CFO-survey
3rd Quarter 2022
"Challenging times but healthy financial positions"

Key findings

Able, but not willing

A striking 91% answer that this is not a good time to increase financial risk. This matches their concerns on financing costs and higher counterparty risk. Coupled with increased awareness on domestic demand this coincides naturally with the dominant 'no expansion'-strategy. While falling, the financial position of the companies are still seen to be above average. CFO's says that financing is available, but it's just not attractive enough.

"Challenging times but healthy financial positions"

Amplifying the trend

The results from latest CFO survey are in many ways an extension of the tendency we saw in the spring of 2022 where they moved from the euphoria of last fall to moderate optimism. Now, the trend continues downward with a more pessimistic view. The same tendency holds for margin outlook, strategic priorities, capex and risk willingness.

Even more margin squeeze

Last survey the CFO's acknowledged that margin would be somewhat hurt by higher input costs. They were partly right. But this time they believe it's going to be worse. It's not surprising that the CFOs cite raw material cost as their key concern. Even if most respondents, 85%, say they will be able to increase prices more than ever, a record-breaking 41% expect margins to go down.

Pessimism, but not at extremes

It's no big surprise that CFOs are negative. Everybody else is negative, so why wouldn't they be as well? However, the pessimism is not at extremes. In fact, it's similar to what we experienced during the oil price fall back in 2014-15. We find it interesting that a looming global recession coupled with decade high interest rates does not invoke more fear than low oil prices. As in the previous survey Real Estate and Retail sticks out, but we see more broad-based negativity this time.

Expansion is not a priority

Aggressive strategies like growth in new and existing markets, M&A and new products, and Capex all exhibit a falling trend. Focus on core operation and reducing cost is the mantra for the next 6 months.

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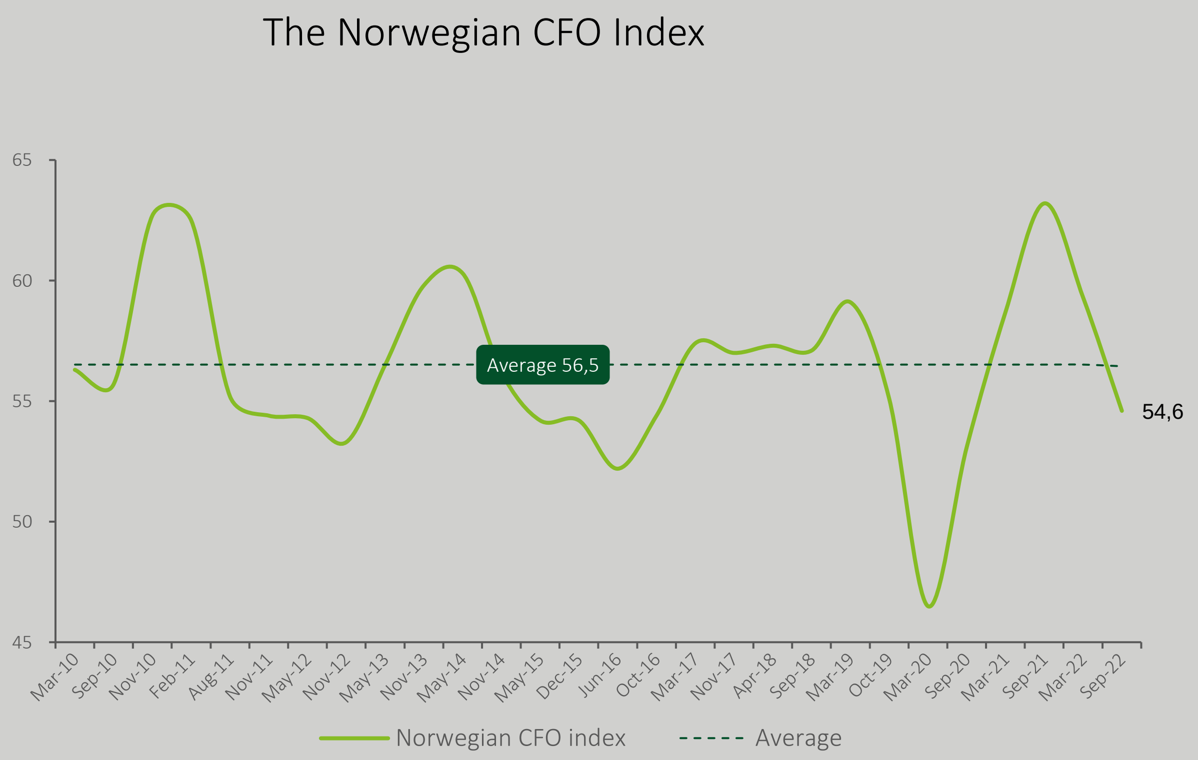
Below historical average

For Q3-22, the CFO index stands at 54,6. Compared to the last survey six months ago we are down 4,7 points and are now below the historical average. We believe the main reason for the decline in sentiment are among other things, the shakeup in the world economy caused by geopolitical tensions, high inflation and interest rates. We also have uncertainties surrounding the energy situation with higher and volatile prices for both electricity and raw materials, this affects companies to the highest degree and most input factors have become much more expensive in the past six months.

We have also had a sharp increase in interest rates and inflation and the CFO's have record high inflation expectations for the next twelve months. There are pessimism regarding the future across all sectors, but energy/utilities and oil production/service are the most positive sectors even though they too are less hopeful than earlier. When it comes to expectations for the stock market going forward, we have never recorded a higher share of the CFOs expecting the OSEBX to go lower. 73% of the CFOs are expecting the OSEBX index to go lower in the next six months.

Going forward there will be focus on debt and cost reduction. While the economic outlook favours defensive strategies, the general sentiment is positive with regards to the financial position of one's own company. A net 69% of CFOs report to having a positive view of their own company's financial position.



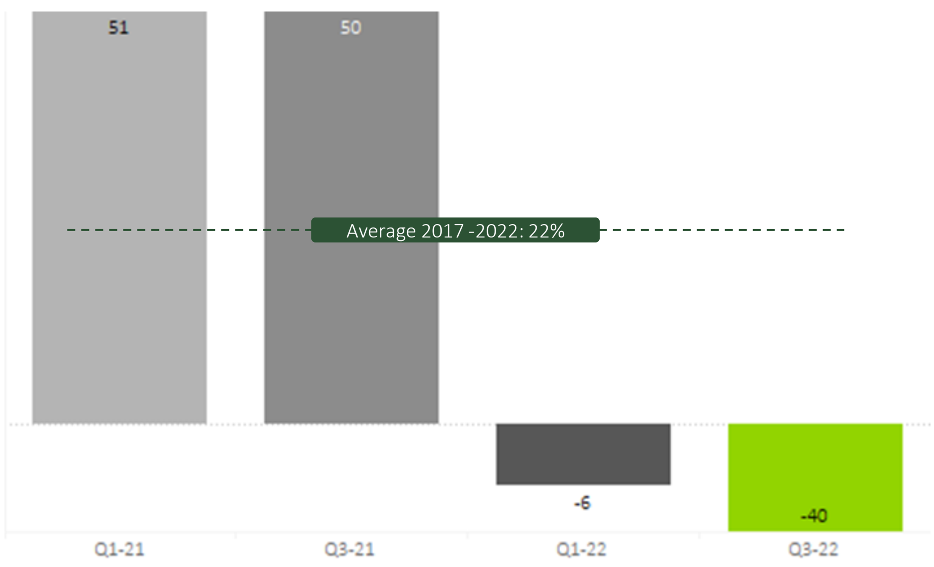
Economic prospects

Norwegian CFOs have never been less optimistic about the future following geopolitical turmoil, fear of recession and high energy prices

Last survey we saw a significant decrease in positivity among Norwegian CFOs. This trend has continued in Q3, and they are even more negative about the future now than they were six months ago.

This survey is negatively affected by a fear that the high inflation seen over the last year is more permanent than what we believed would be the case. In addition, the war in Ukraine has caused increased uncertainty in the global economy. Steadily high energy prices to a level which could negatively affect the growth rate of the global economy are also contributing to a negative outlook on the immediate future of Norwegian economy as a whole. Last survey we speculated in a return to normalcy following the decline in positivity, but considering that the results are falling even further this quarter we can now talk about a definite negative turn in the economic landscape.

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..

Pessimism regarding the future across all sectors

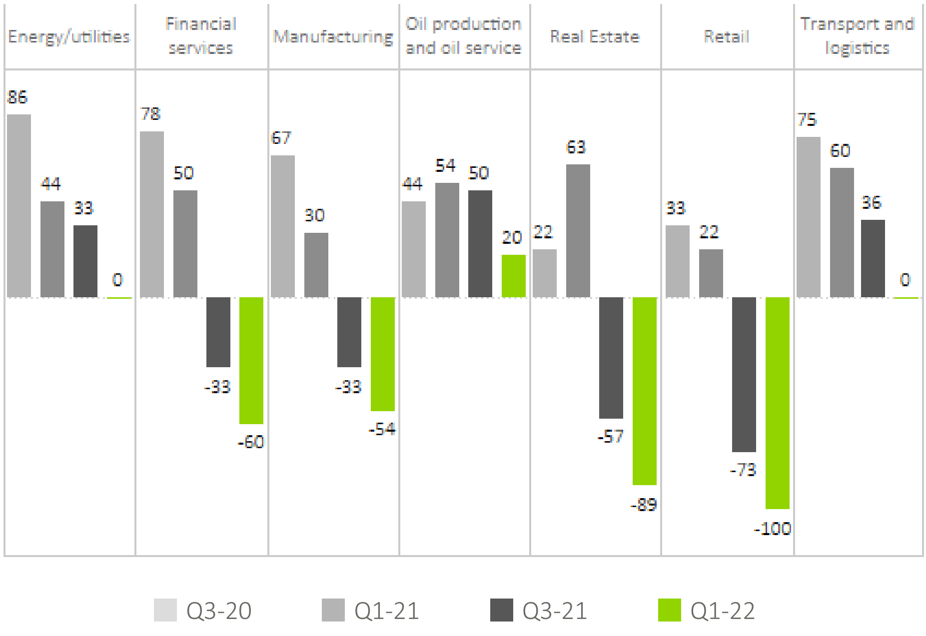
Considering the overall result of this year's financial prospects was the lowest ever recorded, it is no surprise to see all sectors being more negative. Last time we could see that some sectors were still hopeful about the future, but even they are now pessimistic.

Retail is most negative compared to last survey with a net share of 100% 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 consumption from goods to services, as well as supply chain issues.

The only other sector that comes close to retail in how pessimistic they are, is real estate. This market has been soaring for several years, but with increased interest rates and inflation reaching new highs more people are unable to buy real estate, and those who can afford it doubts the current investment potential.

Energy/utilities and oil production/service are the most positive sectors even though they too are less hopeful than earlier. They are benefiting from the current high energy and oil prices, but increased uncertainty and instability globally are starting to affect them negatively.

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.

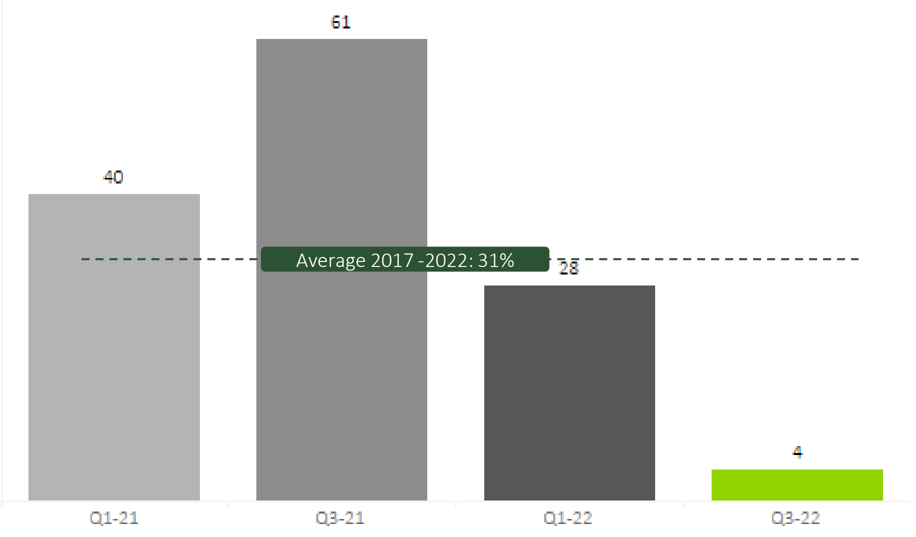
No more optimism among CFOs as uncertainty and rising costs ravages the market.

Net optimism continue to decrease compared to six months and one year ago.

After one of the most optimistic quarters one year ago, net optimism levels fell to a more normal level the first quarter this year. From there it has fallen to the same level we could see during the oil crisis of 2015-16. Only 4% of Norwegian CFOs are optimistic about their company's financial prospects short term.

Inflation and high energy prices are what companies struggle the most with when it comes to costs. While these factors eat their margins, supply chain issues and the war in Ukraine continue to contribute to uncertainty both in the domestic and global economy. As inflation seems to remain high for longer than expected, many businesses are forced to either cut margins, increase prices on their goods drastically or both. Since all companies throughout the supply chain does the same thing, the same margins as before are difficult to reach, or even unobtainable in the current market.

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



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Energy/utilities and Oil production and services positive outliers

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

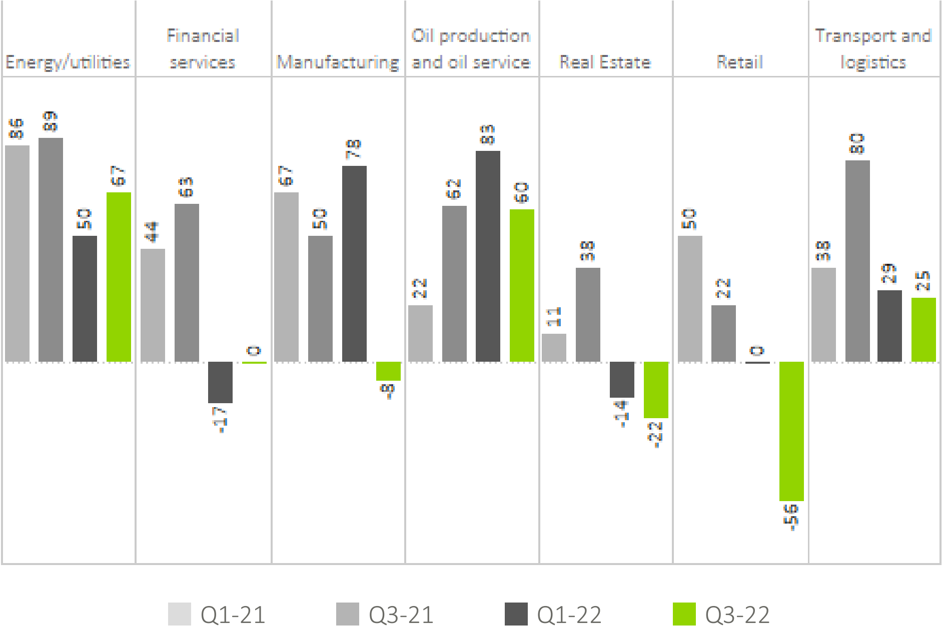
CFOs in manufacturing are significantly less optimistic than six months ago, with a net decrease of 86% following rising costs.

Financial services CFOs are slightly more optimistic today compared to six months ago, but still far away from one year ago, likely connected to the high inflation rate expectations and financial market volatility following the outbreak of the war in Ukraine and the aftermath of the Covid pandemic.

The increased optimism in energy/utilities is presumably explained by the increase in energy prices following a dry and windless winter in Europe.

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 consumers having less purchasing power as a result of rising interest rates and high inflation causing businesses to increase their prices.

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.

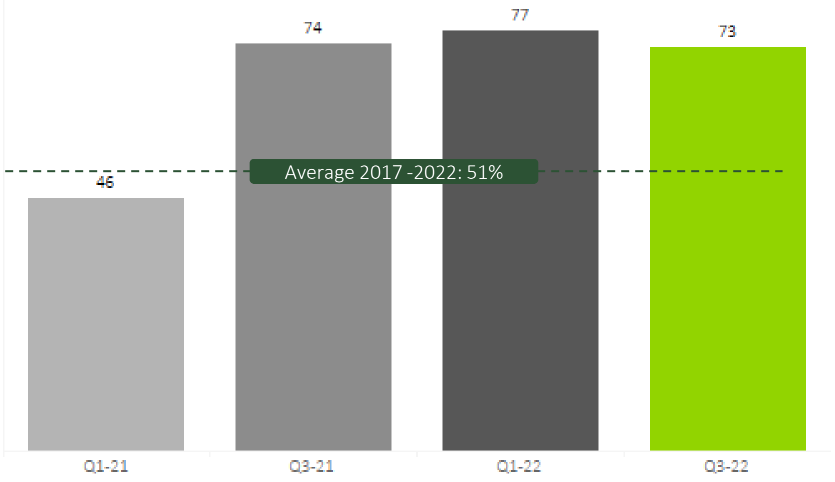
High inflation expectations keeps the price trend expectations high

The optimism is at lower levels now compared to six months ago and we believe the main reason is the high inflation levels we are experiencing all over the world. Producer price indexes are at record high levels and higher prices are being pushed on to producers.

A net share of 73% of the CFOs are expecting the general price trend for their company's products/services to increase going forward. We are not surprised that 69% of the CFOs are expecting the price trend to increase with 3% or more given the current high inflation numbers. All else equal, higher prices means higher revenues for the companies but also higher costs.

Core inflation accelerated in September with a surprisingly large jump to 5.3% y/y. The upturn appears rather broad-based with a rise in prices for both core services and goods. The upside surprise implies that CPI-ATE inflation is already close to the level which Norges Bank expected it to peak in Q1 2023 (5.25% currently vs. peak 5.35%).

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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Record high inflation expectations

The CFOs are, over the next 12 months, expecting the highest inflation rate ever recorded in this survey in both Norway and the Euro-area. Six months ago, we also had strong inflations expectations numbers of 3,88% for Norway and 3,76% for the Euro-area.

In the beginning of 2021, inflation started to surge, and this can be attributed to various causes like pandemic-related fiscal and monetary stimulus, supply shortages (chip shortages and energy shortages) and as of 2022, the Russian invasion of Ukraine and the surge in commodities and energy prices. We also have a very tight labour market.

Over the next 12 months the CFOs are expecting the inflation rate to be 4,34% in Norway and 4,86% in the Euro-area.

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

4.34%
(average)

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

4.86%
(average)

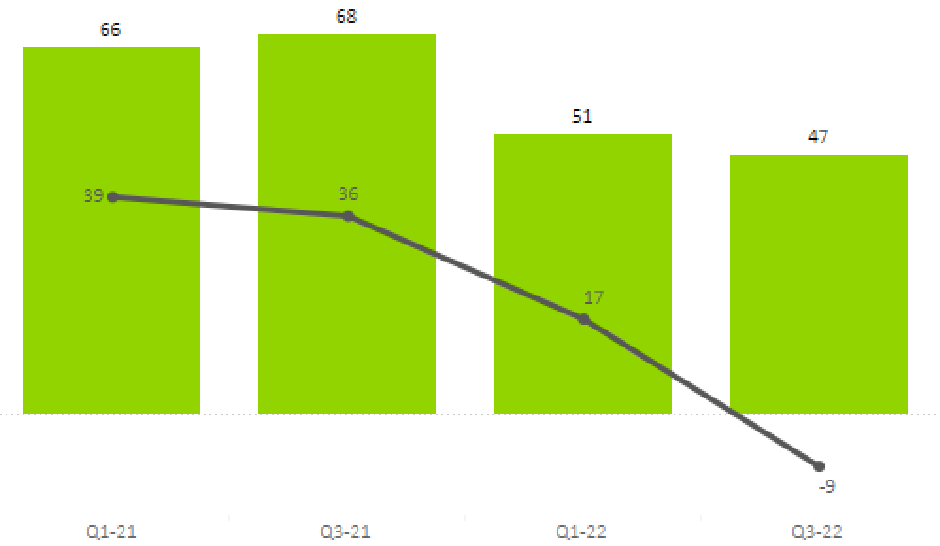
High inflation and employees' labor market cause reduced operating margins

CFOs are about as sure as they were this spring that their revenues will increase over the next six months. Meanwhile there has been a significant decrease in CFOs believing their operating margins will increase. There are now more CFOs believing there will be a reduction in operating margins than CFOs believing there will be an increase.

This trend started this spring, but the impact has been significantly harder this quarter. When the last survey was conducted there was talk and rising fear of high inflation, but this time the expected high inflation has impacted many businesses and many goods have increased massively in price over the past months.

The results indicate that the companies are not able to pass on all 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.

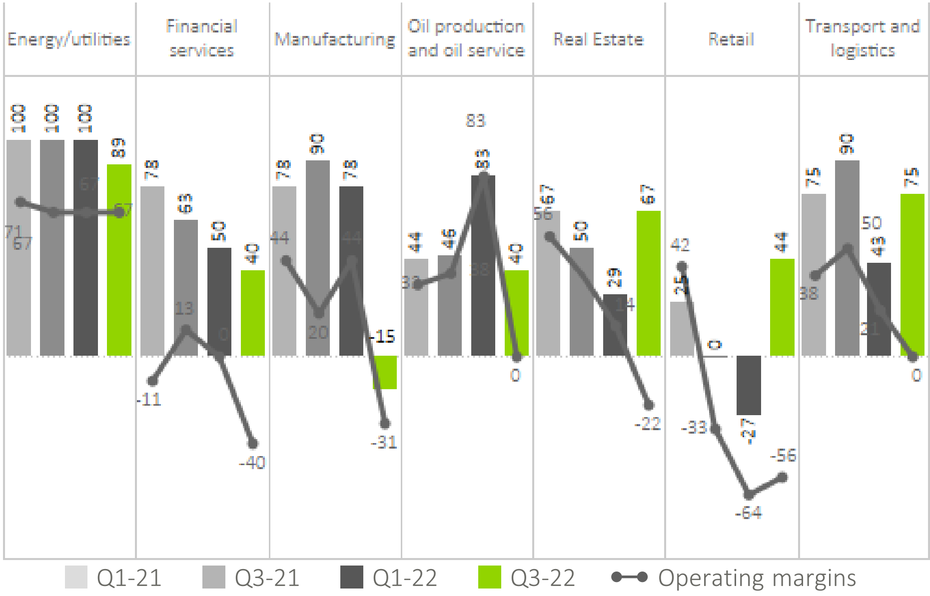
Energy/utilities and Transport/logistics are still mostly positive about the development of revenue and operating margins, many others are expecting a decline.

Financial services continue to expect a decline in revenues, and a noticeable drop in expected operating margins. The largest difference is however noticed in the manufacturing industry, where the majority now believe in decreased revenues and operating margins. These expectations come hand in had with the current inflation rates and decreased access of raw materials and transportation manpower.

Perhaps not so surprisingly the opposite expectation is present amongst the Transport and logistics industry, with similar positivity to the start of 2021. Though there is a lack of manpower in transport, the demand is still present in the sector. A result of which might thus be increased revenues and consistent operating margins as a result of increased cost of input factors and subsequently higher prices.

Interestingly, though net 56% of CFOs in the Retail market believe in a drop in operating margins, the expectations of revenue growth is still relatively high and growing compared to previous results. A possible reason is the increased inflation, which is expected to affect the general costs of procurement and negatively impact purchasing power amongst consumers. Cost of procurement is also adversely affected by the general lack of logistics manpower experienced following the war in Ukraine.

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 Q1-21, Q3-21, Q1-22 and Q3-22. The grey line shows the corresponding expectations regarding operating margin per industry.

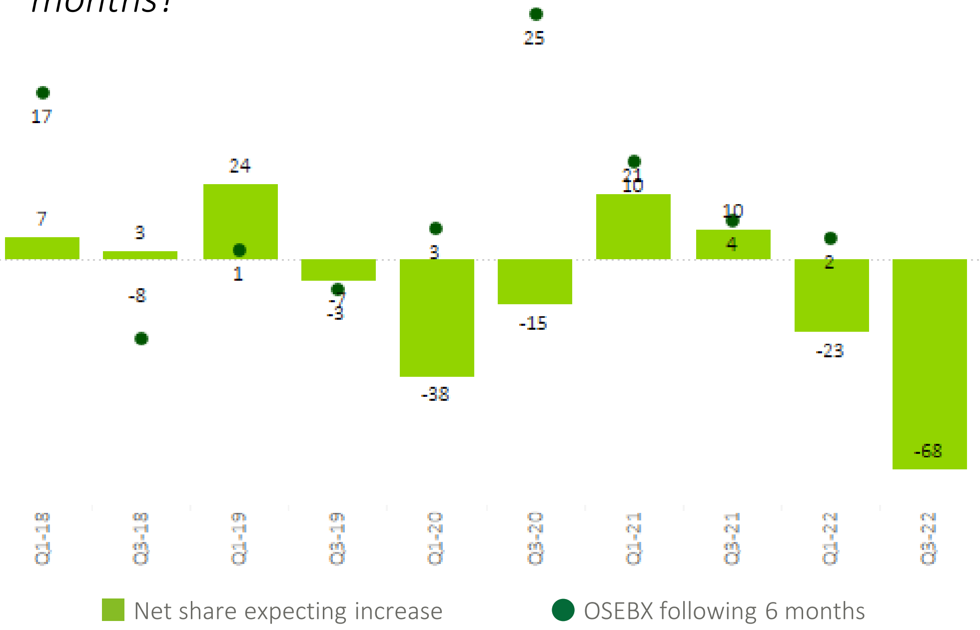
The CFOs are preparing for a bear market

We have never recorded a higher share of the CFOs expecting the OSEBX to go lower. 73% of the CFOs are expecting the OSEBX index to go lower in the next six months, and the net share came in at -68% expecting a lower stock market going forward. That being said, 5% of the CFOs are positive and believe the stock market is going to rebound in the next six months.

Central banks all over the word are in the middle of a hiking cycle and there are more interest rate hikes to come. This is driving interest rates and the cost of capital higher which again leads to lower valuations. Higher inflation, expected low economic growth and geopolitical uncertainty are also factors that have negative impact on the stock market.

Investor sentiment has become as bearish as the financial crisis in 2008, however implied market volatility remains low in comparison to historical volatility spikes, we have not yet seen panic across asset classes and regions. Equity markets aren't pricing a recession just yet but rather higher real yields, but signs are emerging that fundamentals are starting to buckle.

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.

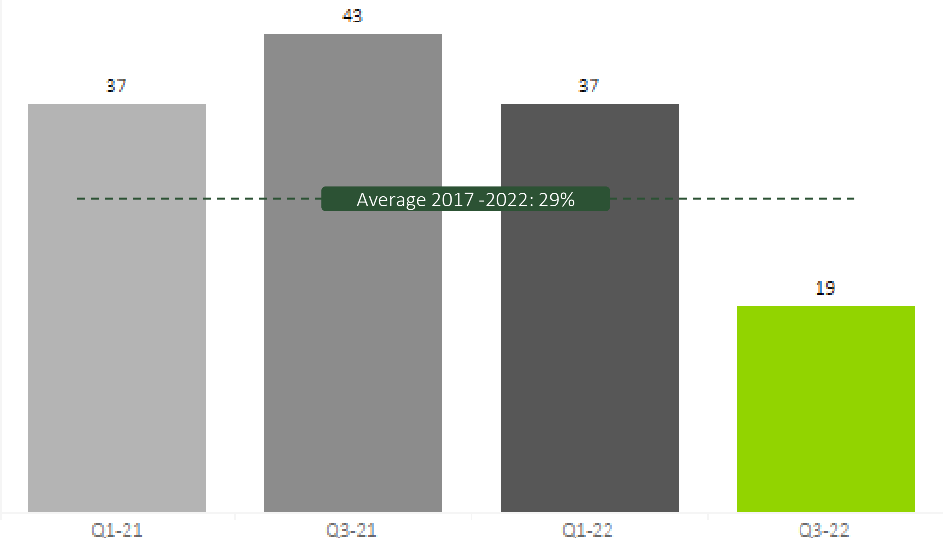
Adjustment in CAPEX expectations following multiple periods of high positivity

Following a few periods with higher-than-average positivity, the CFOs are readjusting their expectations in a year with many negative headlines and few positive ones. Currently, a net 19% of CFOs believe that spending will increase within six months' time, thus decreasing by net 18% compared to Q1-2022.

Following an increased key short term interest rate to combat increased inflation, which negatively affects financing terms, a decrease in CAPEX spending can be justified over the coming six months.

The general uncertainty of the market gives incentives to reduce spending and to prepare for lower interest. Still, EU and its trade partners' exclusion of Russia in both gas and oil production might necessitate increased spending in other oil and gas markets to meet the ever-increasing demand for energy.

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



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Winners and losers in labor outlooks, but all with implications to the impact of war and inflation.

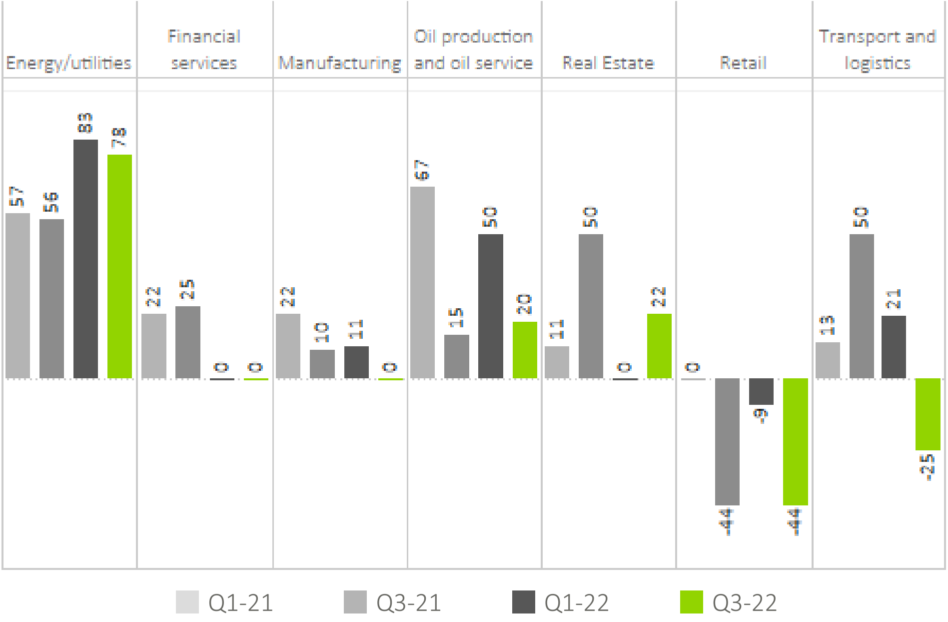
The positive outlook in the labor market continues in the Energy/utilities-, Oil production and services-, and Real estate-sector. However, in the Retail, Manufacturing, and Transport and logistics sector labor outlook is turning bleaker.

Retail is still predicting a negative change in employees, a trend which has been prevalent since Q3-2021. Decreased spending and higher cost of procurement, as a result of economic uncertainty, might in the worst-case force retailers to cut back on employees.

The Transport and logistics sector is the closest sector to retail in terms of labor outlook. Having been hit with employee shortage during the summer, and with the war in Ukraine occupying parts of the labor force in Europe, a general pessimism in labor outlooks can be defended.

Energy/utilities outlooks remains comparative to the previous survey, much attributed to the shut out of Russia as an energy provider and subsequent need of obtaining energy from elsewhere.

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

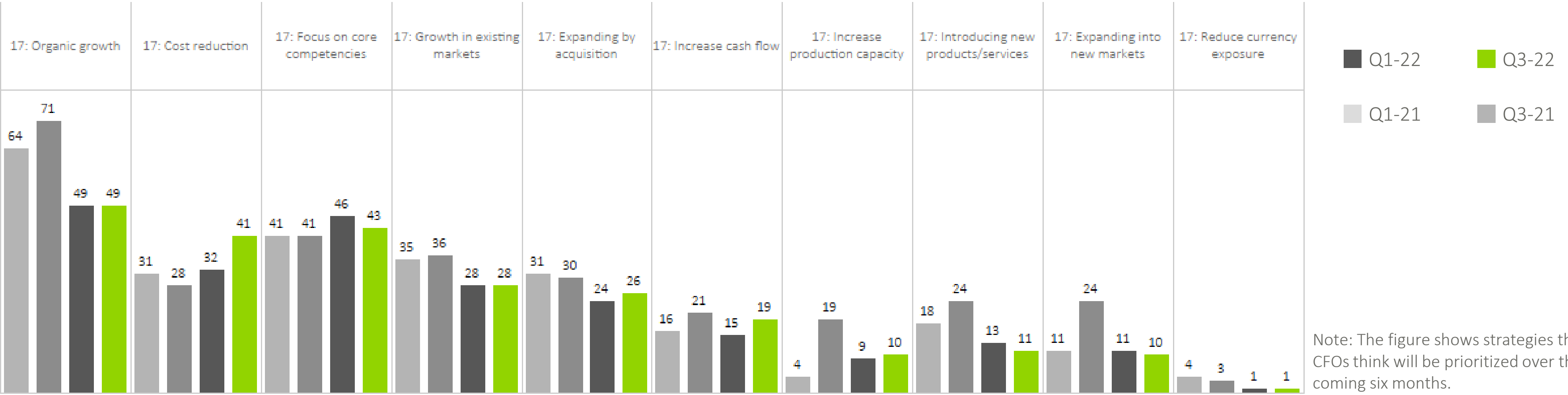


Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

Strategic opportunities

Increased focus on cost reduction, while focus on other strategies remain stable

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.

While many core strategies remain consistent from the previous survey, a key trend is the focus on cost reduction. The two most prioritized strategies remain organic growth and focus on core competencies, though the lowered focus on organic growth compared to previous years is present in Q3-2022. This decrease in focus is likely tied to the economic uncertainty present in the market. The general rotation towards more defensive strategies is thus still ongoing.

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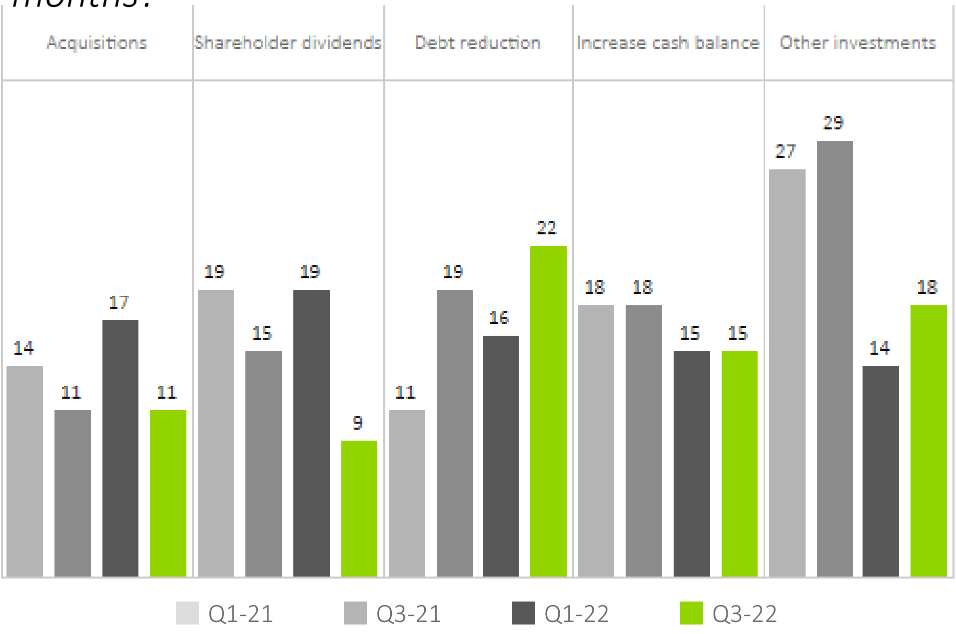
Focus on shareholder dividends at all time low while focus on debt reduction soar to highest in survey history as a result of inflation and uncertainty

Last survey showed a positive trend where acquisitions and shareholder dividends improved. This has now completely changed. Focus on shareholder dividends is halved from Q1-22 and there is also a significant decrease in acquisitions. At the same time we can see a heightened focus on debt reduction.

We now see a change in the outlook among CFOs, likely following increased uncertainty both at home and in several important trade partners, and a rising interest. The latter being the most likely reason for the increased focus on debt reduction since this is getting more and more expensive.

With rising inflation in most western economies as an aftermath of the covid epidemic focus on shareholder dividends are now at its lowest point since the beginning of this survey. More and more shareholders are indicating that they would rather keep profit in the company and use it to improve its position in the market, as well as to make sure it is still a going concern, than to pay dividend to its shareholders now that inflation is eating a large part of people's cash on hand. As a result, focus on debt reduction is at an all time high.

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.

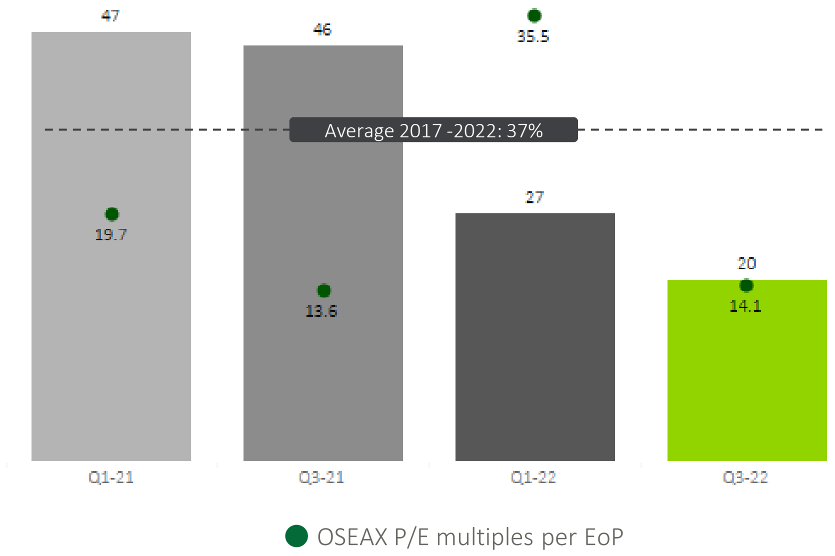
The trend towards defensive strategies can be observed in the further reduced short-term M&A interest

The sentiment from last survey was an expected decline compared to the record high sentiments of 2021, and Q3-22 continues the downwards trend by dropping seven percentage points. The sentiment is now well below the five-year average of 37%.

Some explanations for the continuing decrease might be the sharp increase in key interest rates, as well as the continued decline in bond and equity financing attractivity.

OSEAX P/E multiple did however drop from a value of 35.5 to 14.1, suggesting that CFOs do not find the market to be expensive. With economic uncertainty also comes higher risk, for which require higher compensation. It is therefore likely that the drop in predicted M&A activity stems from CFOs taking a more defensive stance in response to the current climate.

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.

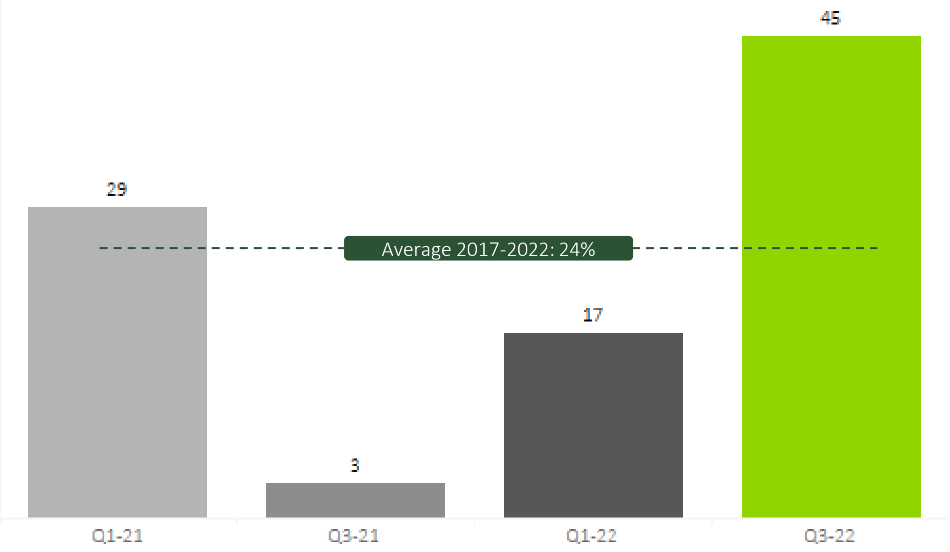
Capital structure and risk

Record high counterparty default risk

With higher energy prices, inflation, commodity prices and interest rates hitting companies left, right and center, there has been written a fair share of newspaper articles about companies that may not make it, and even some about those that have already been forced to shut down their operations. The economical prospects for corporates are somehow darker now than one year ago and we are therefore not surprised about the record high counterparty default risk.

The five-year average is a net share of 24% expecting the probability for their counterparty default risk to increase. Now we are at 45%, almost double the average. Even tough corporates are feeling the higher interest rate environment, we believe that on average, the higher energy and commodity prices are the largest negative contributor. One thing to keep an eye on going forward is to how large extent companies are able to push higher input costs over to consumers.

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



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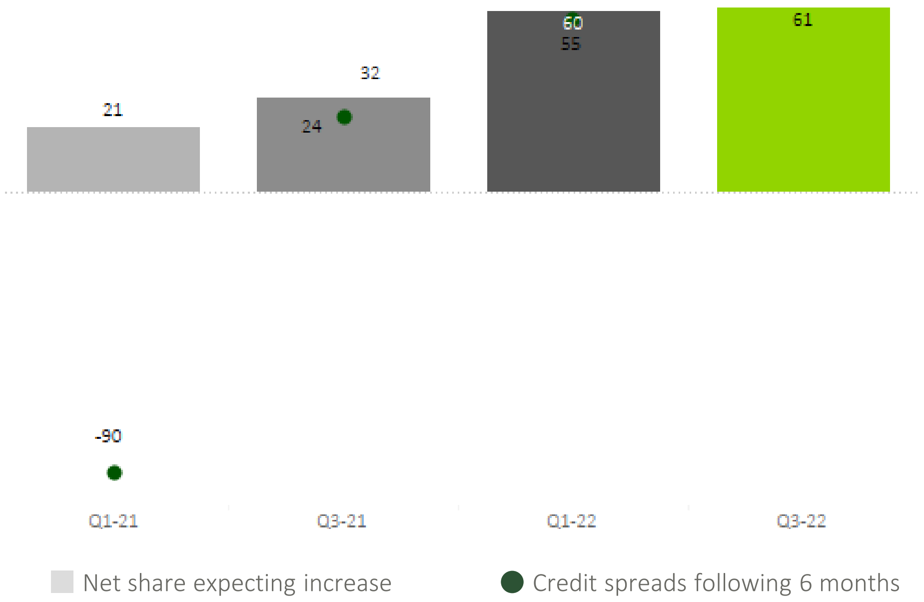
Record high net share of the CFOs are expecting wider credit spreads in the next six months

In Q1-21 the share of CFOs that expected higher credit spreads started to increase, and now we are seeing the highest net share since the inception of the survey in 2011. 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.

Slower economic growth, inflation, higher interest rates, geopolitical tensions and the energy crisis are pushing credit spreads wider a lot the last six months. With all this economical and geopolitical happenings investors are demanding higher return to take risk. The last six months Norges Bank has increased the policy rate from 0,75% to 2,25%. With both wider credit spreads and a higher policy rate from Norges Bank the all-in cost for financing have increased dramatically the last six months.

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

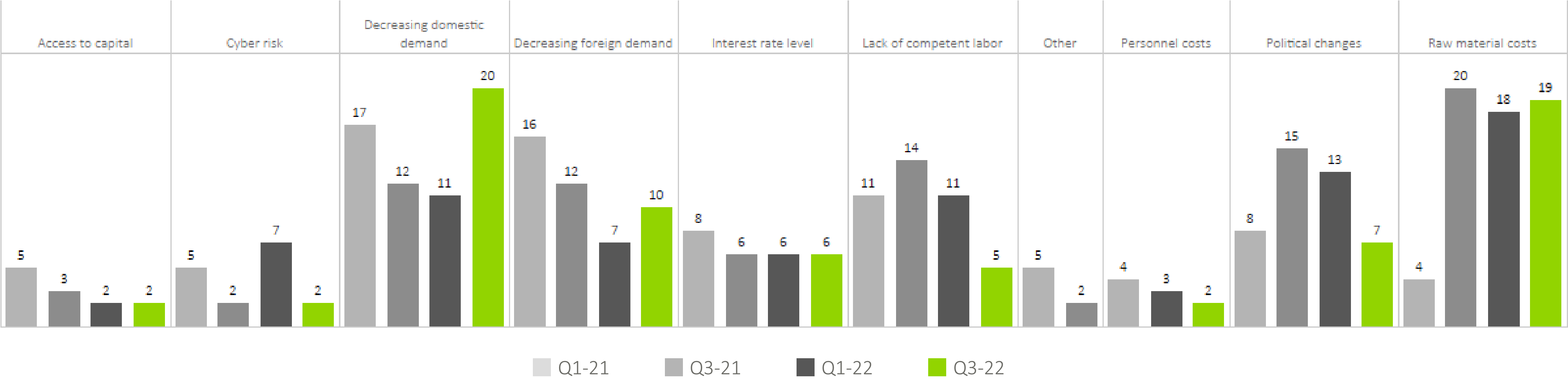


Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period. Note that the two measures do not have the same axis.

Decreasing domestic demand and raw material costs are worrying the CFOs

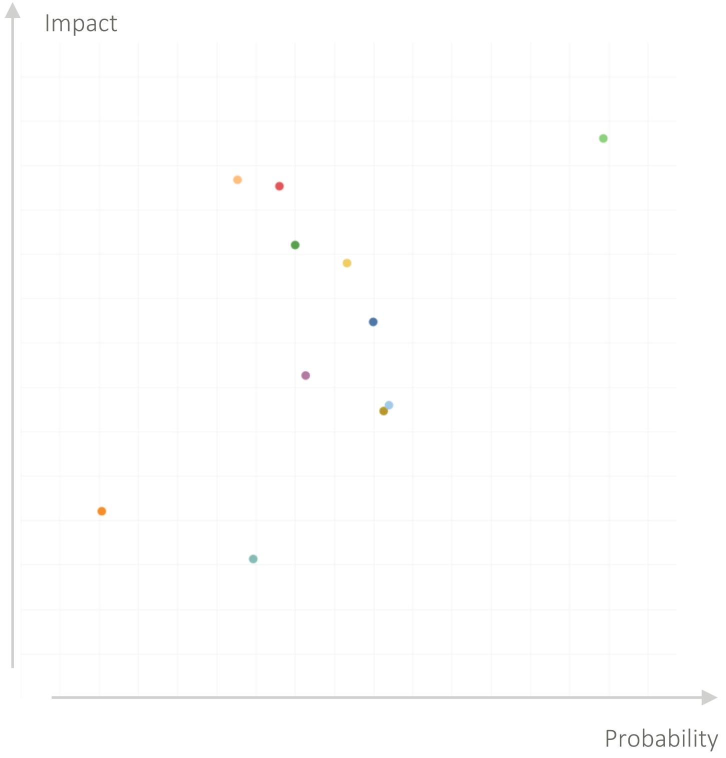
Inflation is surging and is being driven by a lot of factors at the same time, like pandemic-related fiscal and monetary stimulus, supply shortages, the Russian invasion of Ukraine and the surge in commodities and energy prices. Sentral banks all over the world are also in the middle of a hiking cycle with additional hikes to come. This is driving up mortgage rates and, increases the cost of living and there is less money to be spent on goods and services. All this together are contributing to weakened demand. We also note that a some of the CFOs are concerned about decreasing foreign demand and the interest rate level. We are a bit surprised that just two CFOs are concerned about cyber security, with the war in Ukraine the level of hacking and cybercrime have skyrocketed.

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



Inflation remains an impactful concern, and so does political polarization and cyberattacks

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 trend from the previous survey is continuing, with CFOs primary worry being the high inflation in Western economies. High energy prices, gas prices, raw material prices and a workforce shortage which pressures salaries upwards, all indicate that inflation has little signs of stopping as of Q3-2022.

While pro-Russian cyber attacks towards Norway have been prevalent in the year of 2022, the concern of cyber attacks have somewhat lessened relative to the concern of increased political polarization.

Compared to the previous survey, the CFOs are growing more concerned with the increased influx of populism, which coupled with a risk of a private debt crisis in a larger economy, increased protectionism, and increased political turmoil in Western economies is a sign of economic uncertainty in the Euro region. The war in Ukraine, general economic instability and high inflation increases the risk of polarization and debt crises, which might again bring further effects on an already uncertain global economy.

Both the impact and probability of a new Eurozone crisis is however regarded as lower than in the previous 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

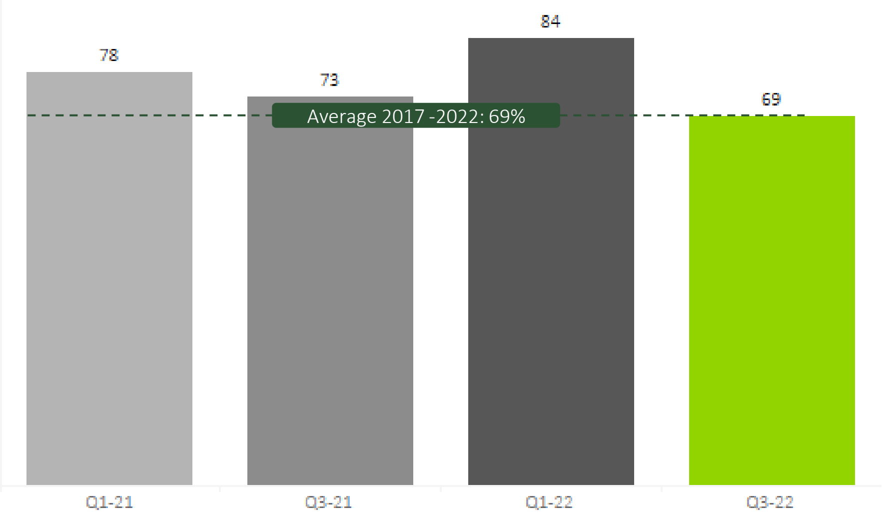
Financing

Still a general sentiment of robustness, but somewhat lessened as of late

While the economic outlook favors defensive strategies, the general sentiment is positive with regards to the financial position of one's own company. A net 69% of CFOs report to having a positive view of their own company's financial position.

There is however a slight drop from the previous survey, something which might indicate that the ongoing inflation and labor shortage have started to take its toll on some companies. The level is lower than what it was at the end of the Covid-19 pandemic, and like the five-year average of 69%.

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



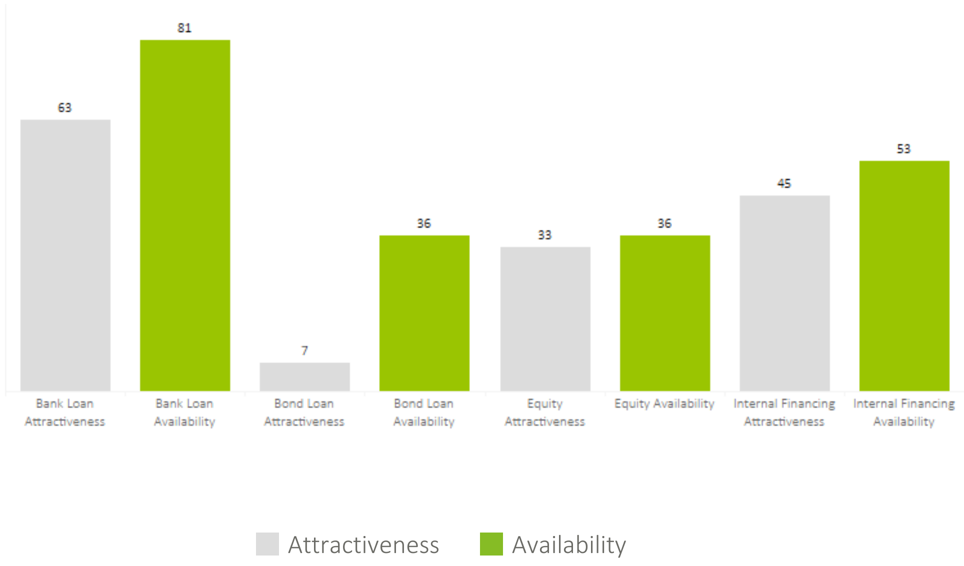
Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-17 to Q1-22..

Bank financing is again the most attractive source of financing

Over the last ten years, bank financing has been the most attractive source of financing, this goes hand in hand with the fact that bank financing often is the cheapest source of financing. The net attractiveness for bond financing has been dramatically reduced since the last time we conducted the survey, and the CFOs are reporting a net attractiveness of just 7% for bond financing. The reason for the low attractiveness for bond financing is that credit spreads have widened dramatically since the beginning of the year.

When it comes to equity financing the perceived attractiveness has been reduced some compared to Q1-22 from a net attractiveness of 54% to 45%. Hence the availability has increased some from 46% to 53%, we believe that has something to do with wider credit margins both for bank and bond financing.

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



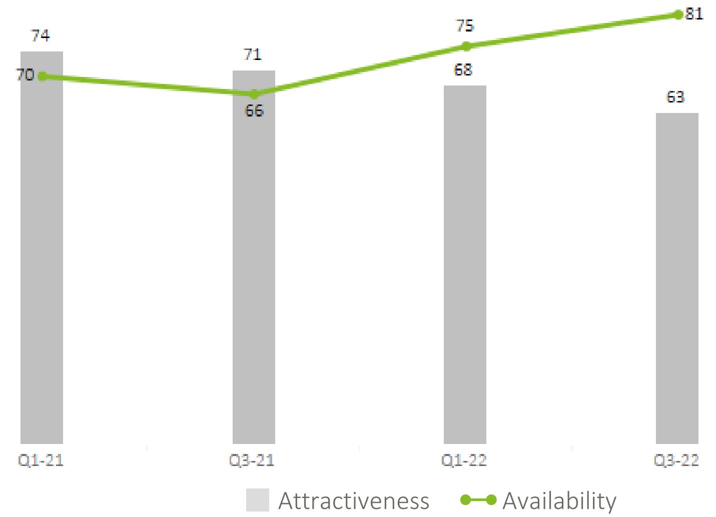
Note: The chart illustrates the net share of respondents describing bank loans, bonds, equity and internal financing as attractive and/or available.

Still higher availability than attractiveness for bank loans

The perceived bank loan attractiveness has been reduced some from a net share of 68% to a net share of 63%, but the availability has increased somehow from a net share of 75% to a net share of 81%. The reason for the lower attractiveness could be the higher interest rate level. The last six months the Norwegian 10y swap rate has increased from 2,6% to 3,4%, and the rate path from Norges Bank and market pricing indicates more hikes to come.

The attractiveness for bank loans is just one percentage point above the ten-year average, so no significant changes. Over the next six months 37% of the CFOs are expecting increased CAPEX, and strong perceived bank loan availability provides confidence when you are expecting capex spending. Given the prospects when it comes to economic growth, inflation and interest rates we are a bit surprised that the perceived availability is higher now compared to six months ago.

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.

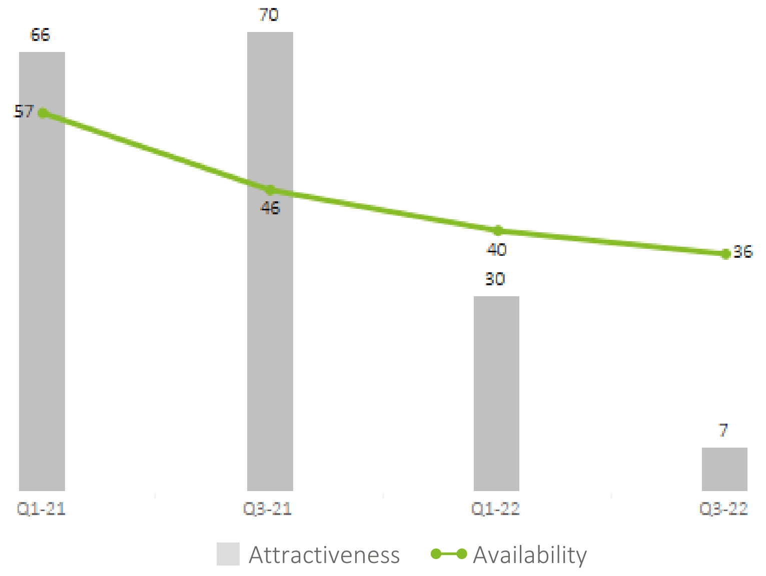
Credit spreads through the roof

Both the attractiveness and the availability of bond financing has been reduced, with the attractiveness being reduced the most. Due to, among other things, slower economic growth, inflation, higher interest rates, geopolitical tensions and the energy crisis, credit spreads have widened a lot the last six months. With all this economical and geopolitical happenings investors are demanding higher return to take risk, especially in corporate credits.

The attractiveness is down from a net share of 30% to just a net share of 7%. When it comes to availability, the downward trend continues but just from a net share of 40% to a net share of 36%.

The last six months Norges Bank has increased the policy rate from 0,75% to 2,25%. In June, Norges Bank hiked 50 basis point followed by 50 basis points both in august and September. With both wider credit spreads and a higher policy rate from Norges Bank the all-in cost for bond financing have increased dramatically the last six months. The most interest rate sensitive sectors are taking the largest hit and the real estate sector is feeling it the most.

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



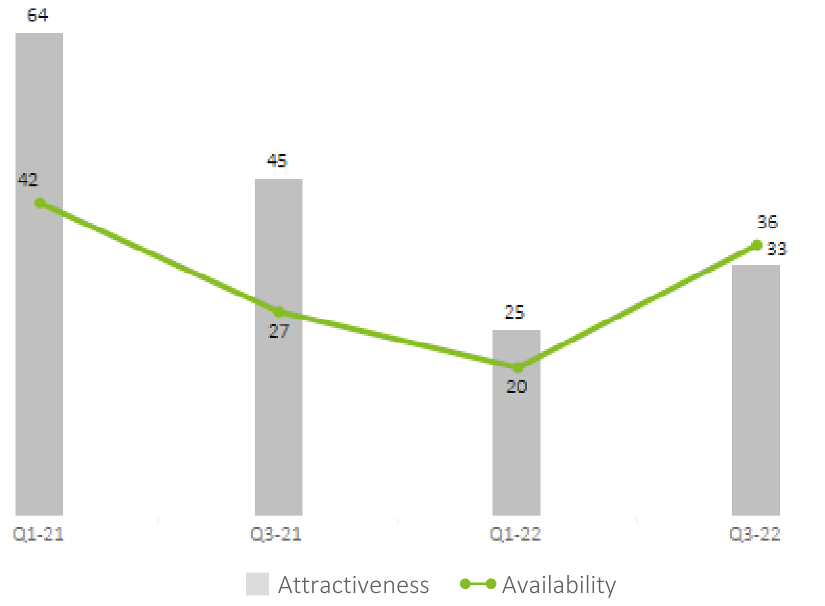
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bonds.

Equity financing is more attractive and available

The attractiveness of equity financing is up from a net share of 25% to a net share of 32%, this is just one percentage point above the ten-year average of 33%. The net attractiveness reached its peak in Q1-21 of a net share of 64%. We believe the largest contributor to todays level is the sharp rise in interest rates. Last time we had a net attractiveness at around 32% both bank financing and bond financing was more attractive.

When interest rates rise the cost of capital increases and the valuation of equity decreases. Since the beginning of September, the OSEBX index is down around 10%. Therefore, with the higher interest rate environment we expected a flattish to decreasing development in the attractiveness for equity financing. We believe this increase in attractiveness comes from the fact that interest rates have risen to a level where equity financing is more attractive. Even tough investors are more careful these days, the rise in availability can be interpreted as them still having money to invest.

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.

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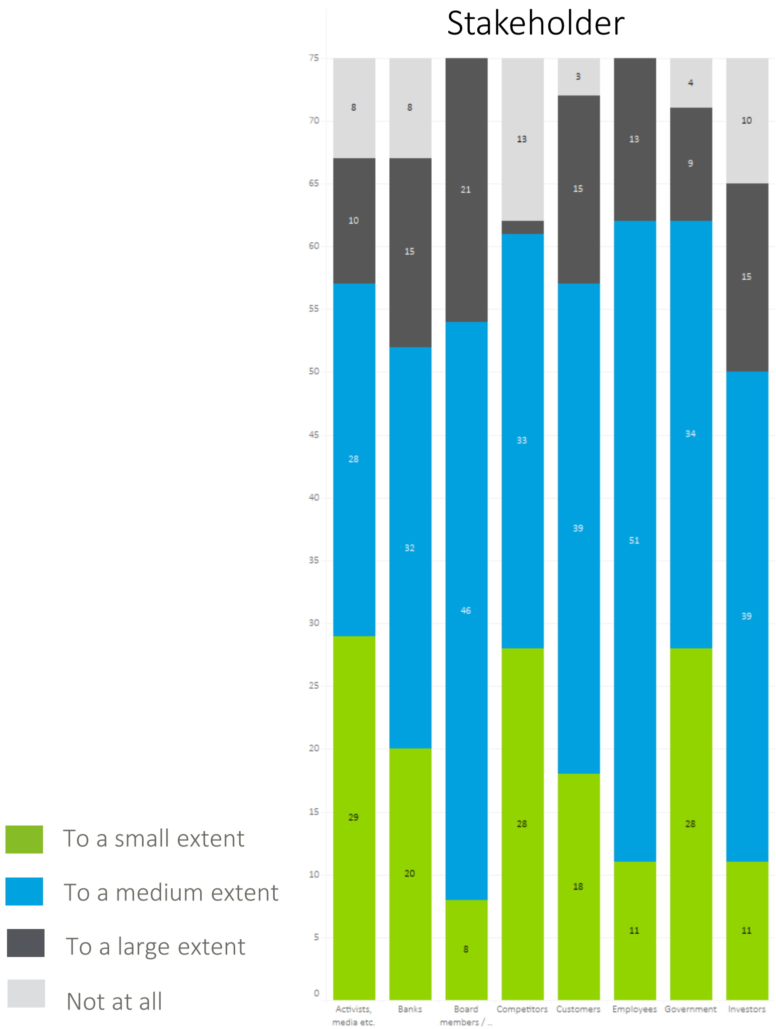
ESG

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

From the graph we observe that focus on climate change is important for all stakeholders and it is common that the companies are feeling the most pressure from board members and management. This is the same as we saw six months ago. We also note that employees are putting more pressure to act on climate change than investors do. We find this a bit interesting given the huge focus on ESG from investment communities.

The large banks have a strong sustainability focus, and we are somewhat surprised that 28 of the CFOs are answering that they are feeling the pressure from banks to be at a small extent or not at all. Going forward we believe that the pressure from governments to act on climate change is going to increase.

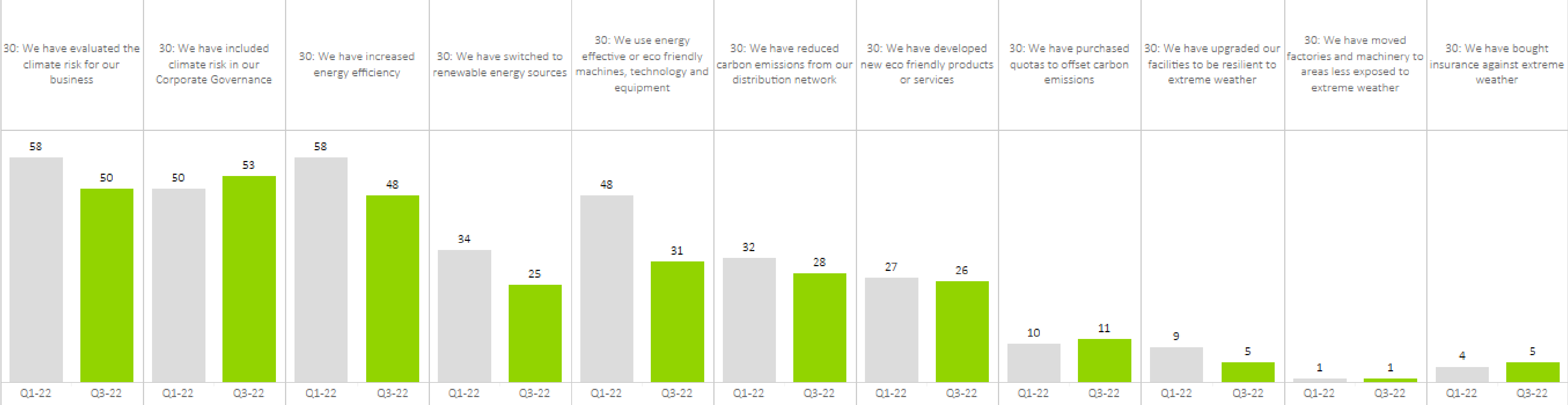
Q: *To what extent does your company feel pressure to act on climate change from the following actors?*



Action is being taken on climate change, but still some way to go

We observe that 67% of the companies have evaluated the climate risk for their business, this shows clearly that action is being taken, but climate risk has been in focus for many years now and we believe the percentage share should be fairly higher. When it comes to energy efficiency, a lower share of the CFOs, compared to six months ago have answered that the efficiency have increased. It takes time, especially for industrial production and heavy industry to increase energy efficiency and with the spike in electricity and energy prices we expect the focus on energy efficiency to rise. When it comes to energy efficient and climate friendly machinery and equipment, 42% of the CFOs answered that that they are using this in their production. Given that machinery and equipment has ha long lifespan and demands a lot of capex we believe this is a fair percentage share.

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



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40% of the companies have emission reduction targets in line with the Paris agreement

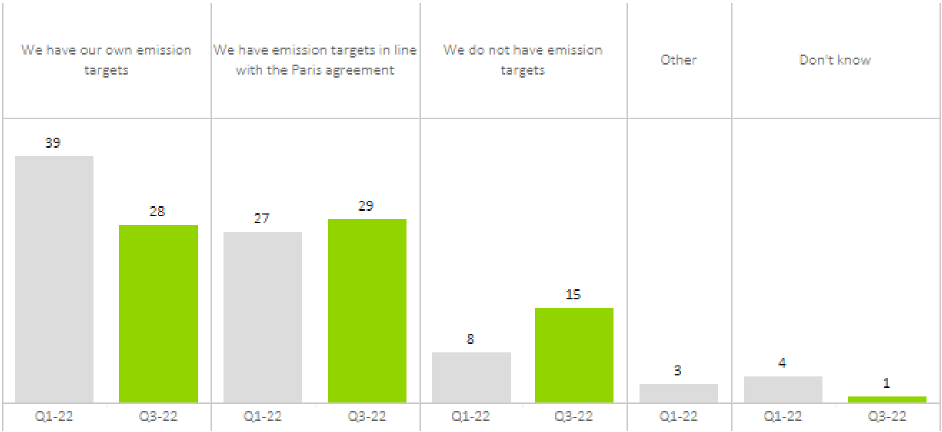
Compared to six months ago we can see that there are fewer of the companies that have their own emission reduction targets, we also observe that a larger share of the CFOs do not have an emission target. We believe this stems from a different mix in the companies that have answered the survey this year.

As much as 21% of respondents report to having no emission targets, as opposed to 38% having their own standard and 40% having targets in line with the Paris agreement.

Though some of the differences can be explained by differing industry mix, the survey still shows that there is still much to be gained in stating the importance of climate targets, consulting companies in reaching the goals of the Paris agreement, and of continuing to focus on climate emission reduction.

We also believe that going forward we will see increasing pressure from governments and the EU to act on climate change. If we are going to reach the EU target by being climate-neutral by 2050 (an economy with net-zero greenhouse gas emissions) corporates need to reduce its emissions.

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



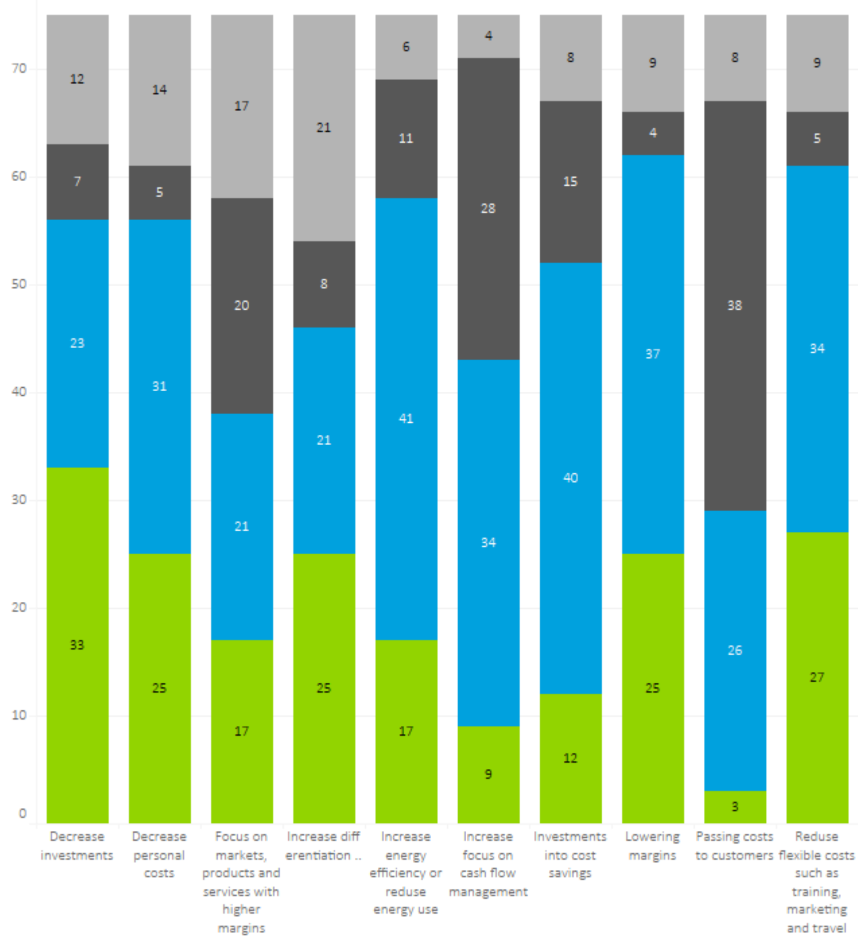
Hot topics

Companies are pushing higher cost on to costumers

The current high inflation rate can be attributed to many different factors, many of which are a result of the Covid-19 pandemic. We have experienced increases in household demand and supply chain shortages, the war in Ukraine and a very strong labour market, all at once. When the pandemic hit, people started to save money and central banks cut interest rates, stimulating consumer spending. When Covid-19 restrictions eased, people started to spend money at a fast pace.

The war in Ukraine have caused commodity prices to surge and thereby input prices for companies to rise. We can for example se this trough the purchasing price index in USA that have skyrocketed north of 10%. We can see from the survey that 85% of the CFOs are answering that they either to a medium or large extent are trying to pass costs on to costumers. With higher interest rates, electricity prices and inflation it will be interesting to see how much of the higher costs companies are able to push over to costumers.

Q: *What activities are your company doing to limit challenges regarding inflation.*



	To a small extent	To a medium extent	To a large extent	Not at all
Decrease investments	33	23	7	12
Decrease personal costs	25	31	5	14
Focus on markets, products and services with higher margins	17	21	20	17
Increase differentiation ..	25	21	8	21
Increase energy efficiency or reduse energy use	17	41	11	6
Increase focus on cash flow management	9	34	28	4
Investments into cost savings	12	40	15	8
Lowering margins	25	37	4	9
Passing costs to customers	3	26	38	8
Reduse flexible costs such as training, marketing and travel	27	34	5	9

Energy prices have affected most industries, and some more than others

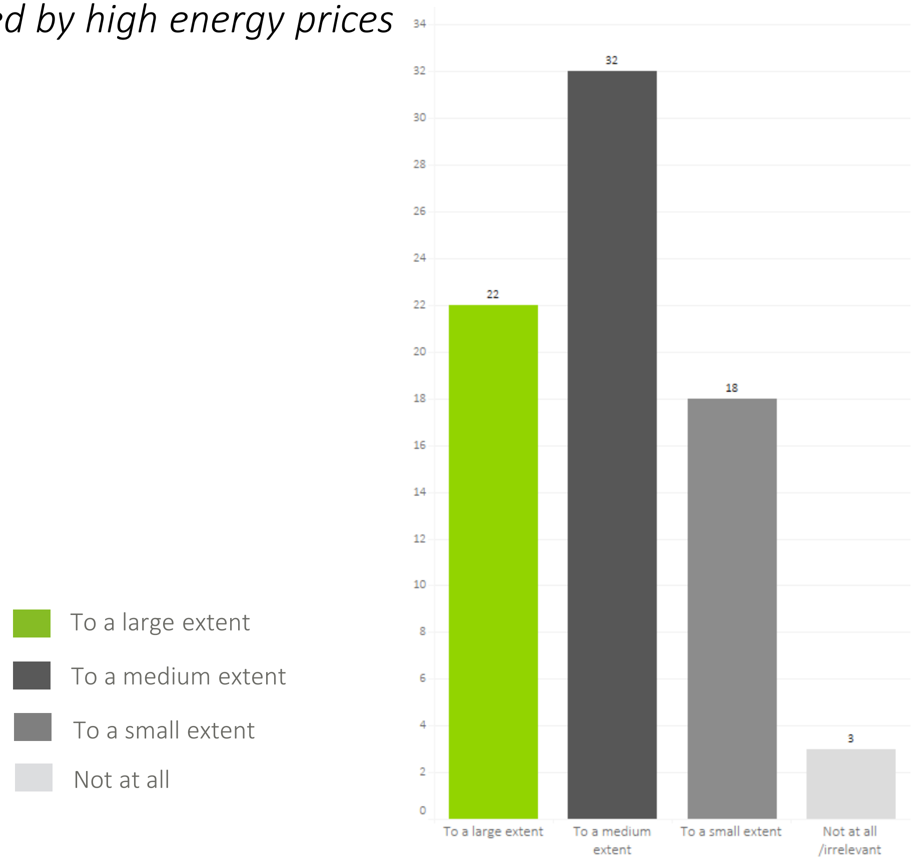
Energy prices have been settling on high values compared to previous years, which has had a noticeable impact on most companies in this survey.

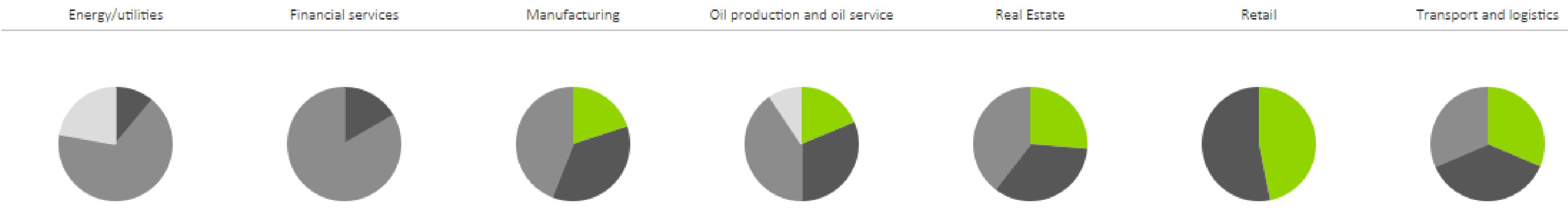
The surge in prices have been affecting economies all over Europe, Norway included. As such, many industries with high energy consumption and/or low operating margins are reported to be more affected than others.

Manufacturing, Real estate, and Retail are reported to be most affected by the cost of energy, with noticeable shares of respondents attributing increased prices to having a large negative impact on profit.

Manufacturing is dependent on energy to produce goods and products, while retail typically operate with low margins. As such, further infringements to cost of operations have a larger overall impact in these industries.

Q: *To what extent is your company's profit negatively affected by high energy prices*





Pessimism in the retail sector can impact the entire market

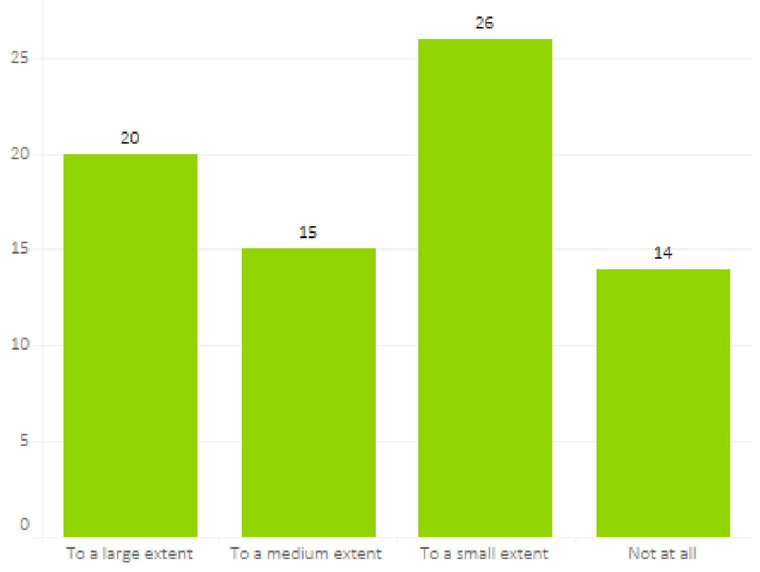
As expected, most companies depend on retail to some extent. Only 14% of Norwegian CFOs say their company do not depend on retail shopping at all.

Retail is in other words important to the Norwegian market. Uncertainty now lies with whether there will be a decrease in retail shopping in the near future. The retail market is pessimistic about the future which might be explained by the full opening of society after the pandemic, and consumers increasingly shifting their spending towards services.

Another reason why retail is worried is the increased interest rates and rising prices on goods as a result of high inflation causing consumers to hold off on shopping that is not completely necessary.

When such a large part of Norwegian companies are depending on retail and with so much uncertainty and pessimism surrounding retail, there is no surprise this quarter is one worst when it comes to financial prospects across the board.

Q: *How sensitive is your company to reduced retail shopping*



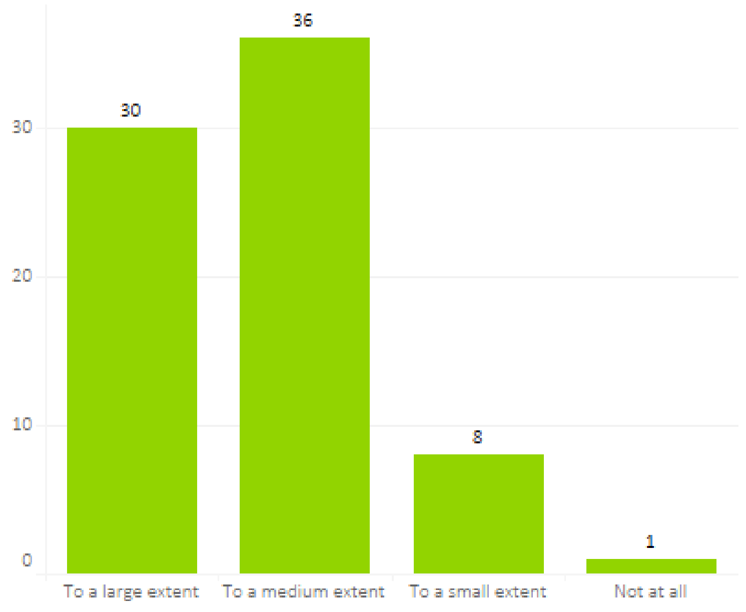
A tight labor market affects access to new employees

The Norwegian economy is doing very well with the employment rate being at low levels and the government collecting record high tax revenues from high energy prices. The low employment rate affects the companies access to new employees, and 88% of the CFOs have answered that that the low employment rate affects their access to new employees from a medium to a large extent.

On the 30th of September we got registered unemployment numbers for Norway where the seasonally adjusted registered jobless rate held steady at 1.6%. Though this was a notch below Norges Bank's forecast, it should not impact the near-term policy rate outlook as details support the bank's expectations that momentum in the labour market is about to shift.

The trend in both the number of short-term unemployed and new job seekers, as well as new registered job openings, are pointing to a cooling in the labour market. Job vacancies remain at historically high levels but momentum in the downtrend in unemployment has eased during summer, and the full-time unemployment rate appears to have reached a trough. NAV highlights that there are early signs of a cooling in the labour market.

Q: *To what extent does low unemployment affect your access to new employees*



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 September 2022. Historical figures presented are based on previous bi-annual surveys dating three quarters back. Note that "averages" are calculated from Q1-17 to Q3-22.

In total, 75 CFOs across key industries responded to the survey during the period 15th September to 26th September, 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

September 15, 2022

-

September 26, 2022

Respondents

75 Respondents

Industry	Share
Financial services	7 %
Transport and logistics	5 %
Real Estate	12 %
Energy/utilities	12 %
Retail	12 %
Advisory	3 %
Oil production and oil service	7 %
Manufacturing	17 %
Maritime	0 %
Construction	5 %
Automotive	3 %
Tourism and travel	1 %
TMT	4 %
Services	1 %
Aerospace and defense	1 %
Other	3 %
Public sector	1 %
Healthcare	0 %
B2B	1 %
Recycling	3 %
Primary	1 %
Total	**100 %**

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