

Fact Sheet

The research is based on the 2008 financial statements of over 3,000 listed companies in 54 countries worldwide. Companies with a negative equity were excluded from the research. Also, the outliers for the most important variables are excluded. After this exercise a dataset remains for 2,795 companies.

The disclosures in the financial statements include the operating lease commitments for minimum lease payments. The operating lease commitments are generally disclosed in a first year lease commitment, lease commitment for the years 2-5 and lease commitment after 5 years. On the basis of these disclosures in the financial statements and certain assumptions, an allocation of lease payments was performed to individual years. These annual lease payments were subsequently discounted. The discount rate applied was the company's incremental borrowing rate taking into account a company's credit rating. If a credit rating was not available, the discount rate used was the industry average.

The increase in interest bearing debt is determined using the calculated lease liabilities for off balance operating leases and their relative impact on interest bearing debt.

Leverage was defined as interest bearing debt divided by equity. The calculated increase in lease liabilities was used to determine the increase in leverage presented in percentage points.

The increase in EBITDA was determined by adding back the disclosed rent expenses. In instances where these were not disclosed separately, the annual rent expense is approximated with reference to the disclosed first year operating lease commitments.

The following table includes a summary of the average impact per industry:

	Average increase in interest bearing debt	% Companies with over 25% increase	Average increase in leverage (percentage points)	Average increase in EBITDA
Retail and Trade	213%	71%	64%	55%
Other Services	51%	35%	34%	25%
Transportation and Warehousing	95%	38%	31%	44%
Telecom	23%	21%	20%	16%
Professional Services	158%	52%	19%	27%
Amusement	25%	18%	19%	13%
Accommodation	101%	41%	18%	30%
Wholesale Trade	34%	28%	17%	21%
All companies	58%	24%	13%	18%
Manufacturing	50%	21%	9%	13%
Construction	68%	20%	8%	14%
Oil, Gas and Mining	30%	16%	7%	10%
Financial services	27%	11%	6%	15%
Utilities	3%	3%	2%	6%

Certain companies have limited debt balances / low leverage. As a consequence the impact of capitalization of operating lease commitments has is relatively high. These outliers have a large impact on the calculation of the average increases for financial ratios. As a consequence, the medians are also reported below, as these are not influenced by the outliers.

	Increase in interest bearing debt	Increase in leverage (percentage points)	Increase in EBITDA
	<i>Median*</i>		
Retail and Trade	64%	42%	34%
Other Services	16%	17%	13%
Professional Services	28%	12%	20%
Transportation and Warehousing	14%	9%	14%
Telecom	9%	8%	7%
Wholesale Trade	13%	8%	11%
Accommodation	12%	6%	10%
Manufacturing	9%	5%	7%
All companies	8%	4%	7%
Construction	3%	4%	6%
Amusement	5%	4%	5%
Financial services	3%	2%	5%
Oil, Gas and Mining	3%	1%	2%
Utilities	0%	0%	3%

*This means that 50% of the companies have a higher impact and 50% a lower impact. The median is less influenced by outliers than the average.

The following table includes the average increases for a selection of key countries:

	Average increase in interest bearing debt	% Companies with more than 25% increase	Average increase in leverage (percentage points)	Average increase in EBITDA 2008
Netherlands	111%	35%	27%	27%
United Kingdom	110%	42%	20%	24%
Italy	42%	18%	20%	30%
France	27%	36%	20%	31%
Sweden	68%	33%	17%	21%
Germany	84%	33%	16%	18%
United States	34%	19%	15%	15%
All companies	58%	24%	13%	18%
Switzerland	100%	34%	12%	28%
Singapore	48%	28%	8%	20%
Hong Kong	75%	19%	7%	18%
China	41%	18%	5%	13%
Japan	187%	19%	2%	30%

In the following table the median is presented for the increases per country. This median is less influenced by outliers than the average.

	Increase in interest bearing debt	Increase in leverage (percentage points)	Increase in EBITDA 2008
	<i>Median*</i>		
Netherlands	16%	12%	12%
France	18%	10%	22%
United Kingdom	19%	9%	11%
Sweden	11%	7%	12%
Germany	12%	5%	10%
United States	7%	5%	7%
Switzerland	15%	4%	10%
All countries	8%	4%	7%
Italy	4%	4%	11%
Singapore	9%	3%	7%
Hong Kong	3%	1%	4%
Japan	3%	1%	14%
China	2%	1%	2%

*This means that 50% of the companies have a higher impact and 50% a lower impact. The median is less influenced by outliers than the average.

The following table presents a summary of the percentage of companies per Industry for which the rule of thumb overstates the adjustment for capitalization of operating leases:

	% companies for which the lease liability is lower than rule of thumb of 7x rent expenses
Accommodation	78%
Retail and Trade	85%
Transportation and Warehousing	87%
Oil, Gas and Mining	88%
Financial services	89%
Telecom	93%
All companies	93%
Construction	93%
Other Services	94%
Professional Services	95%
Amusement	95%
Wholesale Trade	95%
Manufacturing	5%
Utilities	5%