Deloitte.

SEB

CFO-survey
3rd Quarter 2021
Expensive Euphoria

Executive summary (1/2)

“Firing on all cylinders”

Most optimistic in ages

Opening up was good, but the next 6 months will be great. CFOs are telling us that they haven’t been as optimistic about their financial prospects since 2011. The increase in optimism is broad-based across sectors, with retail a slight exception. We ascribe this to retail being very optimistic the last 12 months as they were the relative winners in a lock-down economy. Now all the others are firing up.

Demand won’t be a problem, but access to resources will be

CFO’s have never been less concerned about demand for their products, both domestically and internationally. Diametrically opposed to this, we see that they have never been more concerned about access to raw materials and lack of competent labor. They are seemingly willing to pay for this as nobody (0 respondents) are concerned about wage costs.

And they will mark up prices materially

Since we started the survey in 2011, we are seeing, by far, the largest assumed increase in prices. Some of it stem from higher costs, but a majority aim for higher margins as well. This indicates that they believe they have pricing power in what CFO’s see as a benign macro environment.

Invest and grow – more than ever

Not only will they grow organically at record pace in core markets, but growth in ‘New Markets’ and ‘New Products’ are at all-time high. In order to facilitate this, it’s only natural to have a very high willingness to increase production capacity. Of course, this will need to be funded. That’s why the main use of cash flow is for investments.

Executive summary (2/2)

Raw material cost are worrying the CFOs as commodity prices goes trough the roof

In recent months we have seen commodity prices like oil, copper and aluminum among others rallying as the world reopens for business. Higher input prices for companies could mean higher prices for consumers and this commodity price shock is hitting the market the same time as electricity prices are soaring with the Nord Pool spot price being up 165% year to date, making it more expensive for both companies and consumers to use electricity.

Moving towards net zero

Over 70% of the CFOs that are running businesses in polluting industries are saying that they have a plan for reduction of their carbon emissions. This is in line with over 70% communicating the same goal regardless of polluting or non-polluting industry. With expectations of increased carbon tax going forward we were expecting a higher focus on cutting emissions from polluting industries. When it comes to carbon reduction goals the majority of the CFOs are ambitious and plan to achieve their carbon reduction goals by 2030, but we where not expecting as high as 1/3 of the CFOs to not have a target/time frame for their carbon emission reduction.

The CFOs are expecting a higher degree of onshoring of their supply chain going forward

The pandemic has showed us the importance of being ready for potential unexpected future disruptions in the supply chain. The answers from the CFOs are telling us that many of them are foreseeing a higher degree of onshoring of their supply chain to strengthen their organizational resilience going forward. Another positive side of onshoring is the lower carbon footprint as the goods have to travel less.

Overall, the supply of desirable financing continues to be strong as bond financing is almost as attractive as bank financing

The CFOs seem very comfortable with their company’s financial positions which backs the positive sentiment found in other parts of the survey. For both bond and equity financing the attractiveness is higher than the availability. The strong perceived supply of desirable financing will be supportive of the companies’ all time high strong expectations of capital expenditure going forward.

Contacts

Sjur Gaaseide
CEO, Norway

CEO of Deloitte, Norway
sgaaseide@deloitte.no

Eivind Skaug
Partner, Norway

Audit & Assurance, Deloitte
eskaug@deloitte.no

Thomas Eitzen
Head of Credit Strategy

Large Corporates & Financial Institutions, SEB
thomas.eitzen@seb.no

Håkon Lillelien
Credit Research

Large Corporates & Financial Institutions, SEB
hakon.lillelien@seb.no

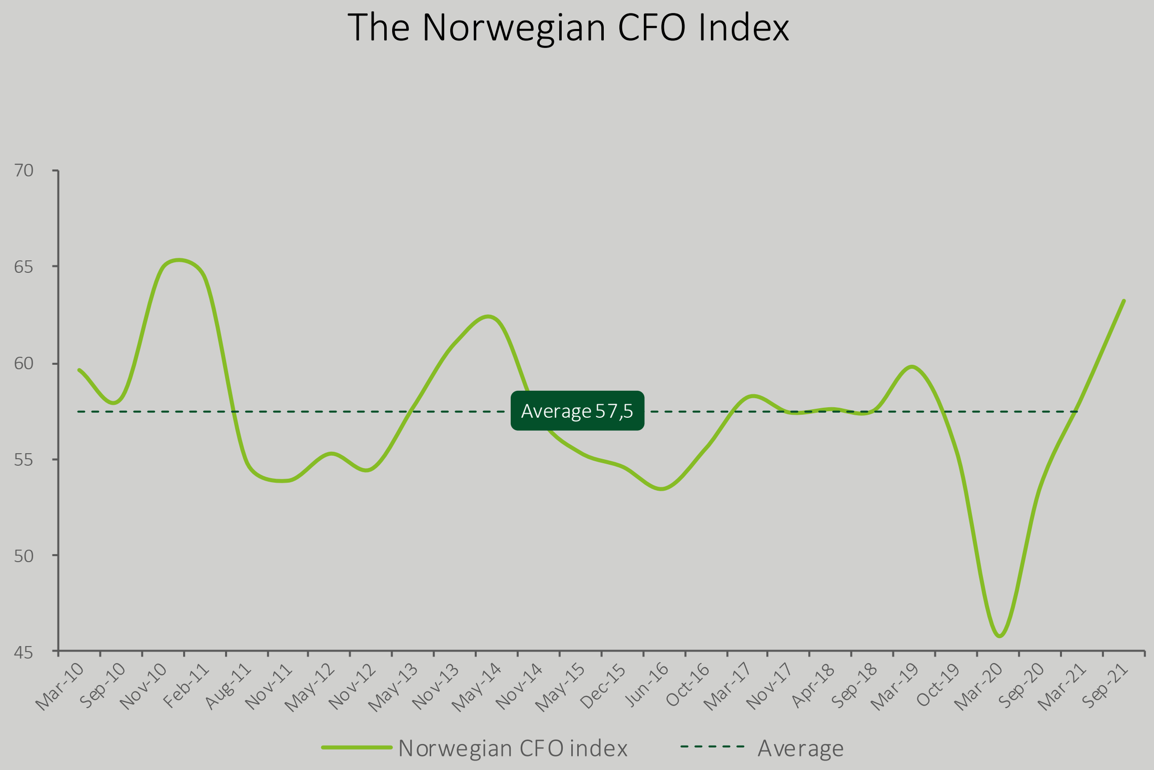
Contents

A V-shaped recovery emerges as the CFOs are reaching levels last seen pre the 2014 oil price crisis

The CFO index showed a strong comeback in the last quarters after a historic low during the outbreak of the Covid-19 pandemic in Q1-20. This quarter, the trend continues as the CFO index reaches levels previously seen prior to the 2014 oil price crisis.

Like last survey, the CFOs report another all-time high expectation for CAPEX spending, fueled by highly available financing and expectations of increased revenues and operating margins.

The gradual reopening of Western economies has been beneficial for the commodity driven Norwegian economy, as the Brent spot price approached the USD 80 per barrel mark in September. However, the increasing cost of raw materials has become a worry for the CFOs, and we observe a jump in the expected inflation rate to 2.65% for the next six months. The CFOs are divided in the debate whether the observed inflation is transitory or permanent.



Note: The average is calculated from 2010 – 2020. The Q1-20 results is excluded from the calculation due to significant Covid-19 impact during survey period.

Economic prospects

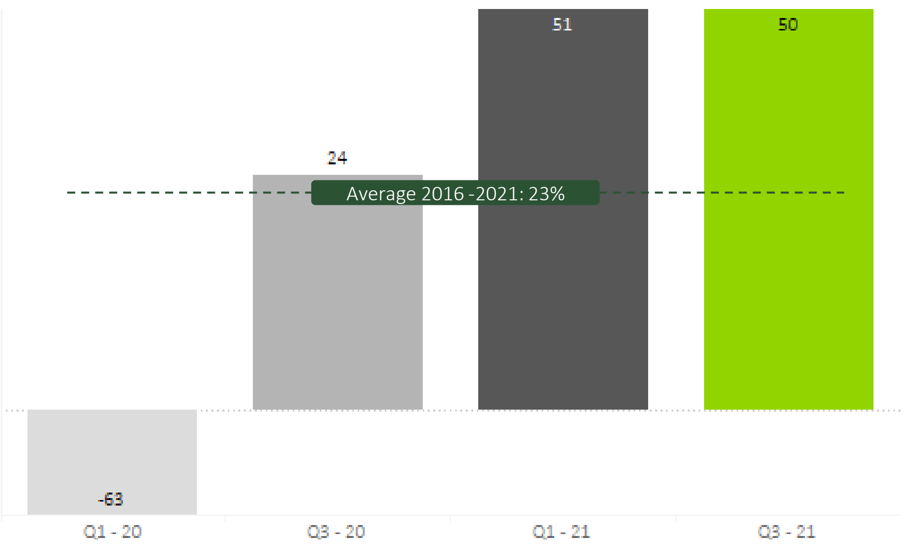
Continued strong sentiment amongst the CFOs

Strong optimism amongst the CFOs as the pandemic is coming to an end.

A net 50% of the CFOs are more optimistic about the financial prospects for their company than six months ago. Society has been through an exceptional situation the last year and a half and is now approaching a normal state through the government's successful vaccination scheme. Subsequently, the economy is benefiting from society's recovery after Covid-19, and the OSEBX index has continued to increase in 2021, experiencing all time high value within the third quarter.

Additionally, increasing commodity prices is strengthening the financial position of the largely commodity driven Norwegian economy.

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 Q1-16 to Q1-21..

Positive sentiment across all industries, however, retail have decreased the most, plausibly due to a shift in spending towards services post the pandemic

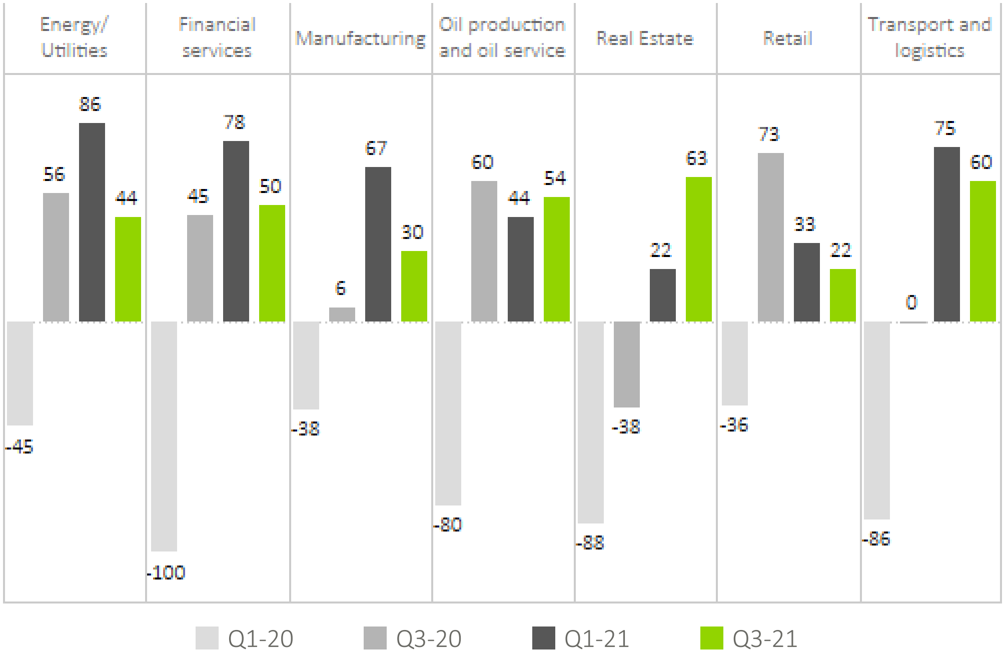
All industries are more positive about their financial prospects compared to six months ago, with Real Estate having the strongest increase in relative expectation.

The historic low policy rate during the pandemic has boosted the Real Estate market. Despite an increase in the policy rate of 0.25% in September, interest rates are at a historic low, explaining the strong sentiment. CFOs in Transport and logistics have been consistently positive in 2021 which can be seen in relation to society coming back to normal.

The Energy/utilities sector has moderated its view compared to six months ago, even though the electricity prices are at an all time high and expected to stay at a permanently high level. Similarly for Financial Services, the positive outlook can be explained by the expected increase in interest rates following the reopening of the economy.

Contrarily, the Retail industry sees a less prominent time as consumers are shifting their spending from goods to services following the reopening of society.

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. Please note that for Q1-20, the number of respondents within "Financial services" is misrepresentative for the industry itself.

Strong sentiment as society enters a state of normalcy

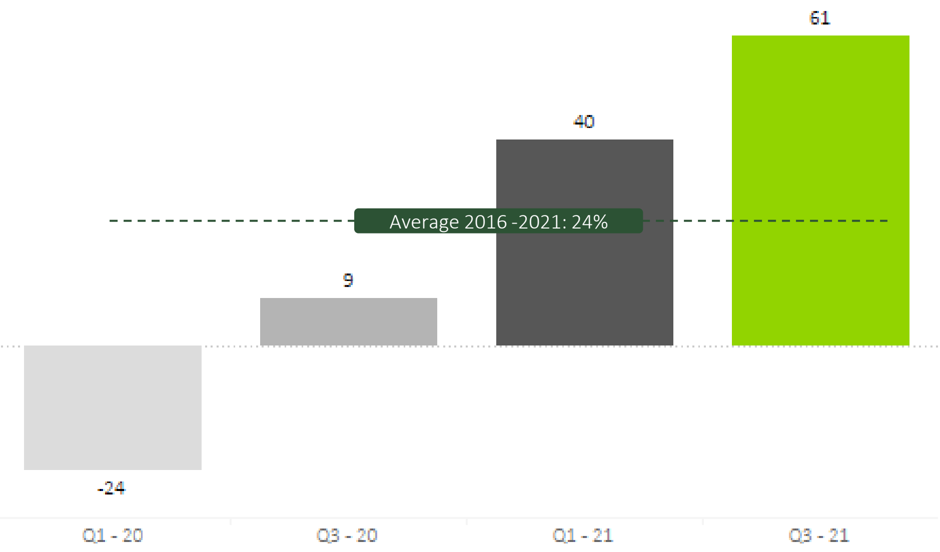
Net optimism continue to increase compared to six months ago.

A net share of 61% of CEOs are optimistic about their company's financial prospects for the next six months, compared to 40% in the last survey. This is the second highest level recorded in this survey's history. At the time of writing, the Brent spot price is up approximately 57%, fueling the strong comeback in a post-pandemic Norwegian economy.

Rapid development in vaccination over the summer gave promise of a return to normalcy, and few days after the closing of this survey, the Norwegian government lifted all national measures. The reopening of other developed economies as well will be beneficial for foreign demand of Norwegian produced goods and commodities, adding to the positive sentiment.

Note also that the current low interest rate regime and high availability of funding in the capital markets makes it easy to raise funds for profitable investment opportunities.

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



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 Q1-16 to Q1-21..

Exceptionally strong sentiment across all industries, except Retail which have moderated its response in the last two surveys

All industries are optimistic about the coming six months, although Retail is more moderate in its outlook.

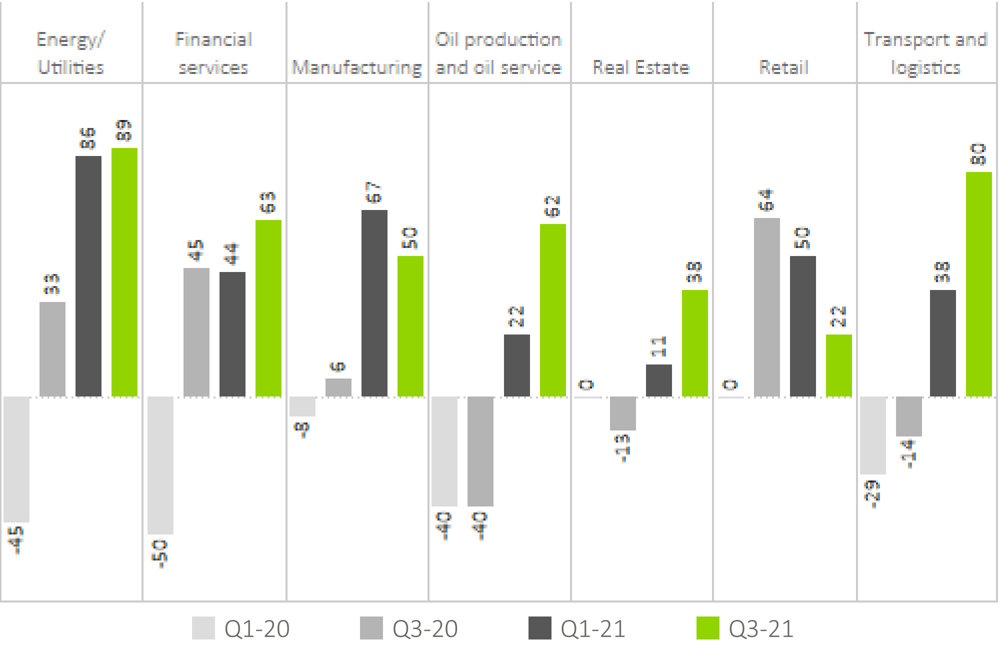
CFOs in Energy/utilities expect the high electricity price to remain as it continues to be the most positive industry. Financial services CFOs' positivity can be connected to the potential increase in interest rates going forward.

The Oil production and oil services are significantly more positive compared to six months ago. The Brent spot price is up approximately 57% for the year combined with strong gas prices, explaining the positive sentiment.

We observe continuous positivity within Real Estate as the low interest rates have served the market well during the pandemic, however uncertainty is present as the central bank has started to increase the interest rate post Covid-19. Further, the declining positivity amongst the CFOs in Retail could be explained by consumers shifting their spending towards services as the social distancing measures are coming to an end.

Lastly, the Transport and logistics industry's positivity is staggering with a net 80% of the CFOs. The reasoning behind the positivity can be linked to society opening and removal of restrictions.

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. Please note that for Q1-20, the number of respondents within "Financial services" is misrepresentative for the industry itself.

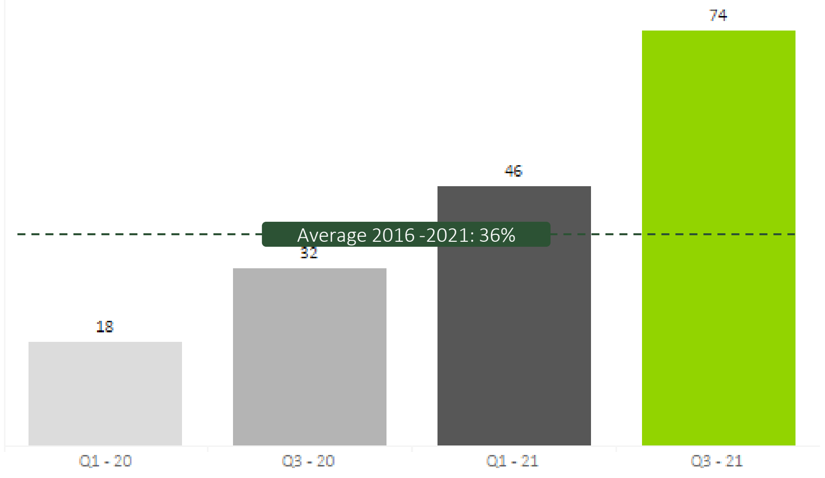
The CFOs are expecting price trends to be twice the 5-year average for the coming six months

The cost of goods and services are rising at the fastest rate since the great recession and inflation has been on everyone's lips this year. The big question has been; is the inflation rate we are experiencing now transitory or permanent?

A net share of 74% of the CFOs are expecting increasing price trends for the coming six months. That is twice the five-year average of 36%. This is the highest net share we have ever reported in the CFO-survey. The second highest net share was in Q1-19 with 51%.

Only 5% of CFOs believe in a decline in the general price trend for their company's products/services for the coming six months. Nevertheless, 15% of the CFOs think the general price trend is going to be flat going forward.

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



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 Q1-16 to Q1-21..

Inflation expectations are rising again among the CFOs

The CFOs are expecting an inflation rate of 2.65% in Norway for the coming six months, this is 40 bp higher than six months ago and 65 bp higher than Norges Banks stated inflation target of 2% annual growth in consumer prices.

Inflation has for the last year been overshadowed by the pandemic, reopening effects and developments in unemployment. The latest months we have also seen electricity prices at high levels supporting the already high inflation rate.

In the Eurozone, the Norwegian CFOs expect an inflation rate of 2.2%, which is 61 bp higher than in the previous survey.

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

2.65%
(average)

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

2.20%
(average)

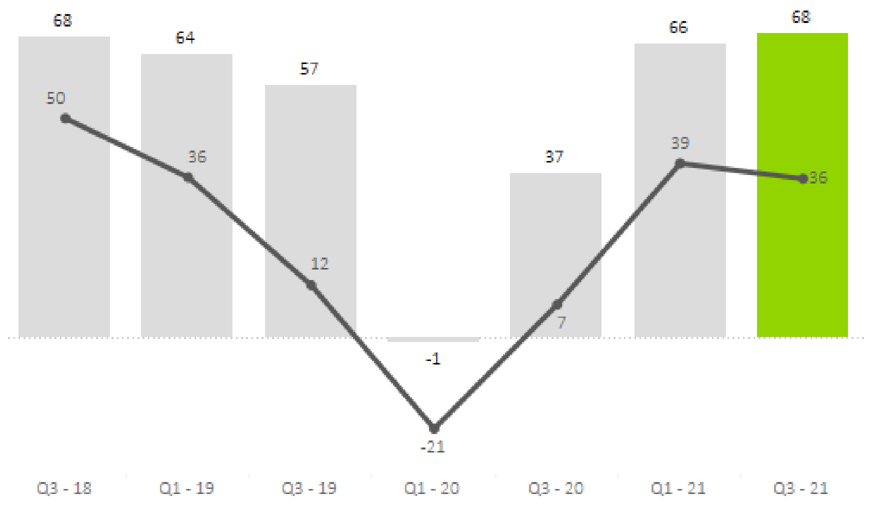
The positive trend of revenue and operating margins is expected to continue with responses establishing themselves at pre-pandemic levels

CFOs are generally confident that revenue and operating margins will increase over the next six months compared to the current level.

After a strong sentiment in 2018, declining trend of revenues and operating margins expectations followed in 2019. This trend repeated the following year when the Covid-19 crisis hit Norway in Q1-20. By Q3-20, the sentiment got stronger, breaking the negative trend since Q3-18. The following survey in Q1-21 shows even greater sentiment, as the government's vaccination scheme was initiated, and a reopened economy was in the horizon. This time, the sentiment is largely in line with the previous survey, as the CFOs are positive that the revenues will increase as we are moving away from the pandemic. The same picture is expected on operating margins, with a small reduction of 3 percentage points from the previous survey.

It is worth noting that the phrasing of the question relates to changes from the current level. Many industries are affected negatively by the Covid-19 related restrictions, which makes the starting point of the comparison low. It comes as no surprise that many CFOs expect improvements from the current levels as vaccination takes place and the economy is reopening.

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 continue to be most positive about the development of revenue and operating margins, followed by Transport and logistics

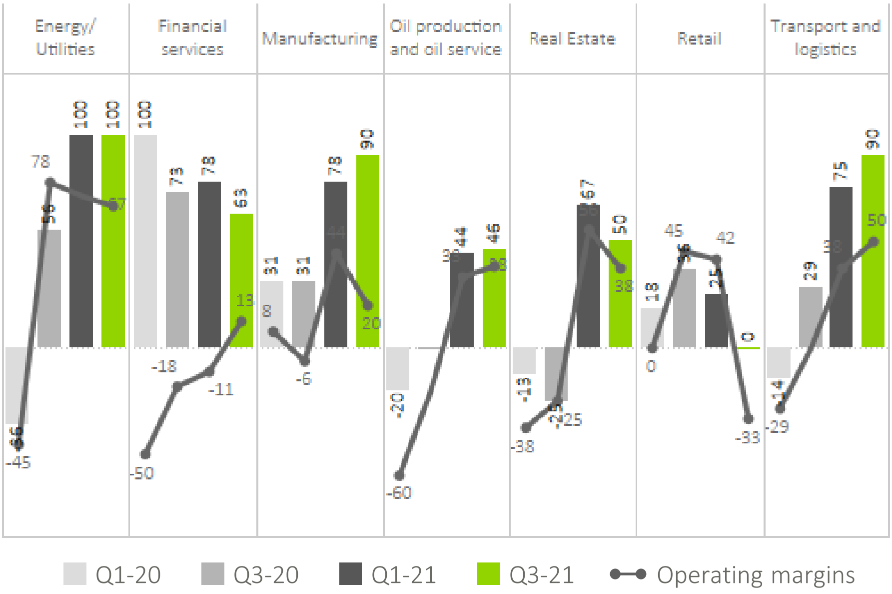
Yet again, a net share of 100% of the CFOs in Energy/utilities expects increases in revenue. Unsurprisingly, following the continued strong market prices in the Norwegian power market in 2021.

Financial services moderates its response on revenues compared to six months ago, although expecting operating margins to increase, plausibly due to expected increase in interest rates. Net 90% of CFOs in manufacturing are expecting increasing revenues for the coming six months, plausibly explained by the possibility of charging higher prices on manufactured goods.

Still optimism and expectations of increase in operating margins in Oil production and oil services due to surge in the Brent spot price, approaching the USD 80 per barrel mark in September. Additionally, the vaccination-led optimism is driving fuel demand benefiting the industry.

CFOs in Retail believes that there will be no change in revenues the next six months, however, they are expecting a significant reduction in 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 six month forward looking expected development in revenues for Q1-20, Q3-20, Q1-21 and Q3-21. The grey line shows the corresponding expectations regarding operating margin per industry.

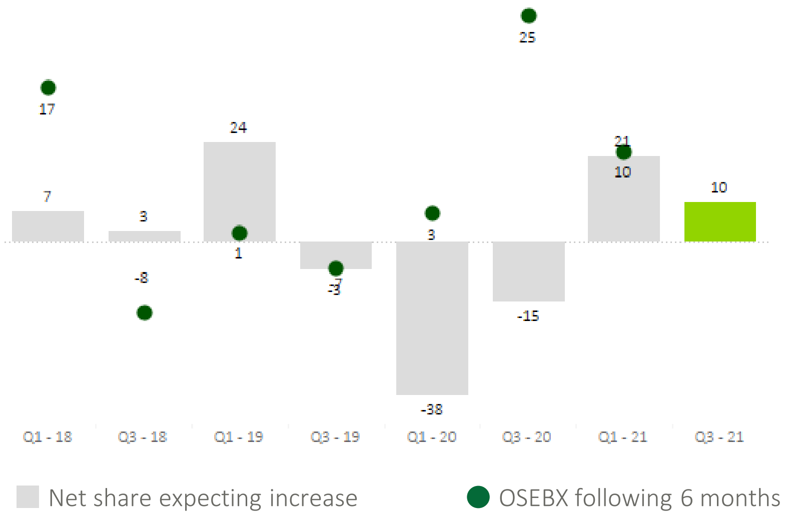
The CFOs are divided in their opinion of the OSEBX development going forward

Each of the three answer options almost received the same response rate with 37% expecting the OSEBX to go higher, 36% expecting it go lower and 27% expecting it to be unchanged.

In March 2020, the OSEBX fell over 30% and since then the market has recovered well by rising over 80%. The net share expecting an increase in the benchmark index is down from 21% to 10% signaling that a smaller share of the CFOs are expecting an increase in the index going forward. We observe that over time the CFOs are not the best in predicting the development of the OSEBX index.

It is easy to get a fear of heights when the market has risen this fast and at the same time there are strong expectations of higher interest rates going forward. Historically we have seen a more volatile stock market in times of high inflation. Consumers get lower purchasing power which can lead to lower revenues and profits for companies. We have also seen a switch from growth stocks to value stocks. Dividend stocks also tends to take a hit from higher inflation as company's often struggle to rise dividends as fast as the inflation rate.

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.

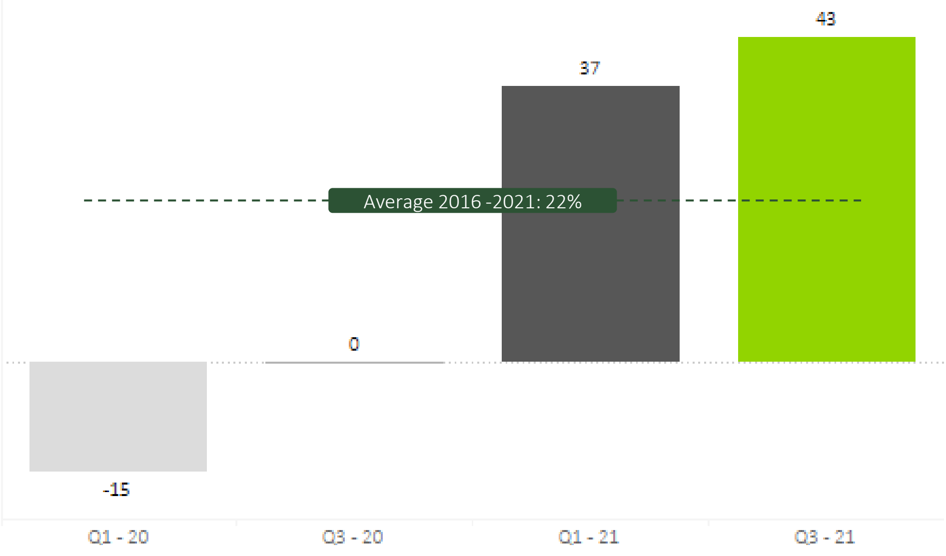
CAPEX expectations are at all time high following strong market sentiment and reliable access to funding

Following the positive sentiment from Q1-2021, the CFOs are still on a positive trend in terms of CAPEX spend the next six months. Currently, a net 43% of CFOs believe that the spending will increase going forward, resulting in an all time high and a 21 percentage points increase relative the to the last 5-year average.

Supported by beneficial financing terms and expectations of increasing revenues and operating margins, it is justifiable to expect an ongoing strong CAPEX spending the next six months. Additionally, the strong sentiment around revenues can potentially require increased need for capacity, which in turn requires investments.

Megatrends such as digitalization and the green shift might change companies' operations and business models, potentially increasing the need for CAPEX spending further.

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



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 Q1-16 to Q1-21..

Improving labor market across all industries, except Retail

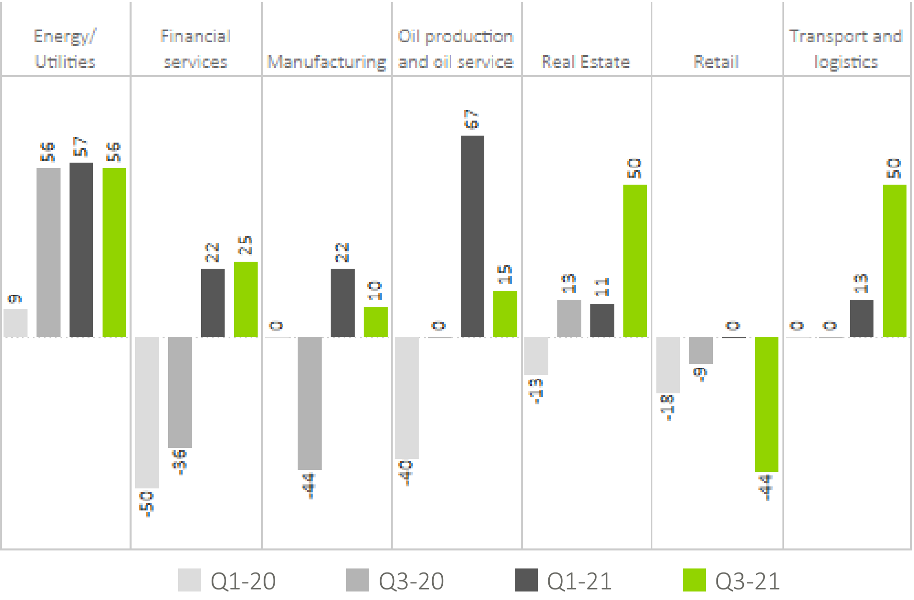
Like last survey, all industries, apart from Retail, expect the number of employees to increase the next six months. The expected decrease of employees in Retail could potentially be driven by continued pressure from ecommerce.

We observe positive expectations for change in FTEs within Transportation and logistics, plausibly relating to the reduction of restriction on travelling abroad.

Oil production and oil service CFOs were highly positive about employment in the last survey but have moderated their response substantially this survey. Despite a strong improvement in oil and gas prices, the companies in the industry seems to be comfortable with the current workforce.

Energy/utilities and Financial services are largely at the same level as last survey, while Manufacturing has moderated its response somewhat.

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



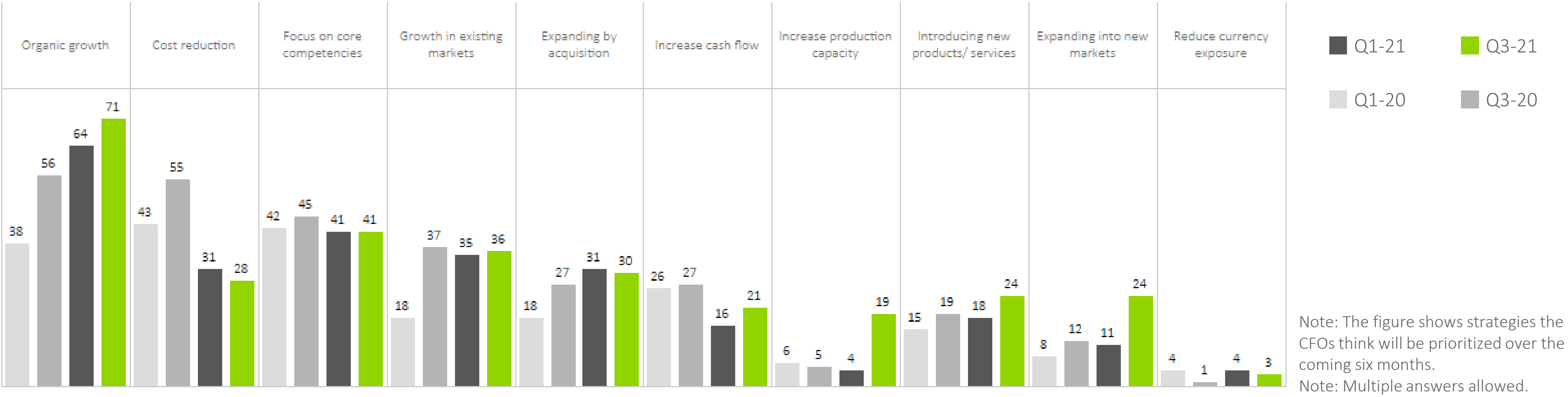
Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

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

Strategic opportunities

Continued focus on organic growth and core competencies, while increasing production capacity has had a substantial change of priority compared to last survey

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, although the development of the latter is more moderate this time around. The most drastic change in priority level can be found within increase in production capacity and expansion into new markets, which correlate to the expected increase in CAPEX spending the next six months. Although the CFOs report that organic growth is a prioritized strategy going forward, the survey display expansion through acquisition as a relevant tactic for the coming two quarters.

Increasing focus on investments going forward

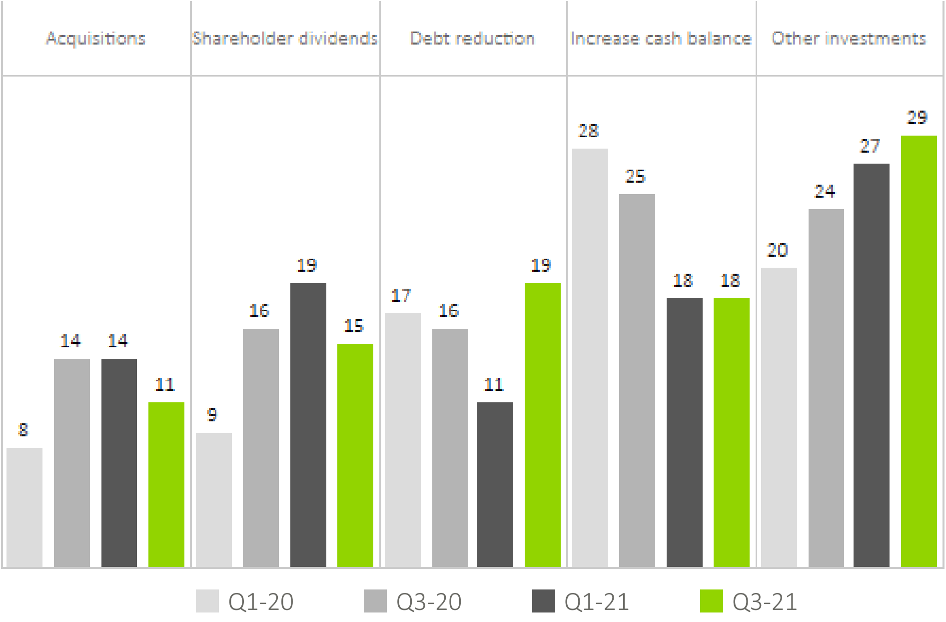
Since Q1-20, the survey demonstrates a positive trend on other investments, resulting in being the primary focus for operating cash flow expenditure. The targeted investments coincide well with the increasing CAPEX spending as previously mentioned.

Beneficial financing terms have decreased the CFOs' focus on debt reduction the past three surveys, however, in Q3-21 we observe a complete reversal that exceeds the Q1-20 level, potentially stemming from the expected increase in interest rates.

At the start of the pandemic, CFOs reported a strong focus on increasing company cash balance in order to endure the crisis. However, since the vaccination program started in Q1-21, the focus has dropped and remain at the same level as the former survey.

Acquisitions are not highly prioritized in terms of operating cash flow expenditure, which is in line with the previous survey results. The reduction in focus on shareholder dividends coincides with the CFOs spotting profitable investment opportunities.

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



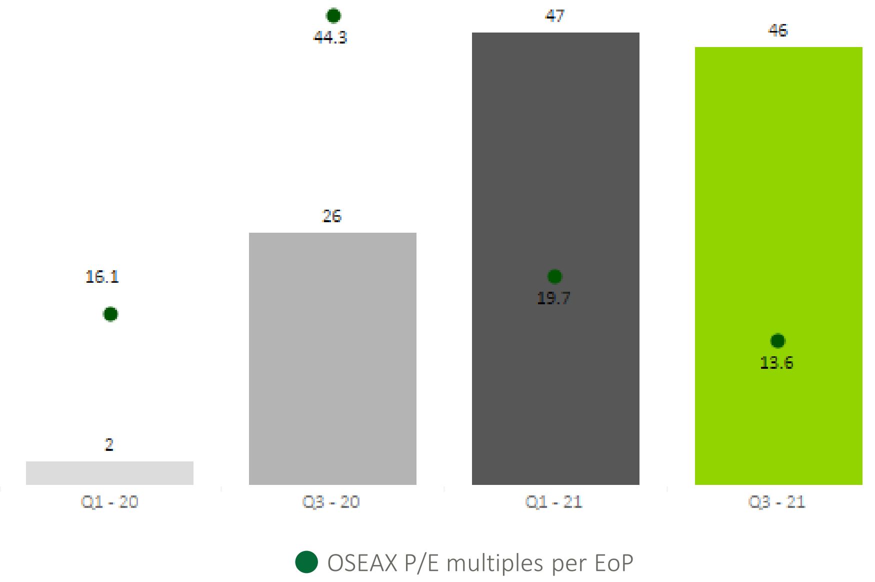
Note: The figure depicts the strategy most likely to be executed using operating cash flow expenditure for the four most recent periods.

Continued strong M&A outlook next six months

The Covid-19 crisis caused the M&A sentiment to drop to an all-time low level in Q1-20. However, the sentiment has not only been restored, but the results reflect expectations of as high transaction volume entering 2022 as there was in the beginning of 2021. The CFOs spot M&A as an opportunity to increase capacity or enter new markets. However, as they do not prioritize spending operating cash flow on acquisitions, we assume that the CFOs find external financing highly available.

The sentiment on M&A activity in Q3-21 is approximately the same as it was six months ago, while the expected price compared to earnings on OSEAX have decreased in the most recent quarters. The CFOs still spot opportunities in the market combined with still favorable financing terms, as the interest rates are still relatively low, with a policy rate of only 0.25%.

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.

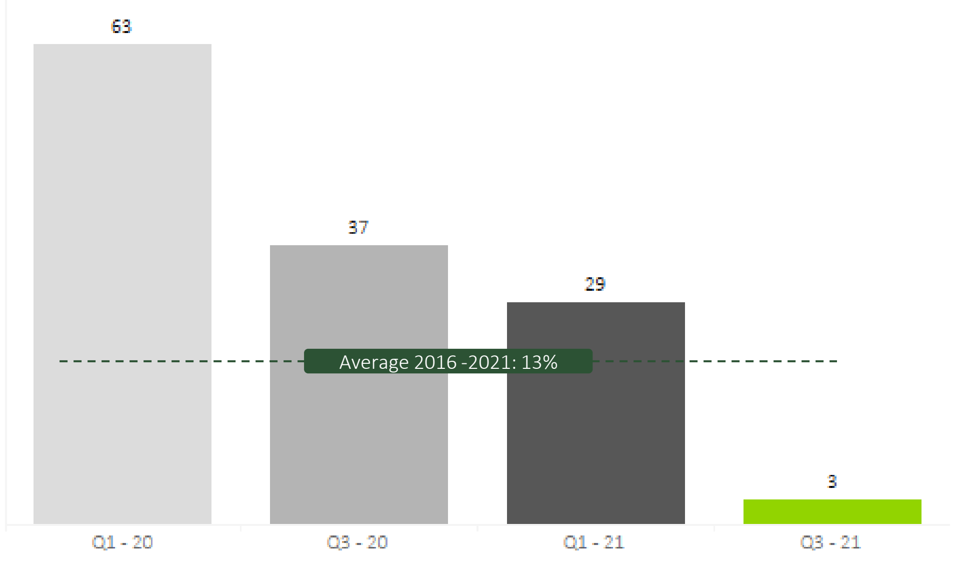
Capital structure and risk

The CFOs are expecting counterparty default risk to be significantly below average

The net share of 3% of the CFOs are expecting an increase in counterparty default risk. This is 26 percentage points lower than six months ago and 10 percentage points lower than average. Even though we are now beginning to see an end of the pandemic and the economy is firing on all cylinders there are still 8% of the CFOs that are expecting the counterpart default risk to increase.

This may have something to do with the supply chain disruption caused by the pandemic with some companies having counterparties that do not have resilient supply chains. However, the fair share of the CFOs are expecting the probability for counterparty default in the next six months to remain unchanged. The lowest net share we have seen in this survey was back in Q1-2018 when the net share was at 2%.

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



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 Q1-16 to Q1-21..

Slightly stronger belief in wider credit spreads

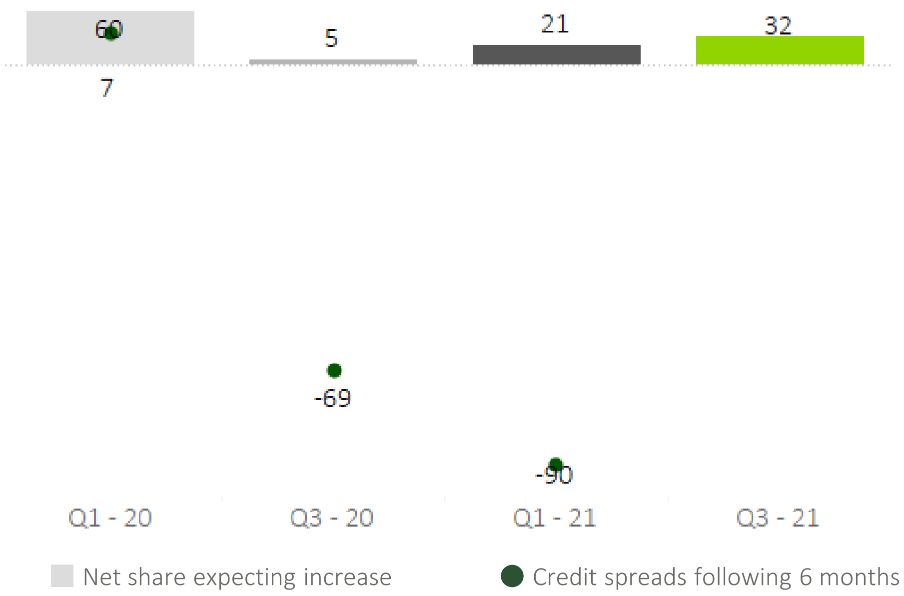
The CFOs continue to expect higher credit spreads going forward. A net share of 32% of the CFOs believe credit spreads are going to widen over the next six months. This is 15 percentage points higher than the 5-year average.

The increased expectations of wider credit spreads are in line with the weakened belief in OSEBX development. It could also be explained by the fact that credit spreads are at record low levels and expectations of increased interest rates.

We have seen credit spreads tighten over the past six months, but normal seasonality would suggest widening spreads over the upcoming six months. A slight increase in expectations of further widening is hence not a very negative signal. US Fed officials have communicated that they are ready to begin tapering (the slow down of bond purchasing). Quantitative easing have contributed to tighter credit spreads and the bond market fears that a slow down of government bond purchases could lead to wider credit spreads.

We have not had quantitative easing in Norway, but the potential credit spread widening as a result of Fed tapering could affect the overall bond market sentiment when tapering starts.

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

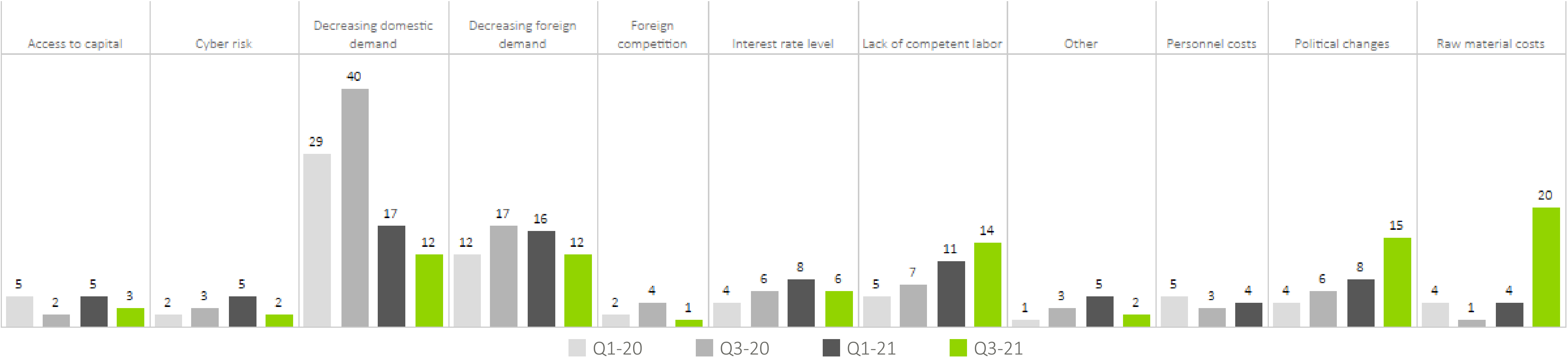


Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period. Note that the two measures do not have the same axis.

Raw material cost are worrying the CFOs

In the last survey the CFOs were most concerned about decreasing domestic and foreign demand. We observe that this is still on the agenda but not like in the previous survey. The factors that are posing the biggest risk for the CFOs are the lack of competent labor, political changes and raw material cost, with raw material cost posing the biggest risk. In recent months we have seen commodity prices like oil, copper and aluminum among others rallying as the world reopens for business. This could be a signal that global growth is coming back faster than expected. When it comes to political changes there are almost twice as many CFOs compared to the last survey that believe that a change in the political landscape could pose a significant risk for their business going forward. We believe this may have something to do with regulations and taxes that could potentially come into force as a result of a change of government as well as uncertainty regarding regulation and pricing of greenhouse gas emissions.

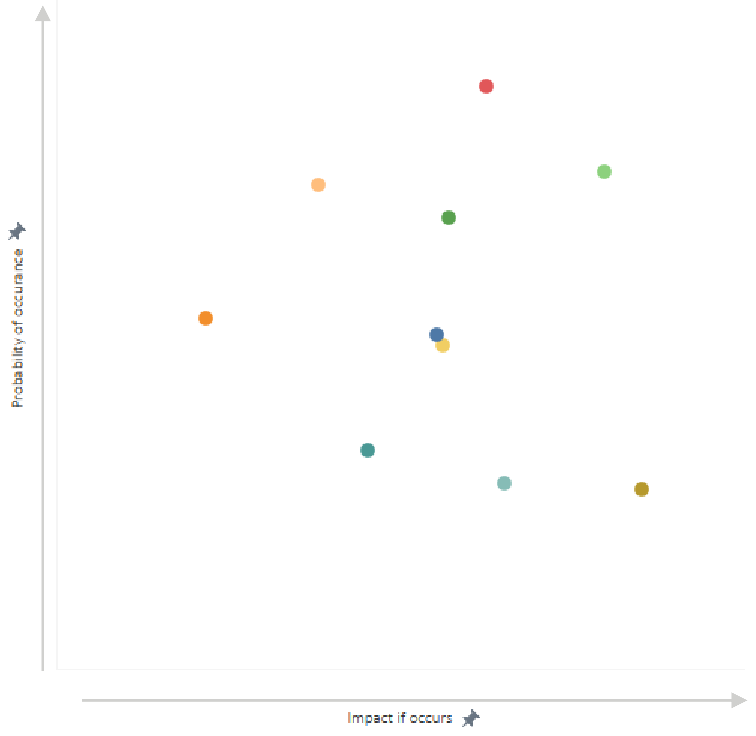
Q: *Which of the following factors are most likely to pose a significant risk for your business over the next six months?*



Cyber security still the largest risk factors according to the CFOs

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

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?*



Like the last couple of surveys, the CFOs are most 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 550-650.

Secondly, inflation expectations have been rising considerably across the globe, following the Covid-19 recovery. When economies shut down overnight last year, we entered a disinflationary state, but expecting a different trajectory going forward. The combination of financial vigor and need for socialization, travelling and entertainment might end in short-term demand outpacing supply, and potentially ending in inflation.

Even though Trump is out of office, the CFOs still expect high probabilities for increased polarization and protectionism. However, the impact is not expected to be large. Additionally, the political uncertainty can be linked to Brexit, although the EU and the UK reach its Trade and Cooperation Agreement.

It is interesting that the CFOs rank a new Eurozone crisis as the least likely to occur, given the high sovereign debt buildups following the Covid-19 pandemic. However, it is also ranked at the most impactful if it were to occur.

- 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

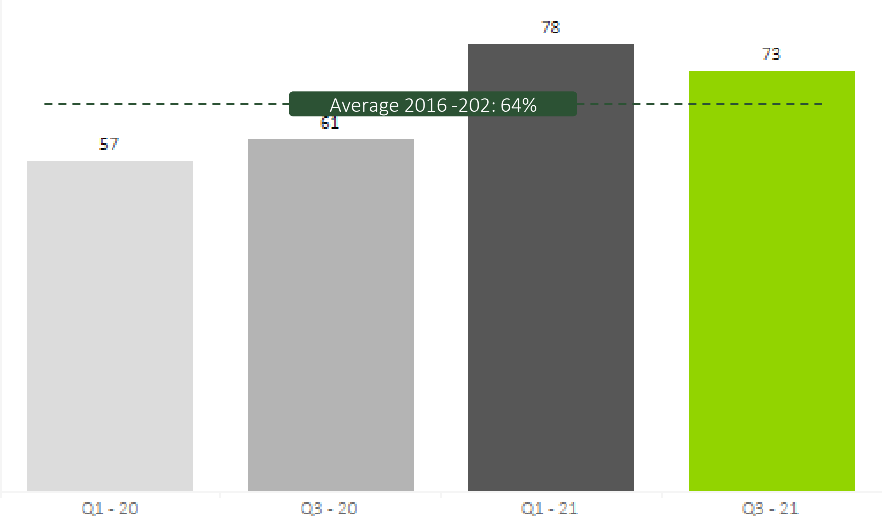
The CFOs seem very comfortable about their company’s financial positions, however, slight moderation from the previous survey

Most of the CFOs are positive in terms of their company’s financial position; however, it is a slight moderation compared to Q1-21 levels.

73% net positive is a strong sentiment, regardless of the decline from last survey, as it is 9 percentage points above the 5-year average.

The positive view on the companies’ financial position further backs the positive sentiment found in other parts of the survey. The results can be linked to the reopening of the economy, which removes the demand risks that have been present in the times of restrictions. Further, many companies have adapted seamlessly to the new reality and managed to keep production going despite restrictions. Through a strong market for IPOs in 2020 and Q1-21, we also observe that raising new capital is viewed as an easy task. These factors, combined with improving outlooks for revenue generation and operating margins are plausible explanations for why we observe such strong results.

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 Q1-16 to Q1-21..

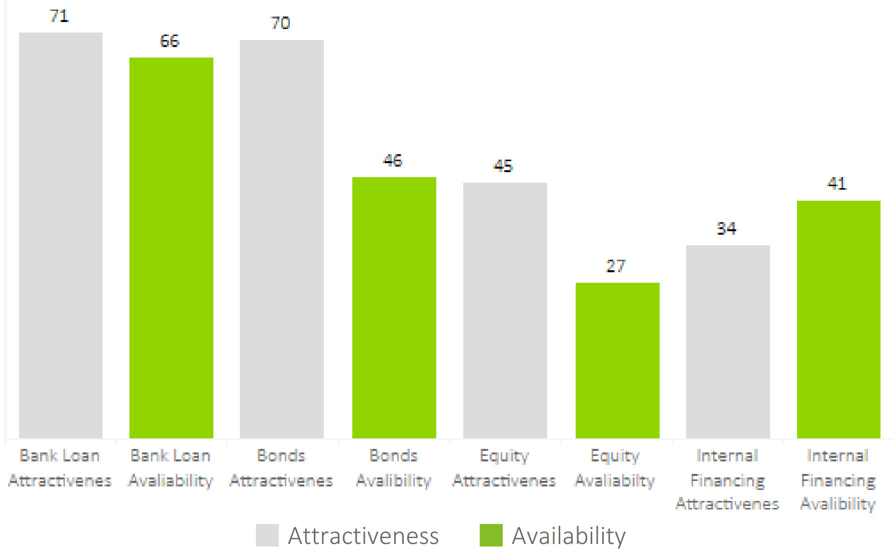
Bond financing almost as attractive as bank financing

Bank financing is still the most attractive and available source of financing for the Norwegian companies, but bond financing is almost as attractive with just one percentage point in difference.

The strong demand for bond financing is continuing as the attractiveness of bond financing is higher than the availability, which was also the case six months ago. With equity financing we also see that the attractiveness is higher than the availability, but the positive net share has come down for both attractiveness and availability compared to six months ago.

Overall, the supply of desirable financing continues to be strong. This will support the companies' all time high strong expectations of capital expenditure going forward. In Q3-19 we included internal financing in the survey and the attractiveness of internal financing has never been lower than it is now with a net share of 34%.

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



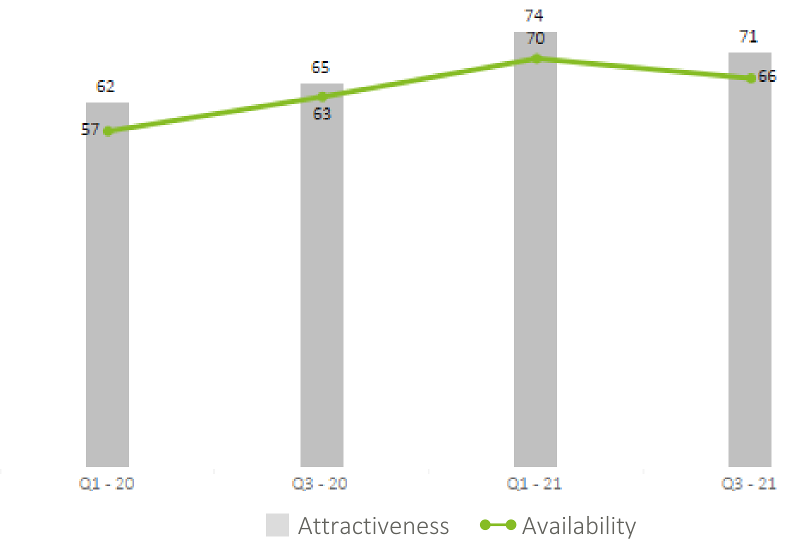
Note: The chart illustrates the net share of respondents describing bank loans, bonds, equity and internal financing as attractive and/or available.

Perceived willingness to provide credit a bit down from high levels

The perceived bank loan availability decreased to a net share of 66% from 70% six months ago. When it comes to bank loan attractiveness the net share is down three percentage points to a net share of 71%. Even though both attractiveness and availability is down from Q1-21 levels we are still on high historical net shares.

Both the attractiveness and availability for bank financing is well above the five-year average and we have since 2016 seen a strong trend in both attractiveness and availability for bank financing. The financing landscape for the Norwegian companies looks promising which will support all-time high strong expectations of capital expenditure going forward. This strong perceived availability of bank financing is also supportive of the CFOs priority of organic growth strategies going forward.

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.

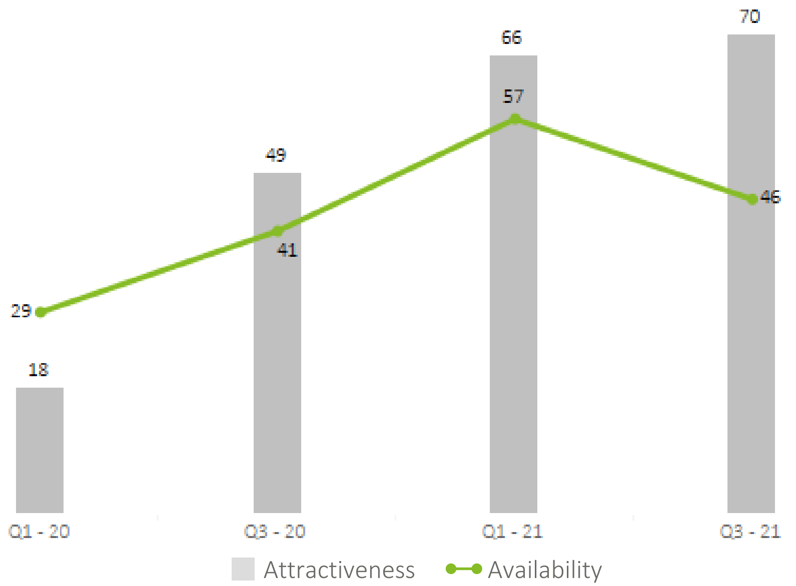
Bond financing is more attractive than available

Since 2016 there has been a strong trend in the attractiveness and availability of bond financing and now, we are seeing an all time high in the attractiveness of bond financing yet again. A net share of 70% of the respondents are describing bond financing as an attractive source of financing. This is over twice the 5-year net share of 33%.

One of the reasons for bond financing being so attractive is that credit spreads have been on record tight levels, and we have seen a lot of capital flow into bond markets as well as equity markets. This has also resulted in more new issuers entering the market. We also bear in mind that the NIBOR rate is at historically low levels which lowers the all-in borrowing cost for companies.

A strong trend we have seen in the bond market and the capital markets in general in recent years is an increased focus on green and responsible investments. In the bond market, this has taken root with green bonds that are popular with both issuers and investors.

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.

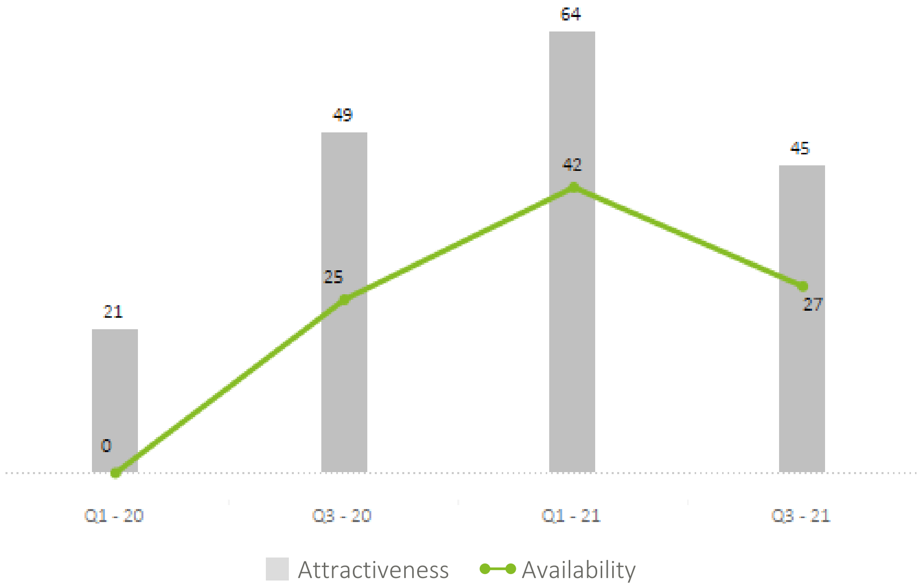
Equity financing attractiveness down from all time high levels but still well above five-year average

Six months ago, the perceived attractiveness of equity financing was at an historically high level with a net share of 64% attractiveness but now we have come down to a net share of 45%, which is still above the five-year average. Q1-21 was a period with intense activity in the equity market, so we where expecting a lower net share this time.

That being said, there is still a bullish trend and sentiment in the equity market with a lot of new issuers entering the market by the end of the year. The gap between attractiveness and availability may be explained by investors believing the valuations are stretched in some sectors at the moment.

The CFOs are expecting high M&A activity and increased CAPEX going forward so it may be acquisitions and capital expenditures driving demand for equity financing.

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

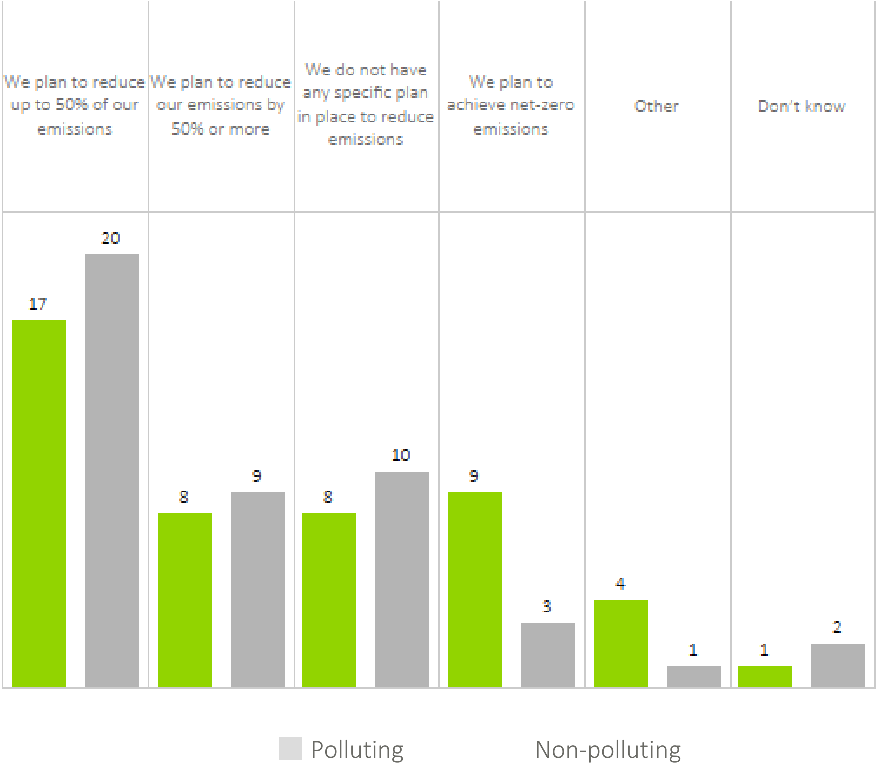
Strong focus on carbon reductions amongst the CFOs

71% of the CFOs within polluting industries have a plan in place to reduce their company's carbon emissions, which is in line with the 72% stating the same goal regardless of polluting or non-polluting industry.

We find the similarity surprising, as we would expect a higher focus on cutting emissions in polluting industries given the expected increase in carbon taxes going forward. However, we acknowledge that pollution intensive industries might have more challenges with regards to decarbonization than for instance Services or Advisory.

6 of the 20 CFOs from polluting industries that are planning to reduce up to 50% of emissions come from Oil production and oil services, representing approximately 50% of the respondents within that industry. Unsurprisingly, as there is a strong emphasis on climate action in polluting industries, such as Oil and Gas. The goal is made realistic by the proposed electrification of Oil and Gas operations on the Norwegian continental shelf.

Q: *Does your company have any plans in place to reduce its carbon emissions?*



Note: We have made a split of the data set based on industries found to be more polluting and industries found to be less polluting. Please see the last page of the report for an overview.

Majority of the CFOs are ambitious and plan to achieve their carbon reduction goals within 2030

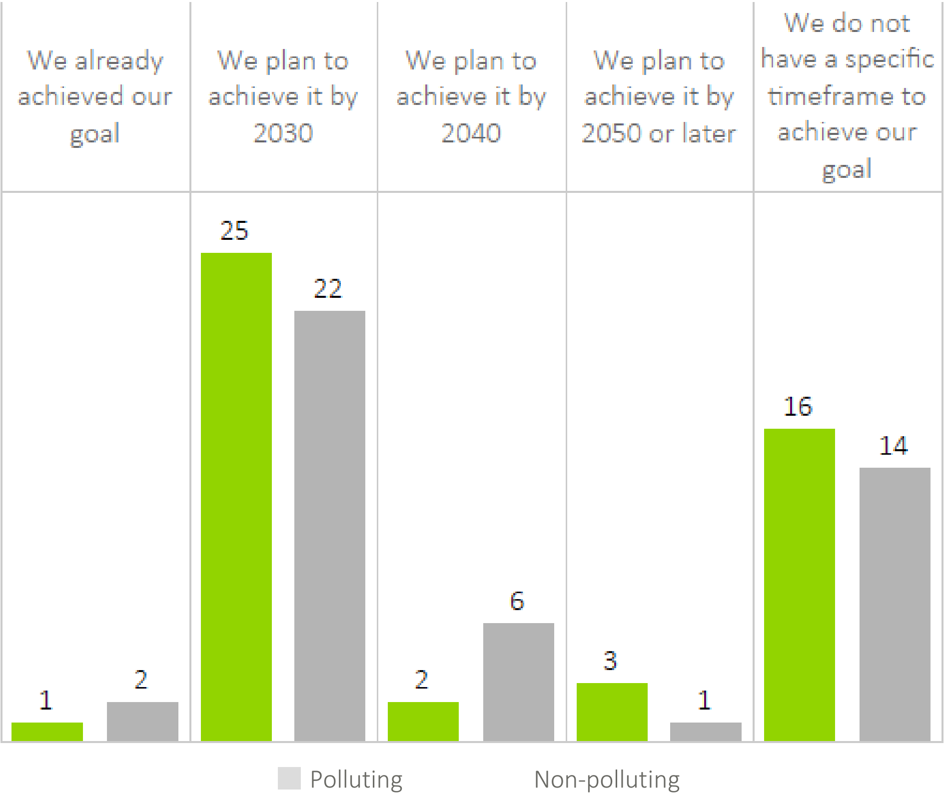
Strong ambition on achieving emission reductions as 63% of the CFOs state having put a timeframe on the company's goal.

In both polluting and non-polluting industries, approximately half of the companies have planned on reaching their emission reductions by 2030. This goes hand in hand with the Paris Agreement, where Norway as a nation has a binding target of a net domestic reduction of at least 55% in greenhouse gas emissions by 2030 compared to 1990. Environmental topics and emission reductions are increasingly vital on the companies' corporate agenda.

As shown on the previous slide, polluting and non-polluting industries are highly similar in terms of emission targets and timing of said targets.

We also find it a bit surprising that approximately 1/3 of the respondents do not have a specific target or time frame for the reduction of carbon emissions.

Q: *What is the timeframe to achieve this goal?*



Note: We have made a split of the data set based on industries found to be more polluting and industries found to be less polluting. Please see the last page of the report for an overview.

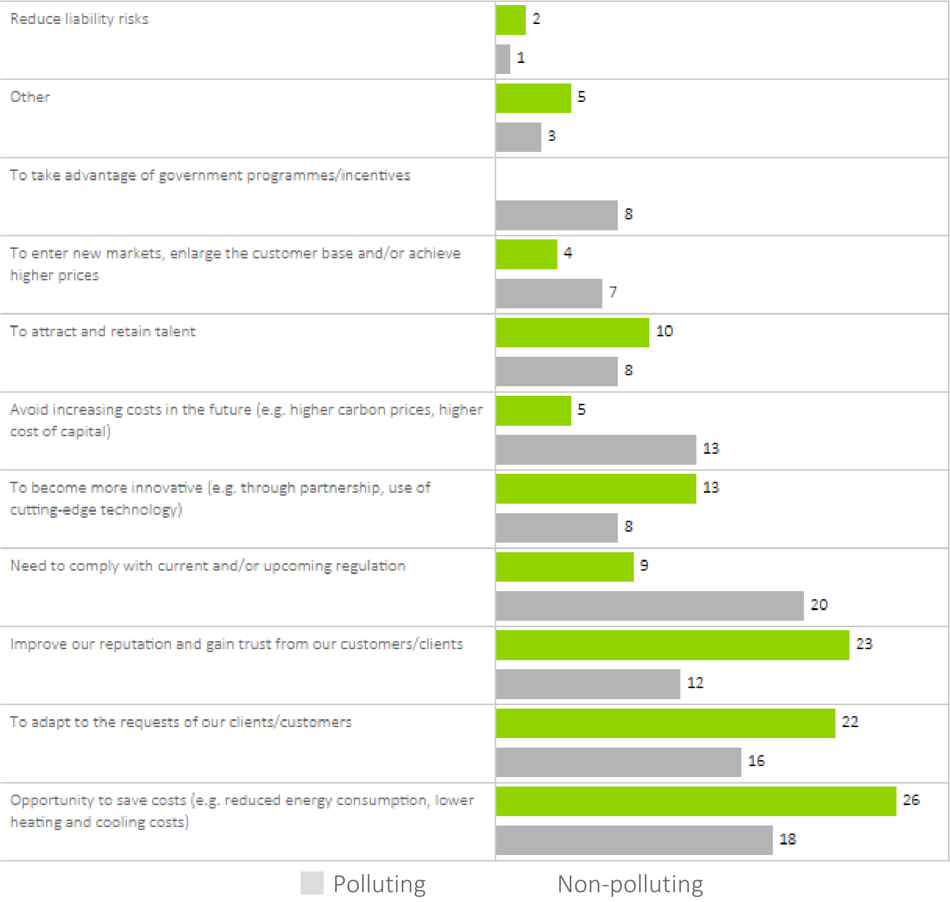
Polluting industries are driven by government regulations and incentives while non-polluting industries are driven by client requests and customer reputation

The most common factor of importance is cost saving opportunities, which is seen as vital for 48% of the CFOs. It is not a surprise that there are more non-polluting organizations who focus on cost reductions, as polluting industries usually require heavy investments when going from fossil to green energy consumption.

Furthermore, it comes as no surprise that the polluting industries are heavily represented amongst those adapting to comply with current or future regulations. They are also the only ones adapting due to government incentives, as well as overrepresented amongst those hoping to avoid future increases in carbon taxes.

Non-polluting industries on the other hand are more engaged in adapting to client requests, improving customer reputation and becoming more innovative.

Q: *What are the major factors driving climate action in your organization?*



Note: We have made a split of the data set based on industries found to be more polluting and industries found to be less polluting. Please see the last page of the report for an overview.

Hot topics

The CFOs are divided in their opinion of the inflation rate going forward

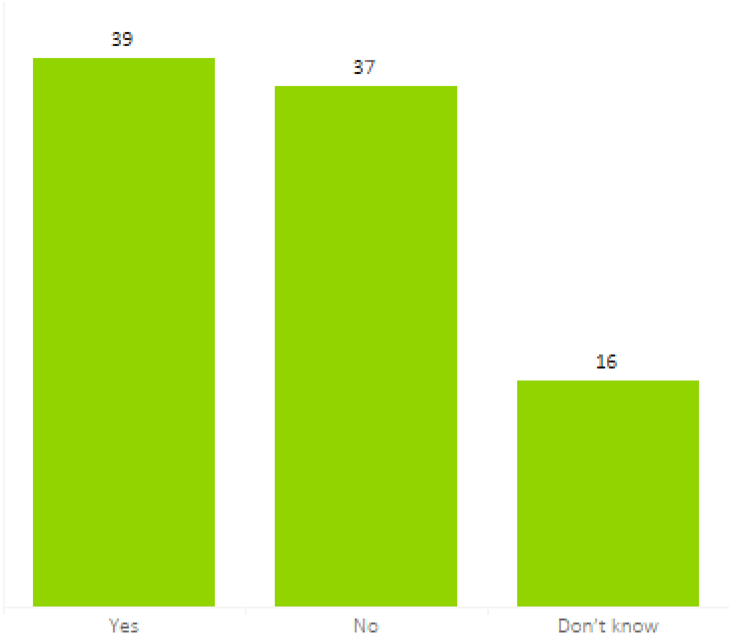
As the chart tells us the CFOs are divided in their opinion of the inflation rate going forward. One of the big questions in the financial markets this year has been whether the high inflation rate we are seeing now is transitory or permanent.

The federal reserve is claiming that inflation is transitory while many corporations are arguing that inflation is here to stay. The Fed believes that the inflation rate we are seeing now is a consequence of bottlenecks in the supply chain as well as a shift in consumer demand from services to commodities.

Many of the corporations are arguing that inflation is permanent because higher prices in their supply chains together with higher wages are driving them to pass these higher costs on to their costumers. We can see this in line with the fact that a net share of 74% of the CFOs are expecting an increase in the general price trend for their company's products/services for the coming six months.

It looks like the CFOs are divided in their opinion about inflation as well and a fair share are also answering that they do not know where the inflation is heading.

Q: *Pandemic spending from both private and government operators has boosted the inflation rate. Do you think we will see permanently higher inflation going forward?*

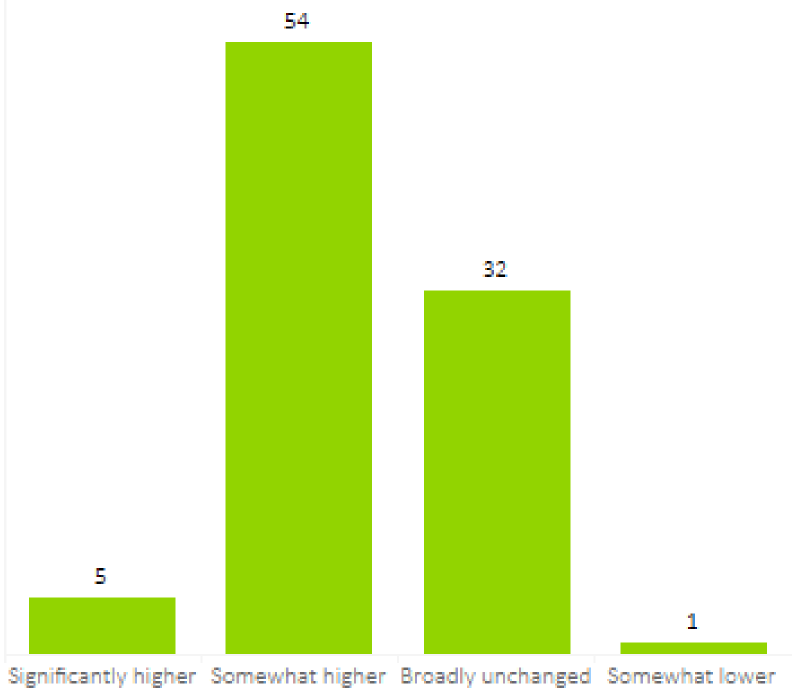


The CFOs are expecting a higher degree of onshoring of their supply chain going forward

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 showed us the importance of being ready for potential unexpected future disruptions in the supply chain and it looks like many of the CFOs are thinking about this by foreseeing a higher degree of onshoring for their supply chain going forward.

Doing a structural change in the supply chain could be expensive and this could relate to the all-time high expected capex levels going forward. Onshoring of supply chains could also lead to lower carbon footprint as the goods have to travel less.

Q: *Do you foresee a higher degree of onshoring for your supply chain going forward?*



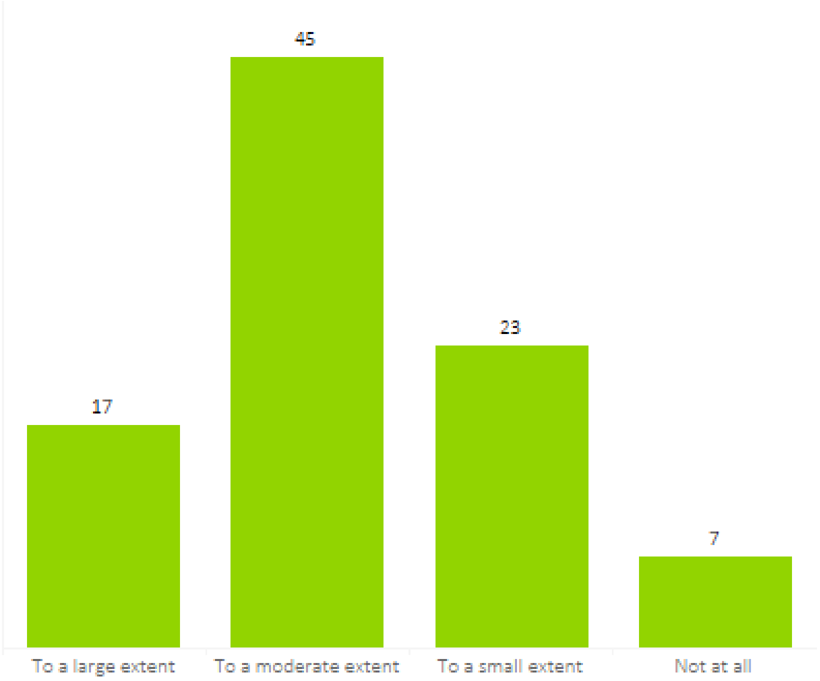
Moving towards net zero

Over the last years we have seen a wave of green financing of companies both when it comes to bank financing and bond financing. Credit institutions have seen their potential to drive environmental change through what they finance, and at the same time companies want to reduce their carbon footprint.

Many credit institutions now price environmental risk into their returns which encourage green lending. A trend is that companies with ESG covenants in their loan agreement obtains a lower financing cost. We also see that credit institutions and investors are more selective in their financing of fossil fuel which has led to higher cost of financing for companies with a high carbon footprint.

The CFOs have answered that the biggest factor driving climate action in their organization is the opportunity to save cost by reducing energy consumption. By reducing their carbon footprint there are also good chances of obtaining a lower cost of financing. Going forward we think carbon footprint is going to be even more important when it comes to financing as we move towards a net zero emission society by 2050.

Q: *Do you think the green transition will affect your ability to obtain financing as well as the cost of that financing going forward?*



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 2021. Historical figures presented are based on previous bi-annual surveys dating three quarters back. Note that "averages" are calculated from Q1-16 to Q1-21.

In total, 92 CFOs across key industries responded to the survey during the period 14th September to 22nd September, 2021. 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 14, 2021
-
September 22, 2021

Respondents

92 Respondents

Industry	Share	Polluting
Financial services	9%	-
Transport and logistics	11%	1
Real Estate	9%	-
Energy/utilities	10%	-
Retail	10%	-
Advisory	3%	-
Oil production and oil service	14%	1
Manufacturing	11%	1
Marine	1%	1
Construction	5%	1
Automotive	3%	1
Tourism and travel	1%	1
TMT	3%	-
Services	1%	-
Aerospace and defense	2%	1
Other	5%	-
Healthcare	1%	-
Total	**100%**	

SEB

SEB is a leading Nordic financial services group, guided by a strong belief that entrepreneurial minds and innovative companies are key in creating a better world. We are here to help them achieve their aspirations and succeed through good times and bad. We care for ambition. In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany the bank’s operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients.

With capital, knowledge and experience, we generate value for our customers – a task in which our research activities are highly beneficial.
Macroeconomic assessments are provided by our Credit Research unit. Based on current conditions, official policies and the long-term performance of the financial market, the Bank presents its views on the economic situation – locally, regionally and globally.

www.seb.no

Deloitte.

Deloitte AS and Deloitte Advokatfirma AS are the Norwegian affiliates of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.no for a more detailed description of DTTL and its member firms.
Deloitte Norway conducts business through two legally separate and independent limited liability companies; Deloitte AS, providing audit, consulting, financial advisory and risk management services, and Deloitte Advokatfirma AS, providing tax and legal services.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's 312,000 people make an impact that matters at

www.deloitte.no