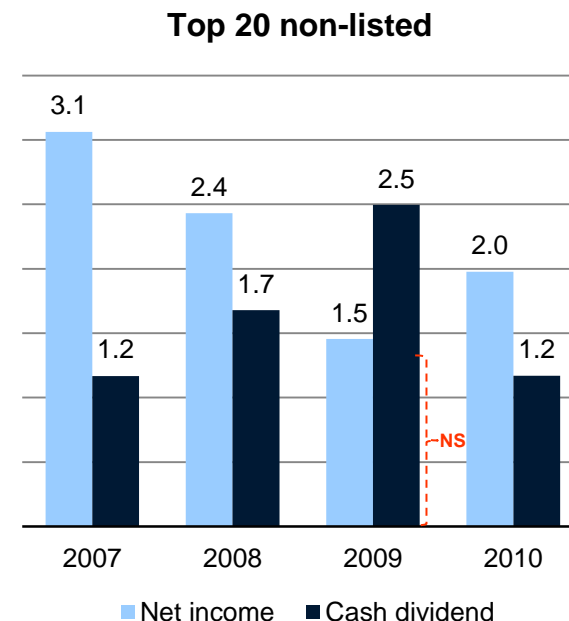
Strong financial performance reflected in retained earnings and cash dividend



- Net income increased by 80.7%
- Cash dividend slightly increased by 2.6%
- Proposed dividend per share increased by 16.1%, Randstad (re-)started proposing dividend

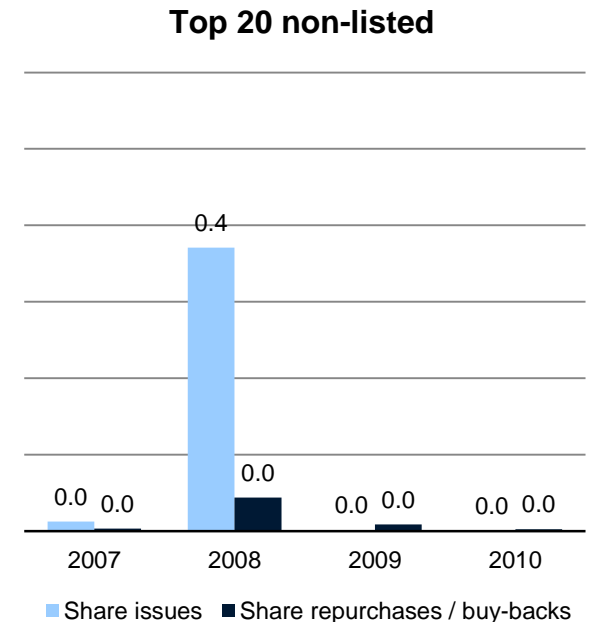
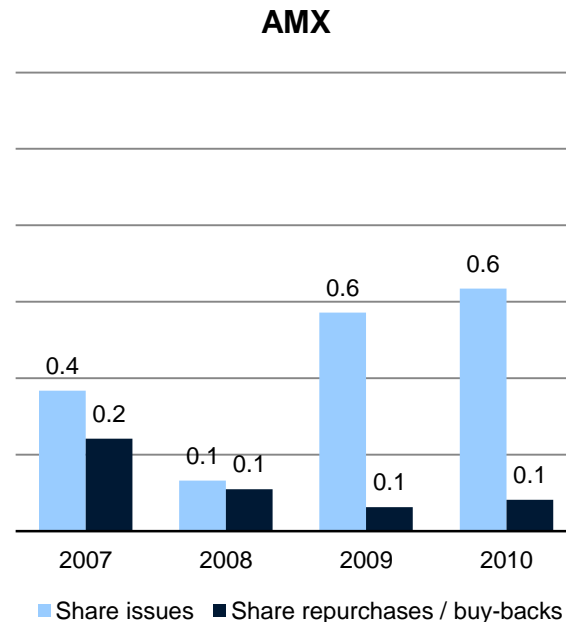
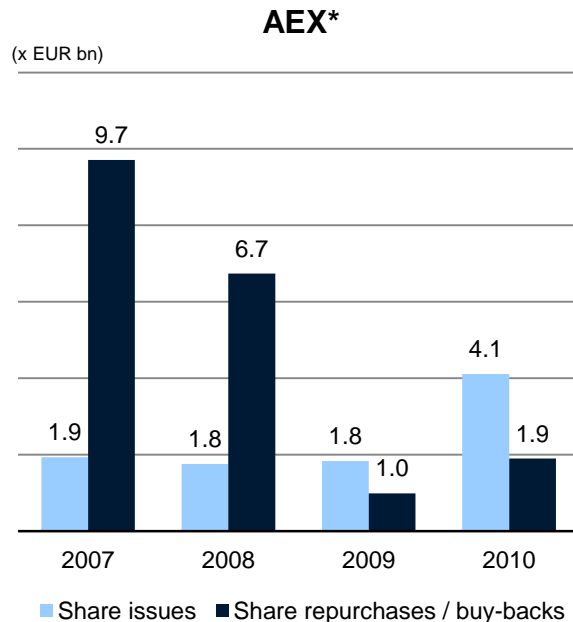


- Net income increased by 203.8%
- Cash dividend increased by 21.8%
- Proposed dividend per share increased by 9.8%, ASMI, Heijmans, USG people and Wessanen (re-)started proposing dividend for 2011



- Net income increased by 35.9%
- Cash dividend decreased by 53.1% (impacted by super dividend of NS in 2009 (EUR 1.4bn), otherwise increase of 7%)
- Dividend (per share) for 2011 expected to remain stable for non-listed firms

Share capital



- Increase in share issues in 2010 to finance mergers and acquisitions: Heineken (Femsa) and Boskalis (Smit)
- Share repurchases almost doubled as KPN (EUR 1.0bn), Ahold (EUR 0.4bn) and Heineken (EUR 0.5bn) bought back shares in line with their buy-back programs

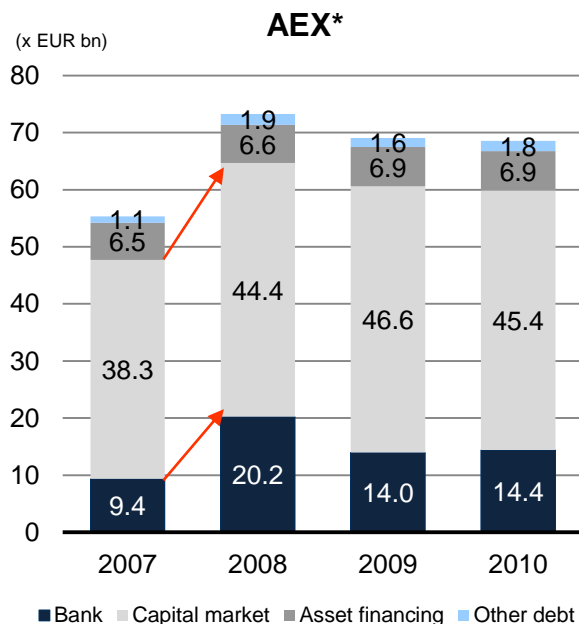
- Rights issues for BAM Group and USG People, Imtech raised capital for growth strategy (9 takeovers in 2010)
- Share repurchases amounted to EUR 81m and were primarily for equity-based incentives purposes

- Changes in share capital fractional for non-listed firms
- Notable is the issue in 2008 which is entirely attributable to Schiphol who issued EUR 370m shares to acquire 8% in Aéroports de Paris SA

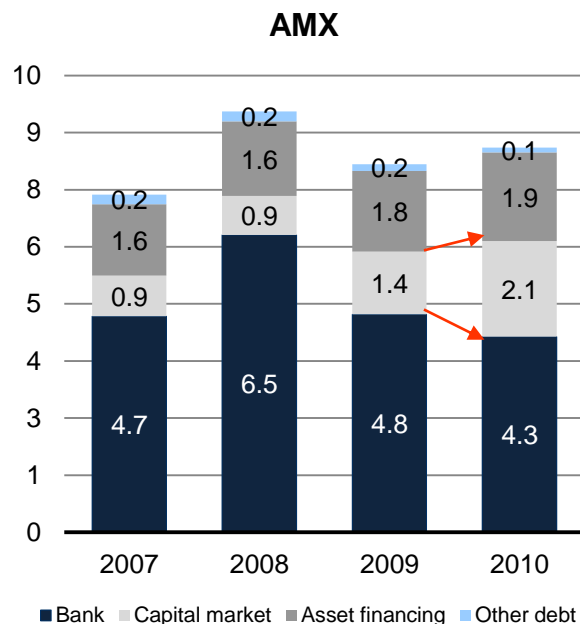
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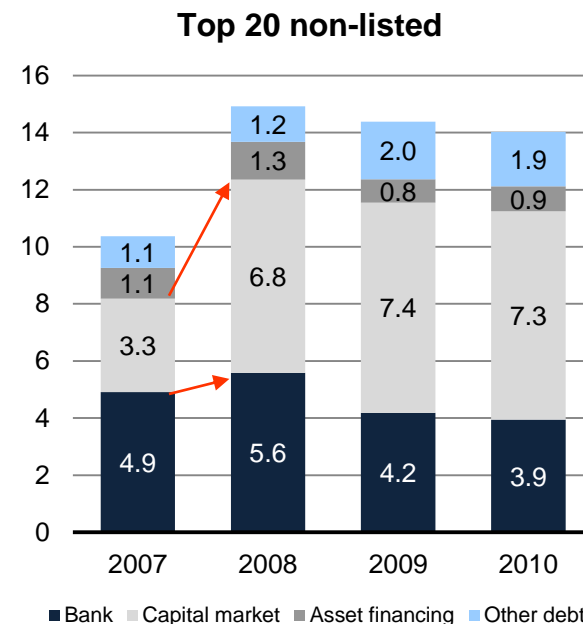
Interest-bearing debt stabilized in 2010. Importance of debt capital markets significantly increased since 2008



- Fairly stable level of interest-bearing debt (marginal decrease by 0.7%)
- Total funding mix remains unchanged as debt capital market is still main funding source



- Increase in interest-bearing debt in 2010 (+2.9%)
- More pronounced shift towards debt capital market instruments in 2010, as more companies use private placements to reduce their dependency on bank financing



- Stable debt level (marginal decrease by 2.4% in 2010)
- Main funding source is capital markets
- Significant portions of other debt types (e.g. EIB debt and green funds)*.

More companies are entering the debt capital markets, overall volume growth of 3% to EUR 54.8 billion

| (x EUR bn) | | Debt capital market instruments | | | | Development | | | |
|---------------------|------------|---------------------------------|-------------|--------------------|------------------|-------------|-------------|------------|------------|
| General | | | | | | | | | |
| Company | index | bonds | notes | private placements | commercial paper | 2010 | 2009 | delta | % |
| KPN | AEX | 12.2 | - | - | - | 12.2 | 13.2 | -1.0 | -7% |
| Unilever | AEX | 4.8 | 1.9 | - | 0.4 | 7.2 | 7.0 | 0.1 | 2% |
| Reed Elsevier | AEX | - | 4.6 | - | 0.4 | 5.0 | 5.2 | -0.2 | -4% |
| Heineken | AEX | 1.0 | 1.9 | 1.9 | - | 4.8 | 3.4 | 1.5 | 44% |
| Nederlandse Gasunie | Non-listed | 3.6 | - | - | - | 3.6 | 3.6 | 0.0 | 0% |
| Philips | AEX | 3.4 | - | - | - | 3.4 | 3.2 | 0.2 | 6% |
| AkzoNobel | AEX | 3.2 | - | - | - | 3.2 | 3.4 | -0.2 | -5% |
| DSM | AEX | 1.7 | - | 0.3 | 0.1 | 2.1 | 2.2 | -0.1 | -5% |
| WoltersKluwer | AEX | 1.5 | - | 0.4 | - | 1.9 | 1.6 | 0.3 | 17% |
| Eneco | Non-listed | - | - | 1.7 | - | 1.7 | 1.7 | 0.1 | 4% |
| Luchthaven Schiphol | Non-listed | - | 1.6 | - | - | 1.6 | 1.7 | -0.1 | -9% |
| TNT | AEX | 1.5 | - | - | - | 1.5 | 1.5 | 0.0 | 1% |
| Ahold | AEX | - | 1.5 | - | - | 1.5 | 1.7 | -0.3 | -15% |
| Vopak | AMX | - | - | 1.5 | - | 1.5 | 1.1 | 0.4 | 34% |
| Air France-KLM | AEX | 1.5 | - | - | - | 1.5 | 1.5 | 0.0 | 0% |
| ASML | AEX | 0.7 | - | - | - | 0.7 | 0.7 | 0.0 | 2% |
| Boskalis | AEX | - | - | 0.4 | - | 0.4 | 0.0 | 0.4 | - |
| FrieslandCampina | Non-listed | - | - | 0.3 | - | 0.3 | 0.1 | 0.2 | 207% |
| Nutreco | AMX | - | - | 0.2 | - | 0.2 | 0.2 | 0.0 | 9% |
| CSM | AMX | - | - | 0.2 | - | 0.2 | 0.0 | 0.2 | - |
| Cosun | Non-listed | - | - | 0.1 | - | 0.1 | 0.1 | 0.0 | 4% |
| Fugro | AMX | - | - | 0.1 | - | 0.1 | 0.1 | 0.0 | 7% |
| Logica | AMX | - | - | 0.1 | - | 0.1 | 0.0 | 0.1 | - |
| Mediq | AMX | - | - | 0.1 | - | 0.1 | 0.1 | 0.0 | 6% |
| Randstad | AEX | 0.0 | - | - | - | 0.0 | 0.0 | 0.0 | - |
| USG People | AMX | - | - | - | 0.0 | 0.0 | 0.0 | 0.0 | -68% |
| AEX | 14 | 31.6 | 9.8 | 3.0 | 0.9 | 45.3 | 44.6 | 0.8 | 2% |
| AMX | 7 | - | - | 2.2 | 0.0 | 2.2 | 1.5 | 0.7 | 49% |
| Non-listed | 5 | 3.6 | 1.6 | 2.1 | - | 7.3 | 7.2 | 0.1 | 1% |
| Total | 26 | 35.2 | 11.4 | 7.3 | 0.9 | 54.8 | 53.2 | 1.6 | 3% |

New issuers enter the debt capital markets (primarily private placements) in order to diversify their funding base:

- Boskalis issued a EUR 354 million private placement loan in the United States and the United Kingdom
- CSM issued a USD 300 million private placement
- Logica also issued private placements for a combined total of EUR 104 million, but this amount is divided over two issues. A EUR 56.2 million (GBP 48.0 million) private placement was signed on 21 April 2010 followed by a GBP 40 million private placement on 25 November 2010

Bank debt: significant refinancing activity in 2010 and HY1 2011

| General | | Deal characteristics | | Refinancing motives | | | |
|----------------|------------|----------------------|--------------------|---------------------|----------|-----------|---------------|
| Company | Index | Size | Maturity | Increase | Decrease | Extension | Renegotiation |
| | | (in EUR mn) | (year) | | | | |
| 2010 | | | | | | | |
| AMG | AMX | 208 | 2012 | | | | ● |
| ASMI | AMX | 90 | 2012 | ● | | | |
| ASML | AEX | 500 | 2015 | | | ● | ● |
| BAM | AEX | 1,035 | 2013 | | ● | ● | ● |
| Boskalis | AEX | 400 - 350 - 300 | 2010 - 2013 - 2015 | ● | | ● | ● |
| Fugro | AEX | 100 | 2012 | ● | | | |
| Imtech | AMX | 700 | 2015 | ● | | ● | ● |
| Mediq | AMX | 107 | - | ● | | | |
| Nutreco | AMX | 500 | 2014 | | ● | ● | ● |
| Philips | AEX | 1,800 | 2015 | ● | | ● | ● |
| Reed Elsevier | AEX | 1,500 | 2013 | | | | ● |
| SBM Offshore | AEX | 563 | 2015 | ● | | ● | ● |
| Ten Cate | AMX | 450 | 2015 | ● | | ● | ● |
| VION | Non-listed | 1,100 | 2015 | ● | | ● | |
| Wavin | AMX | 500 - 475 | 2011 - 2013 | | | ● | ● |
| Wolters Kluwer | AEX | 600 | 2015 | | ● | ● | ● |
| 2011 | | | | | | | |
| AirFrance-KLM | AEX | 1,060 | 2016 | ● | | ● | |
| AMG | AMX | 225 | 2016 | ● | | ● | |
| Heineken | AEX | 2,000 | 2016 | | | ● | ● |
| Philips | AEX | 1,800 | 2016 | | | ● | ● |
| TNT | AEX | 570 - 570 | 2016 | ● | | ● | |
| TomTom | AEX | 250 - 150 | 2016 | ● | | ● | ● |
| Vopak | AMX | 1,200 | 2016 | ● | | ● | ● |
| Total | 20 | 18,378 | - | 14 | 3 | 18 | 16 |

Source: Annual reports, AFM, FD, Press releases

Note: Van Oord and Cosun also completed refinancing transactions, but these are not publicly disclosed

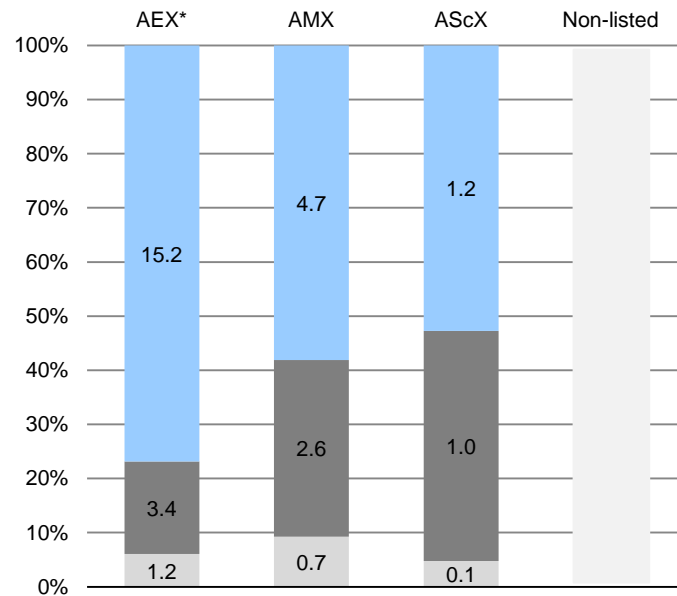
Significant refinancing activity took place in 2010 in anticipation of the so-called 'wall-of-debt' and this trend continues in HY1 2011

Refinancing motives

- Majority of companies extended the maturity dates of their financing for up to five years (18)
- Majority of companies increased the size of available credit facilities in line with growth ambitions (14)
- Reduction in available credit facilities mostly due to lower financing needs and issuance of alternative debt instruments (3)
- Benefit from improved market conditions in order to achieve more favorable terms and conditions (16)

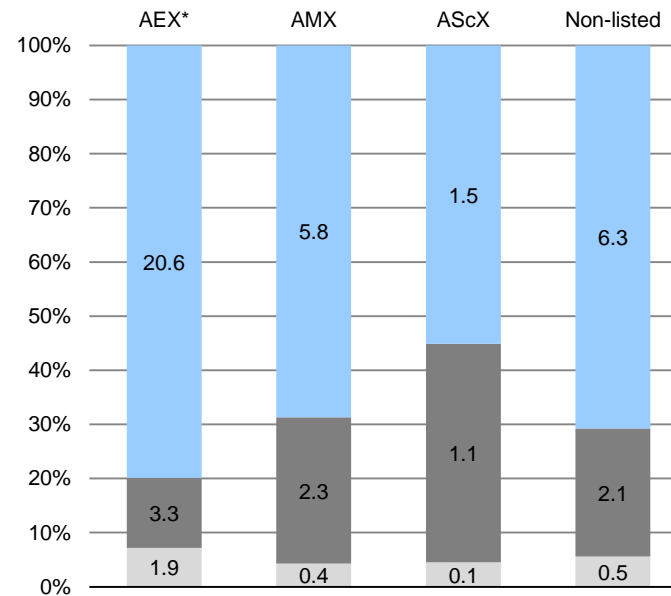
Significant headroom under credit facilities at year-end 2010

2009



| | | | | |
|-------------------|------|-----|-----|---|
| Credit facilities | 19.8 | 8.0 | 2.3 | - |
| Utilization | 4.6 | 3.4 | 1.1 | - |
| Loans | 9.4 | 1.4 | 0.3 | - |

2010



| | | | | |
|-------------------|------|-----|-----|-----|
| Credit facilities | 25.8 | 8.4 | 2.7 | 8.9 |
| Utilization | 5.2 | 2.6 | 1.2 | 2.6 |
| Loans | 9.2 | 1.6 | 0.3 | 1.4 |

Amounts x EUR bn
% Utilization of credit facilities

- Undrawn portion of available credit facilities
- Drawn portion under committed credit facilities
- Drawn portion under uncommitted credit facilities

- The difference in utilization rates reflects the difference in diversification of funding sources
- (Investment grade) AEX companies have taken advantage of market circumstances to increase the size of their credit facilities

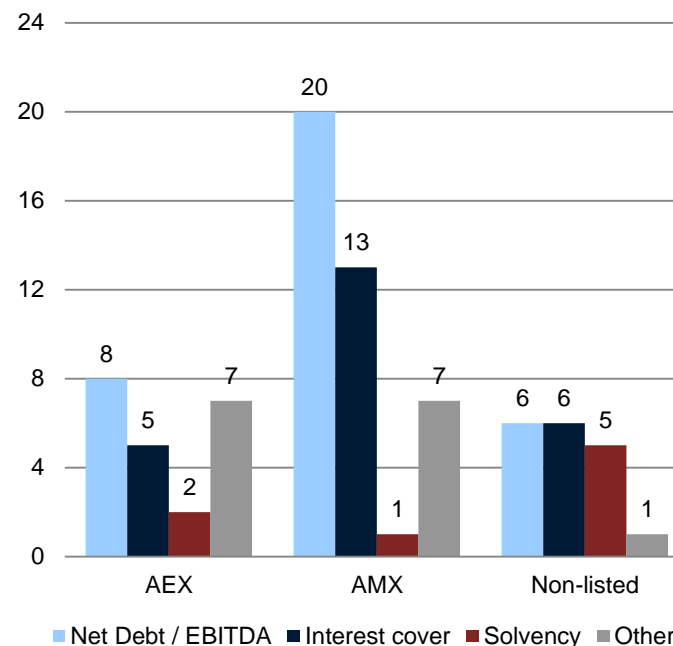
Number and type of financial covenants remained unaltered for listed firms. Disclosure non-listed firms very limited

Number of financial covenants

| Financial covenants | AEX* | AMX | non-listed |
|---------------------------------|------|-----|------------|
| No covenants mentioned | 9 | 2 | 13 |
| 1 financial covenant | 5 | 4 | 1 |
| 2 financial covenants | 2 | 8 | 2 |
| 3 financial covenants | 1 | 4 | 3 |
| 4 financial covenants | 0 | 0 | 0 |
| >4 financial covenants | 2 | 2 | 1 |
| Total number of companies | 19 | 20 | 20 |
| No. of companies with covenants | 10 | 18 | 7 |
| Number of covenants | 22 | 41 | 18 |
| Average per company | 2.2 | 2.3 | 2.6 |

- Firms, on average, have 2.3 financial ratios*

Frequency of financial covenants



- Leverage ratio is by far the most common financial ratio**

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Financing policy disclosure in terms of explicit quantitative targets higher for listed than non-listed firms

| | Financing policy element | Best practice examples | | | | | | | | | | | | | | | | |
|--|--------------------------|------------------------|--------------|--------------|------|---|---|----|-----|----|---|----|------------|---|---|----|--|---|
| <table border="1"> <caption>Target capital structure</caption> <thead> <tr> <th>Category</th> <th>Quantitative</th> <th>Qualitative</th> <th>No statement</th> </tr> </thead> <tbody> <tr> <td>AEX*</td> <td>7</td> <td>9</td> <td>1</td> </tr> <tr> <td>AMX</td> <td>11</td> <td>7</td> <td>2</td> </tr> <tr> <td>Non-listed</td> <td>2</td> <td>3</td> <td>15</td> </tr> </tbody> </table> | Category | Quantitative | Qualitative | No statement | AEX* | 7 | 9 | 1 | AMX | 11 | 7 | 2 | Non-listed | 2 | 3 | 15 | <p>Target capital structure</p> <ul style="list-style-type: none"> Most frequently reported target financing ratios were net debt / EBITDA, Interest cover and solvency in 2010. | <p><i>Heijmans</i>: “An optimum financing structure is based on (1) net interest-bearing debt divided by equity not exceeding 100% and (2) net interest-bearing debt, after deduction of cumulative financing preference shares and non-recourse PPP financing, divided by EBITDA of not more than 3.0 and an interest coverage ratio of not less than 4.0.”</p> |
| Category | Quantitative | Qualitative | No statement | | | | | | | | | | | | | | | |
| AEX* | 7 | 9 | 1 | | | | | | | | | | | | | | | |
| AMX | 11 | 7 | 2 | | | | | | | | | | | | | | | |
| Non-listed | 2 | 3 | 15 | | | | | | | | | | | | | | | |
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| Category | Quantitative | Qualitative | No statement | | | | | | | | | | | | | | | |
| AEX* | 4 | 2 | 11 | | | | | | | | | | | | | | | |
| AMX | 0 | 0 | 20 | | | | | | | | | | | | | | | |
| Non-listed | 0 | 0 | 20 | | | | | | | | | | | | | | | |
| <table border="1"> <caption>Target funding mix</caption> <thead> <tr> <th>Category</th> <th>Quantitative</th> <th>Qualitative</th> <th>No statement</th> </tr> </thead> <tbody> <tr> <td>AEX*</td> <td>0</td> <td>6</td> <td>11</td> </tr> <tr> <td>AMX</td> <td>0</td> <td>3</td> <td>17</td> </tr> <tr> <td>Non-listed</td> <td>0</td> <td>0</td> <td>20</td> </tr> </tbody> </table> | Category | Quantitative | Qualitative | No statement | AEX* | 0 | 6 | 11 | AMX | 0 | 3 | 17 | Non-listed | 0 | 0 | 20 | <p>Target funding mix</p> <ul style="list-style-type: none"> Information about funding, in terms of access to funding markets and/or the usage of specific financing instruments is limited. | <p><i>Vopak</i>: “...The focus of our strategic finance funding policy is to ensure flexible access to various capital markets and funding sources to support Vopak’s Growth Strategy...The group works actively to maintain and further develop the diversified funding base it already has, with regard to the number of markets and the number of investors. “</p> |
| Category | Quantitative | Qualitative | No statement | | | | | | | | | | | | | | | |
| AEX* | 0 | 6 | 11 | | | | | | | | | | | | | | | |
| AMX | 0 | 3 | 17 | | | | | | | | | | | | | | | |
| Non-listed | 0 | 0 | 20 | | | | | | | | | | | | | | | |
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| Category | Quantitative | Qualitative | No statement | | | | | | | | | | | | | | | |
| AEX* | 2 | 6 | 9 | | | | | | | | | | | | | | | |
| AMX | 1 | 0 | 19 | | | | | | | | | | | | | | | |
| Non-listed | 1 | 0 | 19 | | | | | | | | | | | | | | | |
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| Category | Quantitative | Qualitative | No statement | | | | | | | | | | | | | | | |
| AEX* | 4 | 0 | 13 | | | | | | | | | | | | | | | |
| AMX | 1 | 2 | 17 | | | | | | | | | | | | | | | |
| Non-listed | 1 | 2 | 17 | | | | | | | | | | | | | | | |

Dividend policy improved, more companies pay stock dividend

| | Key elements | Example | 2009 | 2010 | Change |
|---------------------|--|--|---|---|--------|
| Measure | Measure of dividend disclosed | Imtech: "The aim of the dividend policy is to distribute to shareholders 40% of Imtech's net profit, excluding exceptional items." | 26 | 28 | ↑ |
| | Target payout of range disclosed | Wessanen: "As a policy, Wessanen aims to pay out a dividend of between 35-45% of its net result, excluding major non-recurring effects." | 24 | 22 | ↓ |
| Preconditions | Dividend policy linked to capital structure and other financing requirements | Ahold: "The policy states that Ahold intends to increase future annual dividends while meeting the capital needs of the business and maintaining an efficient investment grade capital structure." | 8 | 8 | = |
| | Dividend policy subject to credit agreements | Wavin: "Wavin will be subject to restrictions on the distribution of cash dividends as a result of the amendment and extension of our syndicated credit facilities." | 1 | 2 | ↑ |
| Distribution method | Offered option for distribution in stock or cash dividend | DSM: "The dividend will be payable in cash or in the form of ordinary shares at the option of the shareholder." | 14 | 17 | ↑ |
| | Frequency of dividend distribution | AkzoNobel: "We have announced a simplified dividend policy and intend to pay a stable to rising dividend, whereby a cash interim and final dividend will be paid." | 19 annual 7 semi-annual 1 quarterly | 19 annual 8 semi-annual 1 quarterly | ↑ |

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Outlook for the coming years

Extensive refinancing is in 2011 slowing down, outlook is uncertain

- Until August 2011 market circumstances were very favorable, allowing companies to increase headroom, extent maturities and improve conditions
- Renewed worries over the Eurozone have put the spotlight again on inherent weaknesses in the banking system worldwide.
- The acquisition of C1000 by Jumbo illustrates that there is still liquidity for companies with a strong credit profile in non cyclical industries. This transaction also marks the segmentation in the credit market as banks seem more and reluctant to lend to companies with moderate credit profiles

Further increase in demand for alternative funding sources

- Banking market under (further) pressure due to new regulations (Basel III)
- Reduction dependency on bank debt remains high priority
- Increased activity in debt capital markets, including new issuers:
 - US private placements in 2011 (Van Oord, Arcadis and Fugro)
 - Vitens issued a EUR 20m private placements in Germany
 - High-Yield issues by UPC (USD 1.0bn in January and EUR 750m in March) and Refresco (EUR 660m)

Managing strong balance sheet efficiently

- Potential slowdown in M&A activity compared to 2010 and 2011
- Shareholders demand higher capital distributions (Teslin: “dividends up to 100% of earnings “should be starting point for dialogue between the firm and its shareholders)
- New share buyback programs announced in 2011 by Ahold (EUR 1.0bn), ASML (EUR 1.0bn) and Wolters Kluwer (EUR 100m). KPN continued to buy back shares for an amount of EUR 1.0bn in 2011. After Q2 releases, more companies announced buy-backs, for example Philips (EUR 2.0bn) and TMG (5% of outstanding shares)

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Who is Orchard Finance Consultants?

- Orchard Finance offers consultancy services to senior management in the fields of Treasury and Finance
- Orchard Finance is fully independent
- Orchard Finance seeks an active partnership with her clients
- Orchard Finance has established a proven track record with corporates, privately-owned companies and (semi-) governmental institutions
- Orchard Finance has an enthusiastic and ambitious team of (associated) consultants

Who is Carnegie Consult?

- Carnegie Consult is fully independent
- Carnegie Consult uses a corporate finance approach
- Carnegie Consult is located at the intersection of public / private and financial sector
- Carnegie Consult emphasizes the integrated assessment of the feasibility and capacity of finance of investments and projects
- Carnegie Consult has sustainability as a key to its advisory

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