

Annual Message Fiscal Year 2010

Ernst & Young Nederland

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Annual Message for Fiscal Year 2010: July 1, 2009 - June 30, 2010

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A word from Pieter Jongstra

“With our ambition to achieve market leadership in 2013 comes the challenge to build the strongest brand in the professional services market.”



Pieter Jongstra

Managing Partner
Belgium & the Netherlands

The business conditions we have been experiencing in recent years have been the toughest that most of us have seen in decades. The financial crisis that started in late 2008 and the recession that followed, have been a severe blow to the economy. These events have had a major impact on our clients, our business and our people. In the fiscal year 2010, we faced the consequences of the economic downturn, as evidenced by a drop in revenue of 8.1% to € 661.7 million. Compared to fiscal year 2009 on a like-for-like basis, our revenue dropped by 5.7%.

Due to the challenging economic conditions, we have had to take radical measures, including a reduction of our operating expenses to ensure a prosperous future. As a result of the measures we have taken, we were able to mitigate the drop in our profits to 4.1%, to a total of € 147.0 million.

With our ambition to achieve market leadership in 2013 comes the challenge to build the strongest brand in the professional services market. In strengthening our position, our challenge is to maintain the relevance of our brand in a changing and highly competitive market, and to differentiate Ernst & Young from other firms in a way that our current and prospective clients value.

In line with our ambition, we have invested substantially over the past years in becoming the most globally recognized professional services firm, having a leading people culture, and being known as the best brand in working with entrepreneurs. We are confident that these three elements will continue to distinguish us from our competitors.

Globalization is one of the defining issues of our time. Our response has been to transform our organization so that we keep in step with the changing needs of our clients and our people. The creation of the EMEA Area in 2008, bringing together 67,000 people from 90 countries across Europe, the Middle East, India and Africa, is an excellent example of how we are adapting to the dynamic global environment in which we operate. We are the first firm to mirror the structures and market-facing activities of our clients. Our global organization ensures that we have the right governance, structure, services, people and mindset to serve the global needs of our clients.

We know that recent years have been challenging for our people. For example, we have changed our business support model, which has affected all of us and continues to influence the way in which we work. Such changes are necessary to ensure we remain competitive. Ultimately, everyone at Ernst & Young should feel confident about his or her future. We will continue to invest in our people, facilitating a working environment that inspires enthusiasm and excellence. We want to support them in achieving their professional and personal aspirations.

For many years, we have invested in having a great client portfolio in strategic growth markets. This year, we have defined six growth sectors. Our professionals enjoy working with entrepreneurs, the business people who really drive things in the market. Our Ernst & Young Entrepreneur Of The Year program was launched 15 years ago to reward successful entrepreneurs and celebrate entrepreneurship. This is our way

A word from Pieter Jongstra

to give these confident, dynamic innovators a platform to tell their stories, inspire others, ourselves included, and receive the recognition they deserve. It goes without saying that we will continue to pursue this successful global program in the coming years.

Looking ahead, there are clear sparks of recovery and growth breaking through the surface of these adverse and tumultuous times. Emerging markets are accelerating, while the more mature markets are in a slow recovery. The burning question on everyone's mind is when and to what extent the

mature markets will recover. When recovery gains traction, we are already in position to provide the right services to the right clients, ensuring that we can take advantage of new opportunities as and when they arrive. We have come through this downturn successfully. We are financially solid and ready to act. This achievement is a testament to our people. On behalf of our partners, I want to thank them for their great performance.

A handwritten signature in blue ink that reads "Pieter Jongstra". The signature is written in a cursive, flowing style.



Toine van Laack,
Managing Partner Markets:
"What our clients value most is
the right mix of sector expertise,
geographical presence and
technical skills that our teams
bring to them."



01 Strategy and Industries

We provide services and resources across four service lines - Assurance, Tax, Advisory and Transaction - in 16 principal industry sectors. These sectors are aligned and represent our strongest opportunity for growth in our chosen markets. Our strategic objective is to be market leader in these markets.

We have built our go-to-market approach around the needs of our clients in a combination of industry knowledge, geographic presence and technical skills and expertise. Multi-service teams manage relationships and projects for our clients through industry focus groups and regional market teams. Our strategic growth markets include consumer products, health care and life sciences, power and utilities, government and public, real estate and telecommunications. We will continue to develop our services for the industry sectors and growth markets, including financial services, private equity and venture-backed entrepreneurs.

We aim to inspire and challenge our clients and the society in which we operate through thought leadership papers, studies, programs and events. Fiscal year 2010 saw the publication of our white paper on "Enhanced Communication by the External Auditor", as well as the realization of our yearly New Year's Concert and the Hofstad Lecture, with former Dutch Prime Minister Jan Peter Balkenende as the keynote speaker. At the Ernst & Young Entrepreneur Of The Year Awards, Mr. Jan-Renier Swinkels (Bavaria) won the award in the 'Master' category. We also deployed various initiatives relating to our NOC*NSF sponsorship.

We have been a partner in sport of NOC*NSF since 1999. Sports has been a priority theme in our organization ever since. As a firm that cherishes social engagement and corporate responsibility, Ernst & Young has designated sports as an important cornerstone of company policy for multiple reasons. Ambitions in sports are fully in line with Ernst & Young's value statement: achieving potential, making a difference, and getting the best for our employees and clients in personal achievements, team achievements and company performance. This mindset is the foundation for how we approach our clients and our own people. Achieving competitive advantage is essential in sports and is a perfect match for the core values of Ernst & Young, which is why our sponsorship activities are associated with sports.

Following "Opportunities in Adversity" in fiscal year 2009, we launched our second global client program in fiscal year 2010, entitled "Lessons from Change". Our client programs are based on global research on successful companies and their strategies. Sharing the outcome with our clients helps them to make the right choices, benefiting from best practices in each market. This past year's "Lessons from Change" campaign looked at high-performing companies in the current economic climate: as demand and access to available capital remained depressed, we identified the performance wheel that included eight success factors in today's high performers. In addition to continuing these programs, we have also launched the program for the current fiscal year 2011: "Competing for Growth".

02 Service Lines

Our Assurance practice has reported revenues of € 303.1 million in fiscal year 2010, compared with € 324.5 million in fiscal year 2009. The main reasons for the drop are a decrease in business due to the economic downturn and the sale of two offices in the year ended on June 30, 2009. During the year under review, the Assurance practice made a major investment in quality through the dedication of more resources to our compliance back office, additional training for our people and improvements to our internal systems. These initiatives underline our continuous focus on quality and the consistent application of our audit methodology on a global basis.

Our Tax practice successfully sold more hours in Indirect Tax and International Tax. Human Capital, Transaction Tax and Business Tax retained the same level as the previous year or went down slightly. Tax reported revenues of € 194.0 million, compared with € 205.9 million in fiscal year 2009. Signs of recovery can now be seen in the field of international advisory work, due in part to the creation of the EMEIA Area. In particular, increased utilization and overall high performance has been demonstrated in International Tax. Tax has invested in training, product development, know-how and thought leadership.

Advisory has reported revenues of € 85.6 million in this fiscal year, compared with € 110.7 million in fiscal year 2009. Advisory sold its investment in Doxis B.V. and transferred various activities to other service lines. Our advisory services comprise risk management, performance improvement and IT risk and assurance services. Its industry focus includes the financial services industry and our defined growth markets. The public market it continues to serve will remain challenging.

Transaction Advisory Services (TAS) has faced a fairly weak due diligence market this fiscal year. However, both the Lead Advisory and Valuation Advisory services increased their revenue. In addition, two new services were established as part of our growth strategy: Restructuring provides corporate restructuring and working capital, while Transaction Integration provides post-merger integration and carve-out services. TAS reported revenues of € 29.0 million, compared with € 31.0 million in fiscal year 2009.

Holland Van Gijzen¹ has reported revenues of € 48.7 million, compared with € 47.3 million in fiscal year 2009. Revenues increased due to the establishment of legal services in Belgium and the increased demand for legal services in New York, USA. As of July 1, 2010, Holland Van Gijzen divested its Eindhoven office. In fiscal year 2010, Holland Van Gijzen also made significant investments in training, client relationships and branding.

¹ Ernst & Young Belastingadviseurs LLP has a strategic alliance with Holland Van Gijzen Advocaten en Notarissen LLP (Holland Van Gijzen).

03 People

**Bea Haring,
Managing Partner
Human Resources:
“We believe in our
people: their
knowledge, their
professionalism and
the way they really
make a difference
for our clients.”**

Our people are our most important asset. We want to be the firm with the best people culture. The quality of our work ultimately relies on the professionalism, personality, competencies, values and integrity of our people. Our main focus points in relation to our people are: learning and development, diversity and inclusiveness, working conditions and employee engagement. A few highlights from our people initiatives and the results achieved in the fiscal year 2010 are provided below.

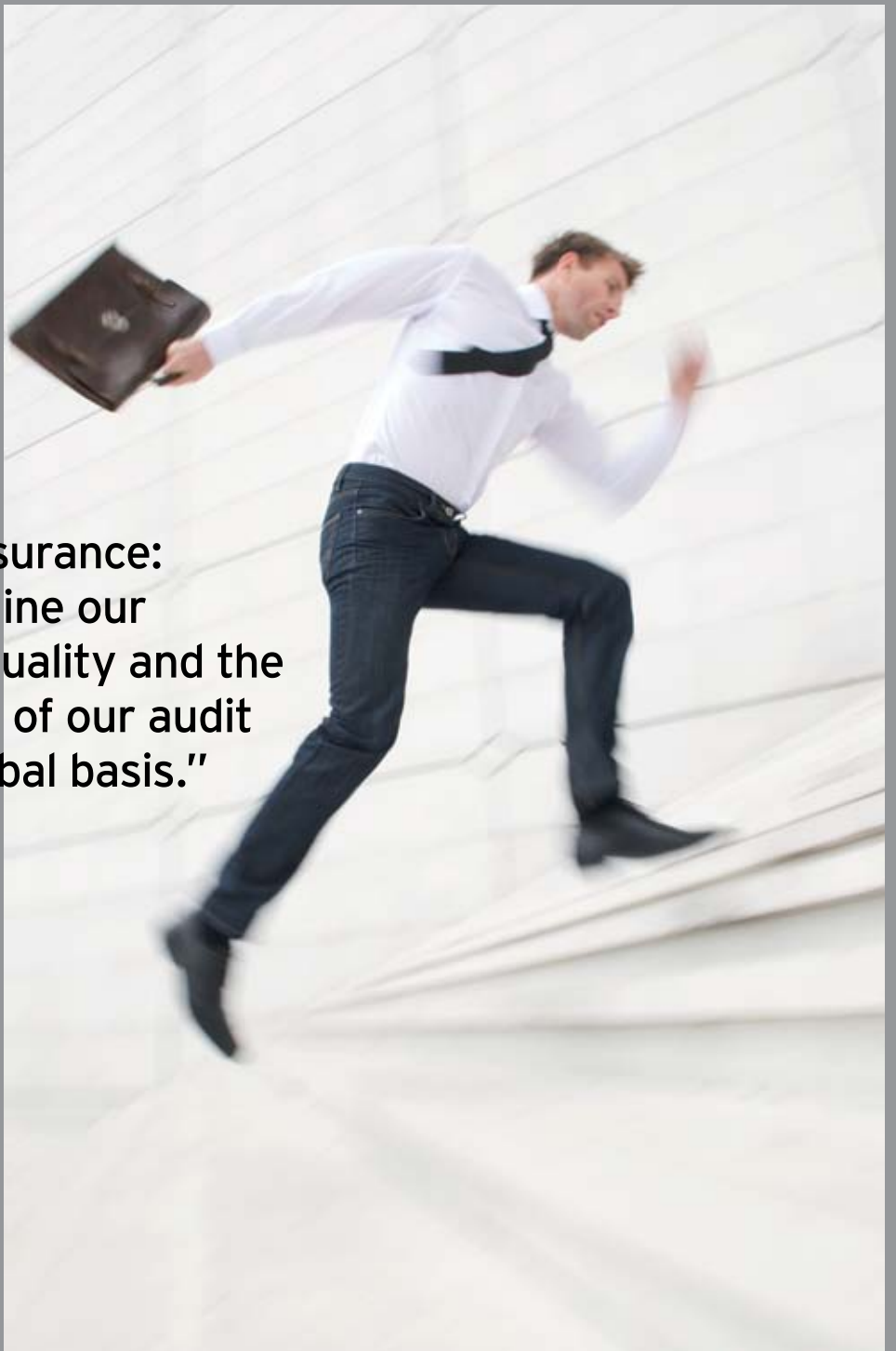
Our business thrives if we enable our people to achieve their potential. Learning and development are therefore key themes in our people program. To ensure that our people achieve their potential, we work with the global concept of EYU: Ernst & Young & You. EYU is our concept to help our people to improve performance and accelerate personal development and career success. In essence, it means that we work with our people to facilitate globally consistent learning opportunities, expanding their horizons and ensuring they can do their jobs even better. It consists of formal learning (developing skills, knowledge and competencies), experiences and coaching. EYU is how these three elements come together uniquely for each person. This is how we make a difference for our people.

Diversity and inclusiveness are key to us, as a global organization. In fiscal year 2010, we have identified gender and ethnicity as our two priority areas for differential investment. Having signed the “Talent to the Top” Charter in fiscal year 2009, we now hold a top position within the Big 4 audit firms when it comes to the percentage of female partners, reaching 9% in fiscal year 2010. This sets us on the right track to achieve our goal of 12% in fiscal year 2013. Our percentage of female directors and senior managers stands at 17%, and the percentage of women working as managers is at 34%. Looking at our new hires, 40% are women and 39% of our newly appointed managers are women.

As part of our working conditions, fiscal year 2010 saw the start of a health and vitality program, “Fit for the Job”. This program is open to all of our people and has been highly successful from day one. It includes a health questionnaire, a health check, training sessions and workshops on such topics as sleep, exercise, nutrition and relaxation. Participants have access to a portal where they can find information and tracking tools, as well as support from health professionals. 1,350 people have already joined the program. Our people taking part in “Fit for the Job” have reported that they have more energy, can concentrate more effectively and experience more ‘flow’ in their work. We will definitely be continuing this program in fiscal year 2011.

Employee engagement is all about how our people think, act and feel about their work. Our bi-annual Global People Survey (GPS) is one of the ways we listen to our people. It helps us to understand those areas where we are getting it right, and the areas where we need to try harder. We conducted the GPS again in fiscal year 2010. 63% of our employees responded to the survey. Inclusiveness (76%), living our values (75%), quality (72%) and teaming (72%) scored the highest, while recognition & reward (57%), strategy & leadership (54%) and corporate responsibility (48%) scored the lowest.

**Giljam Aarnink,
Managing Partner Assurance:
“Our initiatives underline our
continuous focus on quality and the
consistent application of our audit
methodology on a global basis.”**



04 Quality and Risk Management²

Quality and Risk Management (Q&RM) is at the centre of our strategy. Our Global Code of Conduct provides a clear set of standards and behaviors that guide our actions and our business conduct. Also, we have specific policies in place to prevent bribery, corruption and insider trading.

We have implemented quality control programs for all of our service lines. The primary goal of these programs is to determine whether our quality control systems are appropriately designed and followed in carrying out engagements. The programs are performed annually by the service lines, and engagements are selected for that purpose on a risk-based approach. Our objective is to review engagements for approximately one third of the partners each year. The results of these programs are evaluated and communicated, making it possible to institute quality improvement measures if and when such steps are deemed necessary.

The client and engagement acceptance policy sets out the principles to determine whether to accept a new client or engagement, or to continue a relationship with an existing client. In addition, the global conflicts policy defines categories of conflicts of interest, as well as a process for identifying potential conflicts and provisions for managing any conflicts. The Global Tool for Acceptance and Continuance (GTAC) is an intranet-based system developed to efficiently co-ordinate client and engagement acceptance and continuance in line with relevant policies. GTAC takes users step-by-step through the acceptance and continuance requirements.

In accordance with our independence policies and processes, our management and professionals confirm annually that they comply with Ernst & Young's Global Independence Policy. In addition, they are required to complete the annual independence training. Partners confirm compliance with the requirements of this robust independence policy on a quarterly basis.

² An extended description of our Quality and Risk Management is included in our Transparency Report 2010.

05 Corporate Responsibility

We have defined Corporate Responsibility as a strategic pillar in our business. In our strategy, we have identified four focus areas in which we contribute:

- ▶ Entrepreneurship: we want to support entrepreneurs in their journey towards responsible entrepreneurship.
- ▶ Employees: we want to be a good and responsible employer.
- ▶ Environment: we want to minimize the impact of our operations on the environment.
- ▶ Engagement: we want to contribute to the community and the society of which we are a part by facilitating and supporting knowledge and by actively disseminating that knowledge to society.

To foster a deeper understanding of corporate responsibility within Ernst & Young in the Netherlands, we coach our people on awareness and knowledge of this vital topic. Our commitment to education, entrepreneurship and the environment is an integral part of the way we do business and make a difference to our clients and in our broader communities. As part of our contribution to society, we share our knowledge of corporate responsibility in partnerships with non-governmental organizations and with knowledge institutes, such as committees and universities.

The expertise we have in this field allows us to support our clients in their journey towards integrating corporate responsibility issues into their core business and to be transparent about the steps they take in this direction. The knowledge we share encompasses opportunities and challenges of responsible entrepreneurship, risk management, non-financial information management, sustainability, integrated reporting and how economic, environmental and social issues will challenge entrepreneurs in the near future.

Ultimately, our most significant influence lies in helping our clients attain and promote corporate responsibility, achieving their long-term objectives for sustainable business. In doing so, we also contribute to the fabric of society and improve the context in which we operate around the world, safeguarding the continuity of our own business.

Clearly, our commitment to corporate responsibility is an integral part of our business practices, and we take responsibility for the impact our operations have on the environment.

**Pieter Jongstra,
Managing Partner
Belgium &
the Netherlands:
“Our commitment
to education,
entrepreneurship
and the environment
is an integral part
of the way we do
business.”**

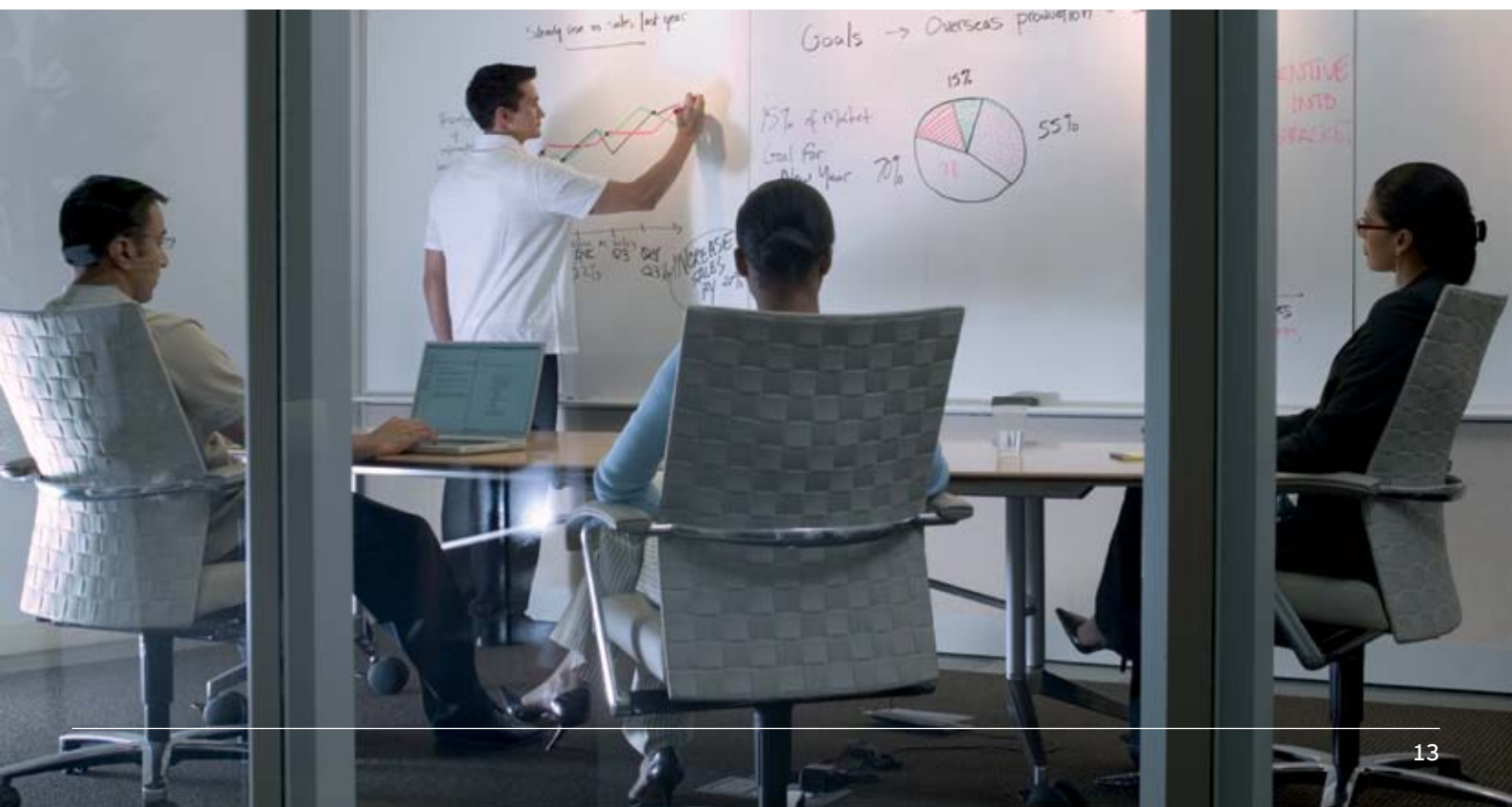
06 Financial Results

The financial results in fiscal year 2010 cover the period from July 1, 2009 through June 30, 2010. Our revenue dropped from € 719.8 million to € 661.7 million. The main drivers behind this 8.1% drop in revenue are a decline in demand due to the economic downturn, a different reporting period (fiscal year 2009 covered 53 weeks, while fiscal year 2010 covered 52 weeks) and the sale of our participating interest in Doxis B.V. and our offices in Emmen and Hengelo. When compared to fiscal year 2009 on a like-for-like basis, our revenue dropped by 5.7%.

At the same time, we have been able to reduce our operating expenses by € 54.7 million (from € 549.9 million to € 495.2 million) during this fiscal year. The reduction predominantly consists of incidental benefits, lower provisions and lower employee expenses. The latter amounted to € 242.0 million in fiscal year 2010, compared to € 260.1 million in fiscal year 2009. This reduction is mainly due to a decline in the number of employees. The average number of employees in the year under review was 3,702 FTEs, compared to 4,148 FTEs in 2009. Based on these figures, the overall reduction in employees is 10.8 %.

Our operating profit dropped from € 169.9 million to € 166.6 million. Finance and income tax expenses increased this fiscal year to € 19.6 million. In total, this resulted in a 4.1% drop in our profits to € 147.0 million, compared with € 153.2 million in fiscal year 2009.

The combined statement of income for Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP for the year ended on June 30, 2010 is attached to this annual message.



07 Global Structure

Ernst & Young Nederland is a member firm of Ernst & Young Global. Ernst & Young Global coordinates the member firms and their interaction and co-operation. Fundamentally, the core goal is to promote consistent, seamless, high-quality service worldwide, to help member firms meet high global standards in accordance with local requirements and, by doing so, to perform at the top level in markets worldwide. Our global structure is grouped into four geographic areas across the Americas, EMEA, Asia Pacific and Japan. Across Ernst & Young's geographic areas, our newly formed Asia Pacific Area recorded a 9.0% growth in revenues; the Americas, EMEA and Japan Areas showed 3.2%, 0.9% and 0.3% declines, respectively. All areas showed improvement in performance in the second half of 2010. Ernst & Young's combined global revenues for the fiscal year ended on June 30, 2010 were US\$21.3 billion, compared with US\$21.4 billion in 2009.

In the Netherlands, we predominantly operate through UK limited liability partnerships (LLPs). The LLPs include Ernst & Young Nederland LLP, Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP. The principal place of business is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands. In this annual message, we collectively refer to ourselves as "Ernst & Young Nederland", "us" or "we".

Ernst & Young Belastingadviseurs LLP has a strategic alliance with Holland Van Gijzen Advocaten en Notarissen LLP. Holland Van Gijzen provides legal services.



Appendix

Combined statement of income

Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP
for the year ended on June 30, 2010

	2009/2010 €000	2008/2009 €000
Revenue		
■ Rendering of services	660,459	719,464
■ Other income	1,267	335
	661,726	719,799
Operating expenses		
■ Purchased services	66,384	59,790
■ Employee expenses	242,028	260,101
■ Depreciation and amortization	17,910	17,846
■ Other operating expenses	168,849	212,186
	495,171	549,923
Operating profit	166,555	169,876
Finance income and expenses	-18,848	-16,645
Profit before tax	147,707	153,231
Income tax expenses	-736	18
Profit for the financial year	146,971	153,249

Basis for preparation of the combined statement of income:

Aggregation of the consolidated statement of income for Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP, without elimination of any transactions between the two groups. Discontinued operations have not been presented separately.

Notes to the combined statement of income

Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP
for the year ended on June 30, 2010

	2009/2010 €000	2008/2009 €000
Rendering of services		
Fee income from rendering services is generated almost entirely in the Netherlands and can be broken down by service line as follows:		
▶ Assurance services	303,133	324,492
▶ Tax services	193,982	205,928
▶ Advisory services	85,620	110,731
▶ Transaction advisory services	28,979	30,988
▶ Legal services	48,745	47,325
	660,459	719,464
Employee expenses		
The breakdown is as follows:		
▶ Salaries and bonuses	193,302	209,383
▶ Social security charges	24,609	27,062
▶ Pension contribution	24,117	23,656
	242,028	260,101
Salaries and bonuses include vacation allowance.		
Staff		
The average number of staff (excluding partners) during the year was:		
	FTE	FTE
▶ Client serving staff	2,684	2,860
▶ Support staff	1,018	1,288
	3,702	4,148

Over Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Legal and notarial services are provided by Holland Van Gijzen Advocaten en Notarissen LLP through a strategic alliance with Ernst & Young Belastingadviseurs LLP. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

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