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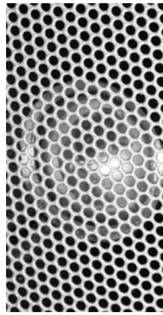
Positive Outlook
Central Europe CFO Survey 2015







2015 results | 6th edition
Slovakia

powered by The CFO Program

Contents

Introduction

The CFO survey is one of the key elements of the global Deloitte CFO Programme. This programme is our way of supporting CFOs through the many challenges and opportunities they face in their roles.

We are continuously facing overall globalization; the world becomes smaller through digitalization, and this new era has significantly contributed to changes in customer patterns. Recent years have also shown a shift in the focus of CFOs and their finance teams; the complexity of today's operating environment necessitates a continued need for a leaner and more responsive finance function. The synergies resulting from the combination of finance and technology functions have an increasing role to play in contributing to strategic decision making, driving business performance, and acting as a catalyst for change. While business partnering can be variously manifested across organizations, a common theme is the focus on improved business performance and shareholder value.

There are several main attributes such as changing customer patterns, sustainable creating of new businesses, and ways of generating

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revenues that allow CFOs to gauge their current business phase, and to face the future with this knowledge in mind. CFOs must have an excellent understanding of where their industry is going and an acute awareness of new global trends; in this way new business and additional revenues can be developed and generated. This is particularly important in today's economic landscape, where financial executives and corporate leaders seek signs of future developments and sustained economic recovery to confirm strategies that drive meaningful innovation and growth. Deloitte's sixth CFO survey gives us insights into Slovak CFOs' thoughts and plans for the months ahead.

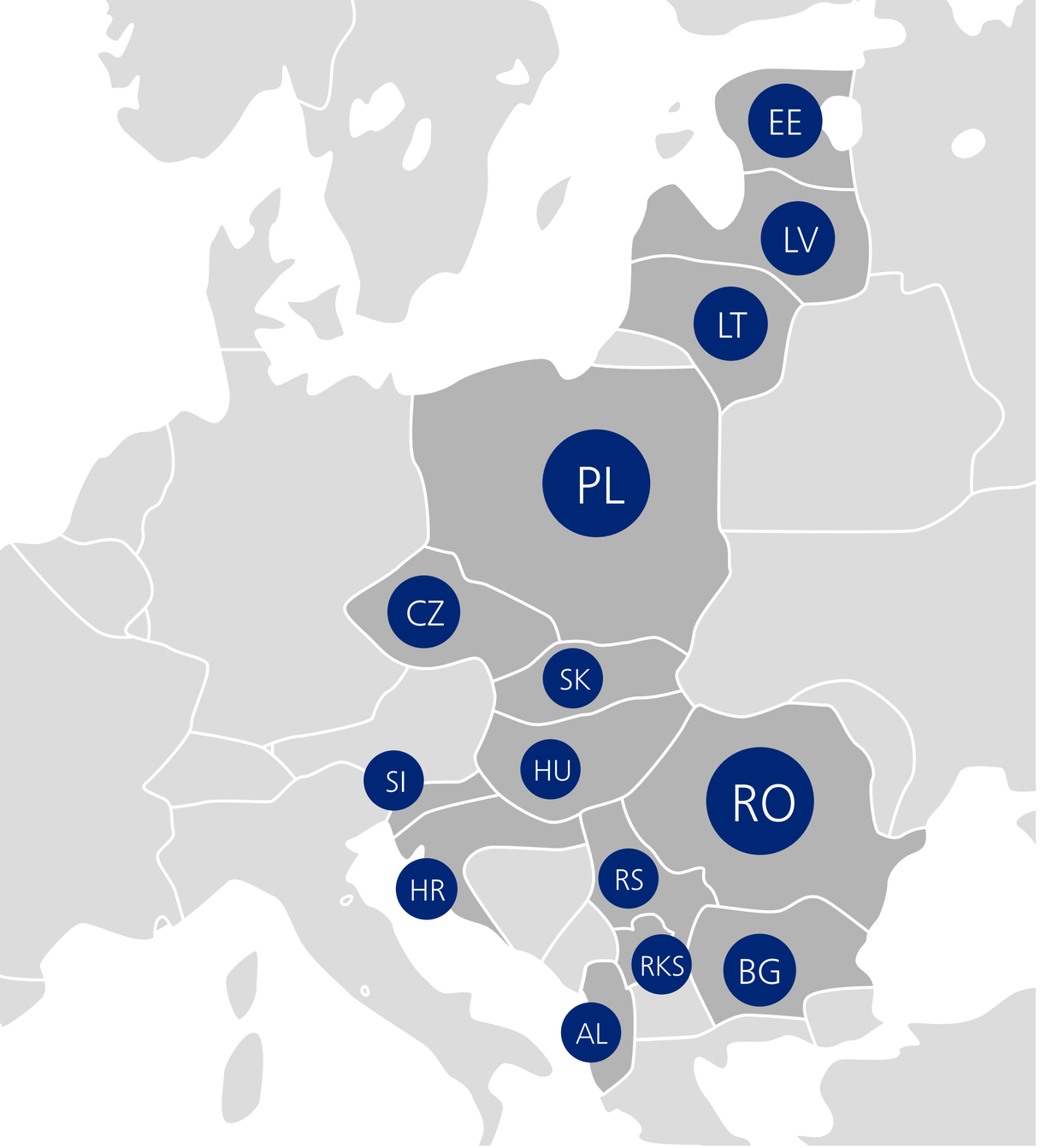
Finance teams should be given the right training and tools that allow them to do their jobs properly. Such teams must also leverage investments in the technological environment in order to maximize their performance.

That many CFOs remain cautious is a reasonable approach, since turbulent developments persist in many economic, geopolitical and policy issues. However, this survey also shows a move towards a more optimistic forecast of revenue growth and economic stability. Overall economic confidence is also improving compared to survey data from the last two to three years.

Peter Horovčák
Director, Consulting

CFO Programme Leader
Deloitte Slovakia

About the sixth Deloitte CE CFO Survey



This report compares the expectations of CFOs from 14 Central European economies (Albania **AL**, Bulgaria **BG**, Croatia **HR**, the Czech Republic **CZ**, Estonia **EE**, Hungary **HU**, Kosovo **RKS**, Latvia **LV**, Lithuania **LT**, Poland **PL**, Romania **RO**, Serbia **RS**, Slovakia **SK** and Slovenia **SI**). It is based on the answers of 560 CFOs from a broad range of industries who responded to our survey in October and November 2014. The survey captures shifts in CFOs' opinions on factors including risk, GDP growth and financing priorities.

It has become a benchmark for agile decision-making that takes into account the financial attitudes of major corporations across Central Europe.

Media Partner of the CFO Survey in Slovakia: **www.cfo.sk**

CFO BEST PRACTICE

Macroeconomic Insight

Macroeconomic Insight

Vladimír Masár
President, Deloitte Slovakia

How will 2015 look like for the Slovak economy? A variety of factors will influence it.

Slovakia's economy is export-oriented and has close economic ties to its neighbouring countries, to Germany and to the remainder of the Eurozone. Prognoses for their GDP growth in 2015 remain carefully optimistic. However the long-term growth tempo of the EU has slowed, and without strutural reforms can slow even further. Public debt remains a problem across the European Union.

Slovakia itself remains on a growth path. To ensure long-term competitivnes, Slovakia will need to address a multitude of issues - low efficiency of public administration, especially in regards to effectiveness of tax collection, high regional differences, low enforceability of law, public debt growth and others.

For the moment, though, the macroeconomic prognoses remain moderately positive. This optimism is mirrored in the findings of our study. CFOs expect the economy to improve in 2015, feel mostly optimistic about the prospect of their companies and plan to focus on growth of their businesses.

Key findings

Slovakia

Key findings - Slovakia

- Almost 70% of the country's CFOs expect the Slovak economy to increase moderately (i.e. year-on-year growth between 1.5 - 3%); this is an increase of 24% since the autumn 2014 survey
- In the area of corporate transactions, half of CFOs expect the same level of moderate increase compared to last year.
- Compared to the 2014 survey, there is a significant decrease in prioritizing business remodeling or restructuring over the next 12 months

- A key business focus for companies in Slovakia in 2015 will be revenue growth (38% of CFOs' priority) both on current and new markets
- CFOs expect the standard degree of financial and economic uncertainty
- More than 50% of CFOs are more optimistic concerning the ability to repay company debts
- CFOs' expectations in relation to talent shortages in the financial sector are very similar to the 2014 survey – half of respondents expect a lack of talented and skilled workforce

Growth

No rush for gold

Growth

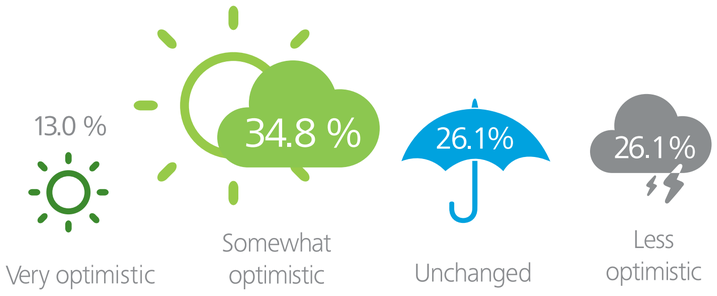
In connection with economic growth in Slovakia, CFOs' expectations are much more optimistic than the previous year. Almost 70% of respondents expect GDP to increase moderately. In comparison to the 2014 survey this represents an increase of over 25%. CFOs are also optimistic regarding financial prosperity in the next six months.

CFOs perceive the unemployment situation quite optimistically, with nearly half of respondents expressing the opinion that unemployment will decrease next year. Compared with the last survey, this opinion shift is significant since last year's expectations were more negative.

In general, companies' financial prospects according to their CFOs are slightly optimistic in comparison with 6 months ago, with 47% of CFOs expressing a positive opinion and 26% negative.

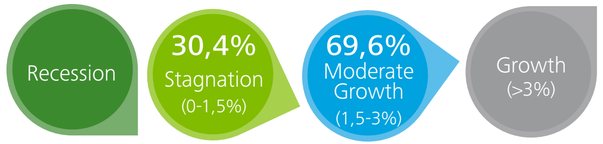
Graph 1

Compared with 6 months ago, how do you feel about your company's financial prospects?



Graph 2

CFOs' expectations for Slovakia's GDP growth for 2015:



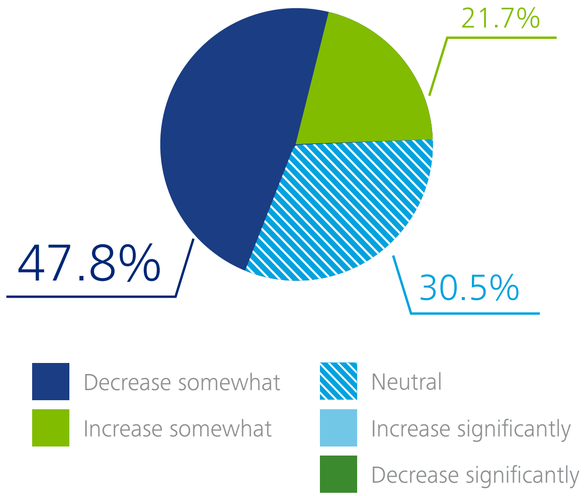
The moderate growth of the Slovak economy (i.e. year-on-year growth of 1.5% to maximum 3%) is expected by 69% of CFOs for 2015, which is 24% higher than the 2014 survey. In 2014 up to 51% of CFOs expected economic stagnation, while in 2015 this figure is only 31%. In addition, none of the CFOs expected economic recession or substantial economic growth for 2015.

Growth

In general, compared to the results of the 2014 CFO survey, CFOs are more optimistic with regards to unemployment in Slovakia. A moderate decrease of unemployment is predicted by 48% of CFOs, which is an increase of 30% over the previous survey. Thirty percent of CFOs do not expect unemployment to change. On the other hand, 22% of CFOs now predict a slight increase in unemployment, while in 2014 such expectations were 39%.

Graph 3

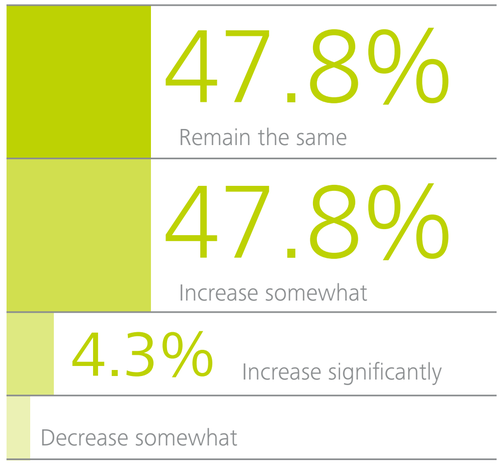
Over the next 12 months how do you expect levels of unemployment to change in Slovakia?



In the area of corporate transactions, 47.8% of CFOs expected, in the next 12 months, a moderate increase or no change in M&A activity. These results approximate the previous survey in 2014, when 44.1% respondents anticipated a slight increase in the number of M&As.

Graph 4

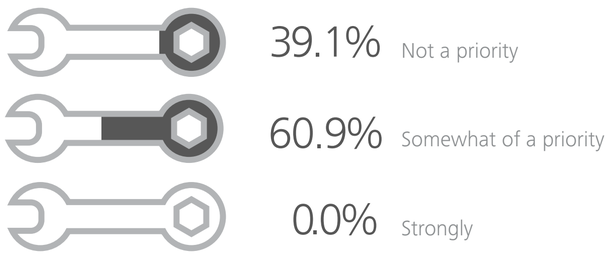
Over the next 12 months, how do you expect levels of M&A to change in Slovakia?



Growth

In 2015 business remodeling and restructuring is somewhat of a priority for 61% of CFOs, and not a priority for 39%.The importance of this business issue decreased moderately in comparison with 2014, at which time strong priority was denoted by 21% of respondents, somewhat priority by 38%, and not a priority by 41%.

A key business focus for companies in Slovakia over the next 12 months is revenue growth on current markets, to which 61% of CFOs assigned the highest or second highest priority, the next is cost reduction of direct costs with 55%, and third is revenue growth on new markets with 44%. Even though CFOs strongly prioritize revenue growth, only 21% prioritize the new investments that should serve as the main driver of revenue growth.

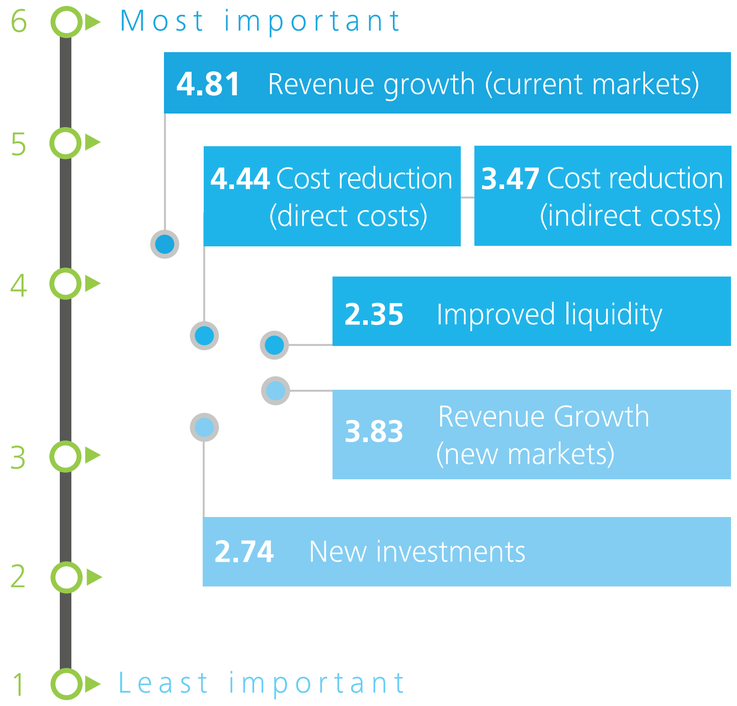


Graph 5

To what extent is business remodeling or restructuring likely to be a priority for your business over the next 12 months?

Graph 6

What is your company's business focus for the next 12 months?



Risk

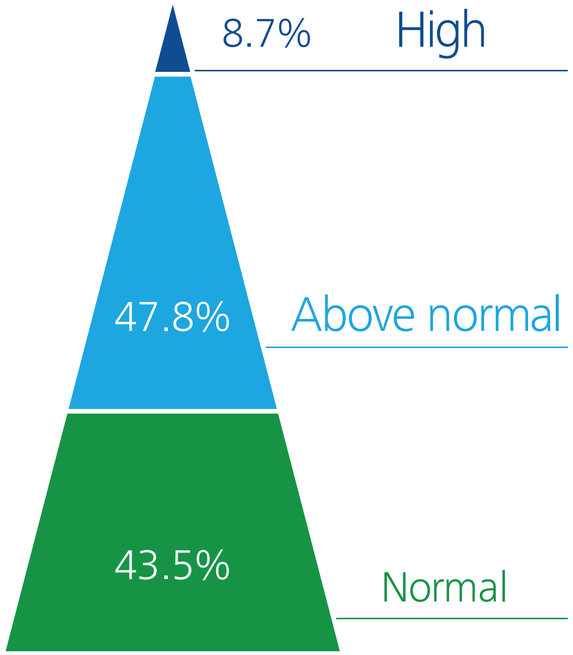
Risk

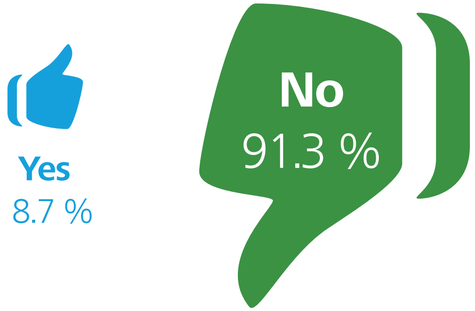
Based on the survey, almost half of CFOs expect a normal level of financial and economic uncertainty, which is an increase of 12% compared to the previous survey.

In the 2015 survey, 91.3% of respondents assumed that it isn't the right time to put risk on their balance sheet, which compared to 2014 represents an increase by 11.9%. This clearly implies that CFOs are more careful in their approach to taking risk.

Graph 7

How would you rate the general level of external financial and economic uncertainty facing your business?





Graph 8

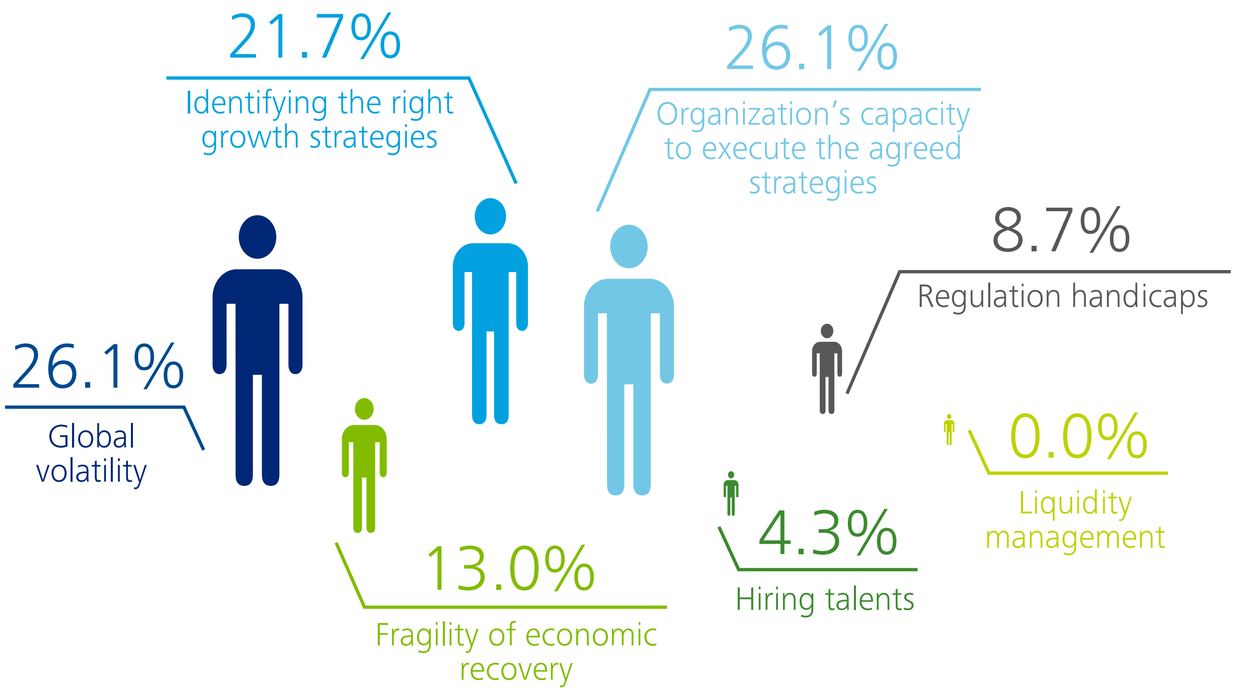
Is this a good time to be putting greater risk on your company's balance sheets?

Risk

CFOs' biggest concerns towards 2015 are global volatility, organization`s capacity to execute agreed strategies, and identifying the correct growth strategies. These three issues represent problem areas for 74% of CFOs in the coming year

Graph 17

As a CFO, what is your top concern moving into 2015?



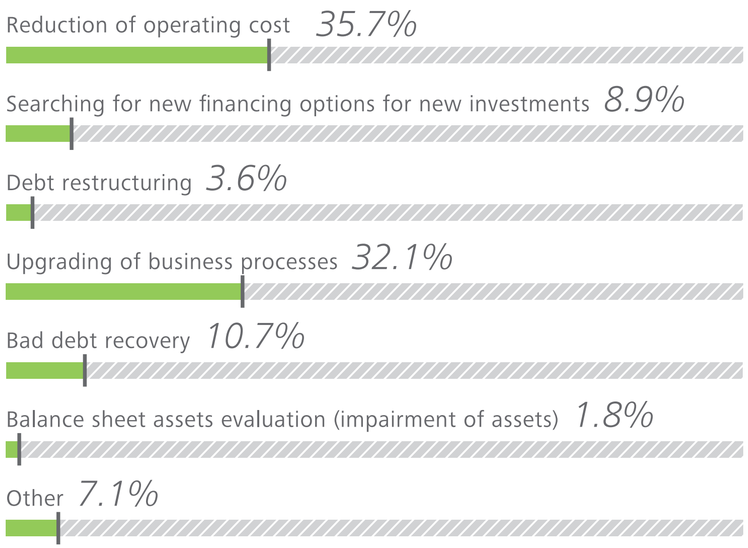
Risk

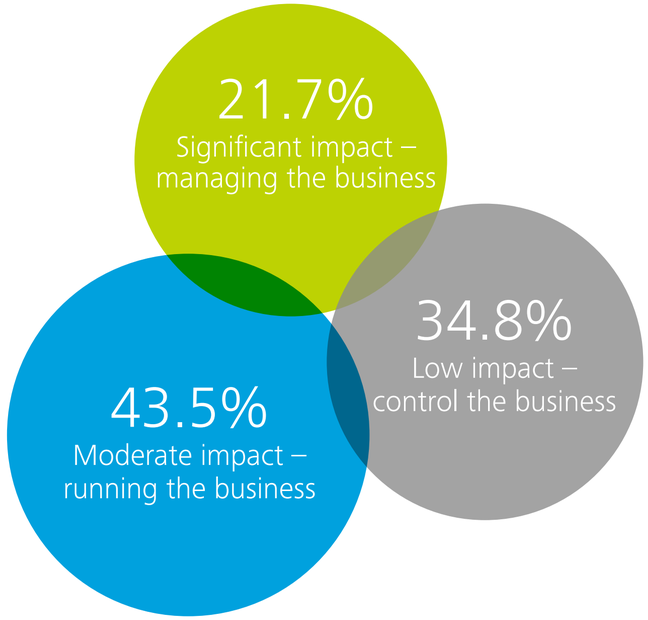
The main challenges currently faced by CFOs are reduction of operating costs, upgrade of business processes, and bad debt recovery. The first two thereof represent the main challenges for more than 67% of CFOs.

The current trend of implementing big data in everyday business processes has also notably influenced CFOs' responsibilities. That the impact of big data on their responsibilities is either moderate or significant is stated by over 65% of CFOs.

Graph 18

From the options listed, pick the three main challenges that your financial function is currently facing.





Graph 19

How have recent developments in the area of big data/data analytics influenced your responsibilities as a CFO?

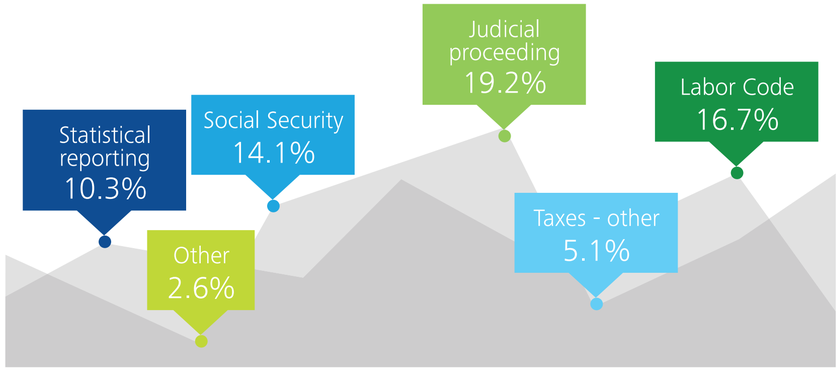
Risk Deloitte

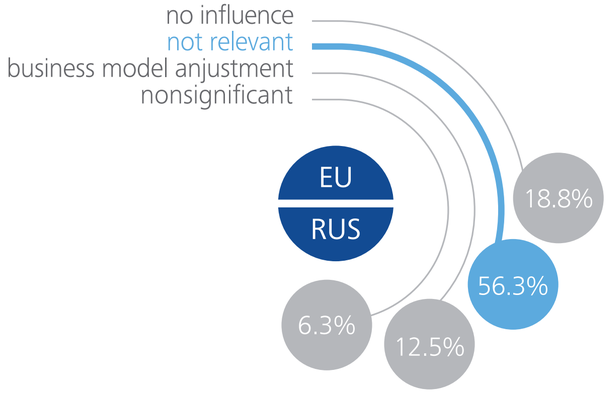
With respect to the simplification of government regulations and requirements in order to reduce the burden on business, CFOs responded that responsible institutions should focus on all areas that influence business. Nevertheless, the most essential improvements could be performed in the area of taxes (mainly VAT and CIT) and judicial proceedings.

Despite the dampened business relationship between the EU and Russia, and mutual restrictive measures, the overall impact on business based on CFOs' responses has not been significant. The Russian issue is not relevant for 12.5% of CFOs, while 56.2% stated that the situation had not influenced them at all. Nevertheless, 18.7% of CFOs recorded decrease in orders and revenue, 6.3% of CFOs claimed that their company business model had to be adjusted with respect to the situation, and other 6.3% of CFOs identified a non-significant impact on their business.

Graph 20

In your opinion, which areas of government regulations require changing (eg simplification, unification) the most in order to reduce the unnecessary burden on business? (please choose a maximum 5 areas)





Graph 21

How have the EU restrictive measures against Russia impacted your business?

Debt and Financing

Debt and Financing

Despite the previous expectations of an average lending rate increase in 2014, it has slightly decreased (from 3.3% to 3.2%) as a result of the decrease in the key refinancing rate by the ECB from 0.25% to 0.05%.

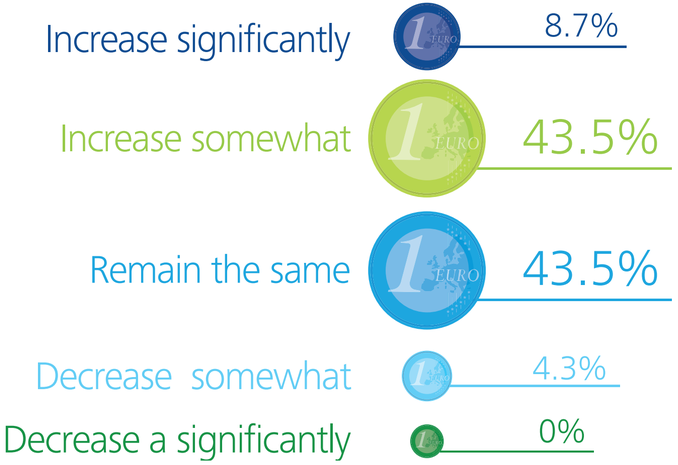
Hence CFOs are more optimistic concerning the ability to repay company debts. More than 50% of CFOs expect that the ability to service their debt will increase in the mid-term, while only 4% are pessimistic in this respect.

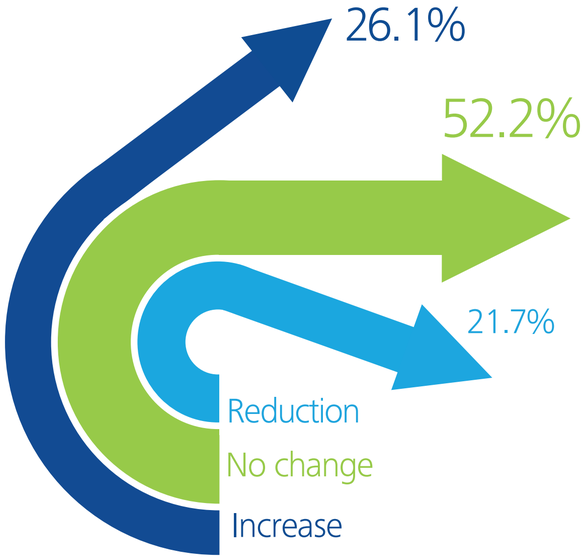
In general, CFOs do not plan to change their level of gearing over the next 12 months. Whilst approximately one quarter plans to increase such level, almost one quarter plans a reduction and one half plan no change at all.

However, compared to the last survey CFOs' goal in this area has changed substantially in terms of increasing gearing.

Graph 9

Over the next three years, how do you expect the ability to service your debt to perform?





Graph 10

What is your aim for the level of gearing over the next 12 months?

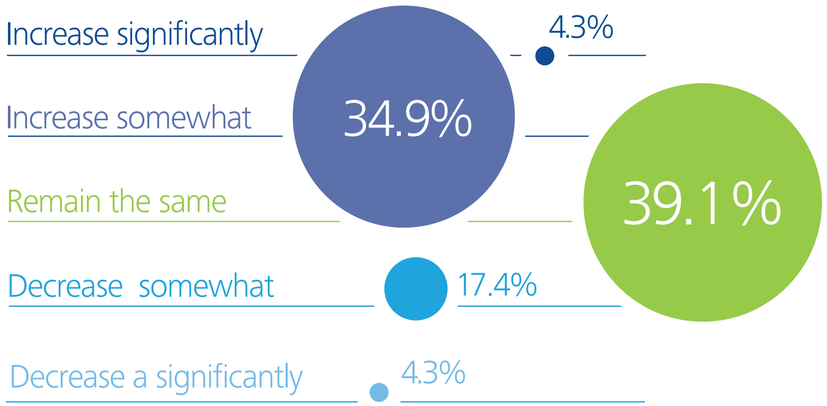
Debt and Financing

With respect to CFOs' responses, the availability of new credit for companies slightly increased in 2015 compared to the 2014 survey. In the 2015 survey, 26% of CFOs asserted that new credit is easily available, which is a 17% increase year-on-year. In addition, new credit is currently difficult to obtain for only 4% of CFOs, while in 2014 the figure was 12%.

Almost 40% of CFOs believe that company expenditure will remain unchanged, and the same percentage predict an increase.

Graph 11

How would you rate the current overall availability of new credit for companies?



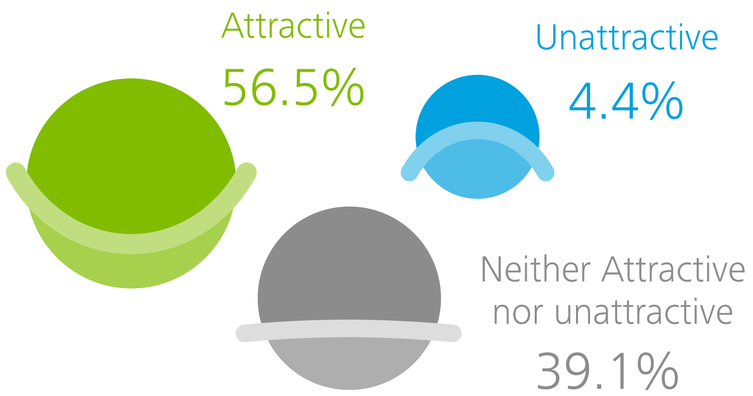
Graph 12

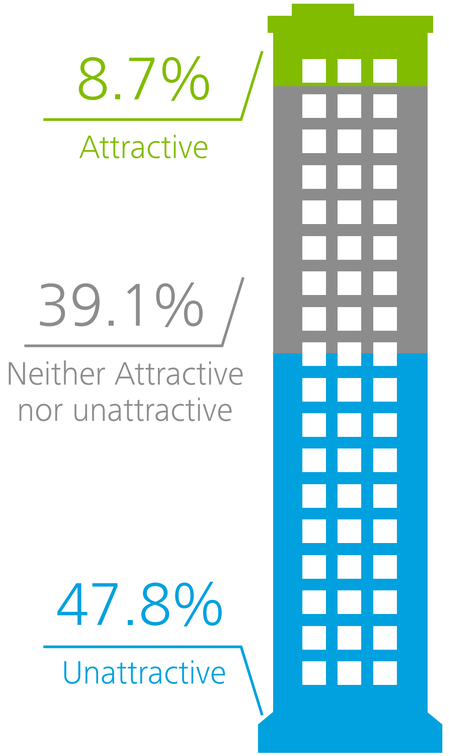
In your view, how are financing costs for companies in Slovakia likely to change over the next 12 months?

Debt and Financing

Despite the slightly decreased cost of bank loans (from 3.3% to 3.2%), the attractiveness of bank borrowing for CFOs did not change compared to the previous year, where 39.1% of CFOs find bank loans as a source of funding attractive, 56.5% neither attractive nor unattractive, and only 4.4% unattractive. Likewise, the situation remains almost the same in terms of the attractiveness of equity increasing. Thirty-nine percent of CFOs currently find it unattractive, which is a 6% increase compared with the 2014 survey.

Graph 13
Attractiveness of bank debt





Graph 14
Attractiveness of equity funding

Talent

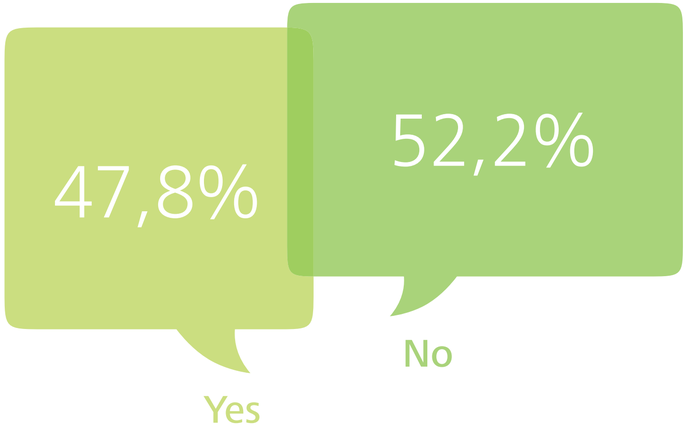
No war for talent

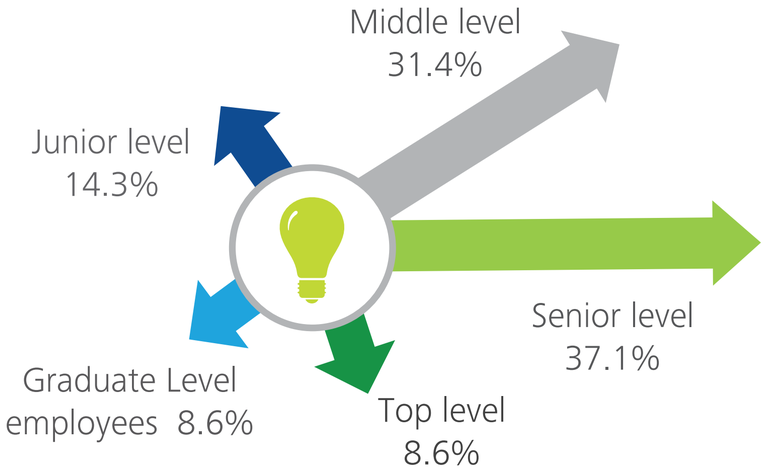
Talent

CFOs' expectations in relation to talent shortages in the financial sector are very similar to the 2014 survey, when half of all respondents expected a lack of talented and skilled workforce in the upcoming 12 months. In 2015, CFOs predict a lack of mostly senior level workforce. In contrast, the 2014 survey found that mid-level workforce was expected to be most needed

Graph 15

Do you expect talent shortages in the financial sector over the next year?





Graph 16

Where do you expect significant shortages in talent in finance over the next year?

We would like to thank all participating CFOs for their efforts in completing our survey. We hope the report makes an interesting read, clearly highlighting the challenges facing CFOs, and providing an important benchmark to understand how your organization rates among peers.

About the survey

The 6th CE CFO survey took place in October & November 2015. A total of 550 CFOs across 14 countries completed our survey. The Deloitte CFO Survey is the only survey that seeks to establish the views of CFOs in relation to the financial markets, economic outlook and business trends on a quarterly basis.

Deloitte CE CFO survey is a "pulse survey" that provides CFOs with information regarding their peers' thinking across a variety of topics. It is not, nor is it intended to be, scientific in its number of respondents, selection of respondents, or response rate —especially within individual industries.

For more information

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