CFO-survey
1st Quarter 2022
"Back to basics"

Key findings

“Inflation hangover”

Moderate optimism

After the party of 2021 it’s only natural that CFOs are more nuanced this time. Their optimism is below the average of the last few years, but still in line with long-term average. Overall, not too bad, seem to be the chorus. However, Real Estate and Retail are more pessimistic than the others. This could be attributed to inflation pushing rates up and purchasing power down.

Margin squeeze

There is broad consensus that they will be able to increase prices handsomely. But not enough to compensate for input costs rising through the roof. Margins will suffer. Factoring out the energy sectors we might be looking at record low margins.

Keep doing your thing

Last survey was all about increasing capacity and aiming for the moon. With a more sober outlook this time, CFOs are focusing on core operations. There is still going to be growth, but mainly organic.

Not the time to increase risk

While CFOs answer that they are in great position financially, they soundly agree that it’s not the right time to increase operational or financial risk in their company. An indicator of the same is that while M&A is still on the agenda it seems increasingly to be financed with internal financing, indicating smaller targets. Key concerns are rising inflation and the prospect of a policy mistake from central banks. This makes a record number of respondents believe equity markets will fall next 6 months.

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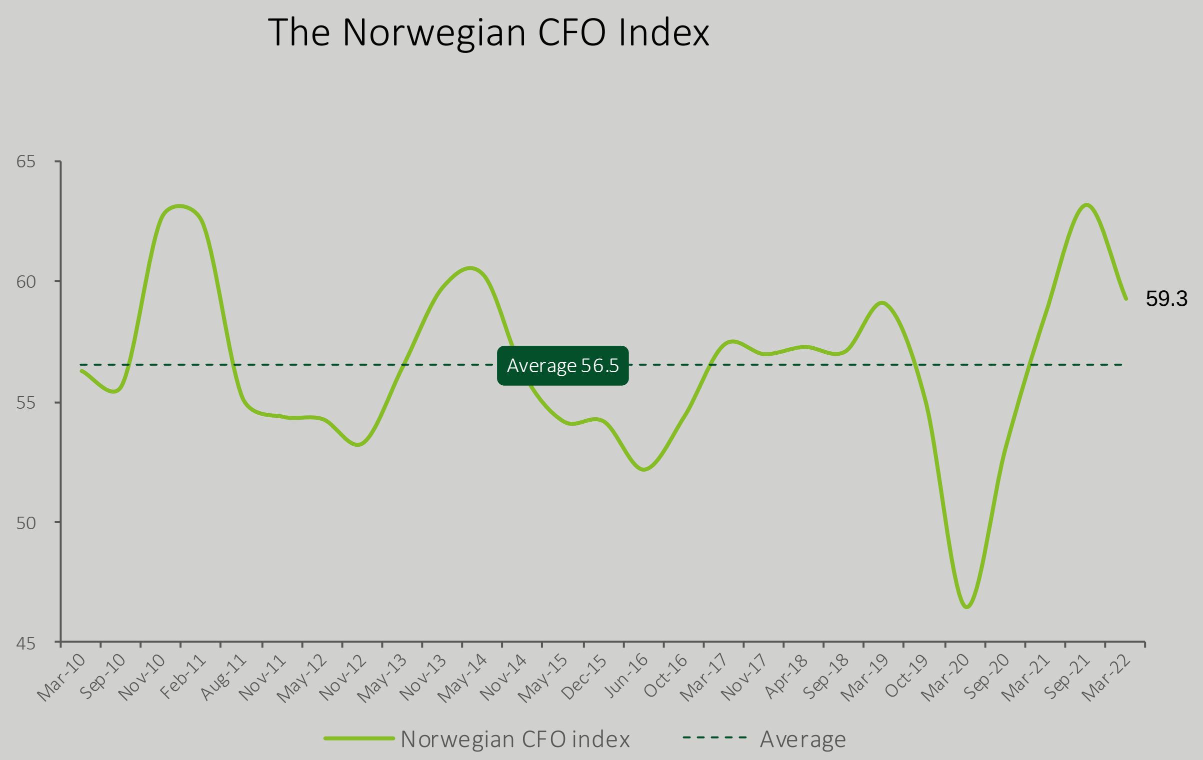
Contents

Normalization following euphoric tendencies in Q3-21

Last survey had the strongest sentiment witnessed since the 2014 oil price crisis. Despite reopening of society and a comeback for the Brent Oil price above 100 USD per barrel, the sentiment in this survey has corrected towards the long-term mean.

The likely explanation is the record high inflation expectations. The war in Ukraine has tightened an already challenged European energy market. Growing pains from Covid-19 recovery and subsequent supply chain challenges has contributed to further increasing inflation. On top of this, the tight labor market has caused concerns for a potential price-wage spiral and, subsequently, additional pressures on operating margins.

The sentiment amongst CFOs are largely divided with Oil production and oil service, Energy/utilities and Transportation and logistics companies benefiting from the current economic environment. Real estate and Retail on the other hand are worried that the inflation and expected interest rate increases will eat purchasing power.



Economic prospects

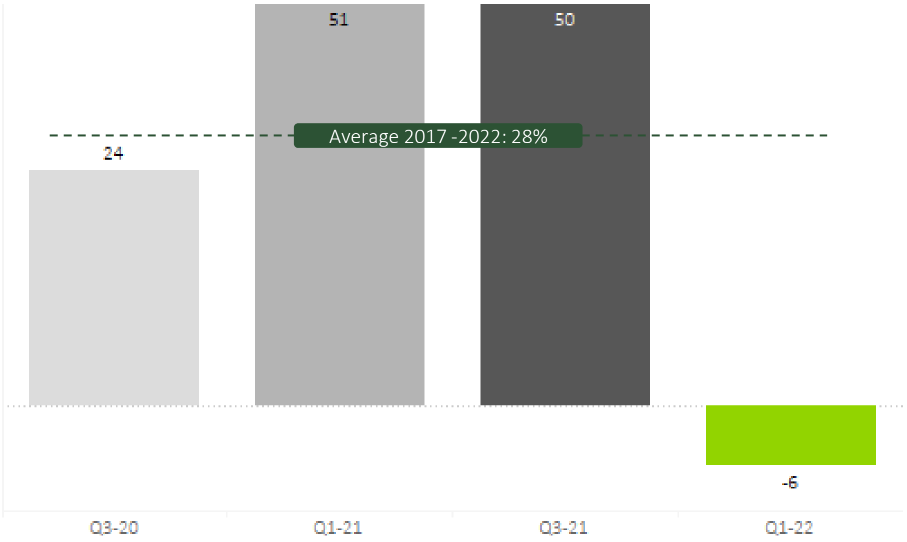
Norwegian CFOs more negative about their company's prospects following high inflation and geopolitical turmoil

Norwegian CFOs are less positive about their company's financial prospects compared to six months ago.

Last survey showed a strong sentiment following a rapid recovery from the Covid-19 pandemic mixed with a low interest rate environment and improving oil and gas prices. This survey is negatively affected by a fear that the high inflation seen over the last year is permanent rather than transitory. In addition, the war in Ukraine has caused increased uncertainty in the global economy, increasing energy prices to a level which could negatively affect the growth rate of the global economy. Note, however, that last survey was extraordinarily positive, and that a relative decrease hence could indicate a return to normalcy.

We are though surprised that the extraordinarily high income from export of oil and gas does not materialize itself in a more positive result.

Q: *Compared to six months ago, how do you feel about the financial prospects for your company?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-17 to Q1-22..

Mixed sentiment with Oil production and oil service, Transport and logistics and Energy/utilities benefitting from the current economic environment

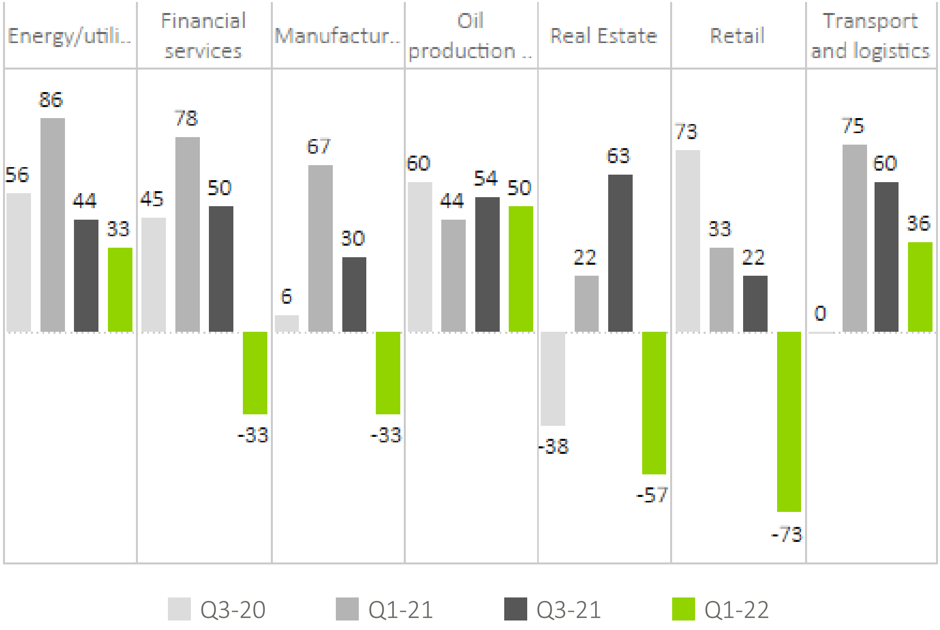
Most industries are more negative about their financials compared to six moths ago with Oil production and oil service, Transport and logistics and Energy/utilities being the outliers.

The positivity in Oil production and oil service and Energy/utilities is driven by the persistently high energy prices. The Norwegian power prices have been high since the start of 2021, particularly following a dry and windless winter in Europe, while the war in Ukraine has seen the Brent spot price increase above 100 USD. The strong sentiment in Transport and logistics is likely driven by higher freight rates following the ongoing supply chain challenges.

Retail is most negative compared to last survey with a net share of 73% of CFOs expecting worsening financial prospects in the next six months. Retail has been negatively affected by the reopening of society as consumers are shifting consume from goods to services, as well as supply chain issues.

Real estate is negatively affected by the expected rapid increase in interest rates to handle the high inflation currently experienced.

Q: *Compared to six months ago, how do you feel about the financial prospects for your company?*



Note: Industry breakdown is based on the number of respondents the last four surveys.

1 Economic prospects
2 Strategic opportunities
3 Capital structure and risk
4 Financing
5 ESG
6 Hot topics
7 About the survey

Net optimism reversed to all-time historical average following inflation hangover after the Covid-19 pandemic recovery

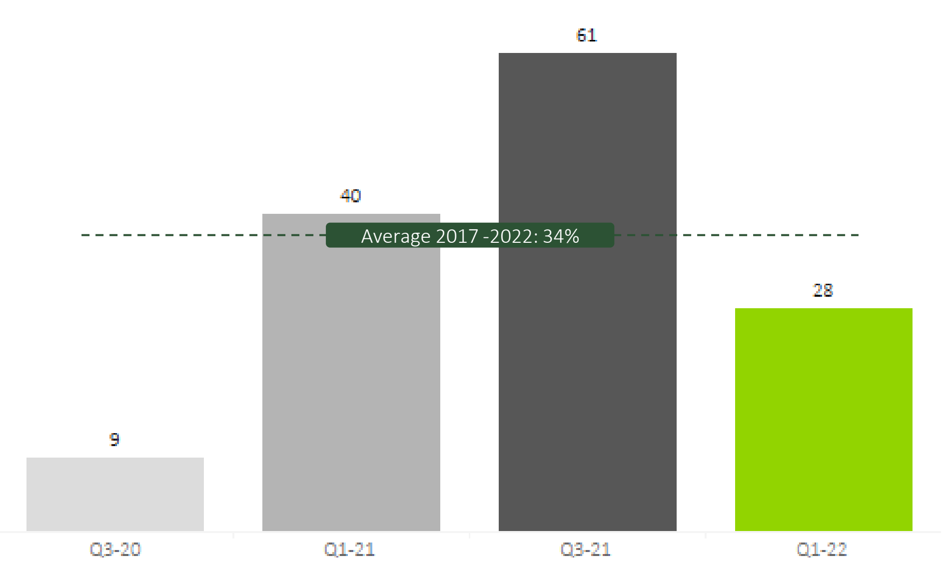
Net optimism decreases compared to six months ago.

A net share of 28% of CFOs are optimistic about their company's financial prospects for the next six months, compared to 61% in the last survey. Considering the all-time high optimism recorded in the last survey, these results indicate convergence back to normalized levels.

The increased optimism in the last survey was largely driven by the reopening of society after Covid-19. With all national Covid-19 measures being lifted in February, one could have assumed an even more positive effect this time around. However, the war in Ukraine which broke out in the end of February causes great uncertainty. In addition, the high energy prices we have seen over the last months are not likely to fall soon, adding pressure on the global economy.

In addition, the record high inflation expectations and corresponding interest rate expectations contributes to cooling down the sentiment compared to the record high levels of Q3-21.

Q: *How do you feel about the financial prospects for your company for the next six months?*



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Financial services and Real estate CFOs negative outliers

The degree of optimism varies across the industries, with Manufacturing and Oil production oil and services being the most optimistic.

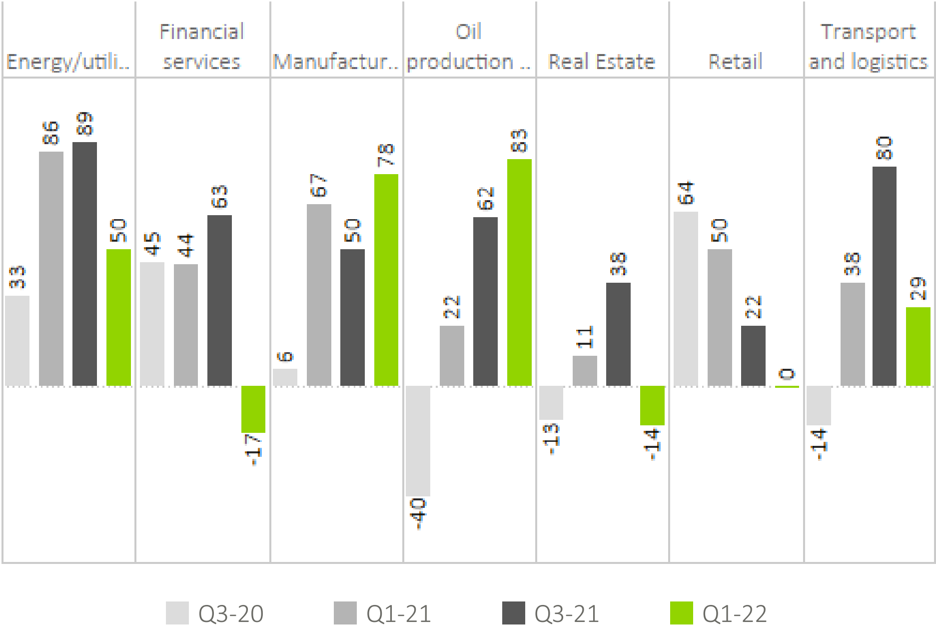
CFOs in Energy/Utilities are less optimistic than six and 12 months ago, however, still at a strong level with persistently high energy prices.

Financial services CFOs are significantly more pessimistic today compared to six months ago, likely connected to the high inflation rate expectations and financial market volatility following the outbreak of the war in Ukraine.

The increased optimism in Oil production and services is presumably explained by the increase in oil price followed by the invasion of Ukraine. The oil price is expected to continue to rise if the conflict remains unsolved, with oil supply issues as a potential consequence.

CFOs in Real Estate are more negative compared to six months ago, presumably due to the expectations of rising interest rates in 2022. The continued declining positivity in Retail might be explained by the full opening of society after the pandemic, and consumers increasingly shifting their spending towards services.

Q: *How do you feel about the financial prospects for your company for the next six months?*



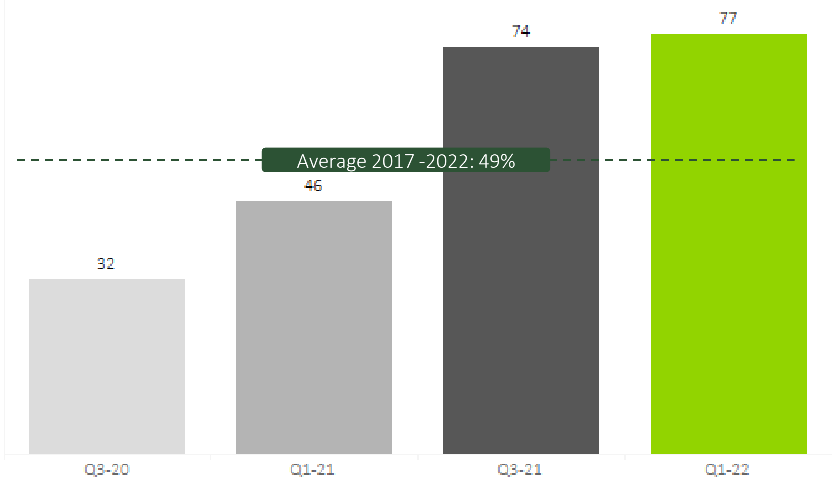
Note: Industry breakdown is based on the number of respondents the last four surveys.

84% of the CFOs are expecting higher price trends going forward

Last time we conducted the survey inflation was a hot topic and everyone was talking about it, that has not changed. The big question was; is it transitory or is it permanent? Now we have higher energy prices, supply chain disruptions, high commodity prices and thereby higher input prices for companies. We also have a very tight labor market, the unemployment rate is at its lowest level since 2008, and the share of companies running on full capacity is at its strongest since 2008.

84% of the CFOs are expecting an increase in the general price trend for their company's products/services for the next 12 months. This is slightly higher than last time and the highest net level expecting an increase reported in the time of the survey. Only 7% of the CFOs are expecting the general price trend for their products to be negative going forward.

Q: *What is your view of the general price trend for your company's products/services for the coming six months?*



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High inflation expectations

The CFOs are expecting an inflation rate of 3.88% in Norway for the coming twelve months, this is 123bp higher than six months ago and 188bp higher than Norges Banks stated inflation target of 2% annual growth in consumer prices.

When we conducted the last survey, we also had high inflation expectations with Inflation being overshadowed by the pandemic, reopening effects and developments in unemployment and high electricity prices. We have all the same factors now as well but some of them in an even stronger form accompanied by higher energy and food prices.

For the Eurozone, the Norwegian CFOs are expecting an inflation rate of 3.76% which is 156bps higher than in the previous survey.

While we still haven't seen the total impact on inflation from all pandemic related disruptions, and in the months ahead war related price changes will add to inflation pressures.

Q: *What do you think will be the inflation rate in Norway over the next 12 months?*

3.88%
(average)

Q: *What do you think will be the inflation rate in the Euro-area over the next 12 months?*

3.76%
(average)

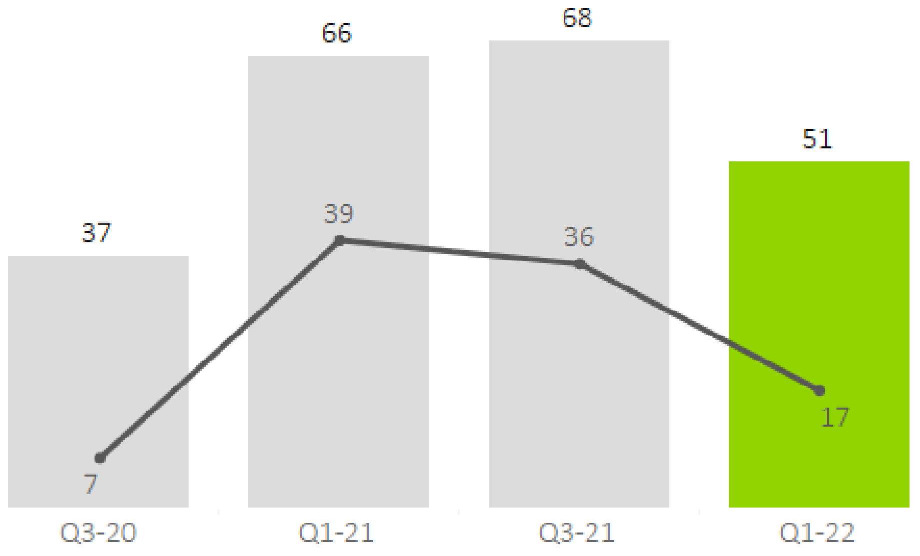
Still strong expectations for revenue development, while CFOs are more moderate on operating margin development

CFOs are still confident that revenues will continue to improve over the next six months, however, more moderate on expectations for operating margins.

Following a strong sentiment in 2021 after the initial pandemic recovery, the CFOs are still positive about the development of revenue. We find this to likely be driven by the record high price expectations observed in this survey.

The CFOs are less optimistic about the development of operating margins, likely driven by expectations of high inflation. The result indicates that the companies do not expect to be able to pass on all of the input factor price increases to the consumers. Additionally, the current labor market with high demand and low unemployment is likely to increase wage expectations, putting further pressure on operating margins.

Q: *In your view, how are revenues and operating margins for your company likely to change over the next six months?*



Note: The columns show the net percentage of CFOs expecting their company to increase revenues over the next six months. The grey line illustrates the net percentage of CFOs expecting operating margin to increase over the next six months.

Retail negative outlier while Energy/utilities and Oil production and oil services expect strong revenue and operating margin development

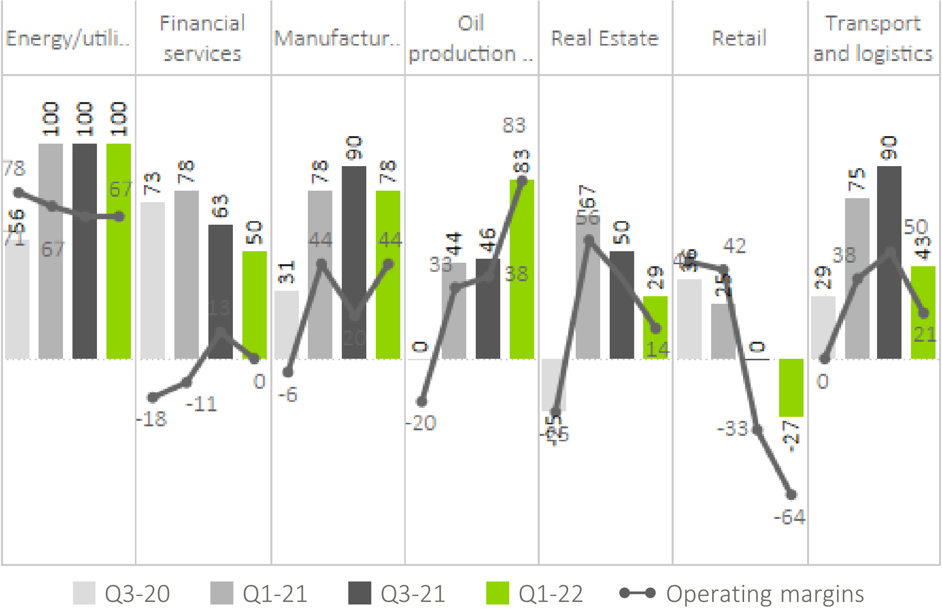
Yet again, a net share of 100% of the CFOs in Energy/Utilities expects increased revenue. Unsurprisingly, following the continued strong market prices in the Norwegian power market in 2022.

Financial services moderates its response on revenues and operating margins compared to six months ago, plausibly due to high inflation expectations and the uncertainties the war in Ukraine poses on the financial markets. CFOs in Manufacturing are expecting decreased revenues, but higher margins in the coming months, plausibly due to the possibility of charging higher prices on manufactured goods.

Still optimism and expectations of increase in revenues and operating margins in Oil production and oil services due to surge in the Brent spot price, exceeding the USD 100 mark in end of February 2022. In addition, the reopening of society after the pandemic is driving fuel demand benefiting the industry.

CFOs in Retail expects decrease in both revenues and operating margins, assumingly driven by consumers shifting their spending to services as the Covid-19 restrictions are lifted.

Q: In your view, how are revenues and operating margins for your company likely to change over the next six months?



Note: The columns show six month forward looking expected development in revenues for Q3-20, Q1-21, Q3-21 and Q1-22. The grey line shows the corresponding expectations regarding operating margin per industry.

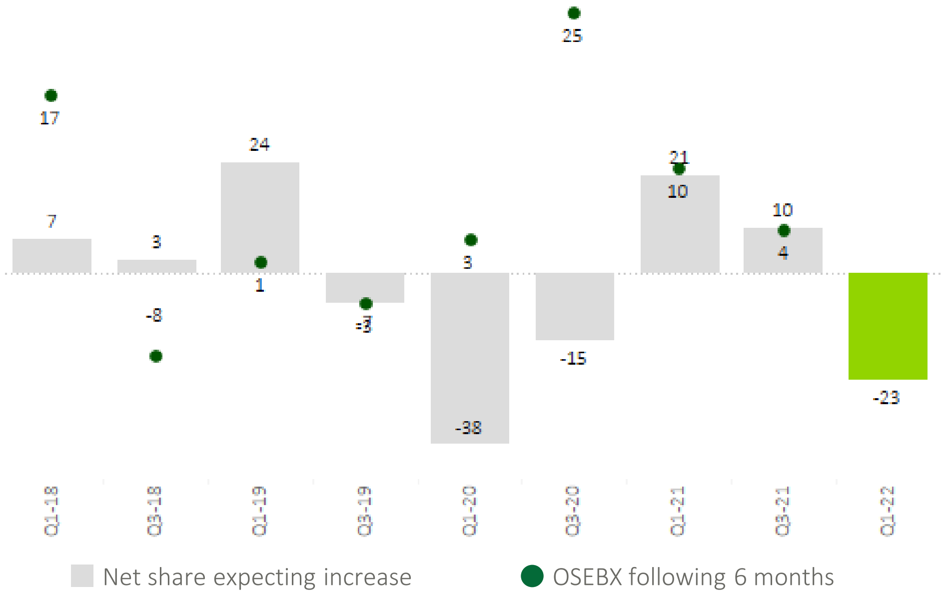
The lions share of the CFOs are looking at the stock market with bearish eyes

A net share of -23% of the CFOs are expecting the OSEBX to go higher in the next six months. 46% are expecting the index to go lower, 32% are expecting it to be unchanged and 22% are expecting it to go higher.

The net share of -23% expecting an increase in the index is the most negative net share reported in time of the survey and we must go back to Q3-14 to find a double-digit net negative share. The average for the last five years is a net share of 6,4% expecting a positive development in the index in the next six months.

We believe the negative answers stems from uncertainties around the war in Ukraine, expectations of higher interest rates, higher energy and food prices and higher inflation expectations. Many companies are also still struggling with supply chain issues stemming from bottlenecks caused by the pandemic. We believe this negative view could be seen together with 42% of the CFOs are feeling, compared to six months ago that the financial prospects for their company is looking less optimistic.

Q: *What is your expectation for the Oslo Børs Benchmark Index (OSEBX) development in the next six months?*



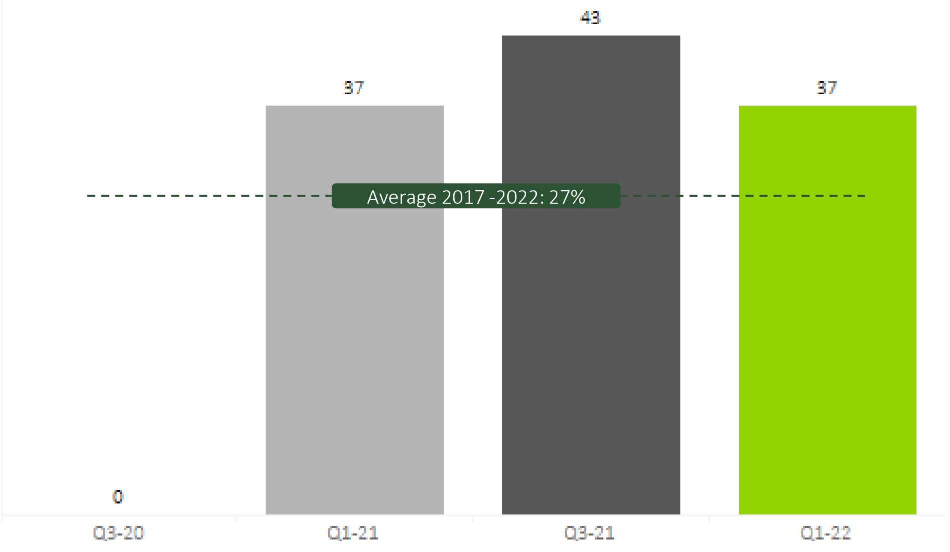
Note: The figures show the net share of the CFOs expecting an increase in the benchmark index at Oslo Stock Exchange (OSEBX) versus the actual development of the index in the six months following the survey publication. Note also that the two measures does not have the same axis.

Still strong CAPEX expectations despite lower availability of bond and equity financing

CAPEX expectations are down from last survey's all-time high, but still at a strong level compared to the five-year average of net 27%. The decrease in CAPEX expectations is likely driven by the decreased availability and attractiveness of bond and equity financing.

However, the CFOs are highly confident about their companies' financial prospect and ready to undertake investments, stating that bank loans are still attractive and available. In addition, the strong revenue and margin development of 2021 has given the companies opportunity to finance CAPEX internally.

Q: *In your view, how are capital expenditures (CAPEX) for your company likely to change over the next six months?*



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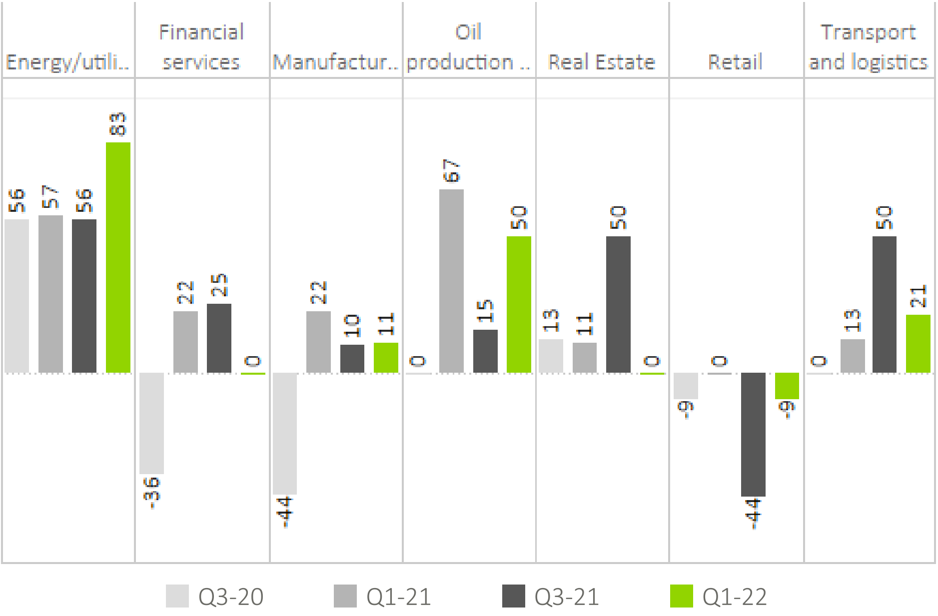
Mixed labor market expectations with Financial services, Manufacturing and Real estate expecting no increase in labor force

Compared to the last survey, fewer CFOs are expecting increase in number of employees over the next six months, with CFOs in Financial services and Real Estate expecting no change in workforce the coming months. We find the result to be a bit odd given the record high demand for labor. However, the unemployment is also approaching a historical low, indicating that companies might struggle to increase their organizations despite intention to do so.

The positive expectations in Energy/Utilities and Oil production and services coincides well with the positive revenue expectations mentioned previously. Similarly, the negative expectations in Retail coincides well with the negative revenue expectations and persisting pressure from e-commerce competition. However, the Retail results are significantly improved from last survey.

Q: *In your view, how is the number of employees for your company likely to change over the next six months?*

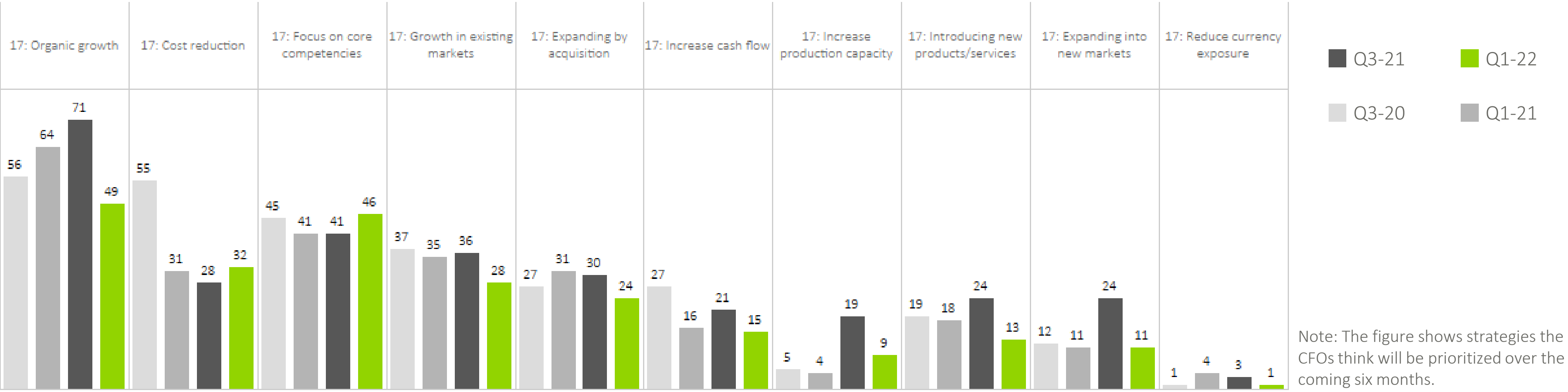


Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

Strategic opportunities

Rotation towards more defensive strategies with organic growth, focus on core competencies and cost reductions being the most important strategies

Q: *Which of the following strategies are likely to be a priority for your company over the next six months?*



Note: The figure shows strategies the CFOs think will be prioritized over the coming six months.
Note: Multiple answers allowed.

Following the previous surveys, the CFOs tend to prioritize organic growth and focus on core competencies the most. Despite organic growth continuing to be the most popular strategy, it also represents the most drastic change in priority level. This corresponds with the decreasing expectations of revenue and operating margins. Furthermore, increase production capacity and expanding into new markets also decrease in priority level, assumingly due to the current supply chain issues and general rotation towards more defensive strategies.

Significant reduction in focus on other investments while acquisitions and shareholder dividends improve as a main priority of cash flow spend

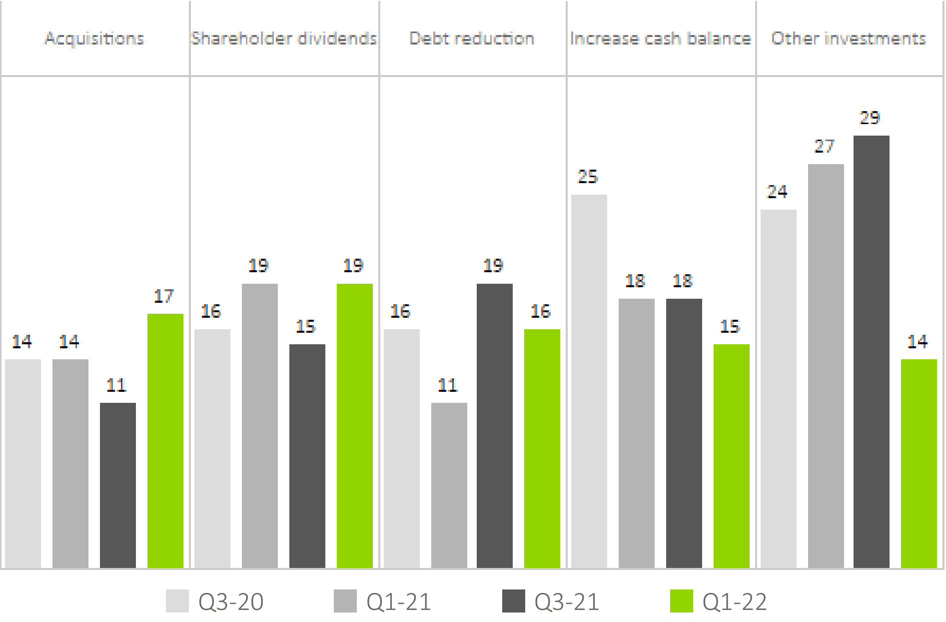
Since Q1-21, the survey has demonstrated a positive trend on other investments, resulting in being the primary focus for operating cash flow expenditures. This time however, we see a strong decrease in other investments coinciding with decreasing CAPEX expectations.

After a modest focus on debt reduction in 2020 due to beneficial financing terms, we observed a complete reversal in Q3-21, potentially stemming form the expected increase in interest rates. This trend continues, however somewhat more modest, in Q1-22 as interest rates are still expected to increase.

At the start of the pandemic, CFOs reported a strong focus on increasing cash balance in order to endure the crisis. However, after the vaccination program started in Q1-21, the focus dropped to pre-Covid levels. In Q1-22 this trend continues as the focus on debt reduction falls further.

Acquisitions are increasingly prioritized in terms of operating cash flow expenditure, which coincides with a decent M&A sentiment and strong attractiveness of internal financing. The increased focus on shareholder dividends coincides with the CFOs seeing less profitable investment opportunities.

Q: *What is the main priority for operating cash flow expenditure for your company over the next six months?*



Note: The figure depicts the strategy most likely to be executed using operating cash flow expenditure for the four most recent periods.

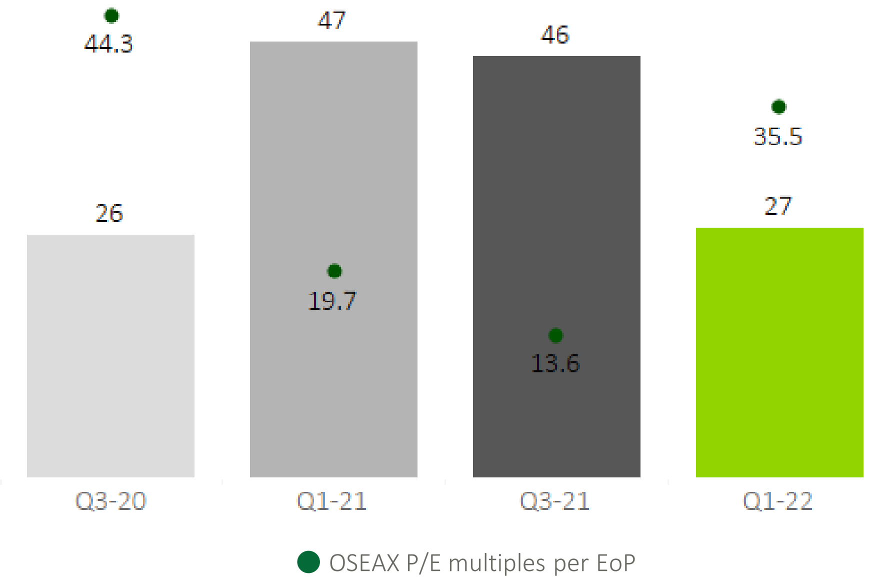
1 Economic prospects
2 Strategic opportunities
3 Capital structure and risk
4 Financing
5 ESG
6 Hot topics
7 About the survey

Still positive M&A outlook for next six months, despite decrease from last survey

After record high M&A sentiments in Q1-21 and Q3-21, the CFOs are somewhat more moderate in Q1-22. Increased interest rates and the decreased availability and attractiveness of bond and equity financing might be some of the explanation. However, after record high sentiments in the previous surveys, a drop towards a more normalized level is to be expected, and the sentiment is still considered strong.

The moderation could also be explained by the OSEAX P/E multiple increasing to 35.5, well above the level seen in the last year, suggesting that CFOs might find the market to be towards the expensive end.

Q: *How do you expect the M&A activity in your industry to develop over the next six months?*



Note: The figure depicts the strategy most likely to be executed using operating cash flow expenditure for the four most recent periods. Note that the two measured do not have the same axis.

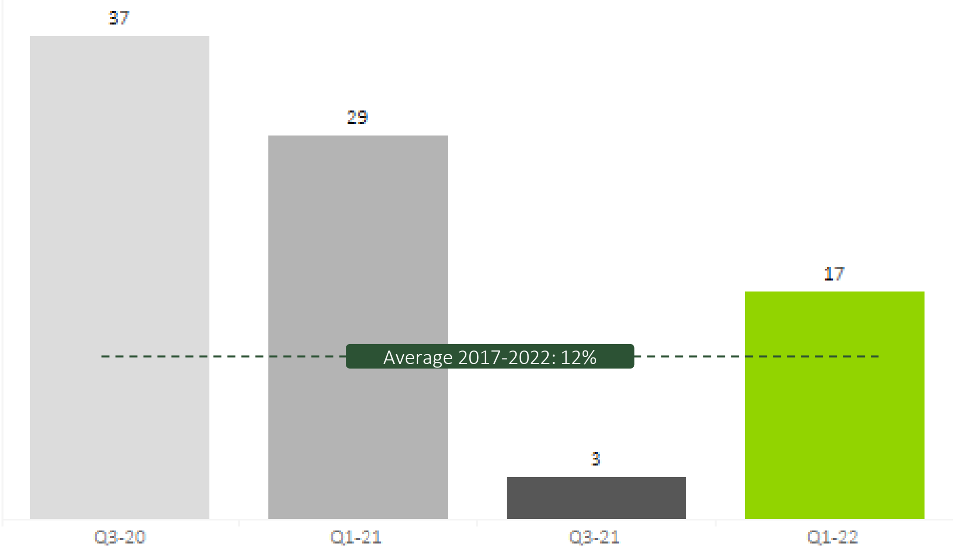
Capital structure and risk

The probability for counterparties default are slightly above average

A net share of 17% of the CFOs are expecting an increase in counterparty default risk. This is a higher net share compared with the last survey and we believe this have to do with the geopolitical and macroeconomic uncertainties we are currently experiencing. Most of the CFOs, 73%, are answering that they expect the counterparty default risk to stay unchanged.

22% answered that they expect an increase and only 5% answered that they expect a decrease. The increased net share could stem from the expectations of higher interest rates going forward and thereby expected higher interest cost. If badly capitalized companies are not able to push higher input costs over to costumers via higher output prices and are experiencing a higher cost of debt at the same time some companies might struggle.

Q: *The probability for counterparties' default in the next six months is expected to increase, remain unchanged or decline?*



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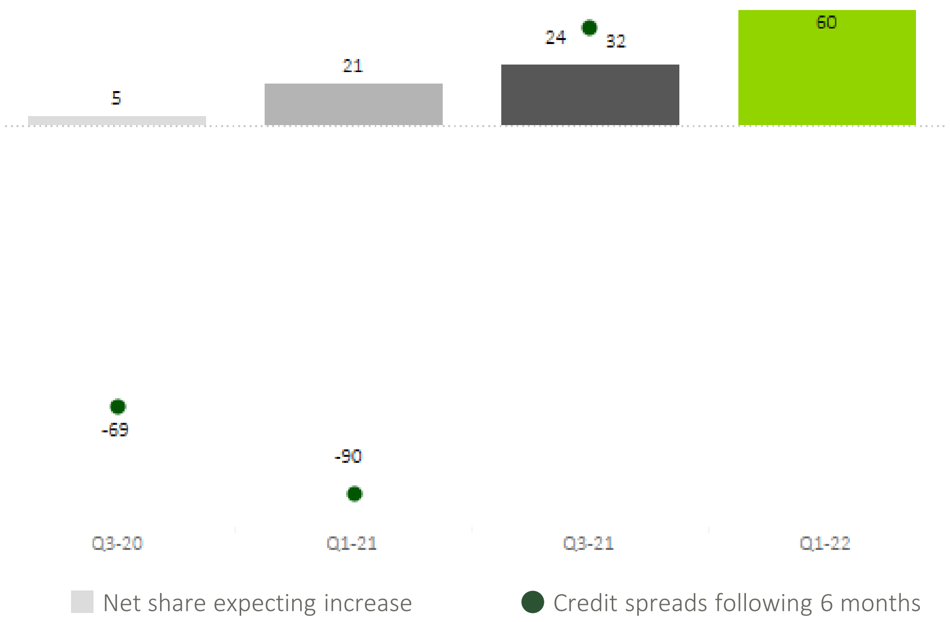
All time high expectations of higher credit spreads the next six months

Since Q3-20 the CFOs have expected higher credit spreads and now we have a record high net share expecting higher credit spreads going forward. A net share of 60% is 36 percentage points higher than the 5-year average of 23%. Even though 64% of the CFOs answered that they are expecting credit spreads to widen over the next six months, a fair share of 32% answered that they expect spreads to remain unchanged.

The record high expectations of wider credit spreads are in line with the weakened belief in OSEBX development, wider credit spreads often means softer equity markets. The last month we have seen credit spreads widen because of geopolitical tensions and higher interest rates. The last month the Norwegian 10-year swap have increased 15% to 2,68%.

Even tough the war in Ukraine could put a damper on the economy with higher energy and food prices, we have higher wage expectations, a tight labor market and high inflation that could force central banks to act with more hikes than earlier expected. Higher interest rates could lead to a stronger Norwegian krone and could thereby hurt Norwegian export companies.

Q: *Expectation of credit spread development next six months*

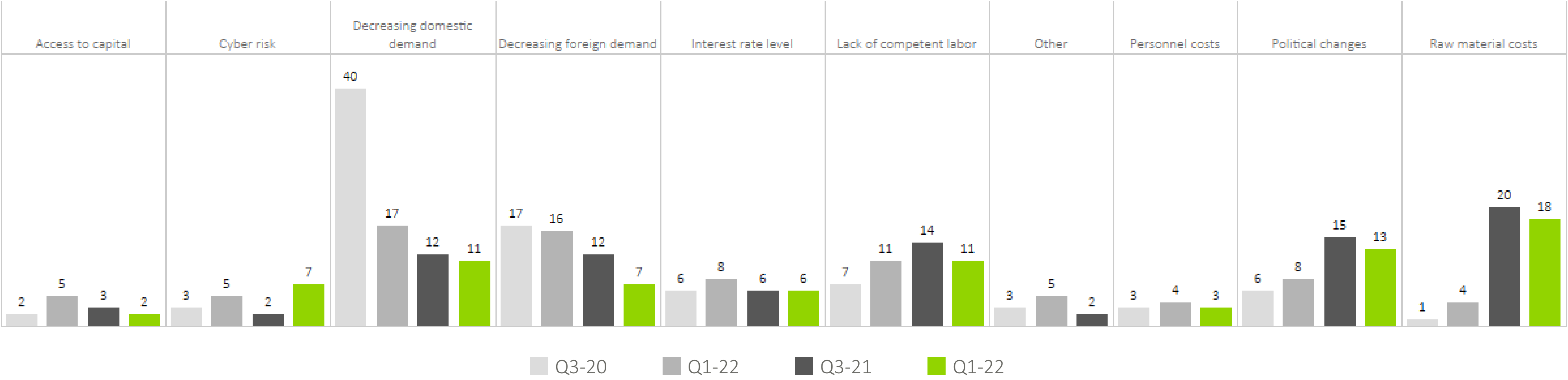


Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period. Note that the two measures do not have the same axis.

Raw material cost are still worrying the CFOs

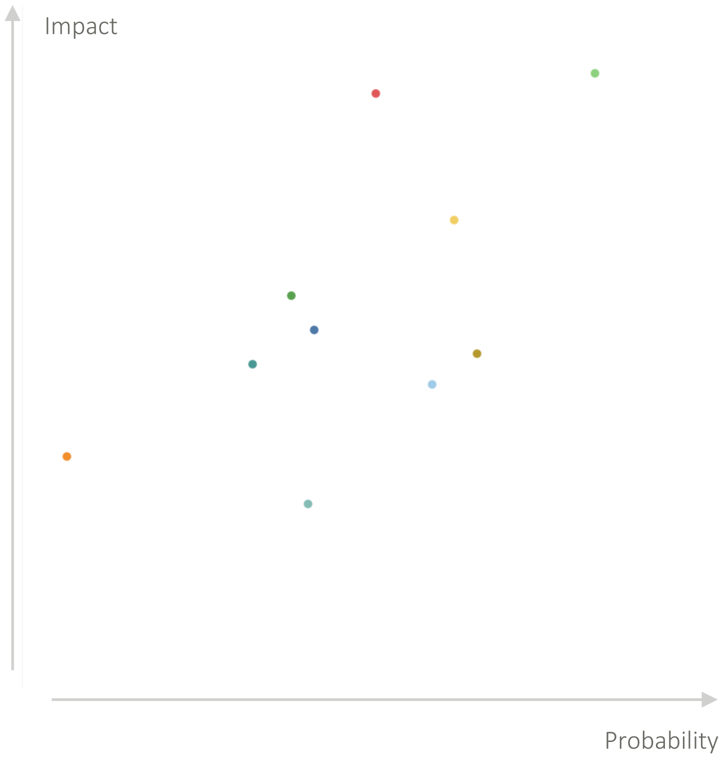
The factor that is posing the biggest risk for the CFOs are the same as last time, increased raw material cost. The CFOs are also worried about political changes, lack of competent labor and decreasing domestic demand. Because of the war in Ukraine, we were expecting political changes and cyber risk to pose bigger risks, with the latter having a moderate increase since last survey. In the last survey we had commodity prices surging with the world reopening for business and supply chain disruptions, and now we have surging commodity prices because of the war in Ukraine with Russia being the worlds largest exporter of oil. The risk of decreasing domestic demand can be seen in the light of higher inflation expectations, higher interest rates and higher energy and electricity prices.

Q: *Which of the following factors are most likely to pose a significant risk for your business over the next six months?*



Increased inflation in Western economies and cyber attacks are the largest risk factors according to the CFOs

Q: *Over the next 12 to 24 months how do you rate these risks to the global economy? Should one of the following scenarios materialize, how would you rate the magnitude of its impact on the financial prospects of your company?*



The largest risk according to the CFOs is increased inflation in Western economies. Inflation expectations have been rising considerably across the globe following the Covid-19 recovery. In February, US inflation was the highest in 40 years and UK inflation the highest in 30 years. The high energy prices, increased raw material prices and shortage of workforce putting pressure on salaries, are all signs that inflation is not likely to decrease soon.

Like the last couple of surveys, the CFOs are still very concerned about cyber attacks. This has been the case since March 2019, when a cyber attack caused Norsk Hydro to incur a loss of approximately NOKm 800. The recent invasion of Ukraine has also contributed to increased fear of Russian cyber attacks among Norwegian companies.

Compared to the last survey, the CFOs are increasingly concerned about political turmoil in Western economies. This is presumably related to the very uncertain situation in Europe due to the war in Ukraine.

Probability of a new Eurozone crisis has increased according to the CFOs, but the impact if it occurs is regarded less than in the last survey.

- Long term effects of Brexit
- Increase in polarization/populism
- Cyber attack on companies and/or governments
- Increased economic protectionism
- Political turmoil in Western economies
- Private debt crisis in a larger economy
- New Eurozone crisis
- Public debt crisis in a larger economy
- Increased inflation in Western economies
- Significant drop in asset prices
- Contractual monetary policy at inconvenient time

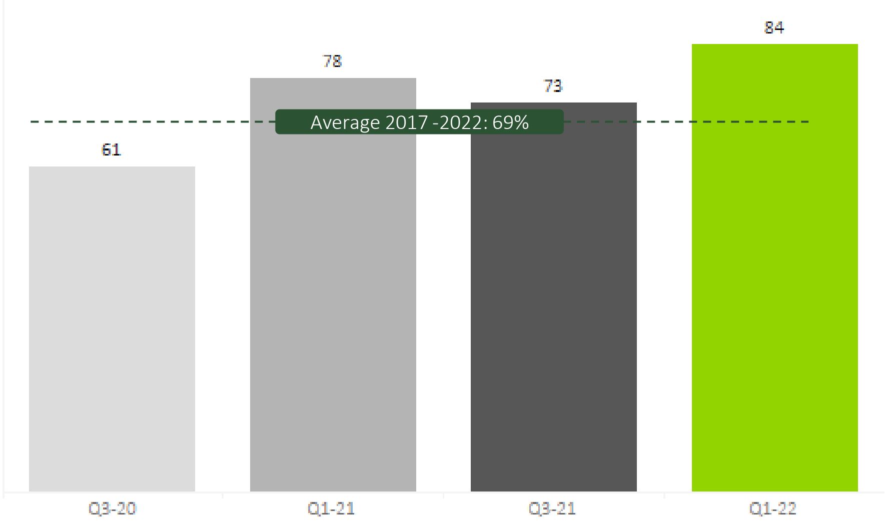
Financing

The CFOs are increasingly confident of their companies' financial position

Most CFOs are positive in terms of their company's financial position, with an increase of 11 percentage points compared to six months ago. 84% net positive is a very strong sentiment, and 15 percentage points above the five-year average.

The strong sentiment is likely a result of 2021 being a good year for Norwegian companies with high margins, low interest rates and high availability of capital. These factors have contributed to Norwegian entities building strong balance sheets and subsequently making the CFOs confident of their financial position.

Q: *The overall financial position of your company is seen as: (Very favorable, favorable, average, unfavorable, very unfavorable)*



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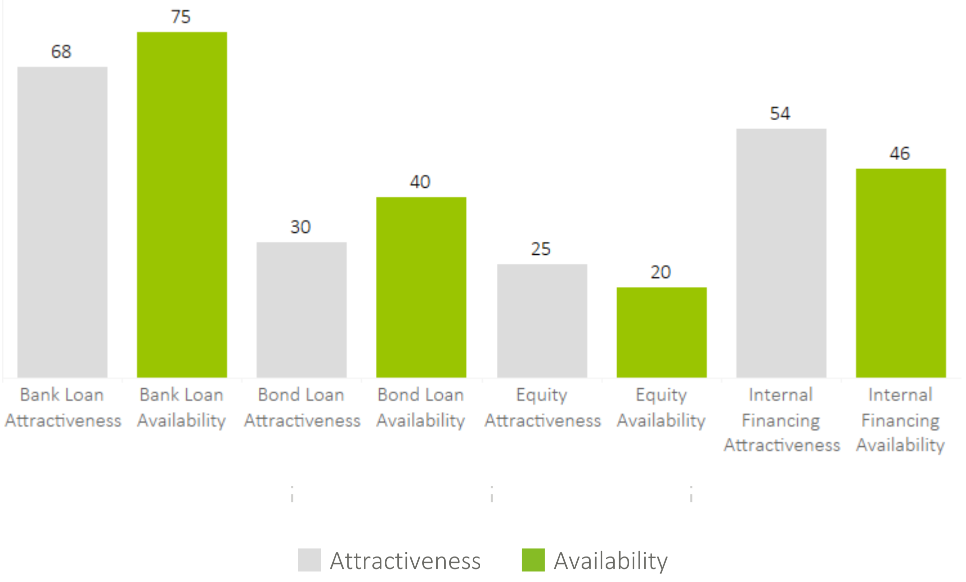
Bank financing is the most attractive source of financing

The last time we conducted the survey, bank financing and bond financing had almost the same net attractiveness, but now the attractiveness for bond financing is down from a net share of 70% to a net share of 30%. We also note that the availability for both bank financing and bond financing is higher than the attractiveness, this could be a function of companies being well capitalized and that credit spreads and bank margins have widened.

It is also interesting to see that the attractiveness for internal financing is higher than the attractiveness for both equity and bond financing which could mean that companies have good liquidity. We believe this is in line with 85% of the CFOs answering that the overall financial position of their company is either favorable or very favorable.

Q: *How attractive and available are the following financing sources for Norwegian companies given the current market situation?*



Note: The chart illustrates the net share of respondents describing bank loans, bonds, equity and internal financing as attractive and/or available.

Higher availability than attractiveness for bank loans

The perceived bank loan availability decreased to a net share of 68% and the availability increased from a net share of 66% to 75%. This could be a function of companies being well capitalized and that bank margins have widened because of higher rates. It is also wort mentioning that 24/03/2022 Norges Bank increased the policy rate to 0.75%.

The net attractiveness for bank loans are at the 5-year average, but slightly higher than the all time average. Almost 50% of the CFOs are answering that they are going to increase capex spending and the main strategies for the companies going forward are increasing cash flow, growth through acquisitions and increased production capacity. Strong perceived bank loan availability provides confidence when you are expecting capex spending and growth through acquisitions.

Q: *How attractive / available are bank loans as a financing source for Norwegian companies given the current market situation?*

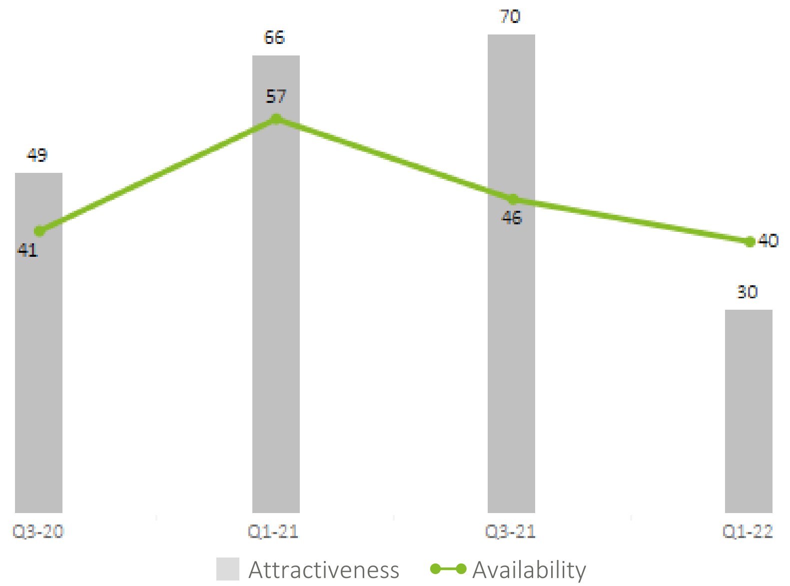
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bank loans.

Bond financing attractiveness notably down from record high levels

From Q3-16 to Q3-21 we had an increasing trend in the net attractiveness for bond financing, but now we are seeing just half the net attractiveness as we did last time. 30% of the respondents answered that bond financing is attractive, 38% nor attractive or unattractive and 16 answered not attractive. The 30% net attractiveness is 15 percentage point below the 5-year average at 35%.

Higher interest rates, looming inflation and the war in Ukraine have led to wider credit spreads and uncertainties across all sectors and curves leading to higher interest cost for the companies. 24/03/2022 Norges Bank increased the policy rate by 25pp to 0,75%, the path implies 4 hikes this year and a peak in the policy rate of 2.50%. This increases the all-in cost for bond financing. Despite wider credit spreads the activity in the bond market has picked up across sectors during week 11 and 12 with several new deals entering the market.

Q: *How attractive / available is bond funding as a financing source for Norwegian companies given the current market situation?*



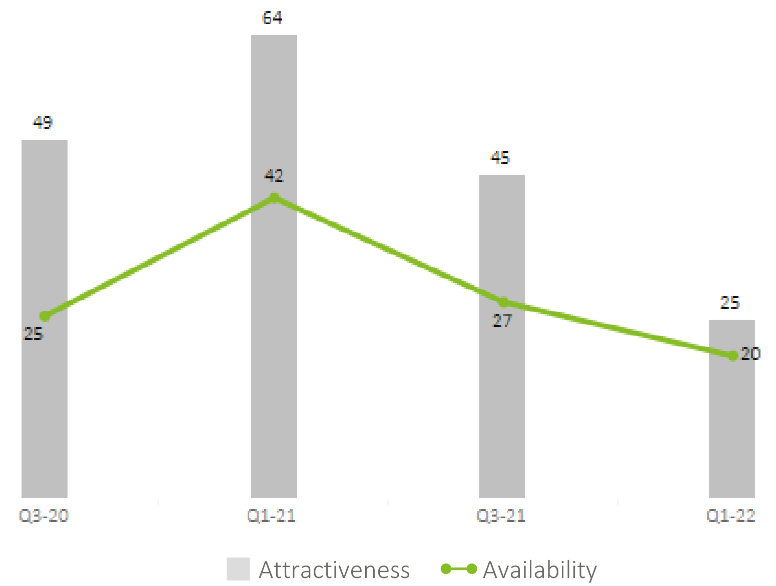
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bonds.

Equity financing is less attractive and available

One year ago, we had an historically high level of net attractiveness for equity financing with a net share of 64% of the CFOs believing equity financing is attractive. Compared to the last survey the attractiveness and availability is notably softer with the availability being lower than the attractiveness. We believe a lot of this stems from the geopolitical tensions we are experiencing right now with the war in Ukraine causing investors to be more careful. That being said, the OSEBX index is higher than before the war began.

We could see this together with 46% of the CFOs expecting the OSEBX index to go lower and 64% are expecting credit spreads to widen. That being said, a net share of 37% of the CFOs are answering that they are going to increase capex spending going forward, which is above the 5-year average.

Q: *How attractive / available is equity as a financing source for Norwegian companies given the current market situation?*



Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of equity.

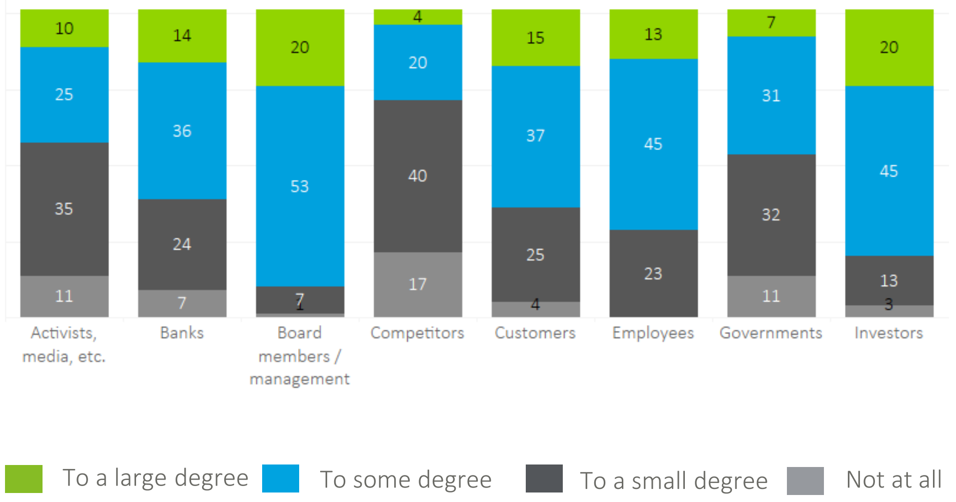
ESG

Board members, management and investors are putting the most pressure to act on climate change

We could se that focus on climate change is important for all stakeholders and we are not surprised that investors and board members/management are the ones putting the most pressure on the companies to act on climate change, followed by the companies' employees. There are many benefits for a company by acting on climate change, everything from a future orientated reputation, attracting young talent and cost of funding.

It takes time to implement new rules and directives and we therefore expect that companies are going to feel a larger degree of pressure from governments to act on climate change in the coming years. We also note that every company asked is feeling pressure in some way from their employees to act on climate change. This indicates that acting on climate change is important for the company's employees and going forward we believe this will be more important for retaining and recruiting staff.

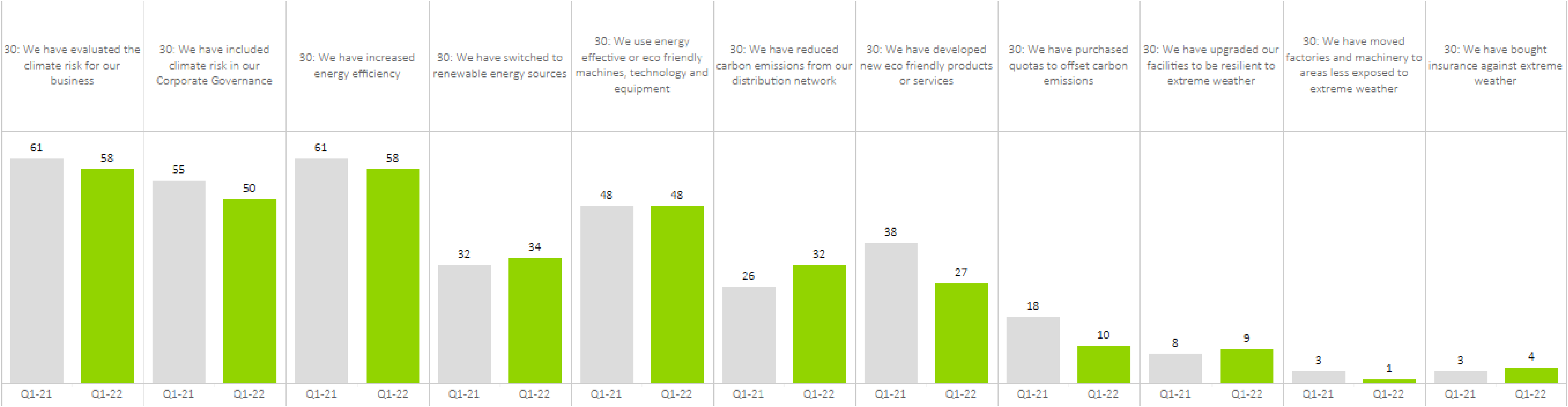
Q: *To what extent does your company feel pressure to act on climate change from the following actors?*



Actions is being taken on climate change

We observe that over 72% of the companies have evaluated the climate risk for their business and have increased energy efficiency. We believe this shows that action is being taken. We are also seeing action being taken when it comes to the company's products and services with 59% of the CFOs answering that they are using energy effective or Eco-friendly machines, technology and equipment. Transition over to renewable energy often takes time and investments but there are still 42% of the CFOs answering that they have already switched over to renewable energy sources. As focus on climate change and carbon neutrality increases for every year, we expect the response rate to increase on the most important measures going forward.

Q: *Is your company taking, or about to take, any of the following measures to manage, mitigate and/or*

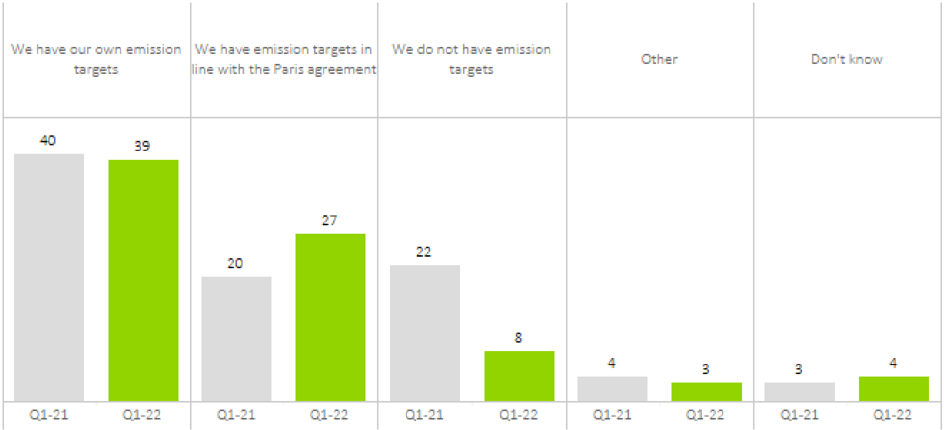


81% of the companies asked have implemented emission reduction targets

Since last time we conducted the survey there are a lot fewer of the CFOs answering that they do not have an emission target. We also see this positive development in the number of CFOs answering that they have emission targets in line with the Paris agreement. There are many benefits from having such emission reduction targets, one could be the cost of funding.

We are seeing trends in the capital markets that companies with green profiles that have emission reduction targets could experience a lower cost of funding and higher equity valuations. This should motivate companies to take action on reducing emissions. The last years the price of CO2 quotas has skyrocketed, which should also motivate companies with high CO2 emissions to reduce their emissions.

Q: *Has your company put in place emission reduction targets in line with the Paris agreement?*



Hot topics

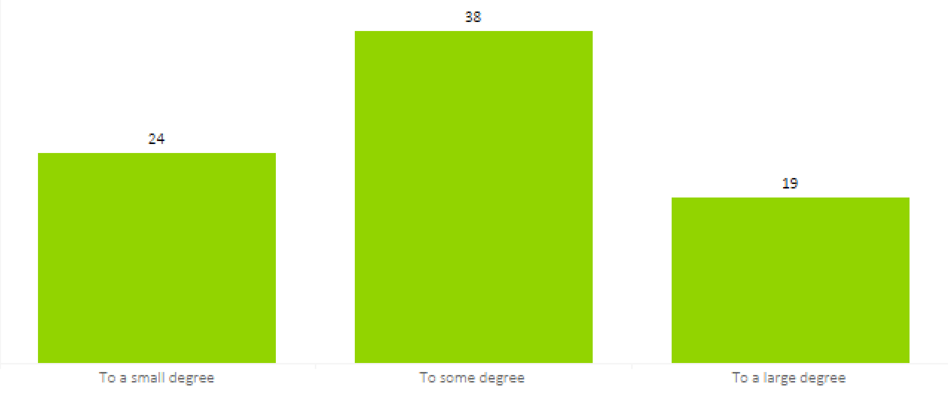
A net 70% of the CFOs claim that their company is at least moderately affected by supply chain problems

The pandemic has taught us a thing or two about the importance of organizational resilience and we are seeing trends such as elastic logistics, circular supply chains and onshoring emerging. The pandemic has also shown us the importance of being ready for potential unexpected disruptions in the supply chain.

Although all Covid-19 measures had been lifted in Norway, the pandemic is still very much present globally and continuing to impact the global trade. In addition, the war in Ukraine has added to the supply chain challenges.

This is reflected in the results of this year's survey, where a net of 47% of the CFOs claim that their company to some degree is affected by supply chain challenges. Furthermore, net 23% of the CFOs says their company is affected to a large degree.

Q: *To what extent is your company currently affected by supply chain/delivery problems?*



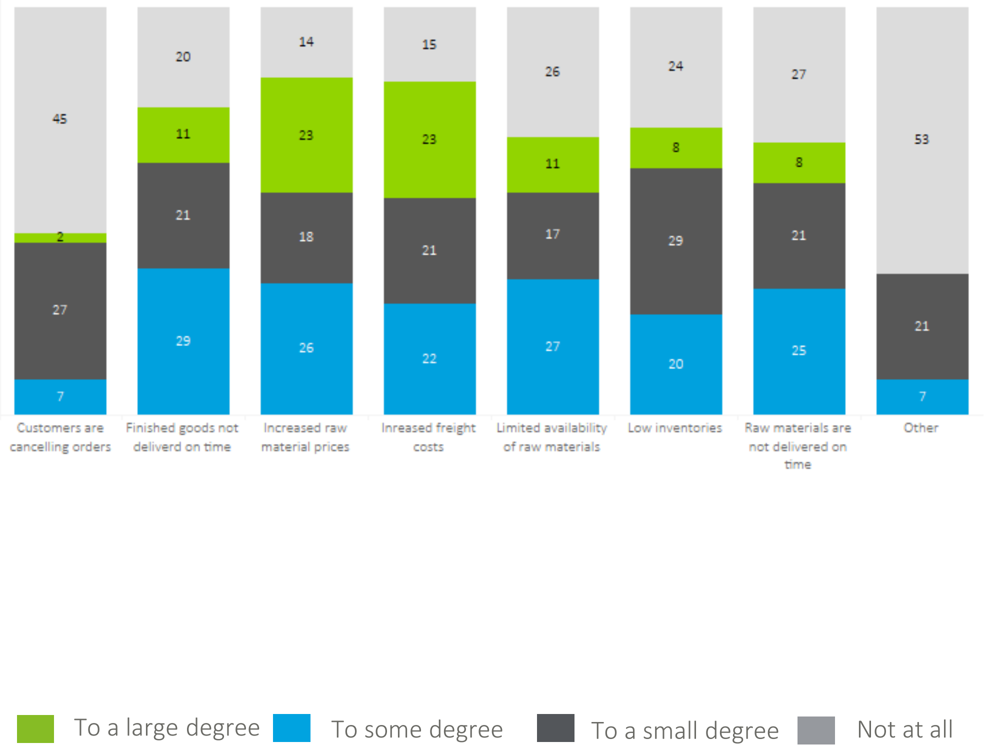
Supply chain issues are mainly related to increased raw material prices and freight costs, low inventories and delivery delays

The main supply chain problems are related to increased raw material prices, increased freight costs, low inventories and both raw materials and finished goods not being delivered on time.

Recovery after Covid-19 has boosted the economy. However, it has also put great pressure on the supply chains, some of which are still affected by the pandemic, for instance in China.

Given the extent of these problems, it is not likely that companies will choose to change suppliers or move production, but rather focus on improving the supply chains or mitigate risks, internally.

Q: *What are the main supply chain problems for your company?*

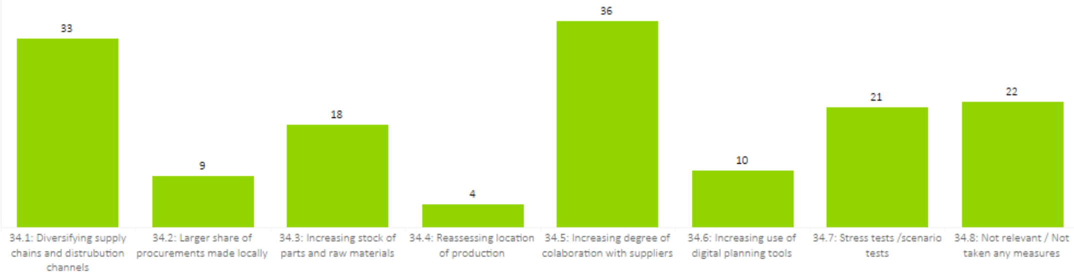


CFOs are highly willing to improve existing supply chains, but not willing to move production

Among the CFOs the most popular actions to mitigate supply chain risks are “Diversifying supply chains and distribution channels” and “Increasing degree of collaboration with suppliers”. In addition, 21 CFOs answered that their company is or will be stress or scenario testing their supply chains, and 18 CFOs answered that they are or will be “Increasing stock of parts and raw materials”. The less popular actions are “Reassessing location of production” and “Larger share of procurements made locally.

The results indicate that the willingness to move production is low, but the willingness to improve already existing supply chains is high.

Q: *Is your company taking or about to take any of the following actions?*

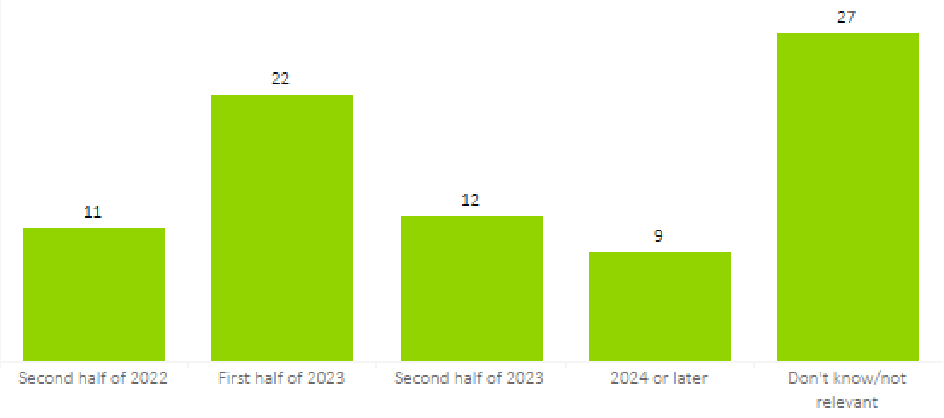


CFOs expect the supply chain issues to remain going forward

A net 53% of the CFOs do not expect the supply chains to work normally again before first half of 2023, the earliest.

After negative growth in the economy during lockdown and Covid-19, we have seen significant growth after restriction were lifted, as companies have been trying to make up for the lost revenue. However, as the economy was not rigged for this rapid and major change in pace and growth, it caused bottle necks in the supply chains. In addition, several countries around the world, including China, are still struggling with lockdowns due to the pandemic. This puts additional pressure on the supply chains, and it is therefore likely that the problems will remain, as the CFOs are expecting.

Q: *When do you expect your supply chain(s) to work normally again?*

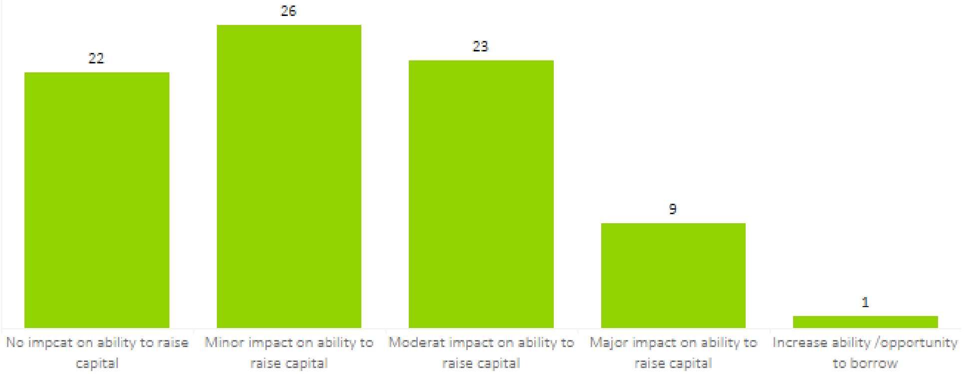


Most of the CFOs expect the war in Ukraine to have some impact on the ability to raise capital in the financial markets

Only 11% of the CFOs answered that the war in Ukraine will have major impact on their companies' ability to raise capital. However, 60% expect the war to have minor or moderate impact on the ability to raise capital in the markets.

This coincides with the CFOs regarding bond loans and equity being both less available and less attractive than bank loans and internal financing, as seen previously in this report. This trend is likely driven by the current uncertainty in the financial markets, making market-based financing less available as issuing becomes riskier.

Q: *How do you think the war in Ukraine will impact your company's ability to raise capital in the capital markets?*



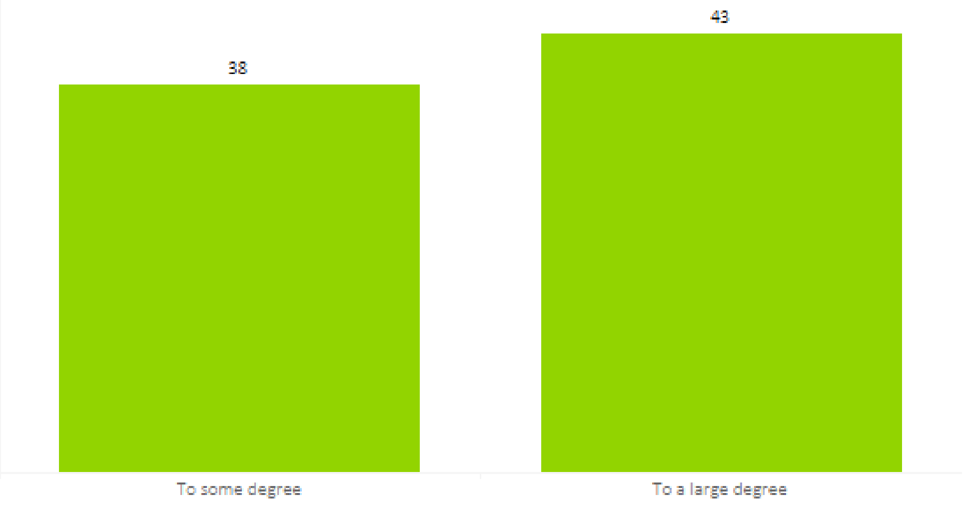
The CFOs are expecting higher energy prices to affect the economic growth in the EU

The western world is avoiding to buy oil and gas from Russia, which is the number one exporter of oil in the world. When Russian oil inventories fill up there could be a reduction in Russian oil production which could drive energy prices higher. Hand in hand with higher energy prices we also have higher inflation.

The latest flash PMIs for the eurozone is crystal clear, prices will rise from even higher levels. This is probably a combination of high energy (and other input) prices, but also the potential impact the war might have on prices. There is a risk of higher prices going forward especially when it comes to food as Ukraine and Russia is some of the worlds most important exporters of wheat.

We are seeing delivery times and supply side disruptions getting worse these days and European manufacturers are saying that disruptions due to the war plays a role but also Covid related shutdowns in China is to take blame. On the positive side we should not forget that most of the European countries were, and are still, in an underlying recovery from the pandemic and we are especially seeing that activity in retail and services is picking up. That being said, higher energy and overall prices and generally more cautiousness due to the war could delay parts of the economic growth and recovery.

Q: *The war in Ukraine has caused an increase in energy prices. To what extent do you think this increase will affect the economic growth in the EU?*

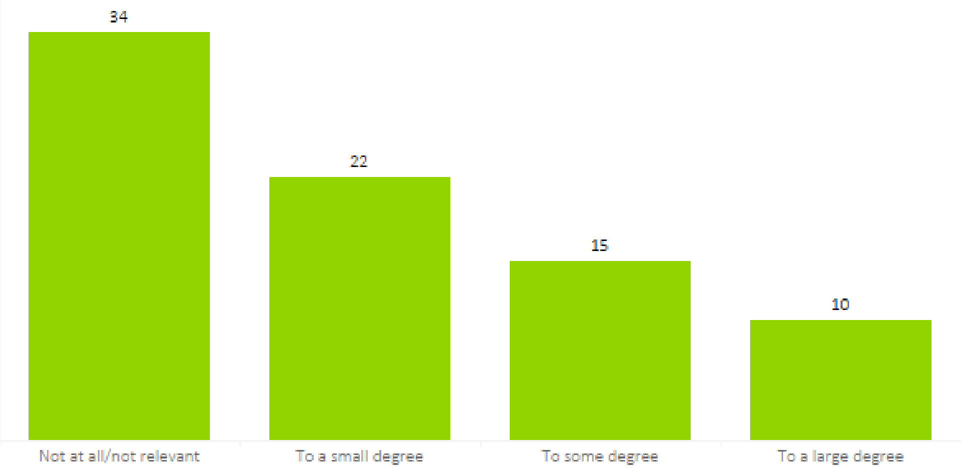


Over 50% of the CFOs think foreign demand for their company's products in some way will be affected by the war in Ukraine.

Before the war in Ukraine, we already had high energy prices and fears of higher inflation. The war in Ukraine has put an upward pressure on energy prices and inflation expectations and fears of food prices increasing dramatically. In Norway we have already seen gas prices skyrocketing. All these factors could alone, but especially together lead to demand destruction and we can see that over 50% of the CFOs think foreign demand for their company's products in some way will be affected by the war in Ukraine.

The industries that are the most represented in the survey are transportation, retail and manufacturing. These are all sectors that are exposed to structural changes in the economy. Retail and manufacturing are the sectors answering that, compared to six months ago, their financial prospects are looking worse.

Q: *To what extent do you think the foreign demand for your company's products will be affected by the war in Ukraine?*



About the survey

About the survey

General information

The target group comprises the CFOs in the largest companies across industries in Norway. The purpose of the survey is to trace the development of the CFOs' perception of economic prospects, represented among others through company risk, financing and future revenue potential. Moreover, the survey aims to determine important indicators of the general economic development.

Deloitte and SEB have conducted separate surveys for several years, however, the CFO Survey for Q3-16 was the first survey conducted in cooperation. This survey was carried out as a web-based questionnaire in March 2022. Historical figures presented are based on previous bi-annual surveys dating three quarters back. Note that "averages" are calculated from Q1-17 to Q1-22.

In total, 81 CFOs across key industries responded to the survey during the period 8th March to 16th March, 2022. Given the broad range of industries and organisations that responded, the survey presents a transparent, up-to-date image of the financial situation facing the wider Norwegian CFO community.

Please send us your feedback together with any suggestions for improvement to help us ensure that the Deloitte/SEB CFO-survey remains an essential resource for your work.

Survey period

March 8, 2022
-
March 16, 2022

Respondents

81 Respondents

Industry	Share
Financial services	7%
Transport and logistics	17%
Real estate	9%
Energy/utilities	7%
Retail	14%
Advisory	4%
Oil production and oil service	7%
Manufacturing	11%
Maritime	1%
Construction	2%
Automotive	2%
Tourism and travel	1%
TMT	5%
Services	1%
Aerospace and defense	2%
Other	5%
Public sector	1%
Healthcare	1%
Total	**100%**

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