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CFO-survey
1st Quarter 2021
Brighter times ahead?

Executive summary (1/2)

“This year’s focus is growth”

CFOs are going on a spending spree
Expected Capex and M&A ambitions are at all-time high. A part of this might be pent up necessities or plans postponed from last year, but that can’t explain it all. Growth is the key strategic priority.

The expansion is easy to finance
The CFOs seem to spot opportunities and are ready to act on targets, and if they do the perceived availability for financing has never been higher.

Adding resilience
The pandemic has showed that many businesses could be more resilient. This may be an opportunity to invest in needed structural changes and fill core gaps within the company.

Don’t spare any cost
CFOs don’t see cost as a problem, and they have few plans to pay down debt. The last months we’ve seen rising raw material prices, and we could be at the start of a commodity super-cycle related to the sustainable investments. We find it interesting that the CFOs are not more concerned about their cost base.

Going Green, but is it fast enough?
Management and board members are pushing to take action against climate change and 68% of the CFOs are answering that they have evaluated the climate risk for their businesses. With multiple relevant regulations coming in the near future, we are somewhat surprised this number is not higher as complacency on this could be detrimental for financing quite soon.

Executive summary (2/2)

Growth is the main strategy

The main strategy for Q1-21 is growth. We observe that the CFOs expect a strong M&A market, while also reporting organic growth as a key strategic investment area. In fact, the combined organic and inorganic growth ambitions are at an all time high. It is difficult not to see this in the context of low interest rates and easily available funding.

Energy/utilities most positive

Following the sharp increase in Norwegian power prices in Q1-21, it comes as no surprise that the industry is optimistic. 100% of the Energy/utilities CFOs expect increases in revenue, while net 71% expect increasing operating margins. They are also the second most optimistic industry in terms of hiring. While most industries are positive, Oil production and oil services and Retail are the most moderate ones. Despite higher oil prices, the oil service industry still has overcapacity, which dampen the expectations. The Retail industry struggle with regional lockdowns and are still under threat by foreign e-commerce companies.

Cyber risk in focus

As in the last couple of surveys the CFOs still view cyber risk as the largest risk factor their company is facing. Cyber attacks were put on the agenda by the attack on Norsk Hydro back in March 2019. Since then, we have seen cyber attacks on the US election and the Norwegian parliament. Cyber attacks are extremely costly and increasing in frequency, which justify the top spot. Since last survey, the UK and the EU reached an agreement over Brexit. Subsequently, this largely decreased the CFOs fear of long-lasting Brexit complications. Lastly, despite large increases in government debt due to the Covid-19 pandemic, the CFOs are not worried about a new Eurozone debt crisis. We find this interesting given that South-European countries have ageing populations and were struggling with low growth and high unemployment even before the pandemic.

Strong comeback for most

Almost half of the respondents report that they are back at, or above, pre-pandemic level of revenue generation. Within 2022, above 90% expect to be back at pre-pandemic level. Meanwhile, only one respondent expects to not be able to return to pre-pandemic revenue. This largely underbuilds the positive sentiment expressed in the survey.

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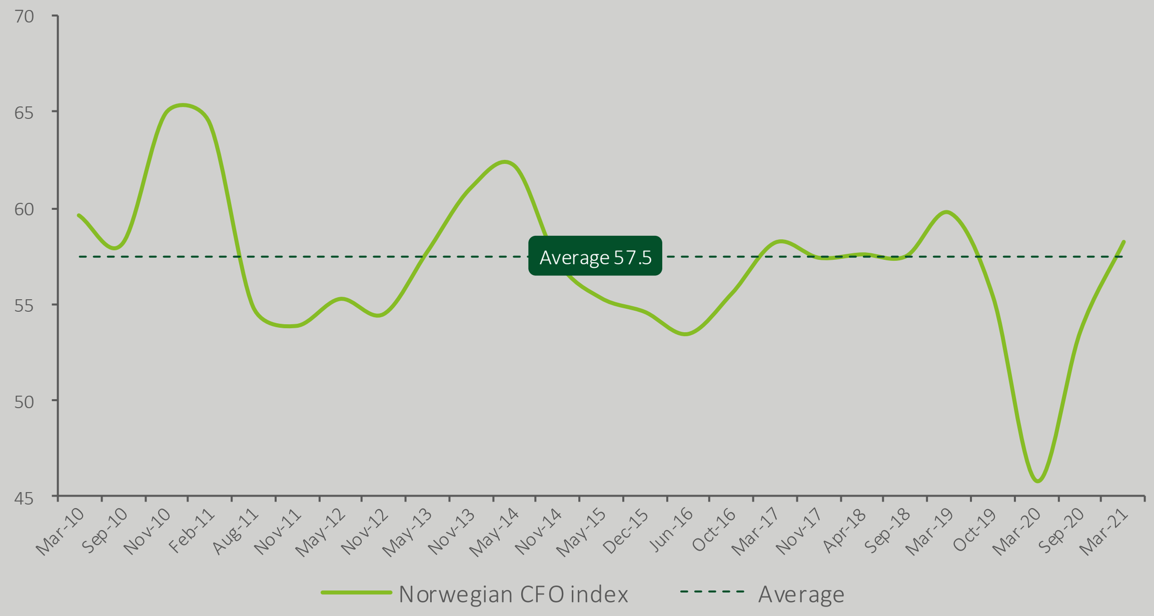
Strong increase since the beginning of the pandemic, above the historical average

For Q1-21, the CFO index is at 58.23. This is up 4.67 points since the previous survey six months ago, when the CFOs reported better times ahead relative to the beginning of the pandemic. The relatively strong CFO index is above the 57.5-point average, reflecting a strong economic sentiment.

The CFOs report record-high CAPEX spending going forward, which reflects a more positive sentiment compared to six and twelve months ago. The optimistic news covering vaccines and a more positive outlook for the global economy seem to have a positive impact on the Norwegian CFO sentiment.

Unlike previous surveys, the sentiment report a strong increase in number of employees in the next six months. However, we observe no change within the retail space, which perhaps reflect the current situation with several lockdowns in the major cities in Norway.

The Norwegian CFO Index



Note: The average is calculated from 2010 – 2019, hence Q1-20 results is excluded from the calculation due to significant Covid-19 impact during survey period.

Economic prospects

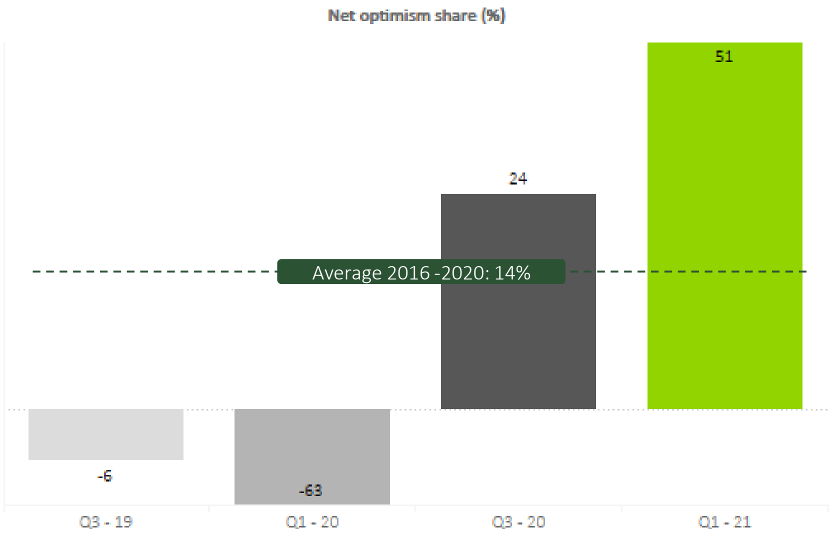
CFOs are significantly more optimistic than six months ago

One year after the outbreak of the Covid-19 pandemic, the CFOs see the beginning of the end.

A net 51% of the CFOs are more optimistic about financial prospects than six months ago. After a rough start of 2020, the sentiment turned in the autumn following promising vaccine test results. Despite a challenging winter with a second and a third wave of the pandemic, the sentiment stayed strong. After a record number of IPOs in 2020, the OSEBX index breached the 1.000-point barrier for the first time in January 2021.

Low interest rates, rapidly improving energy prices, extensive government intervention and the start of the vaccination programs in developed economies are likely causes for the strong sentiment.

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 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

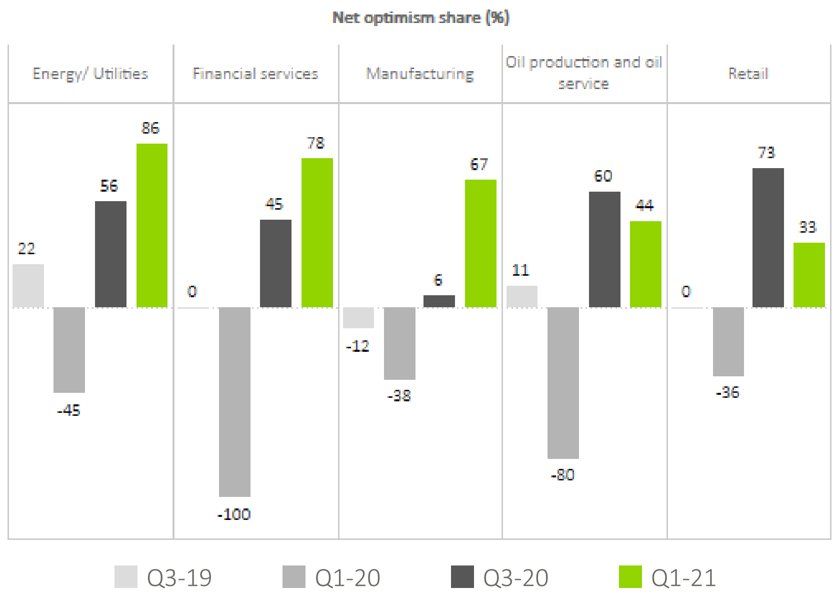
Positive sentiment for all industries, however, Retail and Oil and oil services less positive than six months ago

Energy/utilities, Financial services and Manufacturing are most positive compared to six months ago.

A dry and cold start to the year saw Norwegian electricity prices skyrocket, explaining the positive sentiment in Energy/utilities. Financial services are also more positive than six months ago. A plausible explanation could be that analysts are expect increasing interest rates following the expected reopening of the economy. CFOs in manufacturing are significantly more positive than six months ago, and it is hard not to see this in connection with the vaccination progress.

The Brent oil price has moved from the low forties six months ago to just shy of 70 dollars per barrel at the time of the survey. Despite this, the Oil production and oil service CFOs are more moderate than most other sectors. One possible explanation could be that the oil service industry still has massive overcapacity and are vulnerable to the expected drop in oil exploration. Retail CFOs are also positive, but more moderate that their peers. The retail sector in the Oslo area has been severely hit by the Covid-19 restrictions, but CFOs now see the light in the end of the tunnel.

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.

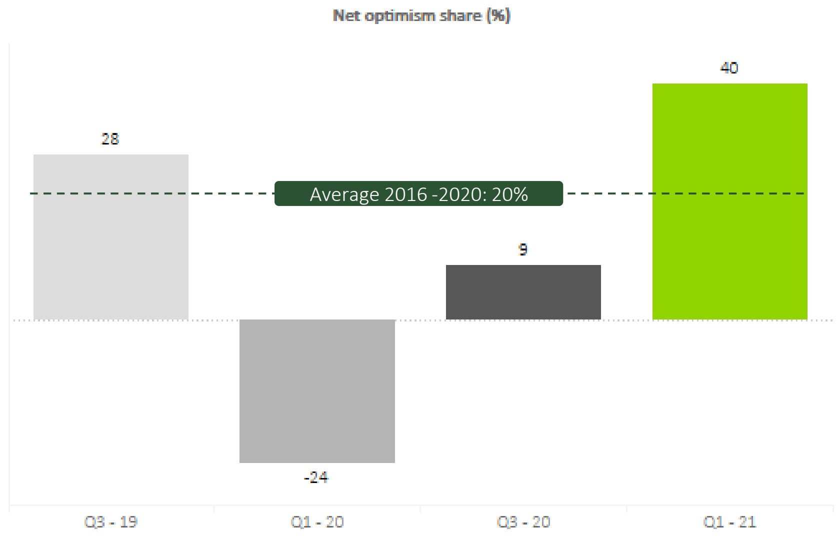
The sentiment is above pre-crisis level

Net optimism is back at a strong level following a difficult year.

A net share of 40% of CFOs are optimistic about their company's financial prospects for the next six months, compared to 9% six months ago. This is a strong comeback after a difficult year and is also above the relatively strong sentiment of 2019.

At the time of writing, approximately 450.000 people have received at least the first dose of the vaccines. Herd immunity could be reached during the summer months, promising strong economic development. The reopening of other developed economies will increase foreign demand as well, which could be positive for Norway's commodity driven economy.

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



Note: The average is calculated from 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

Remarkably strong sentiment in Energy/utilities, Financial services and manufacturing, while Oil production and oil services and Real estate are more moderate

All industries are relatively optimistic about the coming six months.

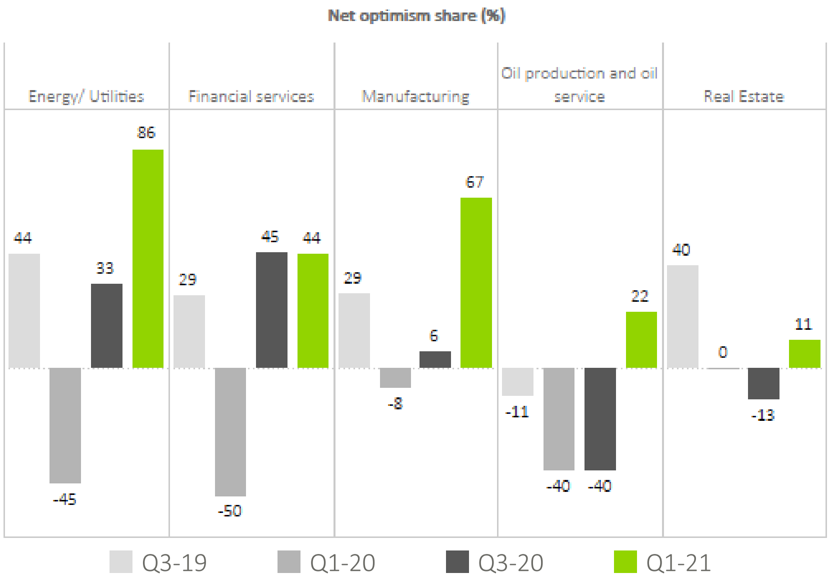
CFOs in Energy/utilities expect the strong market price situation to continue as they are the most positive industry. After a relatively modest 2020, this year seems to be a comeback for the industry.

Financial services CFOs are also quite positive, largely in line with the sentiment six months ago. For the strong sentiment in Manufacturing, we find no other obvious explanation than the reopening of the economy.

Oil production and oil services are significantly more optimistic about the future than six months ago. However, they are more moderate than most other industries. Overcapacity in oil service and stronger focus on decarbonization could be reasons why the industry is only at average optimism levels despite the rapid improvement of Brent oil prices since last survey.

Lastly, the real estate industry is even more modest. A mere net 11% of respondents are positive about the financial prospects for the next six months. We find this interesting as the housing market has been extremely strong throughout 2020 and into 2021. However, remote working and the threat of increasing interest rates could curb the enthusiasm.

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



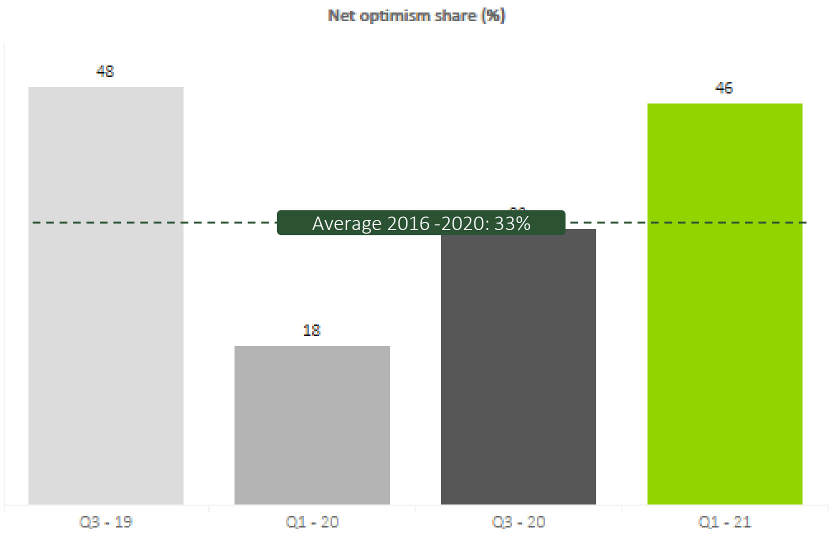
Note: Industry breakdown is based on the number of respondents the last four surveys. Please note that for Q1-20, the number of respondents within "Financial services" is misrepresentative for the industry itself.

The CFOs are expecting Increasing price trends going forward

The CFOs are expecting increasing price trends going forward with a net share of 46% of the CFOs expecting prices of their products and services to increase over the nest six months. We are now back at Q3-19 levels, this is not surprising as the CFOs also except the inflation rate to move higher. The highest net optimism share ever recorded was back in Q1-19 with 51%.

Only 11% of CFOs believe in a decline in the general price trend for their company's products/services for the coming six months. Nevertheless, 30% 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 figure shows the net percentage of CFOs expecting prices on their own products to increase. The average is calculated from 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

Expected inflation rate in Norway and Euro-area

Inflation is a hot topic these days and the Norwegian CFOs are expecting an inflation rate in Norway of 2.25% for the next 12 months. This is higher than Norges Bank's stated inflation target of 2% annual growth in consumer prices.

Six moths ago the CFOs were expecting an inflation rate of 1.99% in Norway for the following 12 months. The last six months the Norwegian consumer price index has increased 1.8%.

In the Eurozone, the Norwegian CFOs expect an inflation rate of 1.59%, which is 38 pp higher than in the previous survey.

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

2.25%
(average)

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

1.59%
(average)

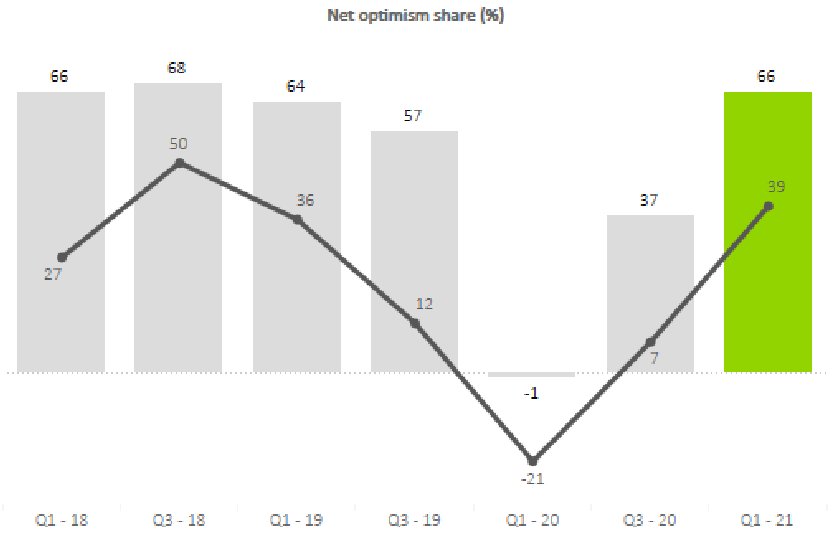
The positive trend of revenue and operating margins expectations continue

CFOs are quite optimistic about revenue and operating margins prospects for the next six months as net optimism shares reach pre-crisis levels.

After a strong sentiment in 2018, a negative trend of revenue and operating margins expectations followed in 2019. When the Covid-19 crisis hit Norway in Q1-2020, the expectations fell to record low levels. Q3-2020 offered a modest comeback, which broke the negative trend lasting since Q3-2018. This time, the net optimism share jumps approximately 30 percentage points for revenue expectations and 32 percentage points for operating margins expectations.

However, 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 expected to reopen.

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.

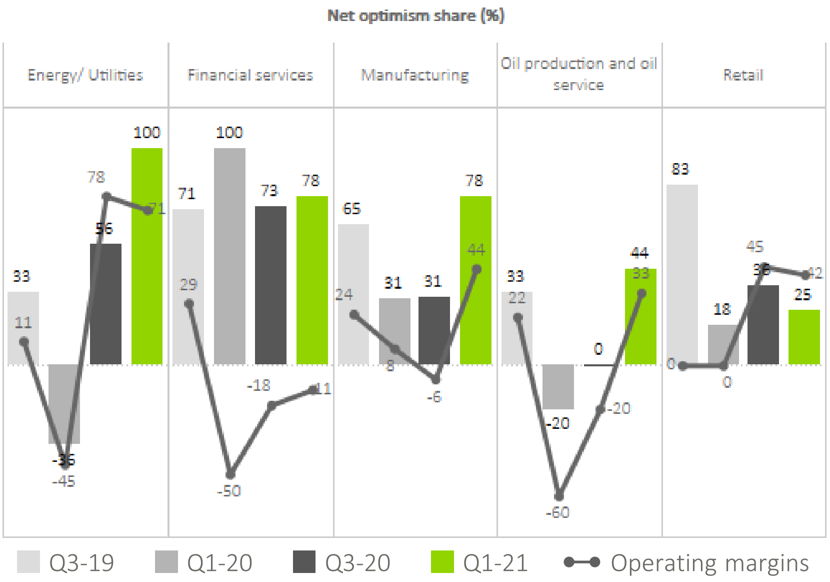
Energy/utilities and Manufacturing are most positive about the development of revenue and operating margins

A humble 100% of CFOs in Energy/utilities expects increases in revenue. This comes as no surprise following the strong market prices in the Norwegian power market during the first quarter of 2021.

Financial services are still quite optimistic about revenue growth and are also slightly less pessimistic about the operating margins. Although the current low interest rate regime impose challenges for certain financial services providers, the situation is expected to improve as analysts expect interest rates to increase in the second half of 2021. Manufacturing are positive about revenue growth as well as improving operating margins over the next six months.

Oil production and oil services are also more optimistic than in the last couple of surveys. This is probably driven by the rapid improvement in the Brent oil price. Retail is optimistic about both revenue and margins, but less so than six months ago. The third wave of Covid-19 has hit the Retail sector in the Oslo area hard as shopping malls have been closed for an extensive period of time. The threat of e-commerce is also lurking as the pandemic could mean a permanent shift in consumer behavior.

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



Note: The columns show six month forward looking expected development in revenues for Q3-19, Q1-20, Q3-20 and Q1-21. The grey line shows the corresponding expectations regarding operating margin per industry.

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Sharp increase in stock market optimism

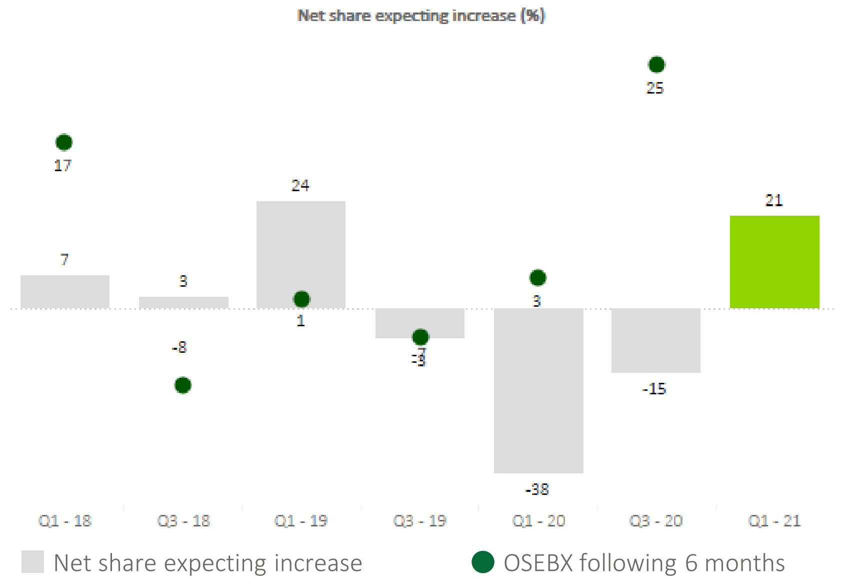
The stock market is a leading indicator for the economy and a net share of 21% of the Norwegian CFOs are expecting the stock market to rise in the next six months compared to a net share of -15% in Q3-20.

It has been a bullish sentiment in the stock market since the dramatic market decline in March 2020, since then OSEBX has gained over 60%. It may seem like some of the CFOs think that the stock market is priced at a high level as 20% of them expect a market decline in the next six months.

2020 was a record year for IPOs with 54 new companies being listed, raising NOK 74.4 billion in capital. 2020 was only surpassed by 2007 with a few more listings.

The net positive expectations of future growth in financial markets is in line with the CFO's belief in continued revenue growth.

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.

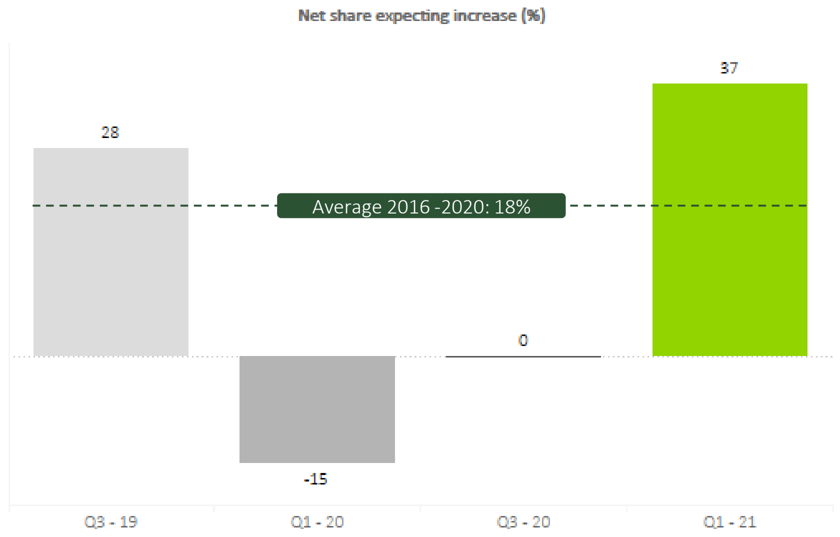
Solid CAPEX spending expected next six months as the CFOs report a new all time high

Contrary to previous surveys, the CFOs report a strong increase in CAPEX spending next six months. The Q1-21 results portray a very optimistic sentiment in terms of near-term investments, as CAPEX spending is expected at 2x higher than the last 5-year average next six months.

Fueled by favorable financing terms and expectations of a stable development in revenues and operating margins, it is legitimate to expect strong CAPEX spending relatively to previous years. This is portrayed by a 37-percentage point increase from the Q3-20 result, and a stunning 52-percentage point increase from the Q1-20 survey.

In fact, the CFOs report a record-high CAPEX spending since the question was first asked in 2015, hence we observe a new all time high.

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



Note: The average is calculated from 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

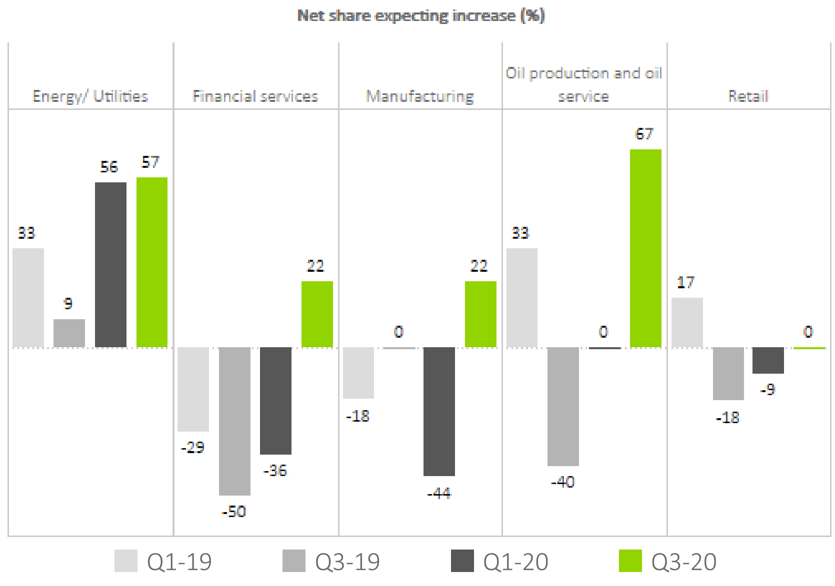
An easing labor market across industries

In contrast to previous surveys, the sentiment report a strong increase in the number of employees next six months.

While we observe a sharp increase in FTEs in industries like FSI, Manufacturing and Oil related services, we observe a modest change in the Energy and Utilities sector and no change within the Retail space. The latter may reflect the ongoing restrictions and lockdown situations we observe in major cities in Norway, thus making it difficult to staff physical stores etc.

It should be noted that CFOs within the FSI segment for the first time in a while, report an increase in FTEs compared to previous surveys. Unfortunately, we do not possess enough information to analyze a further breakdown on the industry itself.

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

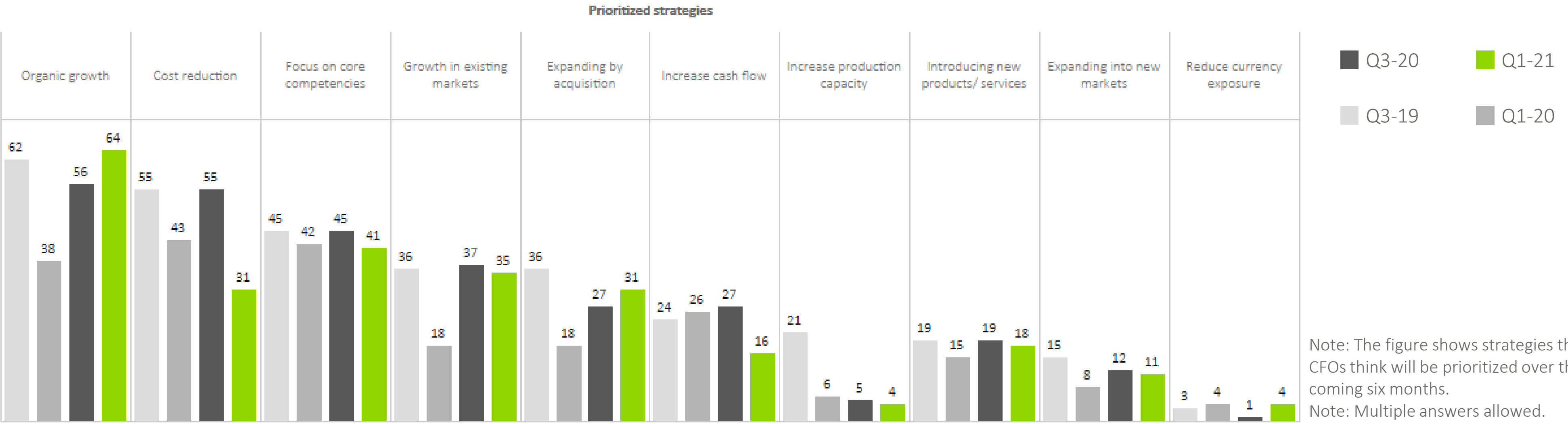


Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

Strategic opportunities

Continued focus on core business, with less attention towards cost-reducing measures compared to previous results

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.

As being the case with several previous survey, the CFOs tend to prioritize organic growth and focus on core competencies, however, we observe a slight decrease in focus on cost reduction. While we cannot explicitly pin the reasoning behind this result, it seems plausible to argue that the expansionary monetary policy may have an impact on the result. Additionally, most of the CFO's report that their company is in a favorable position relatively to the early stages of the pandemic, hence, strict cost-reducing measures have already been put in place as portrayed by the previous Q3-20 survey.

Although the CFOs report that organic growth a is priority in terms of forward-looking strategies, we observe that acquisitive tactics is also being prioritized going forward.

Less focus on debt reduction going forward

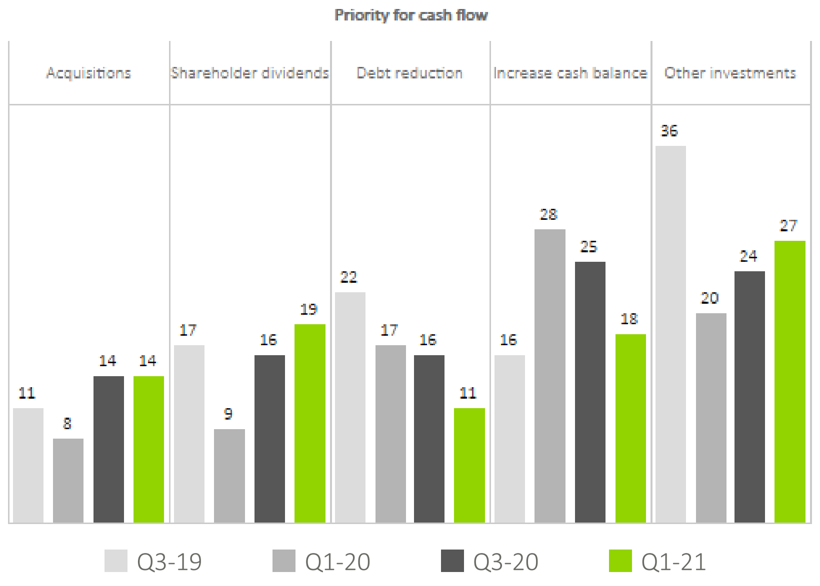
During the 2020 surveys, CFOs reported a strong focus on increasing company cash balance in order to weather out the Covid-19 crisis. This does, however, not seem to be the case for the Q1-21 survey.

Other investments is ranked as the most valuable way of spending operating cash flow. The 3-percentage point increase from the last survey may coincide with CFOs being less restrictive on CAPEX spending. In fact, other investments intersect the 5-year average.

We continue to observe a dipping focus on debt reduction, while shareholder dividends are slightly increasing compared to previous surveys. In fact, the Q1-21 results are depicting a stronger focus on shareholder dividends than for the 2019 surveys. This does, however, not come as a surprise considering the relatively favorable financing terms we currently observe in the market.

Acquisitions are not highly prioritized in terms of operating cash flow expenditure, which is in line with pre-pandemic survey results.

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.

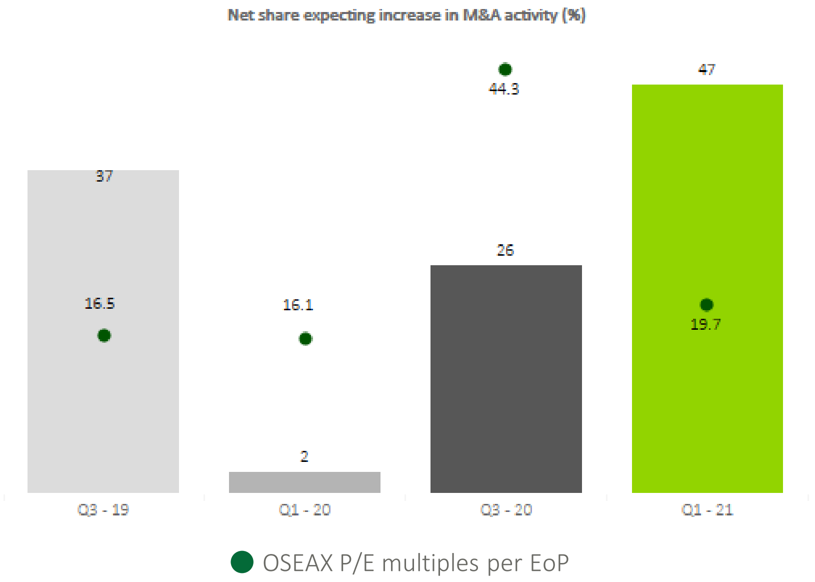
Strong M&A outlook next six months

In the previous survey, we highlighted that the Covid-19 crisis caused the M&A sentiment to drop to an all-time low level. While we noted that the M&A sentiment dramatically improved compared to the Q1-20 results with a 24-percentage point increase in Q3-20, the M&A sentiment was still below the last 5-year average. This time, it's different...

The Q1-21 results reflect that the Norwegian M&A market is expecting even more deals in 2021 compared to last year. The CFOs still spot opportunities in the market and is probably having quite favorable financing terms given the macroeconomic climate.

For the first time in a while, we observe that the sentiment is above historical levels, as the average from 2016 – 2020 is at ~40% and the all-time average is at ~45%.

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.

Capital structure and risk

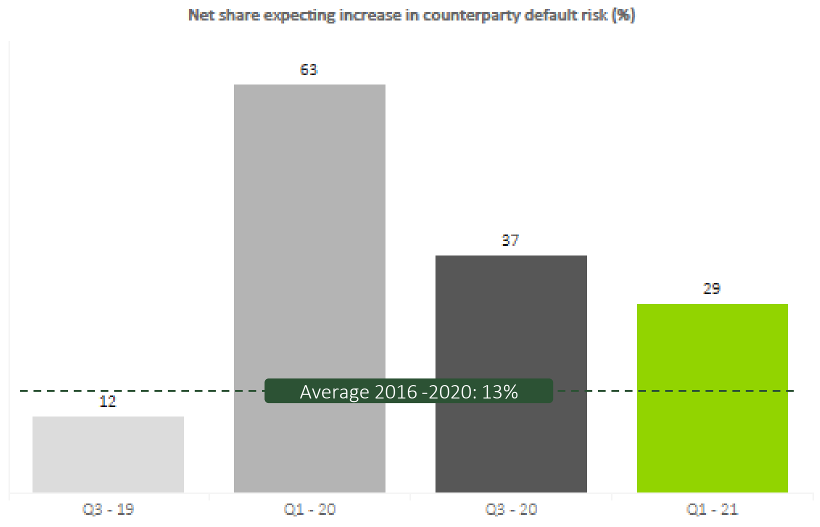
Lower expectations for counterparty defaults but still high compared to average

The net share of CFOs expecting an increase in counterparty default risk is down from a net share of 37% to 29% compared to the Q3-20 levels. Despite the positive development the level is still 16 pp higher than average.

Vaccination has started in many countries around the world, but the Covid-19 pandemic is still ongoing and that leaves some companies as well as some people in a situation were the future is still uncertain. We believe that this is reflecting the fact that the net share of the CFOs are expecting an increase in counterparty default risk.

That being said, 69% of the CFOs are expecting the probability for counterparties' default in the next six months to remain unchanged.

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



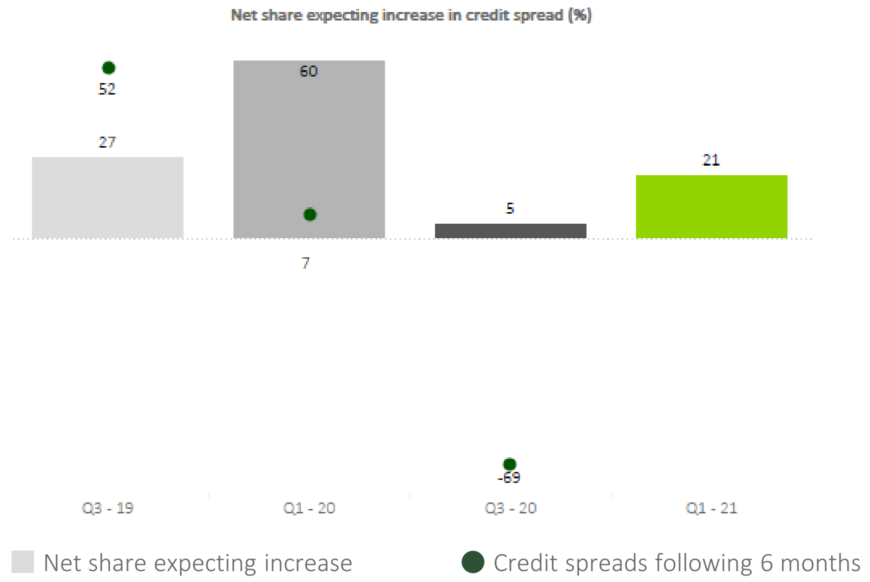
Note: The average is calculated from 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

Continued and stronger belief in widened credit spreads

A net share of 26% of the CFOs believe credit spreads will increase over the next six months and 63% expect credit spreads to remain unchanged, this may indicate that there is still some uncertainty in the economy at the moment. We see this uncertainty together with the fact that 30% of CFOs expect an increase in counterparty default risk.

An interesting observation is that 42% of the CFOs are expecting Oslo Børs to move higher and at the same time 29% are expecting credit spreads to widen. Increased expectations of widened credit spreads contrasts somewhat with the strengthened belief in OSEBX development, since widening credit spreads are often seen as a leading indicator for a problem with risk assets.

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

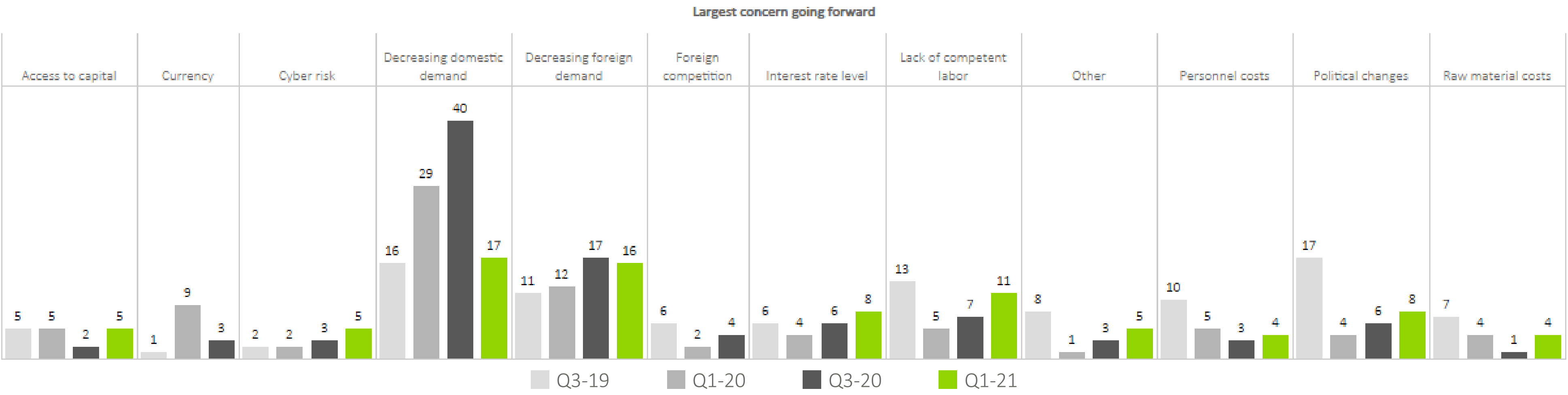


Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period.

Demand is still worrying the CFOs

In the previous survey, most of the Norwegian CFOs were concerned about decreasing domestic demand, which also seems to be the case now, but to a lesser extent. This time, 19% of the CFOs fear declining domestic demand and 18% fear decreasing foreign demand. The covid-19 pandemic has led to decreased demand for goods and services, but we are seeing light at the end of the tunnel with positive vaccine news and a gradual reopening of the economy. Despite these positive news, demand is still the CFOs largest concern. This may indicate that the CFOs are concerned about the long-term effect the pandemic might have on demand, both domestically and abroad. Lack of competent labor poses an increasing risk for the CFOs as well as the raw material cost. We are a bit surprised that there are so few of the CFOs that are concerned about the raw material cost given the rising oil price.

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



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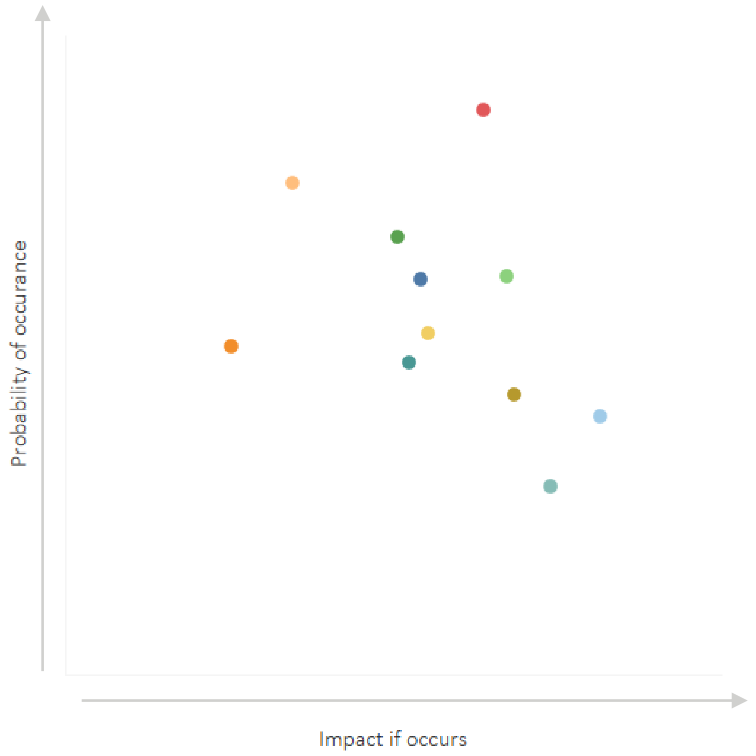
Cyber security still the largest risk factors according to the CFOs

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



Similar to the last couple of surveys, the CFOs are most concerned about cyber attacks.

This has been the case since the March 2019 cyber attack that caused Norsk Hydro to incur a loss of estimated NOKm 550-650. Cyber attacks were once again confirmed as a threat after the attack on the Norwegian Parliament earlier this month.

With Trump out of office, the CFOs still expect high probabilities for increased polarization and protectionism. However, the impact is not expected to be large. Fear of a hard Brexit was also solved as the UK and the EU reached an agreement before the deadline.

Contractual monetary policy and significant drops in asset prices are rated as the most impactful if they were to occur. However, the CFOs also rank these as the least likely to occur. This comes as no surprise given that the central banks have signaled that they would do “whatever it takes” to steer through the crisis.

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

- 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

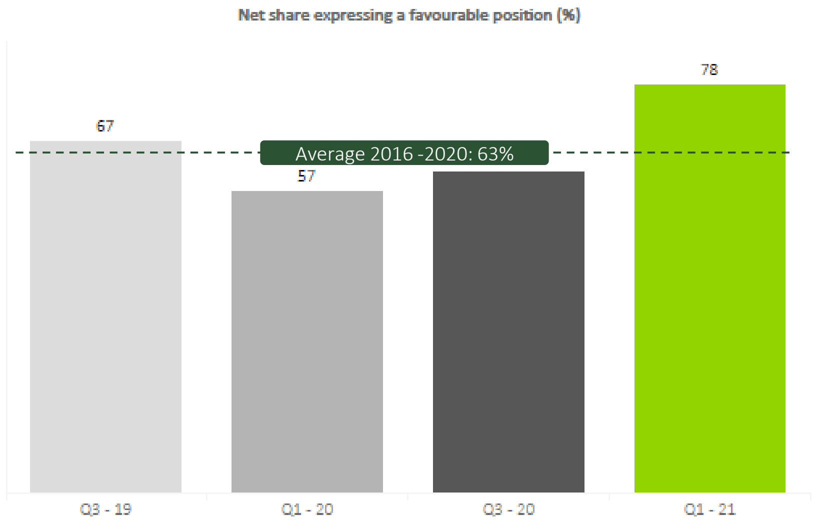
The CFOs seem very comfortable about their company's financial position

The positive trend from Q3-20 continues as the CFOs are very comfortable with their company's financial position.

78% net positive is very strong given that there are still challenges ahead for the Norwegian economy. The result is not only 17 percentage points above last survey, but also 15 percentage points above the five-year average.

The positive view on the companies' financial positions further backs the positive sentiment found in other parts of the survey. The results could be affected by the generous government grants related to Covid-19, which reduces the downside risk in the event of restrictions. Further, many companies have adapted seamlessly to the new reality and manage 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 average is calculated from 2016 – 2020. Please note that the Q1-20 results are excluded from the calculation due to significant Covid-19 impact during survey period.

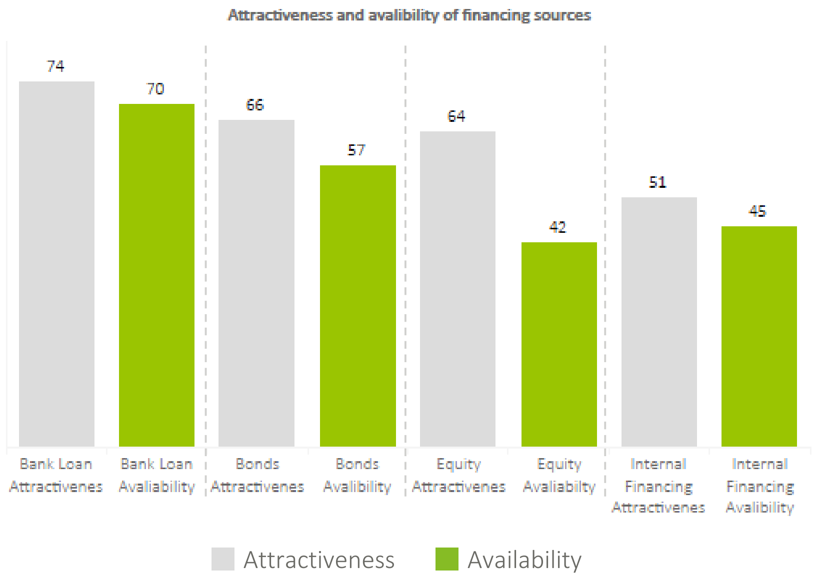
Bank loans are leading the way, but we see a strong shift towards bonds and equity

The most attractive source of financing for CFOs continues to be bank loans with a net positive share of 74% attractiveness. The availability for bank loans are also up from the last survey with a net share of 70% availability.

The attractiveness and availability of both bond financing and equity financing is at all time high levels. We believe this has to do with the low interest rates levels. There has been good liquidity and risk appetite among investors recently and many companies have taken advantage of this opportunity to obtain financing.

Overall, the access to desired financing remains strong, supporting companies' expectations of capital expenditures and organic growth.

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.

Banks are more eager to lend out money

Since the last survey we have seen that the CFOs find bank loans more attractive than in Q3-20. At the same time, they also find bank loans more available.

The covid-19 pandemic has worsened the market situation for most companies over the past year and the fact that banks are more willing to lend out money may provide some comfort for the CFO's.

Companies gets the lowest cost of capital by financing itself with the cheapest source of financing, so it is not surprising that bank loans are attractive to the CFOs. With high perceived availability for bank loans, the financing landscape looks promising for companies seeking growth opportunities.

The 27th of March 2020 the law on state guarantee schemes for loans to small and medium-sized enterprises entered into force. This law states that the banks can grant loans under the scheme, where the government guarantees 90 per cent of the loan amount. This law may have contributed to increased availability for bank loans.

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.

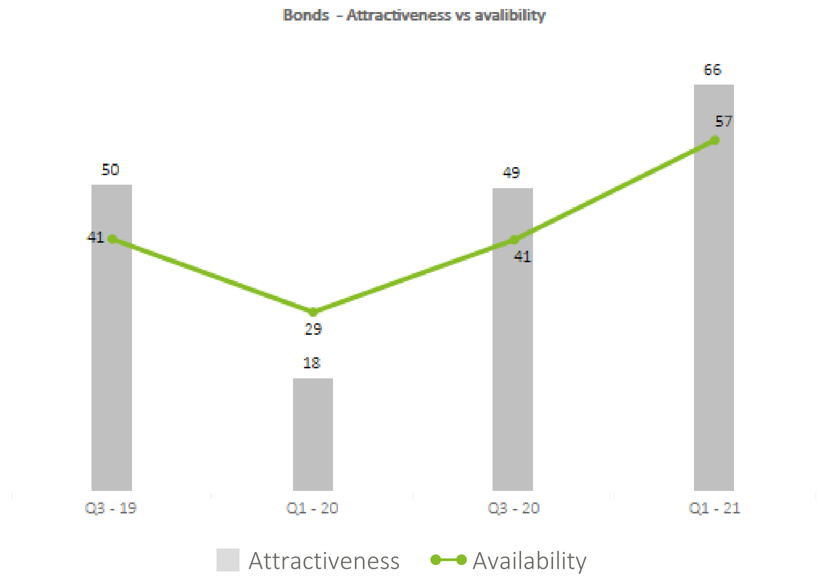
Bond financing has never been so attractive and available

A net share of 66% of the CFOs thinks that bond financing is an attractive source of financing. This is the highest net share ever seen in this survey. The average net share for attractiveness has been 26% over the last five years.

We also see that attractiveness has passed availability implying a strong demand for bond financing. The increase in bond attractiveness is likely driven by tightening credit spreads. We also bear in mind that the NIBOR rate is at historically low levels which lowers the all-in borrowing cost for companies. As in equities, we have also seen a record high issuing amount in the bond market.

The availability for bond financing came in at a net positive share of 57% and we must go back to Q3-14 to se levels this high. This is indicating an increasing demand for bonds by 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.

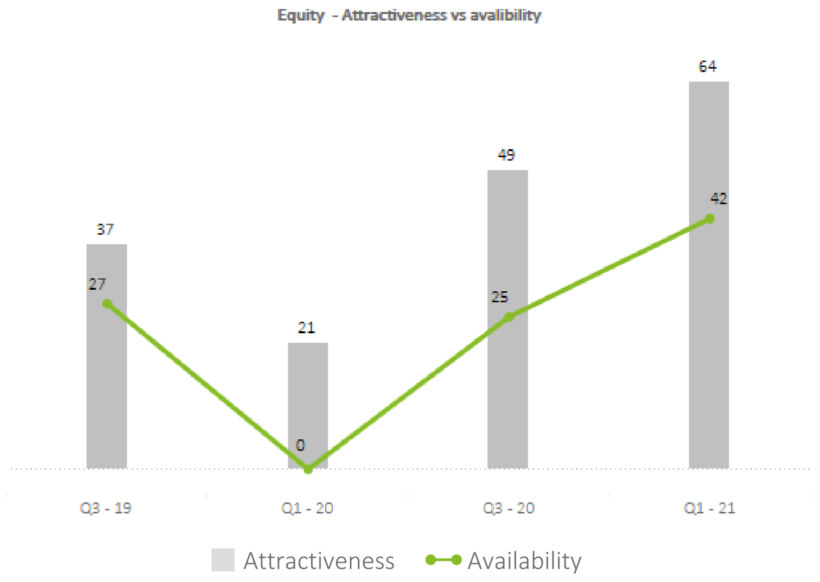
The attractiveness of equity financing is at an historically high level

The perceived attractiveness of equity financing is at an historically high level with a net share of 64% attractiveness. The average attractiveness for equity financing is 29%. This means that the Q1-21 attractiveness levels are over double the average.

When it comes to the availability of equity financing, we are at record high net levels of 42%. This is 32 pp over the net average. The gap between attractiveness and availability may be explained by investors believing the valuations are stretched in some sectors at the moment.

As the net share of CFO's expecting increase in M&A activity has gone up from 26% to 47%, it may be acquisitions and continued investments that drives the demand for equity financing. We expect the activity in the equity market to depend on the size of companies' investment programs, in addition to the equity financing availability.

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

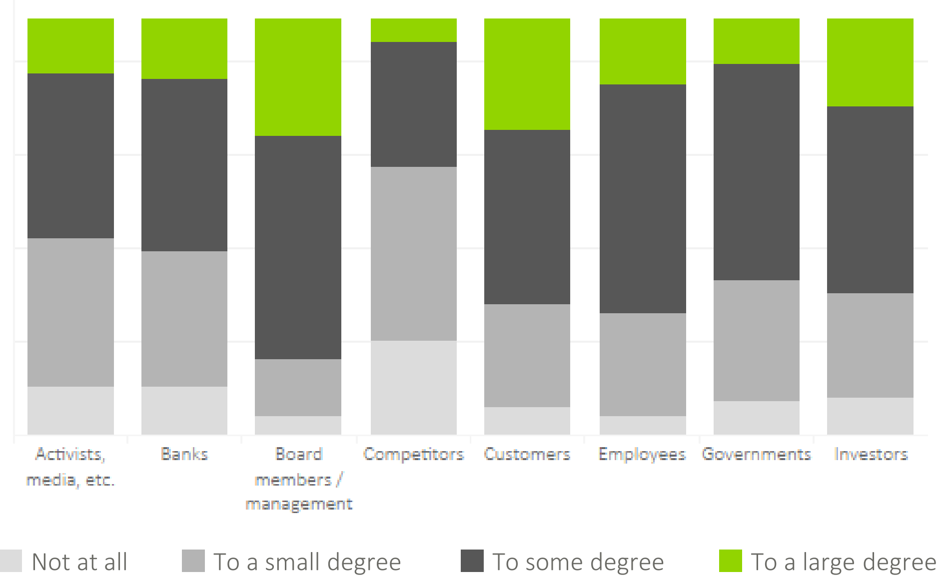
Management and board members are showing ambitions as they lead the way for the green revolution

The last couple of years have shown a growing focus on fighting climate change. This is also the case for the Norwegian economy. A significant share of the IPOs in 2020 and so far in 2021 have consisted of "green" companies, and Norway is taking the position as a global leader in ESG. Traditional companies are also increasing their focus on environmental sustainability, but who is driving the change?

According to the CFOs, board members and management are the most ambitious about driving the transition towards a green future. We find it encouraging that the stakeholders with most impact are also the ones that are eager to act. Customers and employees are also pushing for a greener future. If companies want to stay competitive in the market for products/services and in the labor market going forward, they will need to have a sustainable profile, which is what the board and management seem to have figured out.

Banks, activists/media and competitors seem to have the lowest impact. It is also worth noting that several other stakeholders are more ambitious than governments, which could provide an interesting example of self-regulation.

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



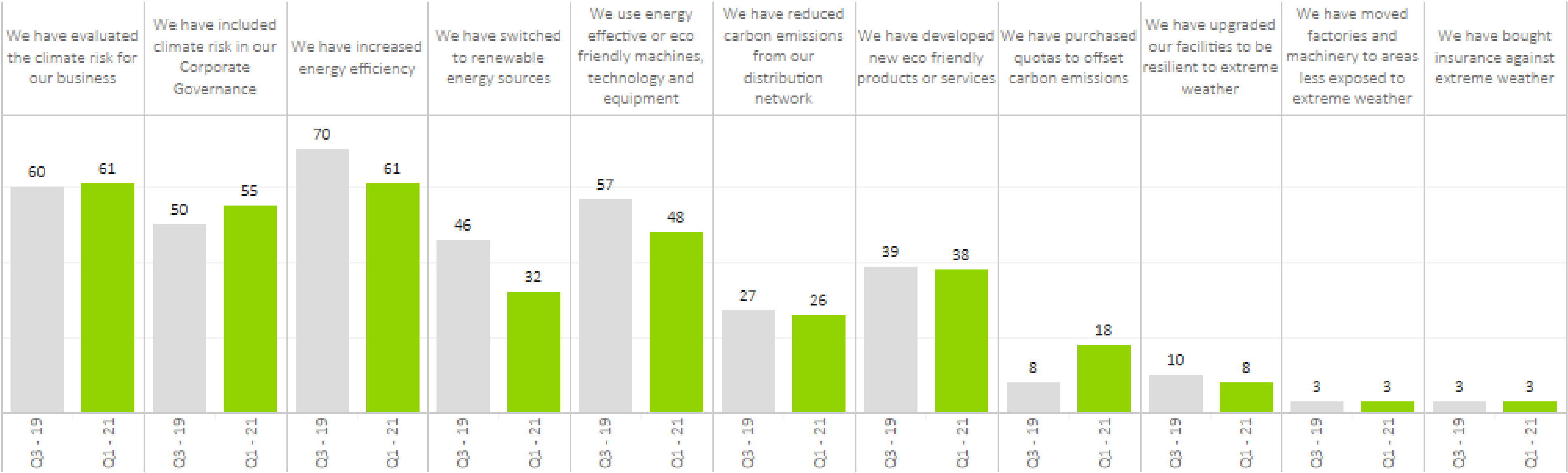
Note: The question was introduced as a part of the special questions in the Q3-2019 survey and is now being incorporated as a standard question in the upcoming surveys.

Companies are focusing on corporate governance and energy efficiency to fight climate change

Last time this question was a part of the survey, back in Q3-19, the companies were largely in line with the current results. Increasing energy efficiency is still the main strategies to reduce the carbon footprint. Using eco friendly machinery and technology is also one of the main measures. Interestingly, the CFOs are not particularly worried about increased extreme weather due to climate change, and only three respondents have bought insurance against extreme weather.

In line with management pushing to take action against climate change, we observe that climate risk to a larger degree has become a part of the corporate governance. We also note the increase in number of companies that purchase quotas to offset their carbon emissions. Despite ambition to fight climate change, the matter is complex. In absence of better solutions to eliminate the company's carbon footprints, purchasing quotas might be an easier way out.

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



Note: The question was introduced as a part of the special questions in the Q3-2019 survey and is now being incorporated as a standard question in the upcoming surveys.

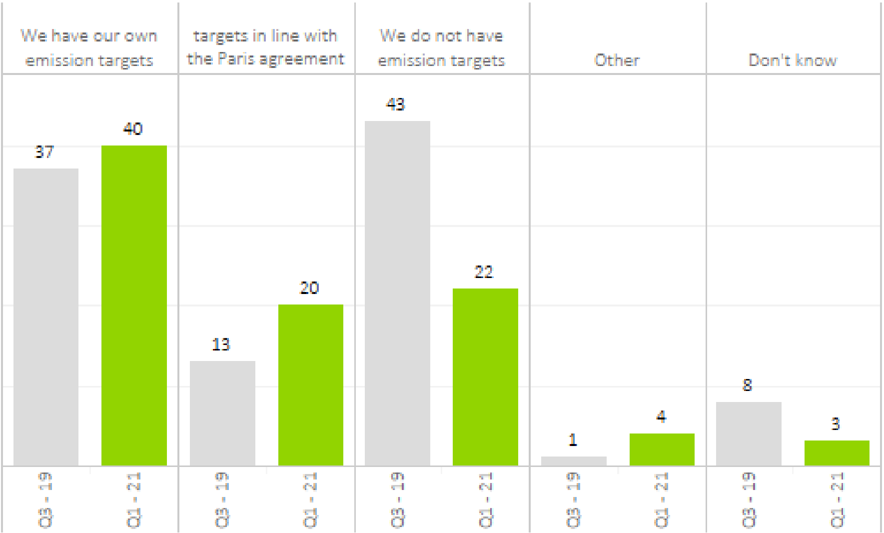
Companies are increasing the focus on emission targets

This section of the survey has largely shown that the companies are increasingly ambitious about fighting climate change. This is also the case when it comes to setting emission targets.

We observe that the number of respondents that have emission targets in line with the Paris agreement has increased significantly since Q3-19. On the other side of the scale, we also observe that the number of respondents that does not have emission targets have fallen rapidly.

We also note a small increase in the number of companies that state they have their own emission targets. We do not know whether these emission targets are more restrictive than the Paris agreement or not. However, given the ambitious response to the previous questions, we have reason to believe that for some companies this is likely the case.

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



Note: The question was introduced as a part of the special questions in the Q3-2019 survey and is now being incorporated as a standard question in the upcoming surveys.

Hot topics

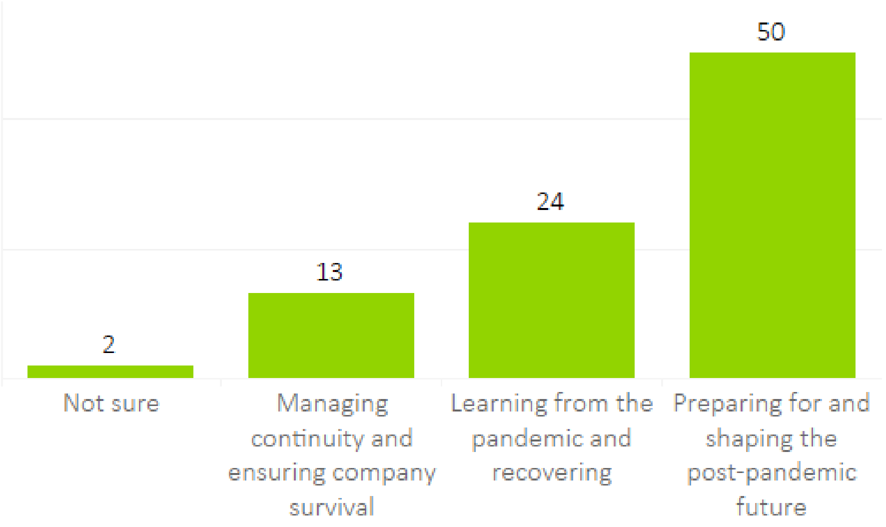
Focus on shaping the post pandemic future

The lion's share of the CFOs are preparing for and shaping the post-pandemic future, but we also see a fair share of the companies managing continuity and ensuring company survival. Although most respondents seem to have recovered well from the pandemic, there are still some companies struggling to cope with the situation.

There is a lot to learn from the pandemic and we believe that many companies will use the time ahead to make necessary structural changes and secure their future resilience. The pandemic has forced us to think differently, and companies have been tested in their ability to adapt.

Although the future looks bleak for some companies, as many as 83% of the respondents are either learning, recovering, preparing for or shaping the post-pandemic future.

Q: *What phase of the COVID-19 crisis is your organisation in?*

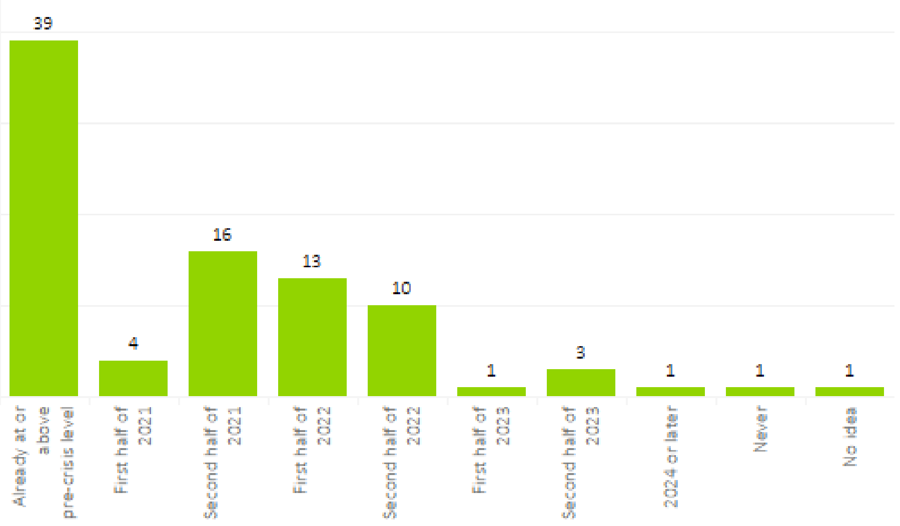


Soon back to normal

Within the first half of 2022 80% of the CFOs are expecting their company to return to a pre-crisis level of revenue recognition. This is in line with the CFOs improving outlooks for revenue generation and operating margins.

It is reassuring to see that as many as 39 of the CFOs are reporting that they are already back at a pre-crisis level of revenue recognition. The future looks brighter and hopefully we are soon back to normal.

Q: *Based on the information you have so far, when do you expect your company to return to a pre-crisis level of revenue recognition?*



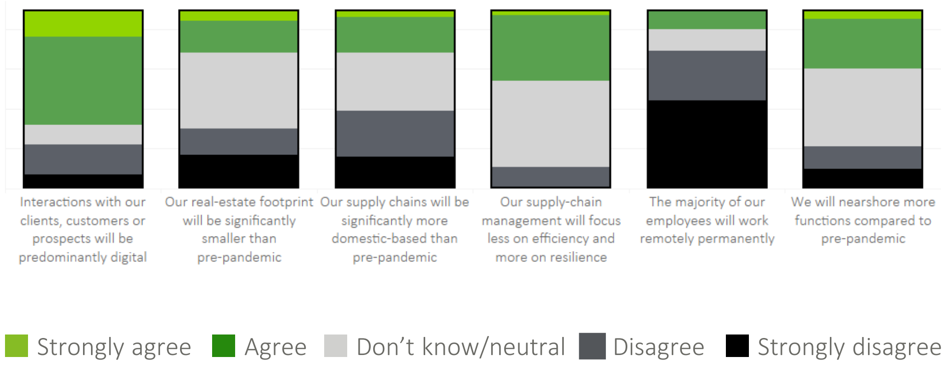
Preparing for more digital interactions

The majority of the CFOs report that interactions with clients and costumers will be predominantly digital in the aftermath of the pandemic. The pandemic has forced us to meet online, and it seems like this form of meeting activity has worked out well for the CFOs. Online meetings may help the CFOs in reducing travel related cost as well as lowering the company's carbon footprint.

Most of the CFOs are disagreeing with the statement that the majority of their employees will work permanently remotely going forward. People are tired of home offices and it seems like the CFOs want their employees back at the office after the pandemic. For some companies, the work may be more difficult doing from home and therefore more effective in the office surrounded by colleagues and other resources.

When it comes to supply-chain management, a fair share of the CFOs are answering that they are going to be more focused on resilience rather than efficiency going forward. The pandemic has taught us that unforeseen events can happen quickly, and it is therefor understandable that companies want to strengthen their resilience.

Q: *Thinking of your organization in the post-pandemic business environment, to what extent do you agree with the following statements?*



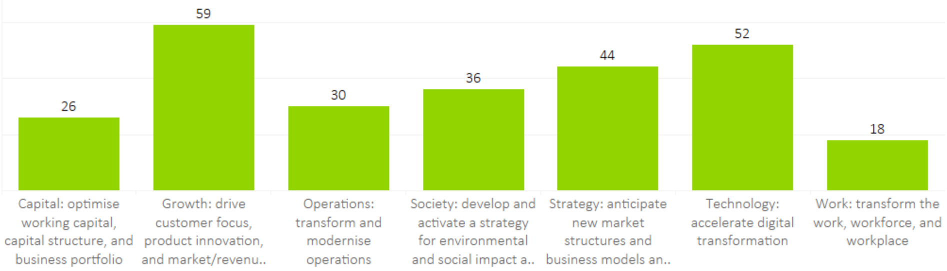
The CFOs focus on growth and digital transformation

The digital transformation has been a focus point for many companies in the last couple of years and remains one of the key investment areas. The main priority of the CFOs is though to focus on growing the business through customer focus and product innovation.

Another important area for the companies is focusing on strategy with regards to anticipating new market structures and business models. This comes as no surprise given that the digital transformation has opened up for new, disruptive business models. The covid-19 pandemic could prove to be a permanent shift in consumer behavior, as consumers are forced to maintain social distancing. More flexible workspace, less work-related traveling and increased shares of e-commerce are all digitally abled trends that are accelerated by the covid-19 pandemic.

Lastly, the CFOs are not focusing on capital optimization or improving operations. The take home message is that this is a time for focusing on the big trends, and not the details.

Q: *Thinking of the next three to five years, which of the following are key investment areas for your organization?*



About the survey

About the survey

General information

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

Deloitte and SEB have conducted separate surveys for several years, however, the CFO Survey for Q3-16 was the first survey conducted in cooperation. This survey was carried out as a web-based questionnaire in March 2021. Historical figures presented are based on previous bi-annual surveys dating three quarters back. Note that "averages" are calculated from 2016 to 2020.

In total, 89 CFOs across key industries responded to the survey during the period 2nd March to 10th March, 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

March 2, 2021
-
March 10, 2021

Respondents

89 Respondents

Retail / Wholesale	13%
Manufacturing	10%
Banking / Finance / Insurance	10%
Real Estate	10%
Oil production and oil service	10%
Transportation	9%
Energy / Power production	8%
TMT	7%
Construction	6%
Advisory	4%
Automotive	2%
Services	2%
Tourism and travel	1%
Public sector	1%
Aerospace and defence	1%
Other	4%
Sum	100%

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