

The CFO Programme

Back on track for expansion
2022 Central Europe CFO Survey

Since 2010, Deloitte has conducted the Central European CFO survey, giving voice to senior financial executives from across the region. The report provides an overview of CFOs' views on critical business matters, strategic priorities and the factors they currently consider vital for success. Due to its wide geographical reach, the high number of participants across a range of industries, it provides reliable insights into how Central European companies view the economic environment and how they are reacting to it.

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Introduction

Since 2010 the Deloitte Central Europe CFO survey has enabled the opinions of more than 600 of the region's Chief Financial Officers to be heard, providing an overview of their plans and concerns, the key threats and priorities they identify, their attitude to risk and the factors they currently consider vital for success.

The privileged viewpoint that CFOs enjoy over the economic and business landscape consistently ensures that their views truly reflect how the CE region's companies perceive the economic environment, their plans to respond to the trends they identify, and their opinions on the likely progress of their own companies.

In this year's report, the region's CFOs are broadly more optimistic than they were 12 months ago, when economies were in the harshest grip of the COVID-19 pandemic. While they still see uncertainty as the new normal, and do not regard this as the right time to take any unnecessary risks, they nonetheless remain positive about investment, expect unemployment to fall, and believe their financial outlook is brightening. In other words, the conditions for expansion are making a return. At the same time, they anticipate further rises in CPI inflation that in turn will fuel increases in the costs of doing business.

We hope you find that the views of these key individuals bring an interesting dynamic to your thinking and trigger further debate. To discuss any specific aspects of the report, please contact one of our Deloitte leaders.



Ferenc Póczak
CFO Programme Leader
Deloitte Central Europe

Methodology

About the data

604 CFOs based in 15 Central European countries: Albania, Bulgaria, Bosnia and Herzegovina, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia.

The survey was conducted between October and December 2021. When the term 'Eurozone' is used in the charts and infographics throughout this report, it is referring to those Central European countries in the survey that have adopted the Euro as their currency. Additionally, when we use the term 'EU', it refers to those Central European countries in the survey that are full members of the European Union.

Please note that due to the limited number of responses from CFOs in Albania and from the Public Sector, we are not showing separately data concerning their results in this report.

Some of the charts in the report show results as an index value (net balance). This is calculated by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response. We deem responses that are neither positive nor negative to be neutral. **As a result of rounding, responses to the questions covered in this report may not aggregate to 100.**

The Deloitte Central Europe CFO Confidence Index consists of three sub-indices that reflect CFOs' optimism (or lack of it) regarding three key issues:

- Economic processes (the Economy Confidence Index): this is based on questions about economic growth, unemployment and the Consumer Price Index (CPI).
- Business environment (the Business Environment Confidence Index): this is based on questions concerning uncertainty, risk, operational expenses, the attractiveness of different sources of funding and opinions about the M&A market.
- Prospects regarding the development of CFOs' companies (the Company Perspective Index): this is based on questions concerning the company's future, its financial position (revenue, debt-servicing capabilities, capital expenditure and margins) and its predicted level of gearing and employee numbers.

The sub-indices are a net balance of average positive and negative answers derived from selected questions.

The main index is a mean of the sub-indices and assumes values between - 100 and 100: - 100 means that a given CFO provided only pessimistic answers, while 100 means only optimistic answers were given.

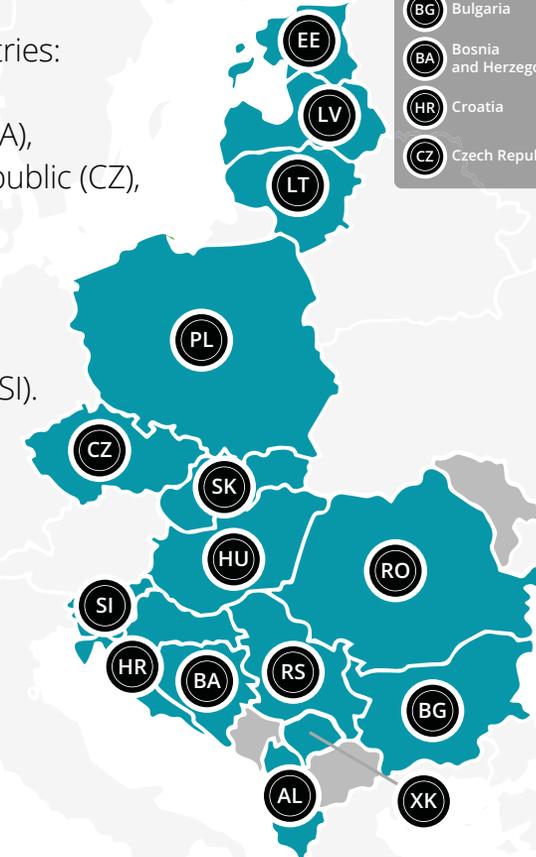
The findings presented and discussed in this report represent the perspectives of

604 CFOs

based in

15 Central European countries:

Albania (AL), Bulgaria (BG), Bosnia and Herzegovina (BA), Croatia (HR), the Czech Republic (CZ), Estonia (EE), Hungary (HU), Kosovo (XK), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK) and Slovenia (SI).



I. The CFO Confidence Index

The score of the Deloitte CE CFO Confidence Index is reached through the analysis of three subsidiary indices: the Economy Confidence Index, the Business Environment Confidence Index and the Company Perspective Index. Taken together, their findings give an accurate picture of CFO sentiment across our region.

In 2022, the CFO Confidence Index has remained at the same level as that calculated for 2021: 10%, compared with the 9% in 2020.

This year's outcome continues to be driven in part by negative expectations regarding the business environment. We observed a significant fall in the Business Environment Confidence Index, from -11% in 2021 to -40% for 2022. In particular, CFOs anticipate further increases in the costs of running a business. 95% expect workforce costs to increase, which last year was anticipated by just 40% of our respondents.

This increase can be attributed to a widely-held switch from a customer-centric to an employee-centric focus. 94% (more than double the 45% of last year) expect the overall costs of production and delivery to be higher than last year. The same high proportion, 94%, expects transportation costs to increase, and 80% anticipate a rise in the costs of real estate. Three-quarters of respondents, meanwhile, are predicting a further increase in the costs of business-related services and the costs of debt.

The Economy Confidence Index balanced some of this pessimism, bouncing back to 44% from 26% in 2021. Higher predictions for GDP growth across the region and lower expectations of an increase in unemployment (33%) than those recorded in 2021 (68%) contributed to this increase in optimism.

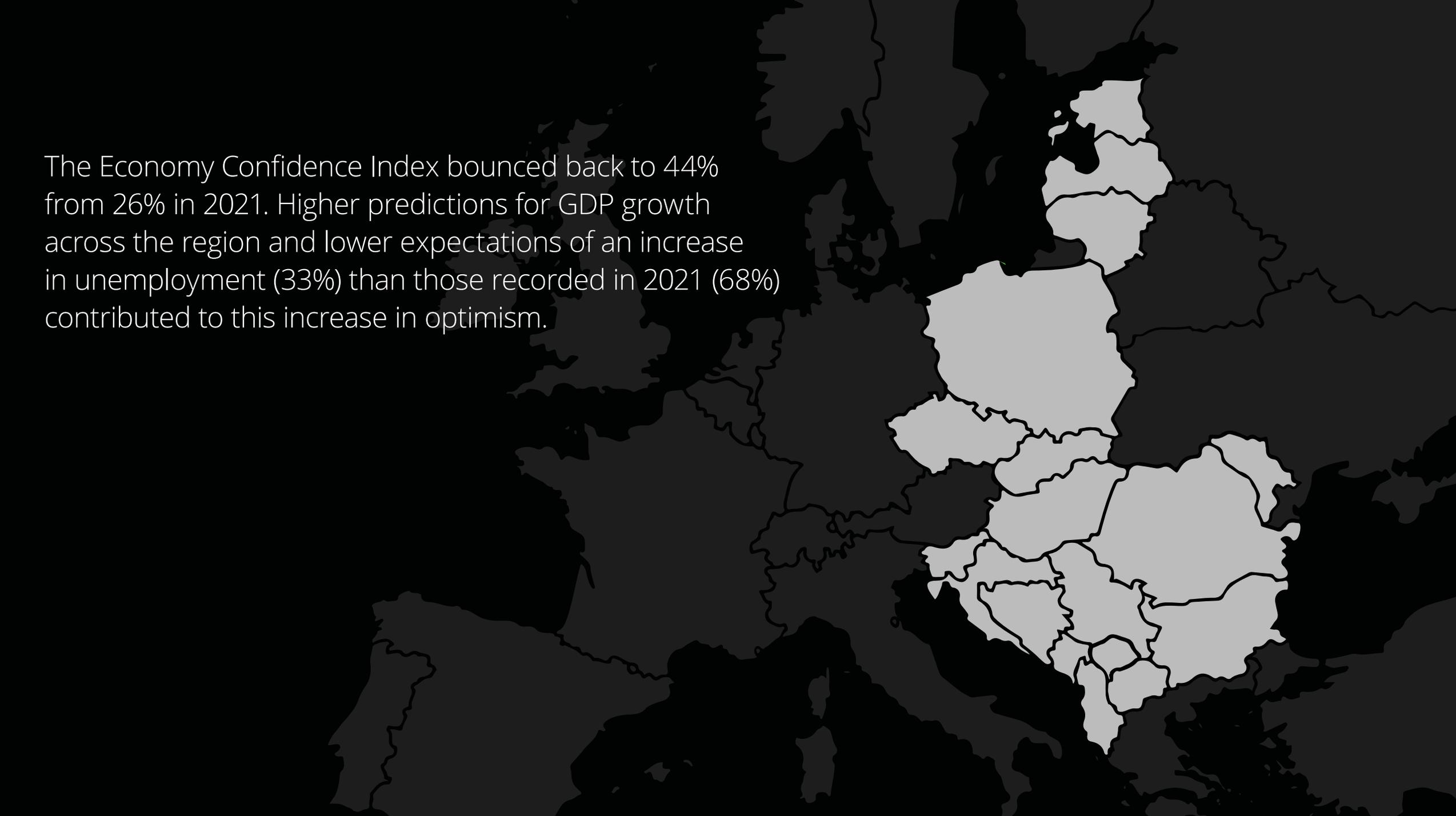
The Company Perspective Confidence Index also rose, indicating an 11% increase in positive expectations from 15% in 2021 to 26% in 2022. In their predictions for 2022, CFOs feel definitely more confident about their organisations' revenues, increasing employee numbers and levels of capital expenditure.

CFO Confidence Index by sub-indices

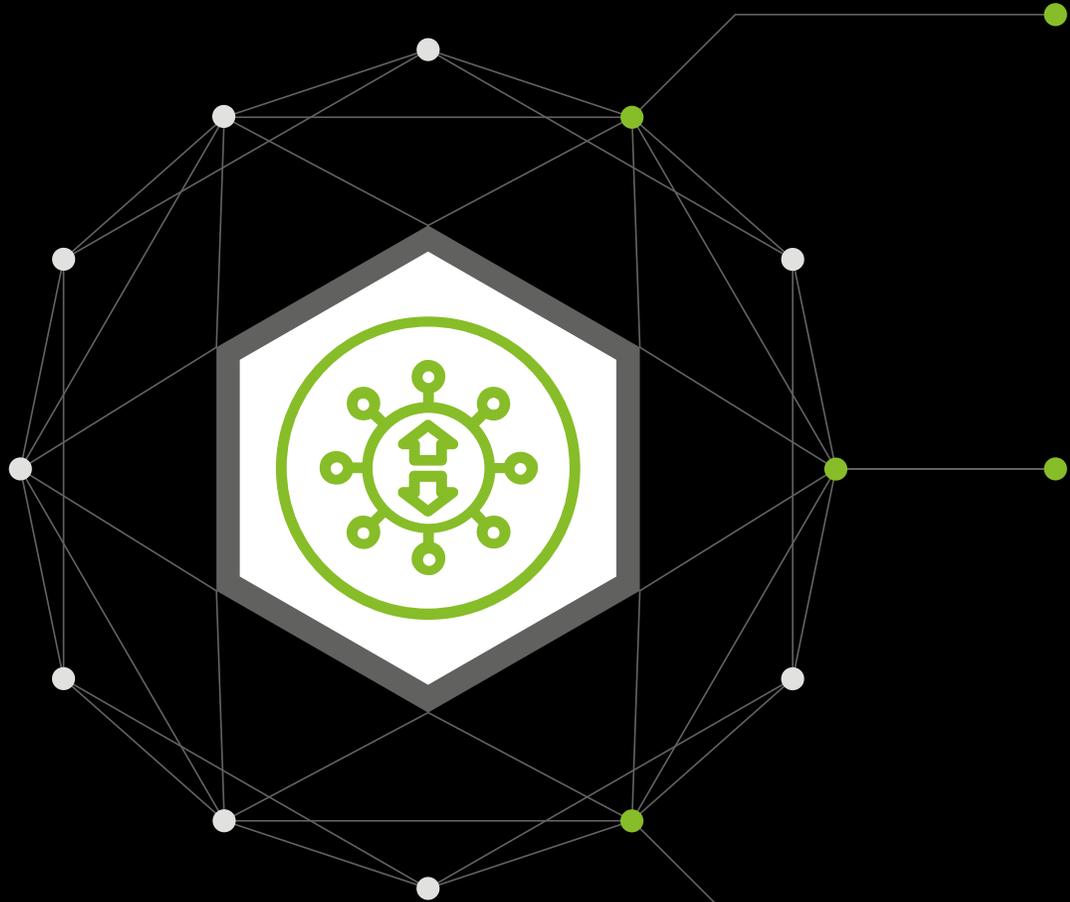


scale (-100; +100)
where -100 means all answers are negative and +100 all answers are positive

The Economy Confidence Index bounced back to 44% from 26% in 2021. Higher predictions for GDP growth across the region and lower expectations of an increase in unemployment (33%) than those recorded in 2021 (68%) contributed to this increase in optimism.



II. Economic outlook



The average expected GDP growth for 2022 is 2.3%, compared to 0.25% in 2021 and to 2.0% in 2020.

33% of CFOs expect unemployment to rise in 2022, compared with 68% who predicted an increase in 2021.

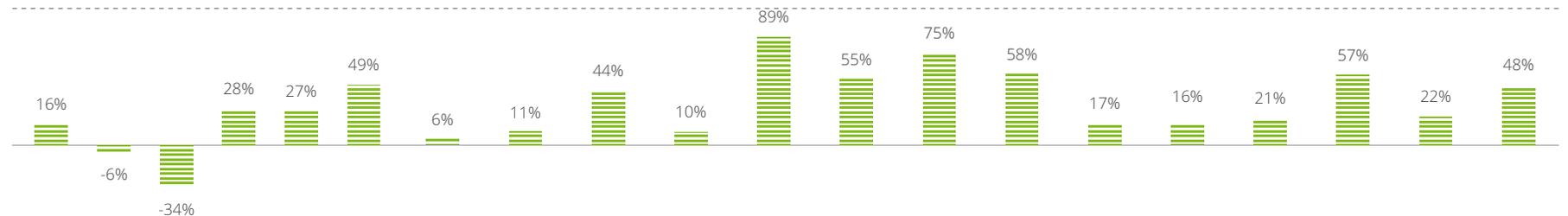
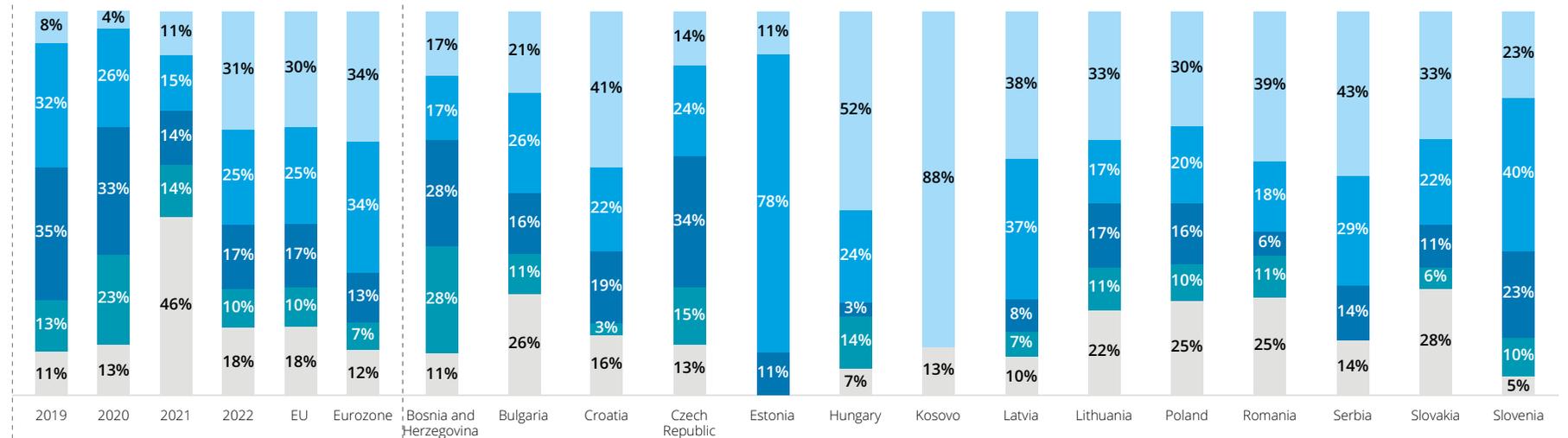
As in previous years, the majority of CFOs (91%) in 2022, expect an increase in Consumer Price Index (CPI) inflation.

GDP growth predictions higher than in 2021

The average expected GDP growth for 2022 is 2.3%, compared to 0.25% in 2021 and 2.0% in 2020. There has been a 30pp increase in the proportion of CFOs expecting GDP growth to exceed 2.5%. In 2021, 26% of respondents expected GDP growth to exceed 2.5%, rising to 56% in 2022. Respectively, 28% of our respondents expect GDP growth to be no higher than 1.5%, compared with 60% sharing the same outlook for 2021.

In their predictions for 2022, 68% of CFOs based in the Eurozone, compared with 32% last year (and 10% in 2020), expect GDP in their countries to increase by more than 2.5%. For the EU markets, the proportion anticipating growth of no more than 1.5% decreased to 28% (58% last year), while 42% of CFO predict it will reach between 1.6% and 3.5%.

What is your expectation for your country's economic GDP growth in 2022?

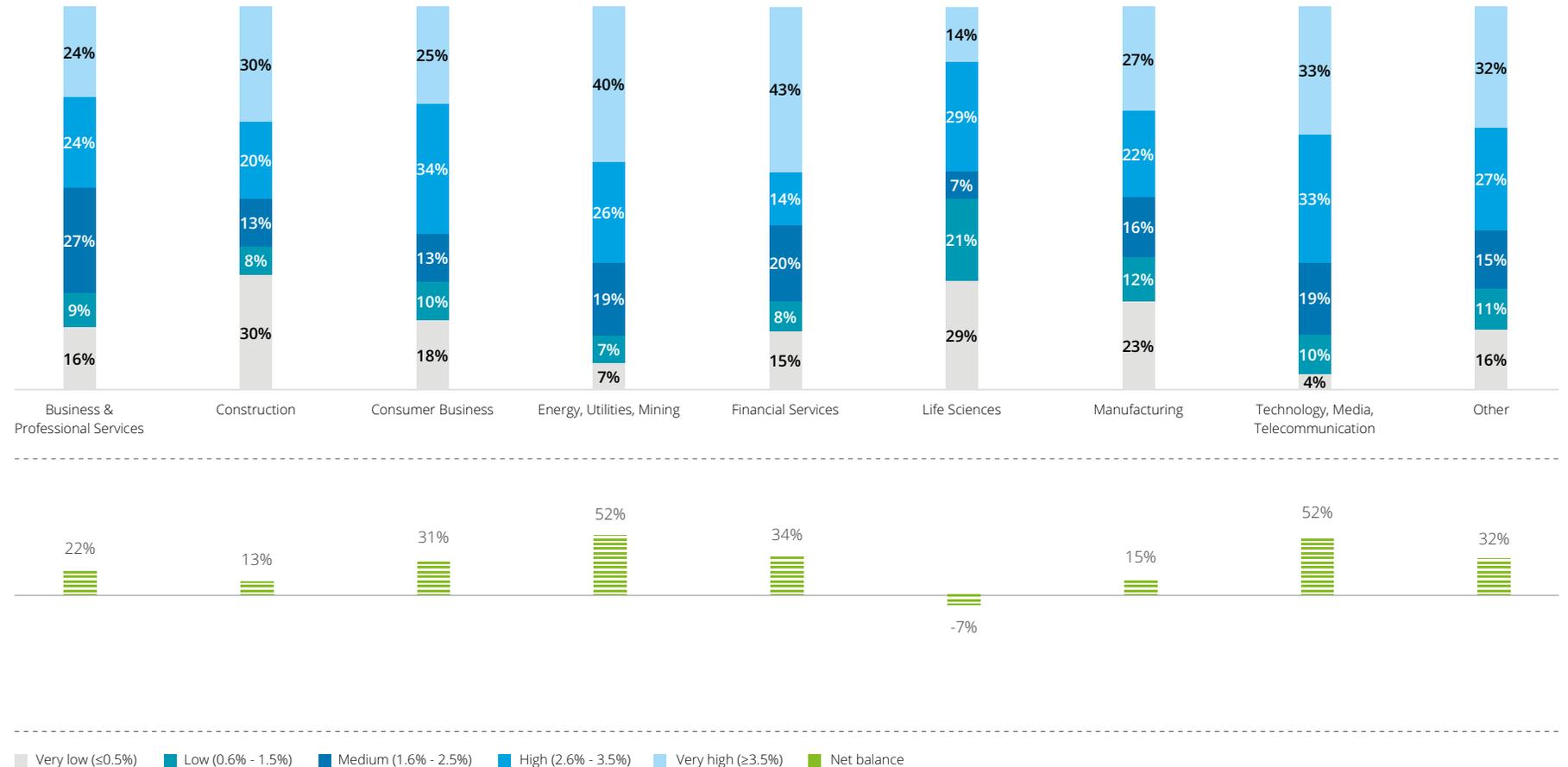


Legend: Very low (≤0.5%) Low (0.6% - 1.5%) Medium (1.6% - 2.5%) High (2.6% - 3.5%) Very high (≥3.5%) Net balance

The CFOs who are the most optimistic about GDP growth in their countries (those who are expecting growth of 2.6% and above) are from Estonia, Kosovo, Hungary, Latvia and Serbia. The least optimistic are from Bosnia and Herzegovina, Bulgaria and the Czech Republic. Respondents from Bosnia and Herzegovina expressed the same predictions in the 2021 survey.

CFOs from the Energy, Utilities and Mining, and Technology, Media, Telecommunication sectors are particularly optimistic about GDP growth in 2022. 66% of respondents in both of these sectors expect growth to exceed 2.6%. CFOs from the Life Sciences and Construction sectors are the least optimistic, with 50% and 38% of CFOs respectively predicting that GDP will grow by no more than 1.5% in 2022.

What is your expectation for your country's economic GDP growth in 2022?



Fewer predicting a rise in unemployment

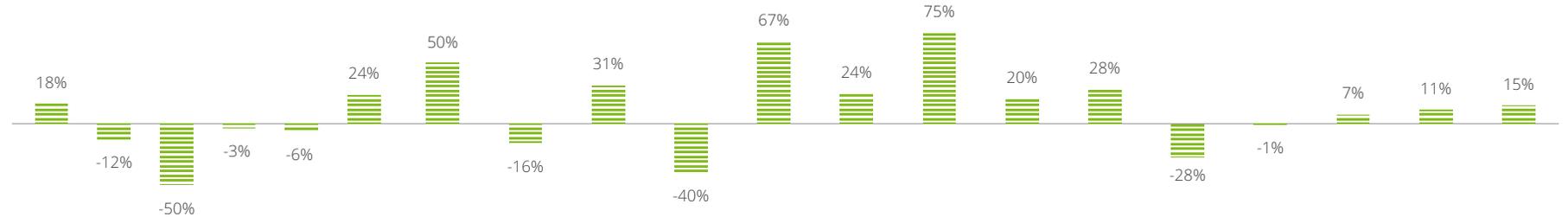
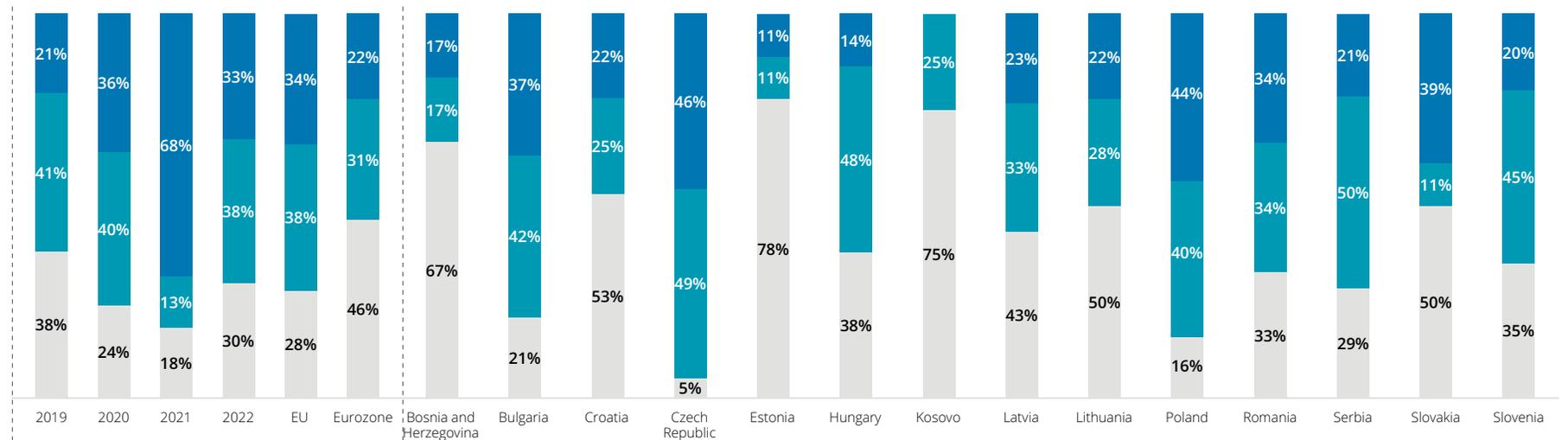
CFOs' opinions on unemployment for this edition of the report are definitely more optimistic than those they made for 2021 (when their opinions were gathered in late 2020). While 68% expected an increase in 2021, just 33% expect unemployment to rise in 2022. This significant change in opinions clearly relates to the anticipated impact of Covid-19 on the labour market during the first and second years of the pandemic.

Predictions in this area by CFOs in Eurozone and EU countries differ, with 46% of Eurozone and 28% of EU respondents forecasting a fall in unemployment.

Since 2019, the Czech Republic has been the country with the lowest proportion of CFOs expecting a fall in unemployment (5%). This is due to the already low level of Czech unemployment in recent years – at 2.3% in November 2021¹.

The most optimistic views about falling unemployment are held by CFOs in Bosnia and Herzegovina (67%), Croatia (53%), Estonia (78%) and Kosovo (75%). For Bosnia and Herzegovina and Kosovo, this is due to the already high levels of unemployment, which in the first quarter of 2021 stood at 25.8% in Kosovo² and 31.17% in Bosnia and Herzegovina³ in November 2021. Croatia (at 7.1%) and Estonia (at 5%) are close to the average unemployment rate in the EU countries for 2021 (6.5%)⁴.

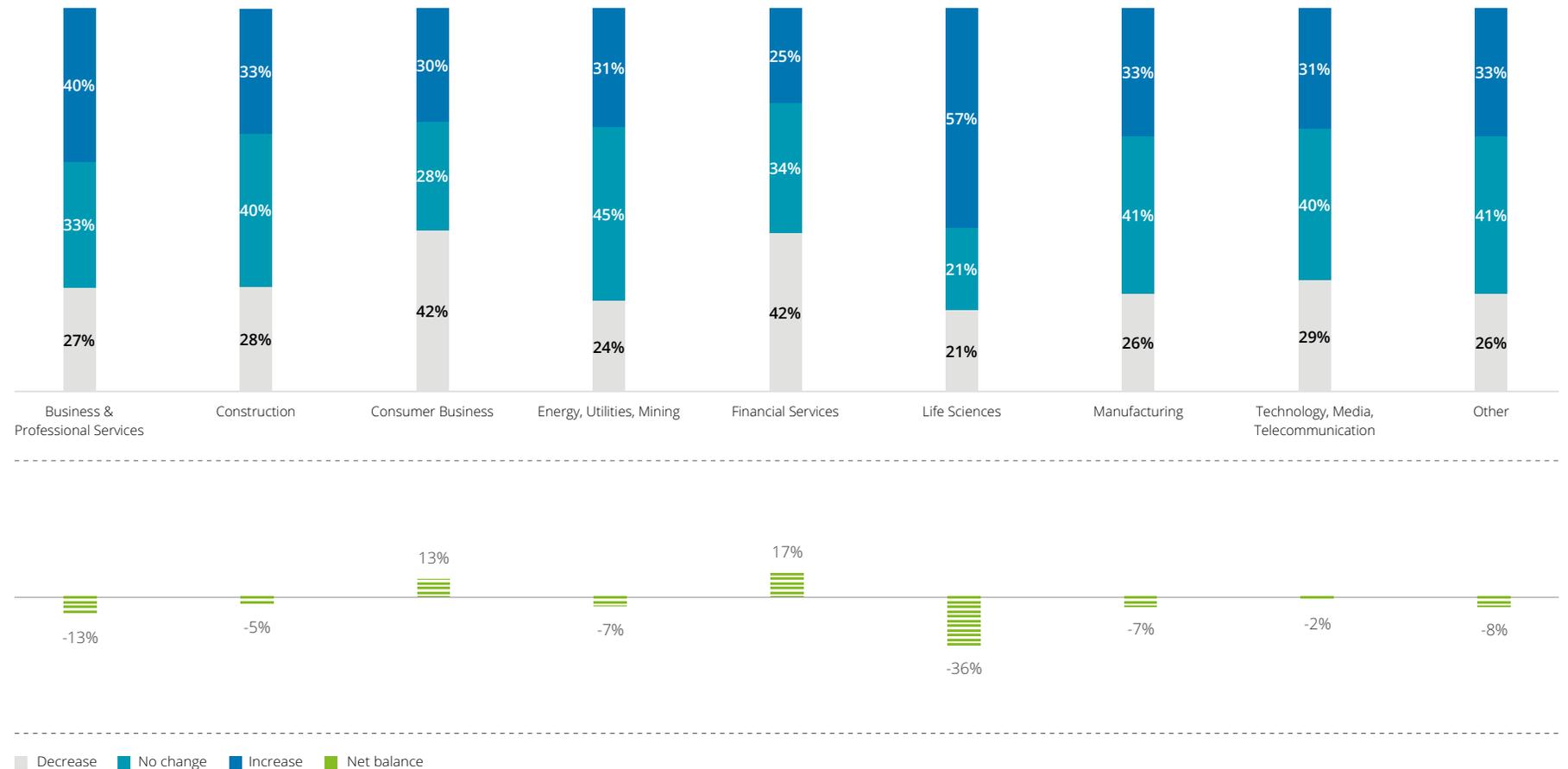
Over the next 12 months how do you expect levels of unemployment to change?



■ Decrease
 ■ No change
 ■ Increase
 ■ Net balance

With 30% of respondents predicting a fall in unemployment, CFOs from the Consumer Business (42%) and Financial Services (42%) sectors are the most optimistic. CFOs from the Business & Professional Services and Life Sciences sectors are the most pessimistic, with 40% and 57% respectively expecting a rise in 2022.

Over the next 12 months how do you expect levels of unemployment to change?

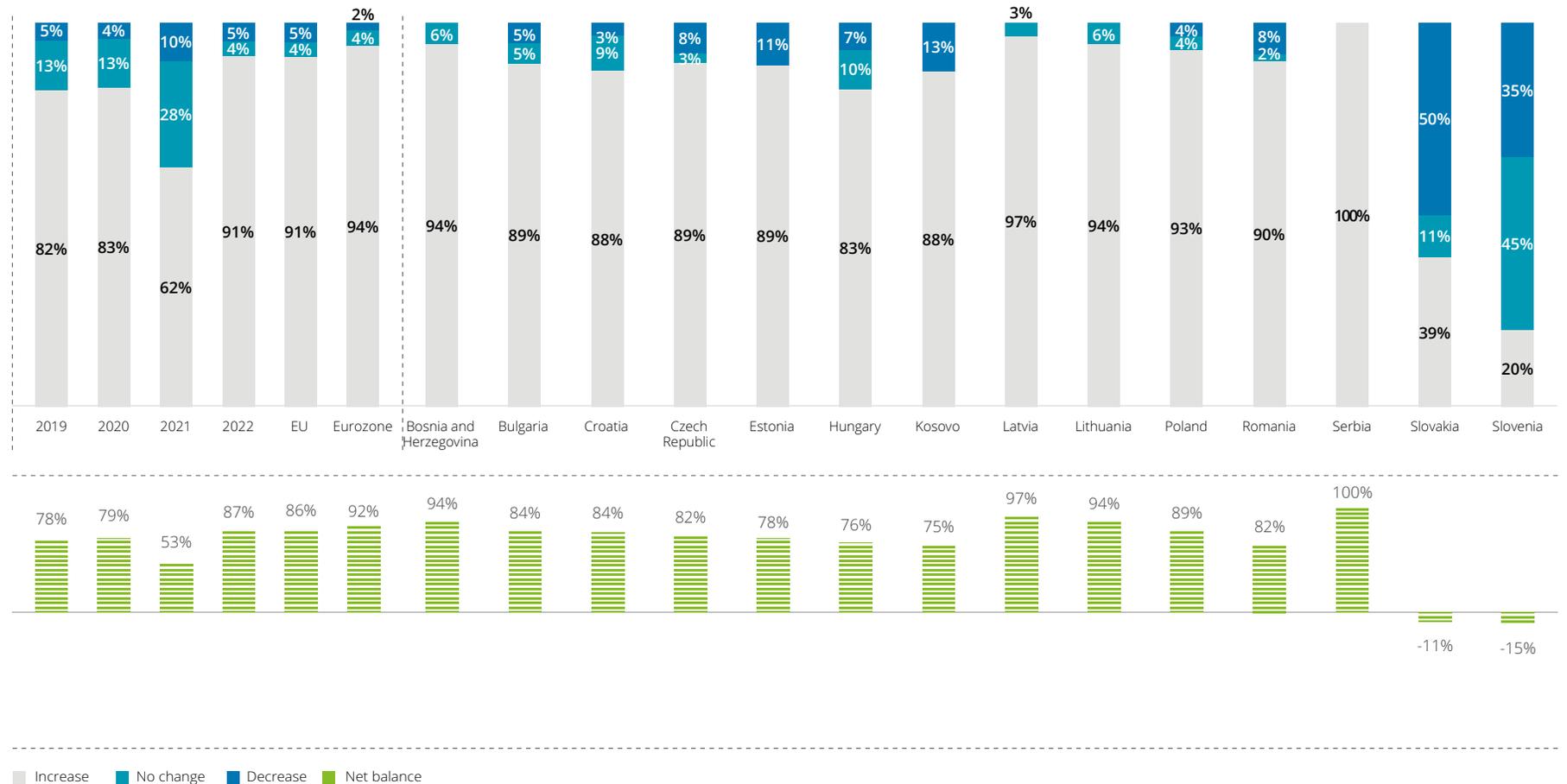


1 Czech Republic indicators
 2 Kosovo indicators
 3 Bosnia And Herzegovina indicators
 4 EU indicators

Expectations of increased CPI inflation

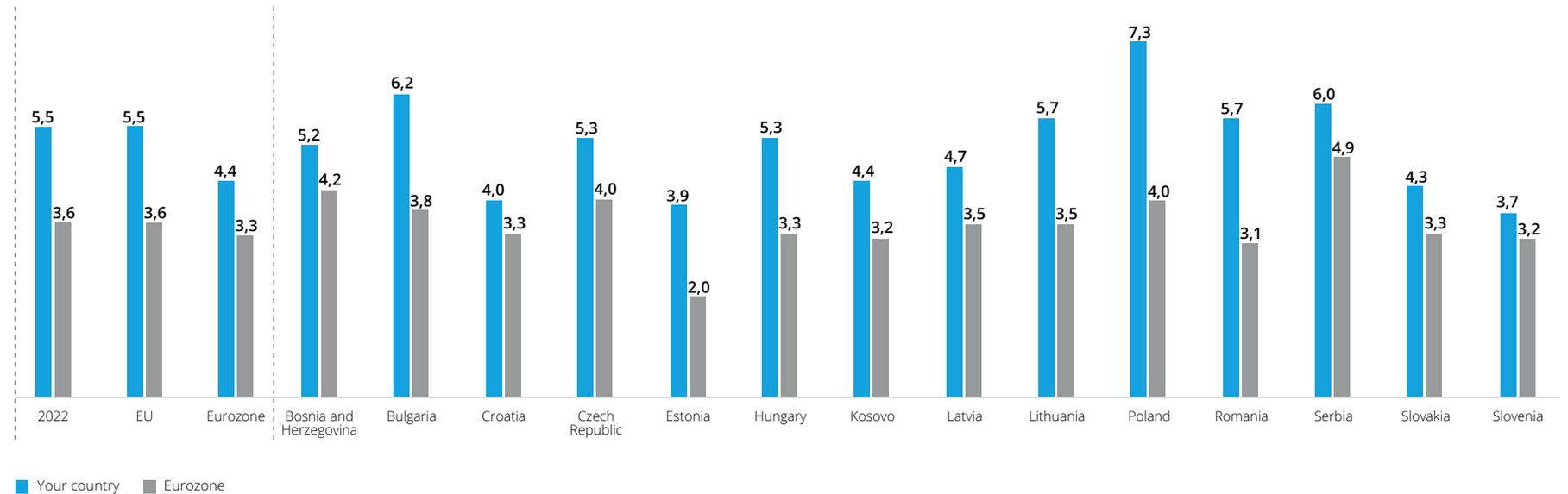
As in previous years, the majority of CFOs – 91% in 2022 – expect Consumer Price Index (CPI) inflation to increase (62% in 2021 and 83% in 2020). This prediction also reflects the sentiments in EU (91%) and Eurozone (94%) countries.

Over the next 12 months how do you expect CPI (Consumer Price Index) levels to change?



A majority of all surveyed CFOs expect the CPI inflation rate in their countries to rise, with predictions ranging from 7.3% in Poland to 3.7% in Slovenia, 3.9% in Estonia and 4% in Croatia. When predicting inflation rates for the Eurozone, Estonian CFOs expect rates that are significantly lower than those anticipated by CFOs from other EU countries.

What do you think will be the inflation (%) rate (for the Consumer Price Index) in both your country and the Eurozone over the next 12 months?

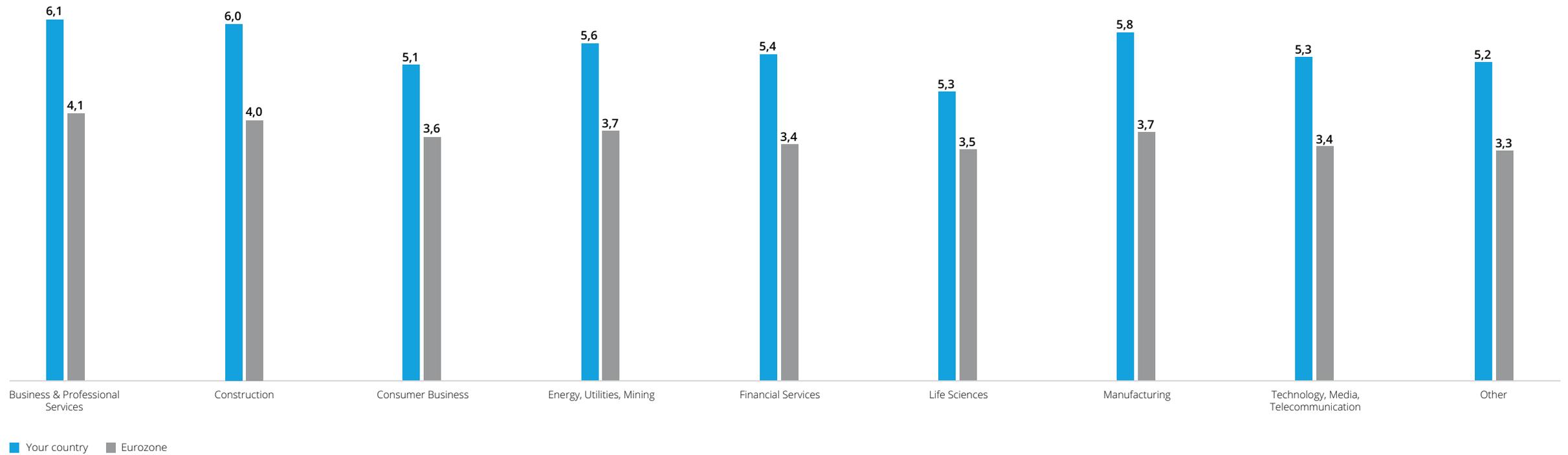


Depending on the sector, between 86% and 95% of CFOs expect the CPI inflation rate to rise. CFOs from the Business & Professional Services and Construction sectors expect the highest inflation rates, both in their own countries and across the Eurozone.

Over the next 12 months how do you expect CPI (Consumer Price Index) levels to change?



What do you think will be the inflation (%) rate (for the Consumer Price Index) in both your country and the Euro-area over the next 12 months?



III. Business environment outlook

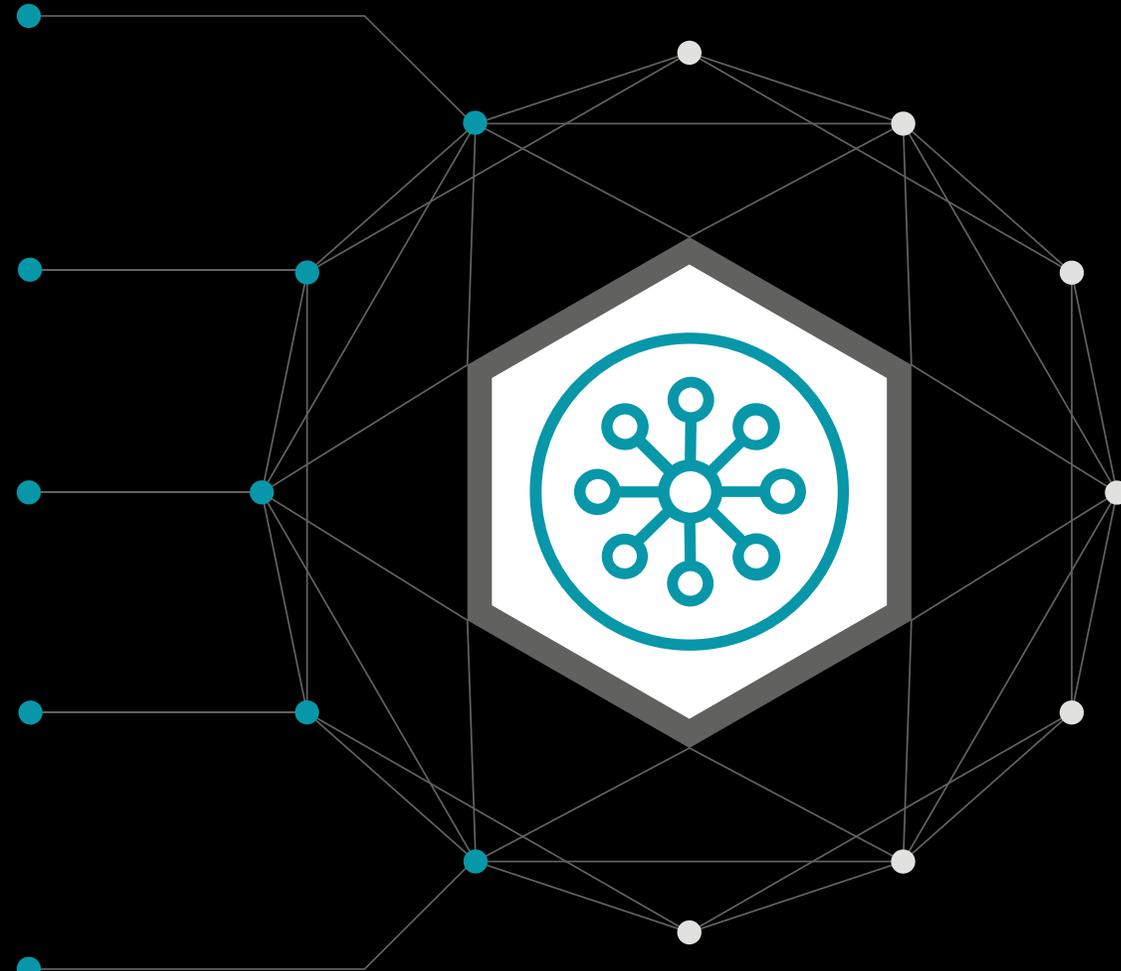
50% of CFOs expect above normal levels of external uncertainty.

95% of respondents think that cost of workforce will increase in 2022.

Shortage of skilled professionals over the next 12 months is a source of concern for 64% of CFOs.

CFOs see internal financing and bank borrowing as the most attractive sources of funding for their companies in 2022.

A majority of CFOs (55%), anticipate the level of M&A transactions to increase in 2022.



Uncertainty continues to be the new normal

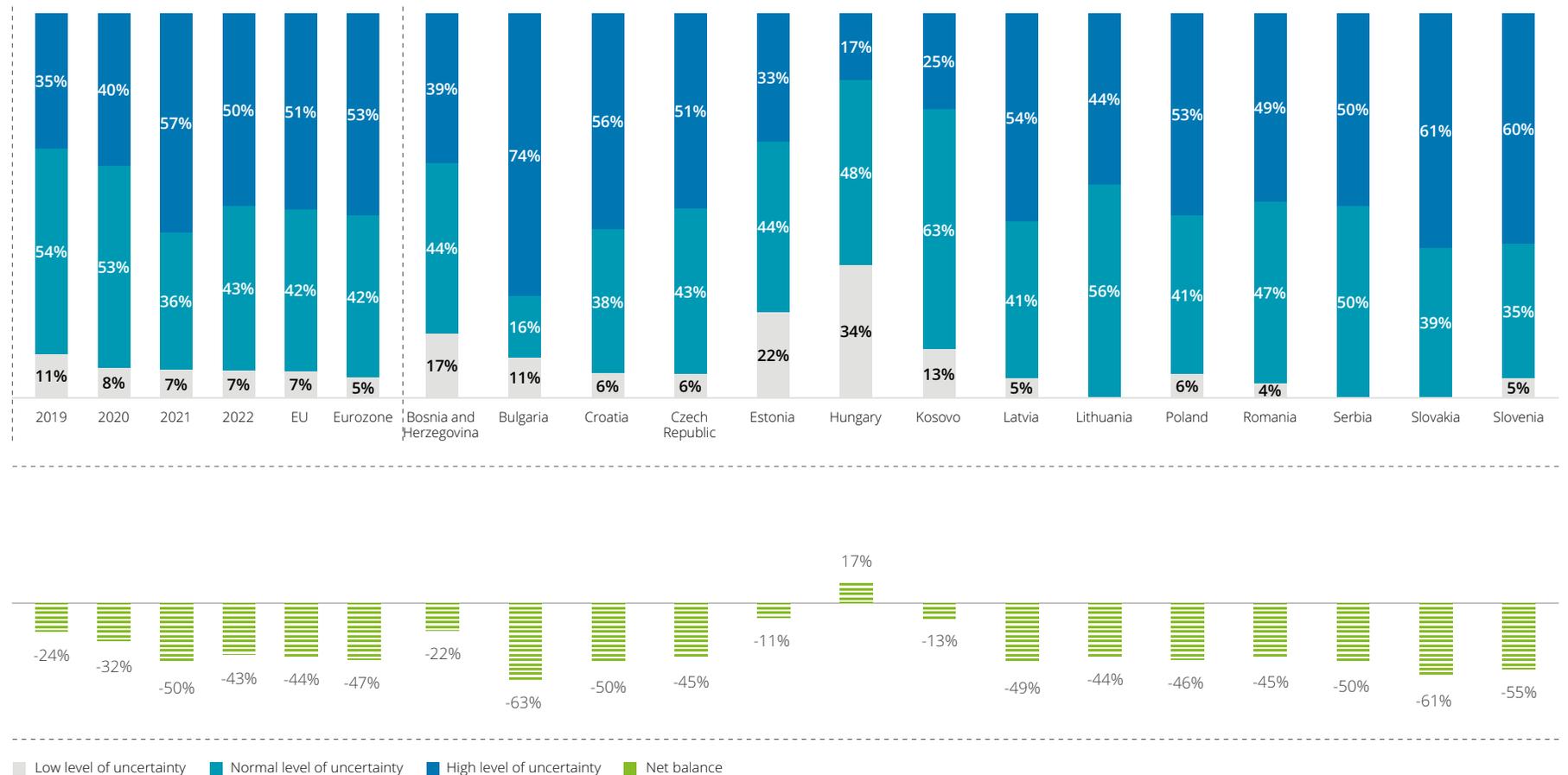
The survey recorded a slight decrease over last year's survey in the perceived levels of uncertainty facing respondents' businesses. Despite the improved outlook, levels of uncertainty remain elevated across the region, with 50% of CFOs reporting above-normal levels of external uncertainty.

The share of respondents who believe there is a high level of uncertainty has dropped by 7 percentage points (pp) – from 57% in 2021 to 50% in 2022. In 2020, it reached 40% and in 2019 35%. The share of those anticipating a low level of uncertainty remained the same at 7%. A majority of respondents in the EU (51%) and the Eurozone (53%) also expect a high level of uncertainty

There is a negative net balance (the difference between the shares of respondents expecting low and high levels of uncertainty) in all countries, except for Hungary. The least pessimistic (those anticipating a normal level of uncertainty in the current year) are CFOs from Kosovo (63%) and Lithuania (56%).

Bulgaria recorded the largest growth in the proportion of CFOs anticipating high uncertainty, up from 27% in 2020, to 54% in 2021 and to 74% in 2022. Similarly to last year, CFOs from Slovakia (61%) and Slovenia (60%) are also mostly pessimistic about the external financial and economic certainty their businesses face.

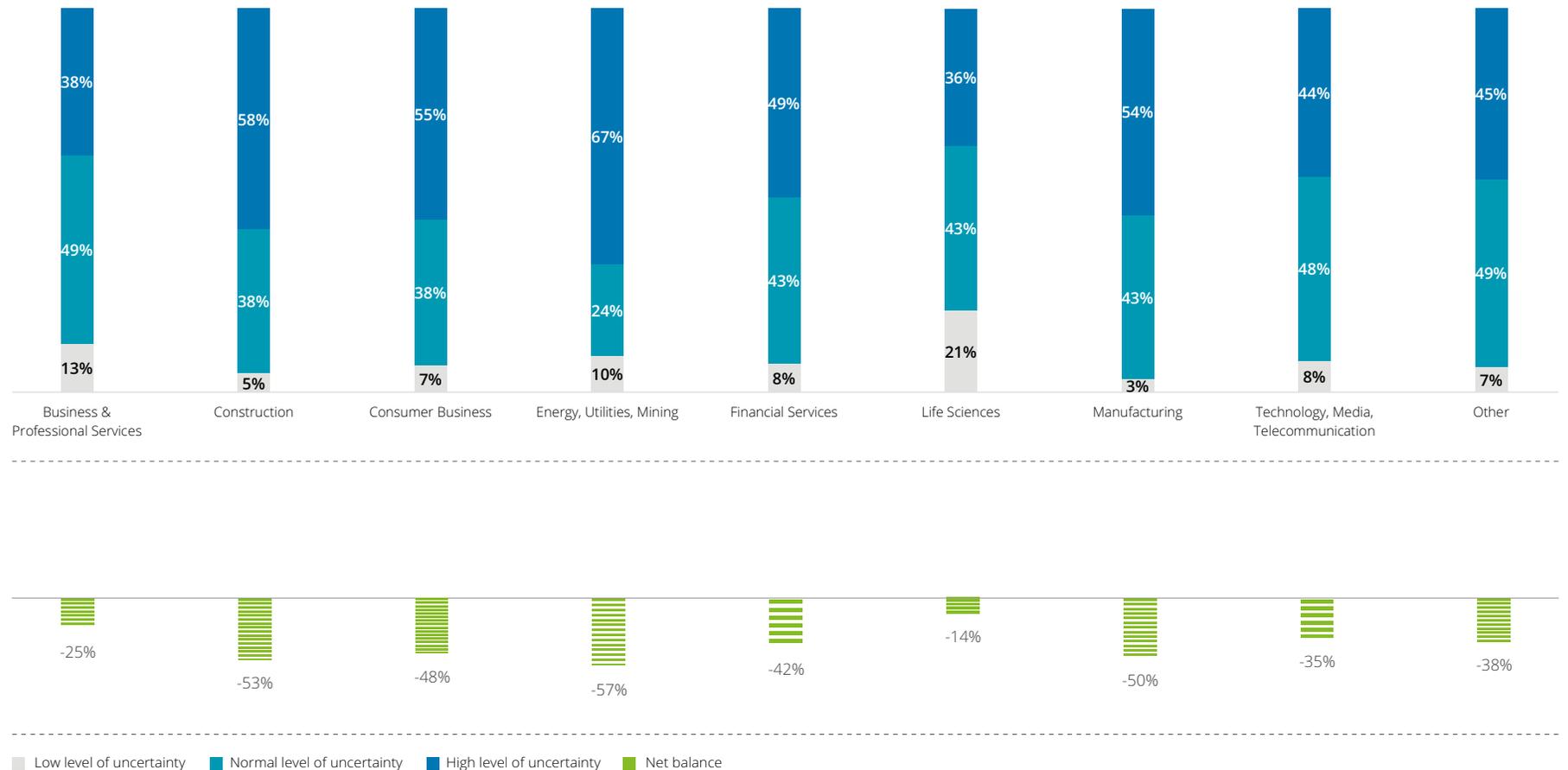
How would you rate the overall level of external financial and economic uncertainty facing your business?



CFOs' perspectives on the likely levels of external financial uncertainty in 2021 differ from industry to industry. All sectors recorded a negative net balance, with Energy, Utilities and Mining (-57%), Construction (-53%), Manufacturing (-50%) and Consumer Business (-48%) holding the most pessimistic expectations.

Just as in 2020 and 2021, respondents from the Life Sciences industry appear to be more optimistic than their counterparts in other industries: 36% (compared with 23% in 2021) expect uncertainty levels to be high and 43% (down from 69% in 2021) predict normal levels.

How would you rate the overall level of external financial and economic uncertainty facing your business?

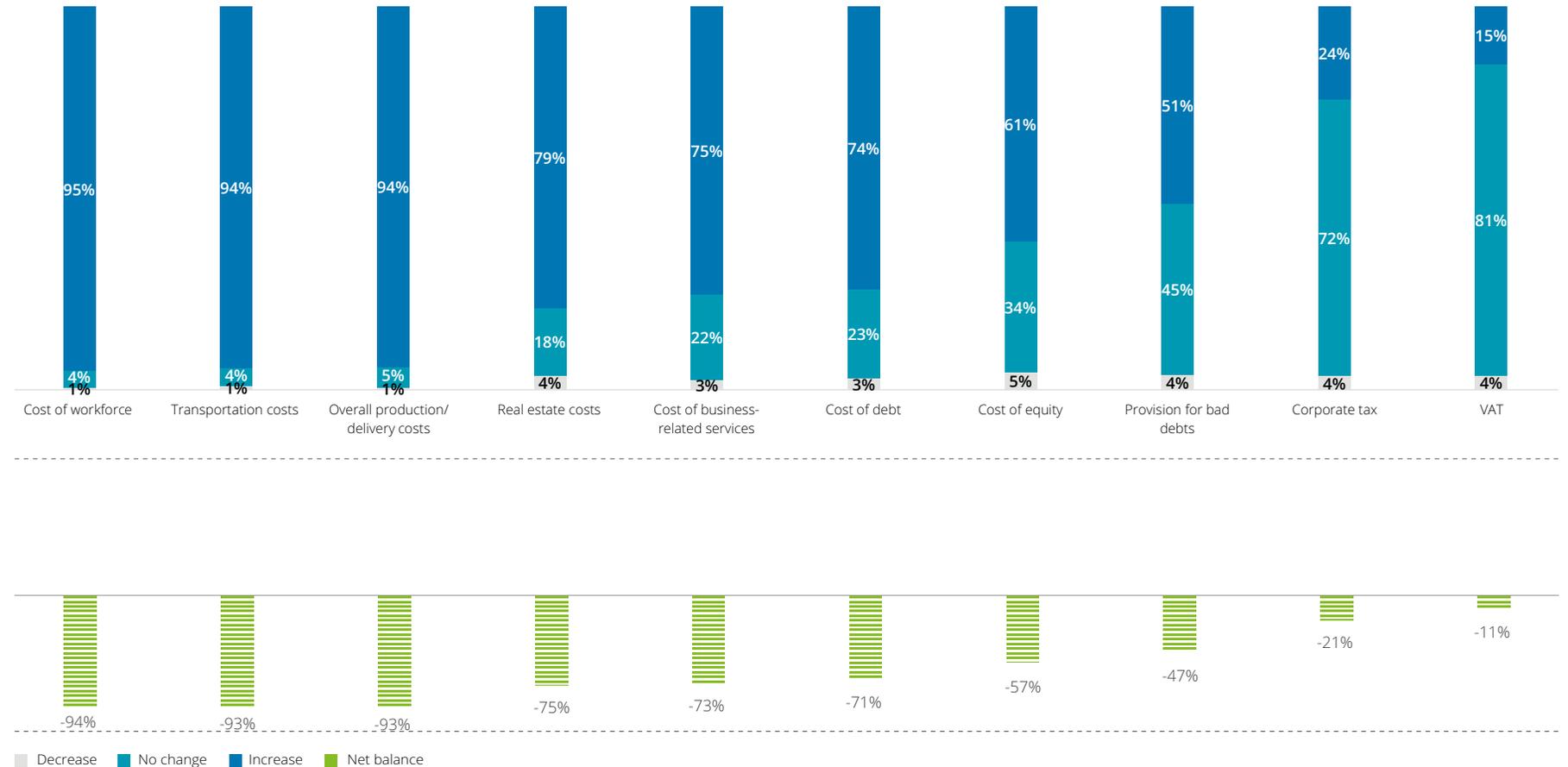


Further rises expected in the costs of doing business

Just as in 2021, respondents participating in the 2022 survey expect a considerable further increase in costs across all categories. As much as 95% of respondents expect workforce costs to increase in 2022 (compared with 40% in 2021). 94% of CFOs predict that transportation costs and overall production/delivery costs will continue to rise, compared with 43% and 45% respectively last year.

Estimations for real estate costs are the area that recorded the highest increase over 2021, with 79% expecting them to increase, up from 21% in 2021. 75% of respondents, meanwhile, anticipate that the cost of business-related services will continue to rise, up threefold on last year's 24%.

In your view, how are costs for companies in your country likely to change over the next 12 months?



While in 2021 half of respondents expected a further increase in the cost of debt, this has risen to 74% in 2022. Predictions for increased costs of equity have also increased, up to 61% of respondents from 2021's 44%, with 34% predicting no change.

The great majority of respondents anticipate no changes in corporate taxes (72%) or VAT (81%) in 2022. While 51% of respondents expect costs relating to provision for bad debts to increase (down from 82% last year), 45% predict no changes in this area.

In your view, how are costs for companies in your country likely to change over the next 12 months?

		Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunication	Other
VAT	No change	80%	83%	73%	74%	85%	93%	84%	79%	83%
	Net Balance	-16%	-3%	-18%	-17%	-12%	-7%	-4%	-13%	-14%
Corporate tax	No change	65%	63%	70%	76%	77%	79%	73%	69%	74%
	Net Balance	-31%	-23%	-27%	-10%	-17%	-21%	-14%	-27%	-23%
Provision for bad debts	No change	45%	48%	45%	36%	31%	43%	54%	40%	45%
	Net Balance	-55%	-48%	-38%	-60%	-42%	-57%	-43%	-56%	-48%
Cost of equity	No change	33%	38%	44%	21%	28%	36%	36%	38%	31%
	Net Balance	-60%	-53%	-45%	-74%	-60%	-50%	-60%	-54%	-54%
Cost of debt	No change	16%	38%	31%	24%	29%	14%	20%	19%	20%
	Net Balance	-80%	-58%	-61%	-71%	-62%	-86%	-76%	-77%	-72%
Cost of business-related services	No change	11%	13%	15%	33%	25%	14%	27%	29%	23%
	Net Balance	-89%	-73%	-79%	-62%	-75%	-71%	-69%	-71%	-69%
Real estate costs	No change	7%	18%	15%	17%	18%	14%	20%	25%	18%
	Net Balance	-89%	-83%	-73%	-74%	-63%	-57%	-76%	-63%	-79%
Overall production	No change	2%	0%	7%	2%	9%	7%	4%	13%	5%
	Net Balance	-95%	-100%	-93%	-98%	-88%	-93%	-93%	-88%	-95%
Transportation costs	No change	2%	0%	3%	2%	12%	7%	2%	38%	3%
	Net Balance	-95%	-100%	-94%	-98%	-85%	-93%	-94%	-54%	-96%
Cost of workforce	No change	0%	3%	3%	7%	8%	29%	3%	4%	4%
	Net Balance	-96%	-93%	-97%	-93%	-92%	-71%	-95%	-96%	-96%

The risk landscape in 2022

A shortage of skilled professionals over the next 12 months is a source of concern for 64% of CFOs. This recorded the highest percentage increase (31pp) since 2021. This can be almost certainly be explained by the impact of the Covid pandemic on the mindset of businesses across the world in 2020 and 2021.

37% of CFOs see increased regulation as a significant threat to businesses across the CE region in 2022. Reduced domestic demand, the greatest concern for CFOs in 2021, is a source of anxiety for one in three.

Approximately one in four CFOs surveyed indicated that geopolitical risks and economic outlook/growth are also of concern to their businesses. Interestingly, as in 2021, a shortage of capital and cyber risk are the least risk-laden issues according to our respondents.

Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

	2022	2021	Change
Reduction in demand (domestic)	31%	52%	-22%
Reduction in demand (foreign)	20%	40%	-20%
Shortage of skilled professionals	64%	33%	31%
Increasing regulation	37%	22%	14%
Shortage of capital	11%	13%	-3%
Geopolitical risks	25%	18%	7%
Cyber Risk	13%	10%	4%
Economic outlook/growth	27%	42%	-15%
Currency fluctuations	17%	19%	-3%
IBOR Reform	1%	0%	1%
Other	11%	8%	6%

A cross-industry comparison shows similarities between how CFOs perceive the main challenges they will face over the year to come: concerns about a shortage of skilled professionals come first, followed by increasing regulation and reduced domestic demand.

Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

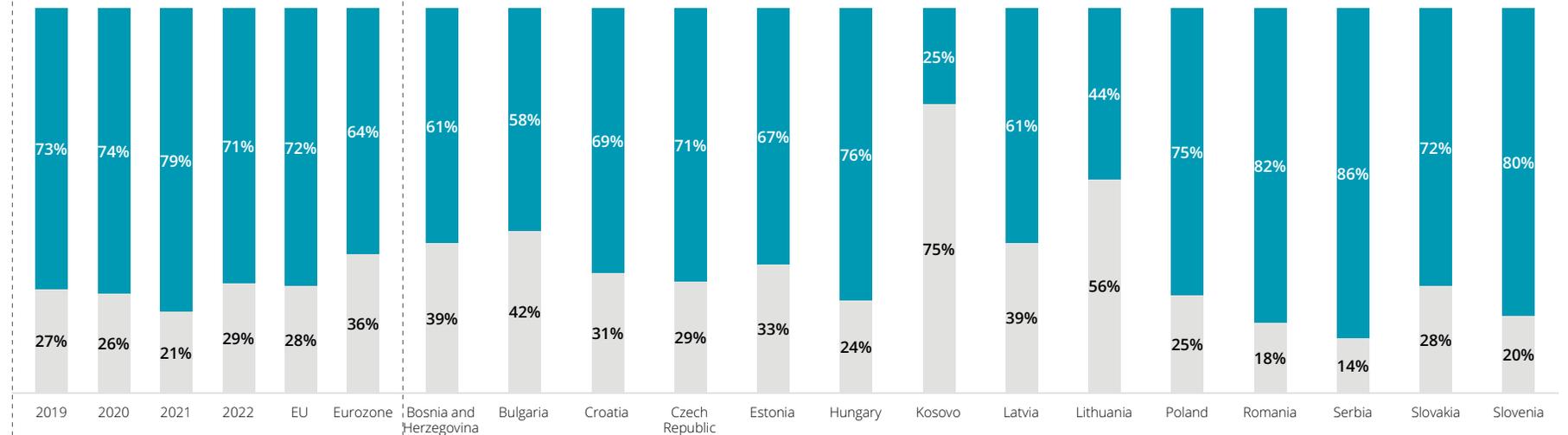
	Business & Professional Services	Construction & Real Estate	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunication	Other
Reduction in demand (domestic)	49%	45%	41%	19%	35%	29%	18%	17%	33%
Reduction in demand (foreign)	15%	10%	14%	5%	0%	29%	37%	23%	21%
Shortage of skilled professionals	62%	70%	59%	62%	62%	57%	67%	73%	61%
Increasing regulations	35%	25%	31%	52%	58%	36%	28%	33%	38%
Shortage of capital	11%	13%	6%	14%	6%	7%	9%	13%	18%
Geopolitical risks	16%	23%	27%	21%	28%	14%	27%	33%	24%
Cyber Risk	13%	13%	14%	14%	23%	21%	12%	23%	6%
Economic outlook/growth	36%	33%	38%	33%	20%	36%	27%	15%	21%
Currency fluctuations	11%	10%	15%	14%	14%	21%	22%	19%	18%
IBOR Reform	0%	3%	3%	2%	3%	0%	1%	0%	0%
Other	5%	13%	13%	17%	9%	0%	12%	8%	11%

Not a year to take on new risk

As in previous years, the majority of CFOs do not think the year ahead will be a good time for companies to take on more risk; this was the view of 71% of respondents (down by 8pp from 2021). CFOs from the Eurozone and EU countries are equally risk averse.

CFOs from Romania, Serbia and Slovenia were our most risk-averse respondents. While leaving risk behind was the sentiment for most surveyed countries, Lithuania and Kosovo as the only countries in the region believe conditions are right to take more risk in 2022.

Is this a good time to be taking greater risk onto your company's balance sheets?

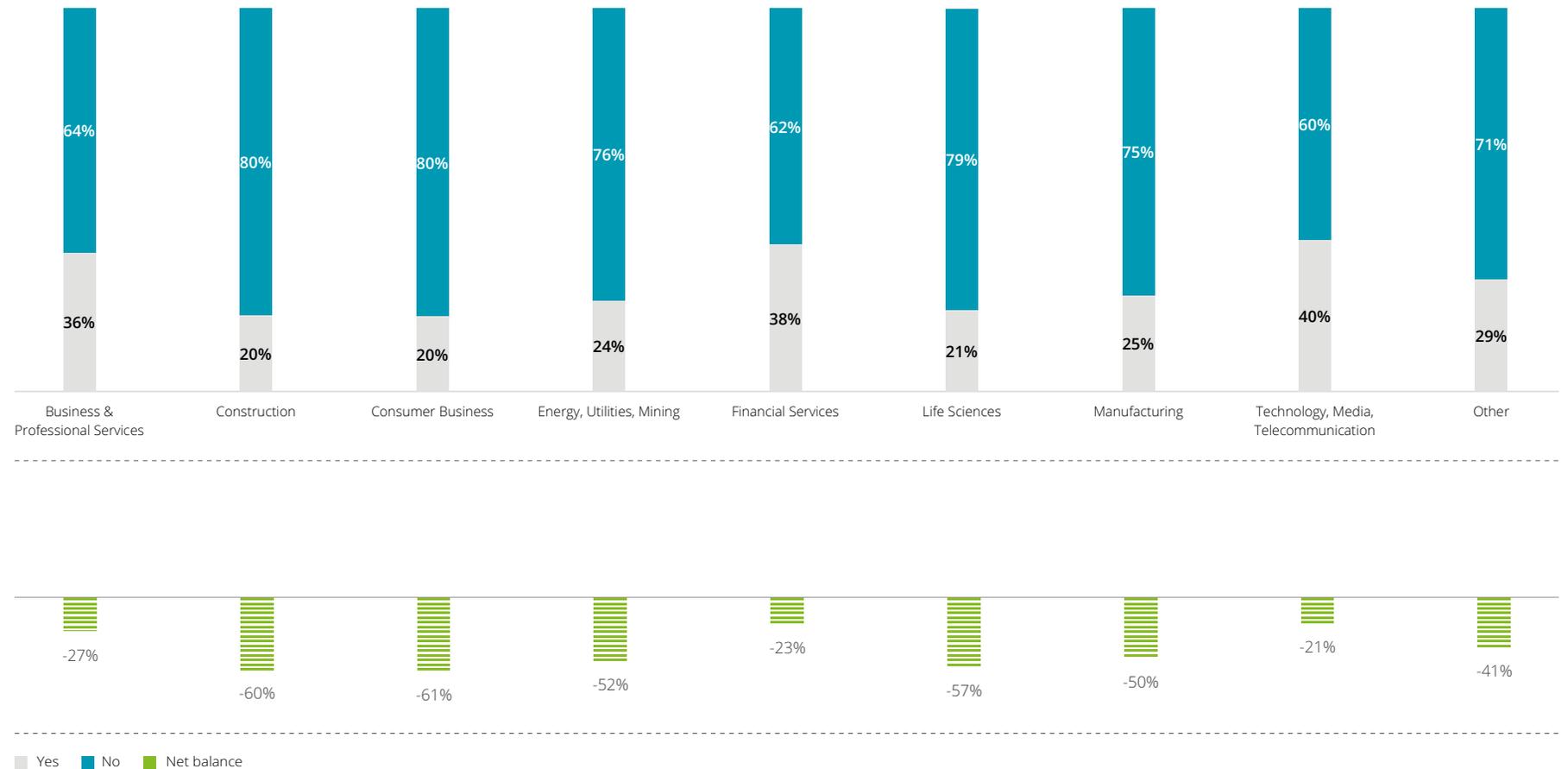


■ Yes ■ No ■ Net balance

There is a firm consensus across all industries that conditions in 2022 will not be favourable for taking more risk when it comes to financial decisions. The proportion of those holding this opinion range from 80% in Construction and Consumer Business, down to 60% in Technology, Media and Telecommunication.

The most optimistic respondents (in addition to those from the TMT sector) were those from Financial Services and Business & Professional Services, with 38% and 36% of respondents in these sectors respectively seeing this as a good time to take on more risk.

Is this a good time to be taking greater risk onto your company's balance sheets?



How CFOs are financing their businesses in uncertain times

Similarly to 2020 and 2021, CFOs see internal financing and bank borrowing as the most attractive sources of funding for their companies in 2022. These options were selected respectively by 55% and 44% of respondents. Corporate debt (22%) and equity (33%) are seen as moderately attractive, while approximately half of respondents see them as neither attractive nor unattractive.

How do you currently rate the following sources of funding for your company?

2022	Attractive	Neither attractive nor unattractive	Unattractive	Net Balance	2021 - attractive	Change
Bank borrowing	44%	36%	20%	24%	43%	1%
Internal financing	55%	35%	9%	46%	49%	6%
Corporate debt	22%	57%	21%	1%	24%	-2%
Equity	33%	52%	15%	18%	29%	4%

CFOs in Slovenia (73%), Slovakia (67%), Estonia (67%) and Kosovo (63%) rated bank borrowing as an attractive source of funding. 40% of those in Slovenia ranked corporate debt as attractive, while less than 10% did so in Bosnia and Herzegovina, Poland and Serbia.

While approximately 50% of CFOs in Latvia and Romania rated equity as attractive, respondents from Slovakia, Serbia, Poland and Croatia were not as enthusiastic about this source of funding. Internal financing is the most attractive source of funding for CFOs from Slovenia (73%) and Lithuania (72%).

How do you currently rate the following sources of funding for your company?

Share of respondents rating the following sources as attractive	Bank borrowing	Corporate debt	Equity	Internal financing
Bosnia and Herzegovina	39%	6%	39%	61%
Bulgaria	26%	32%	26%	58%
Croatia	41%	22%	16%	56%
Czech Republic	31%	23%	38%	51%
Estonia	67%	33%	22%	44%
Hungary	38%	17%	38%	52%
Kosovo	63%	38%	25%	25%
Latvia	48%	18%	53%	50%
Lithuania	44%	22%	44%	72%
Poland	43%	9%	15%	61%
Romania	42%	30%	49%	53%
Serbia	50%	7%	14%	57%
Slovakia	67%	28%	11%	39%
Slovenia	73%	40%	23%	73%

Similarly to 2020 and 2021, CFOs from all the industries see internal financing as the most attractive source of funding for their companies in 2022. Energy, Utilities, Mining and Consumer Business CFOs award it a net balance of 57% and 56% respectively.

Bank borrowing is the most attractive source of funding for Consumer Business CFOs (with a net balance of 42%) and for those from the Energy, Utilities, Mining sector (with a net balance of 41%). CFOs who do not view this source of funding as attractive are from the Life Sciences (-29%) and Technology, Media, Telecommunication (-4%) sectors.

Corporate debt is the least attractive source of funding in all sectors. It appeals least to CFOs from the Business and Professional Services (net balance of -11%), Technology, Media, Telecommunication (-8%) and Manufacturing (-10%) sectors.

With regards to equity as a viable source for funding, CFOs from the TMT sector (with a net balance of 35%) and Energy, Utilities, Mining (net balance of 31%) were more positive than their colleagues from other industries.

How do you currently rate the following sources of funding for your company?

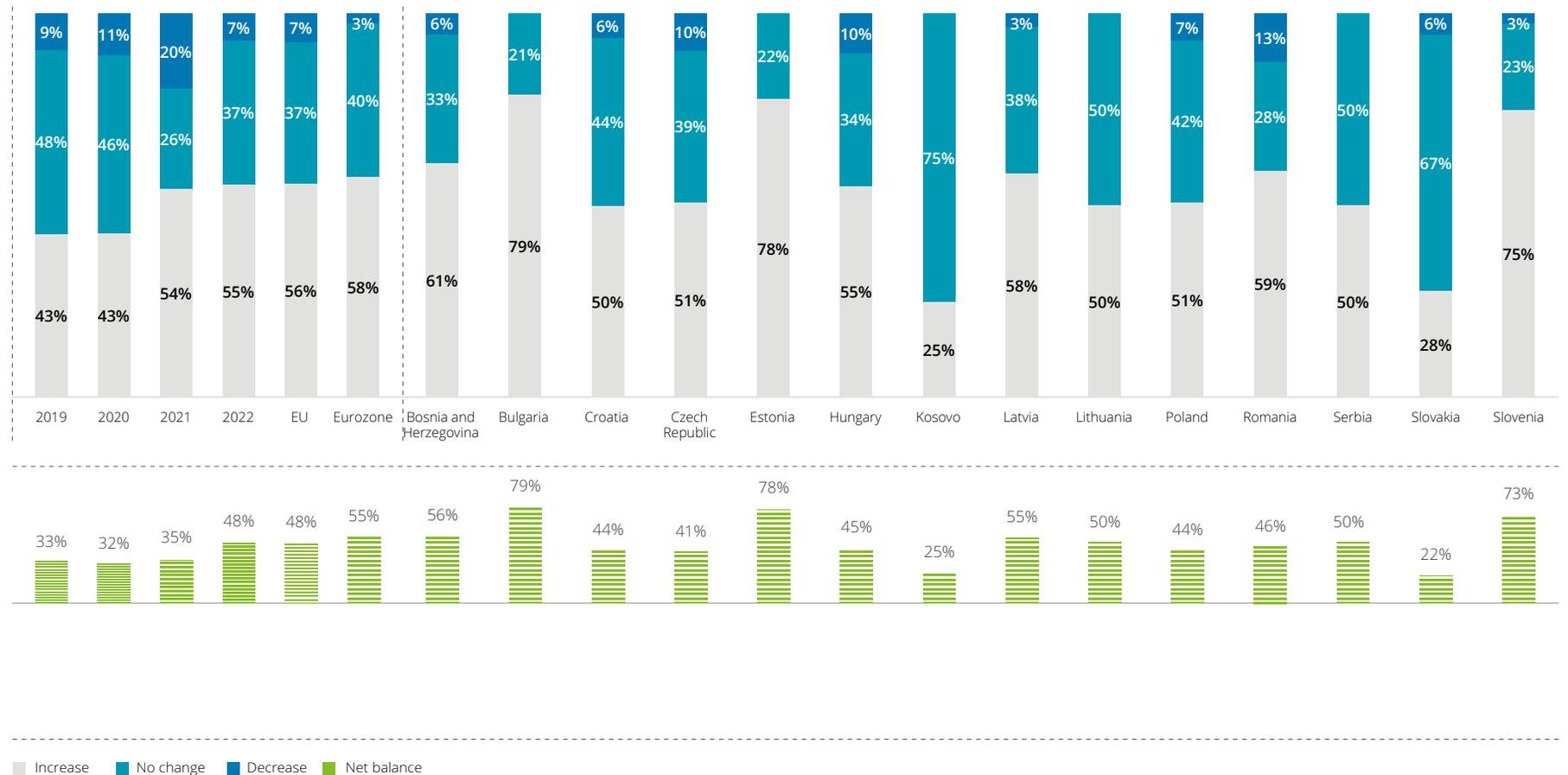
		Business & Professional Services	Construction	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunication	Other
Bank borrowing	Net balance	25%	28%	42%	41%	20%	-29%	16%	-4%	32%
	Neither attractive nor unattractive	45%	28%	32%	26%	43%	29%	36%	46%	34%
Internal financing	Net balance	40%	38%	56%	57%	45%	43%	50%	54%	34%
	Neither attractive nor unattractive	31%	33%	35%	33%	40%	14%	35%	33%	39%
Corporate debt	Net balance	-11%	13%	13%	17%	-2%	14%	-10%	-8%	5%
	Neither attractive nor unattractive	60%	73%	65%	50%	46%	43%	57%	63%	53%
Equity	Net balance	5%	25%	24%	31%	14%	0%	10%	35%	22%
	Neither attractive nor unattractive	51%	60%	59%	50%	46%	71%	55%	52%	45%
Cost of debt	No change	33%	42%	36%	27%	38%	70%	33%	67%	28%
	Net Balance	-50%	-39%	-36%	-40%	-22%	-10%	-54%	-33%	-21%
Cost of business-related services	No change	29%	61%	59%	47%	52%	70%	51%	67%	36%
	Net Balance	4%	-3%	2%	7%	10%	10%	-9%	-33%	-13%
Real estate costs	No change	38%	55%	39%	30%	41%	40%	43%	33%	36%
	Net Balance	21%	-3%	24%	37%	28%	0%	1%	0%	30%
Overall production	No change	33%	39%	48%	30%	41%	50%	41%	0%	40%
	Net Balance	-25%	-30%	-27%	-30%	-13%	-50%	-42%	-100%	-43%
Transportation costs	No change	25%	58%	42%	57%	52%	60%	35%	0%	45%
	Net Balance	-33%	-12%	-33%	-37%	-10%	-40%	-41%	-100%	-38%
Cost of workforce	No change	38%	33%	50%	53%	36%	60%	31%	33%	40%
	Net Balance	13%	-18%	-17%	-33%	14%	0%	-49%	-67%	-30%

Another good year for M&A?

Similarly to 2021, a majority of CFOs (55%) across the Central European region anticipate the level of M&A transactions to increase in 2022. Only 7% of respondents believe the level of M&A transactions will decrease in 2022. The views of CFOs from the EU countries and the Eurozone are similar.

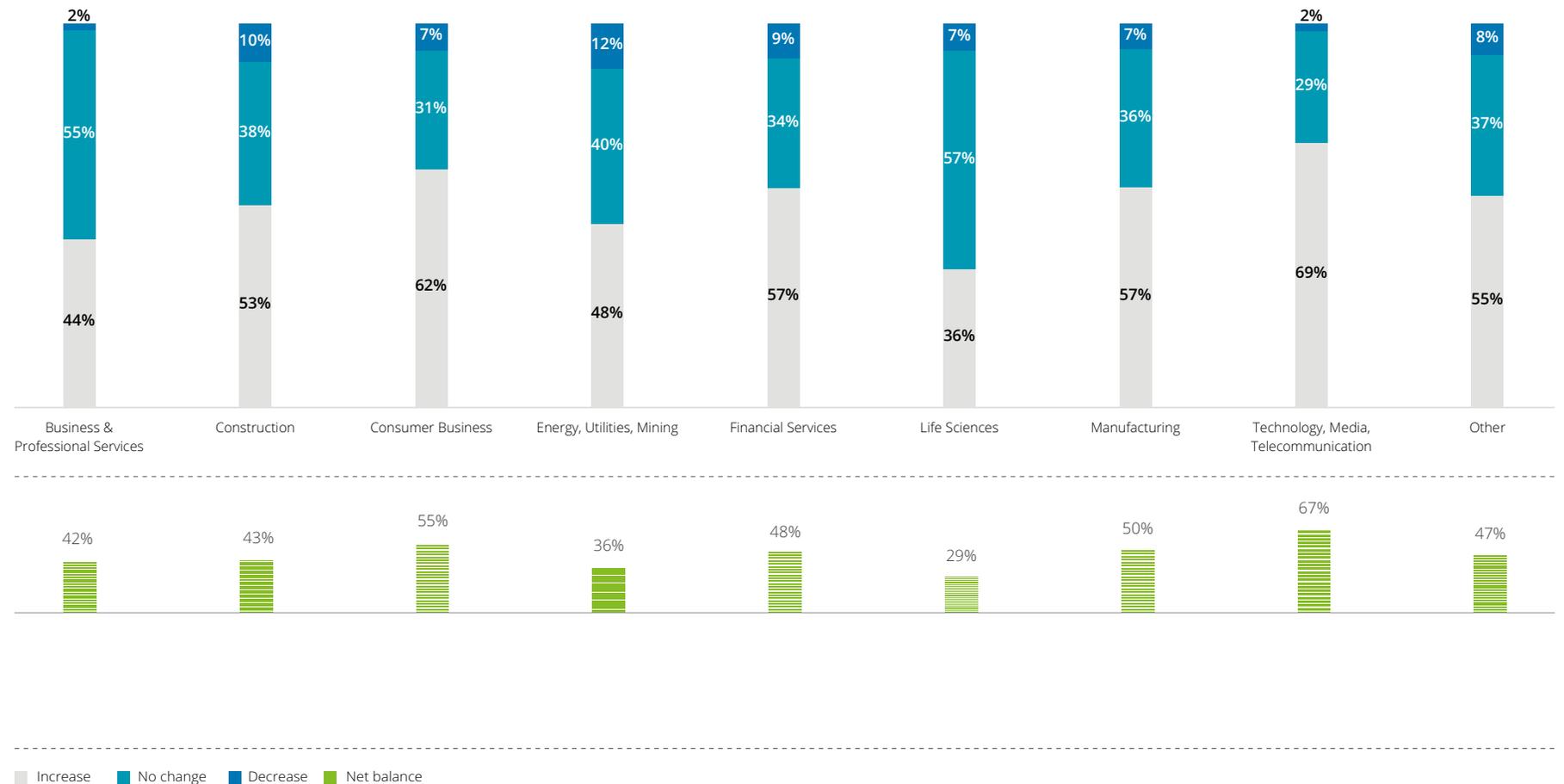
CFOs from Bulgaria (79%), Estonia (78%) and Slovenia (75%) are the most optimistic about the prospects of M&A transaction levels increasing in 2022. The net balance (the difference between those who expect M&A levels to increase and those who think it will fall) is lowest in Slovakia (22%) and Kosovo (25%).

Over the next 12 months, how do you expect M&A levels to change in your country?

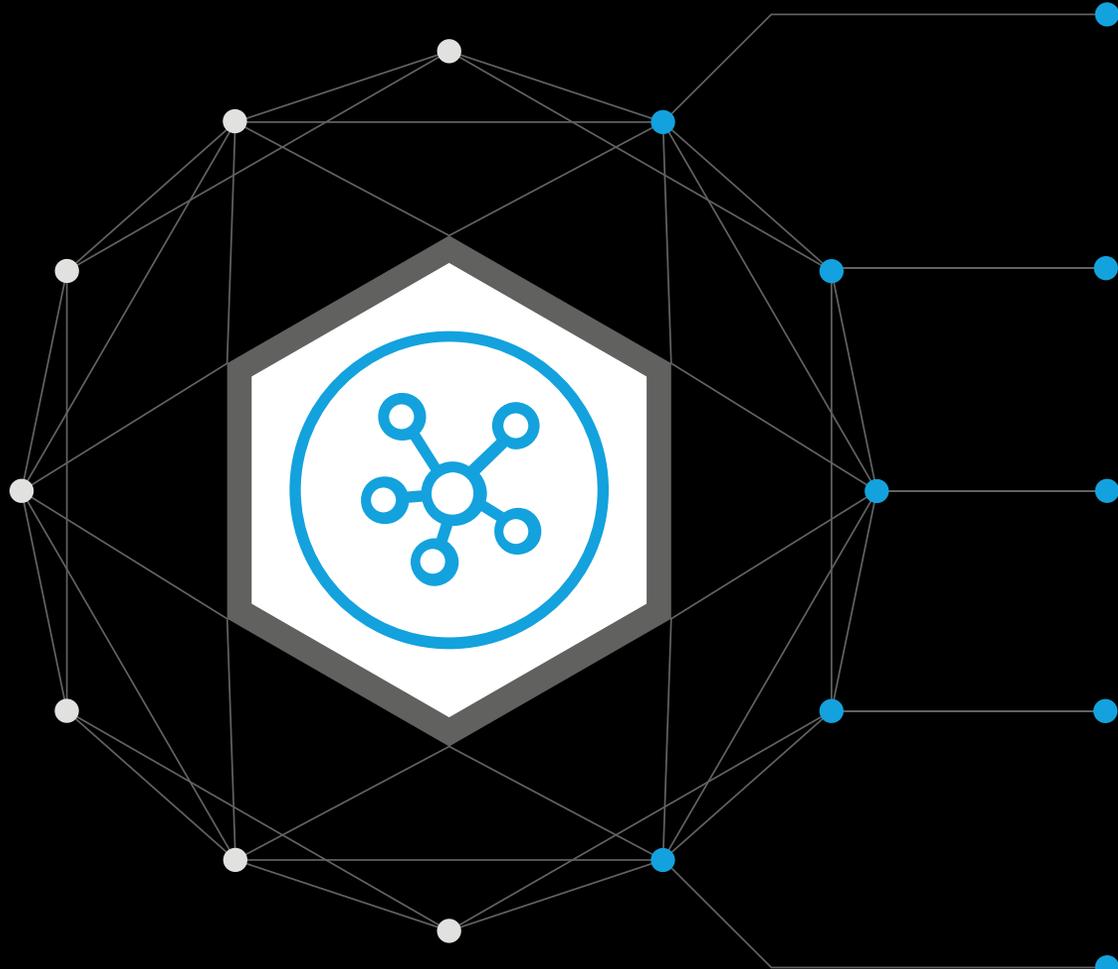


More than 60% of CFOs from the Technology, Media, Telecommunication (69%) and Consumer Business (62%) sectors expect an increase in the levels of M&A transactions in 2022. More than half of respondents from the Life Sciences (57%) and Business & Professional Services (55%) sectors expect no change in this area.

Over the next 12 months, how do you expect M&A levels to change in your country?



IV. Company growth outlook



40% of CFOs are optimistic about financial prospects for their companies.

CFOs' revenue expectations over the next 12 months brightened. 68% of CFOs expect higher revenues, and only 15% reduced ones.

37% of CFOs expect operating margins to increase, 31% predict it will stay at the same level.

About half (46%) the CFOs are planning an increase and only 13% are expecting to reduce their CAPEX spend.

40% of CFOs expect to expand the number of employees over the next 12 months, while only 13% assume a reduction.

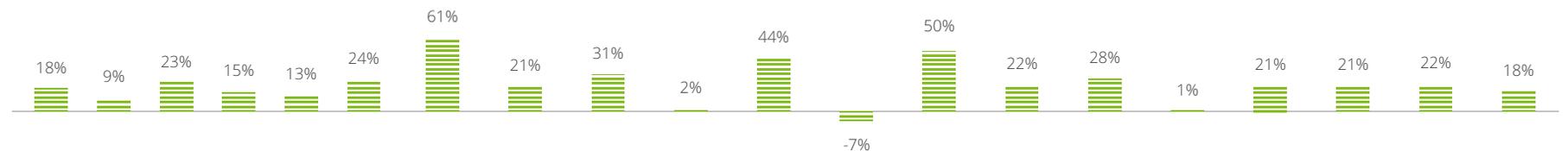
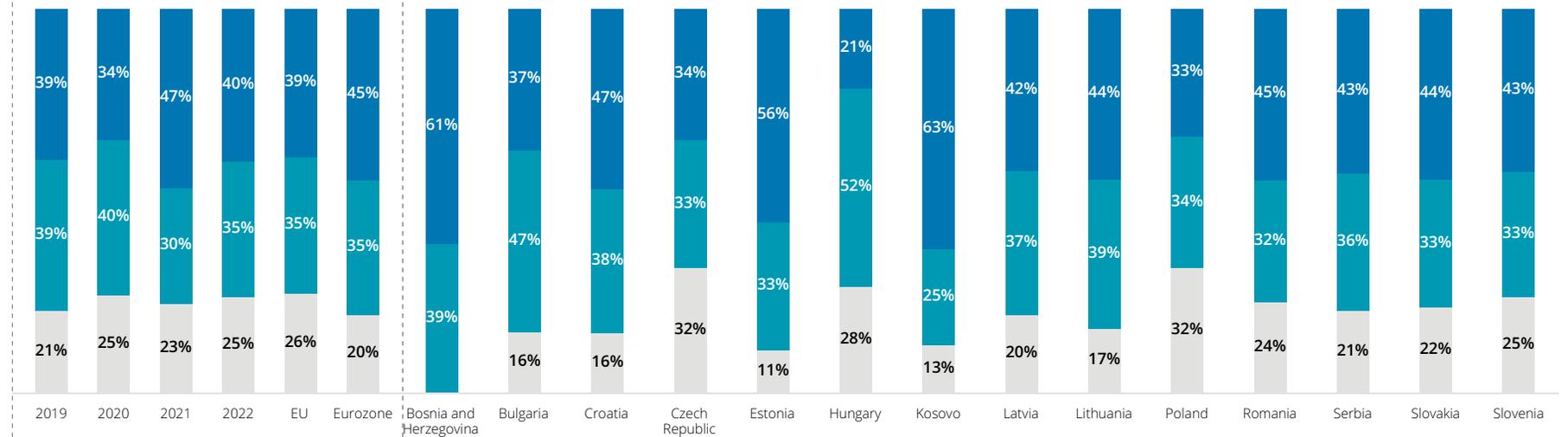
More optimism for companies' financial prospects

Economic activity has recovered further in recent quarters. Service sectors are bouncing back as lockdown measures have gradually eased. At the same time, demand for manufactured goods has rebounded – more quickly than expected by most firms. This has caused multiple supply-chain problems to emerge, such as material shortages and shipping/ delivery delays, which have also caused prices to rise. The economic outlook is somewhat clouded by these issues, which are not expected to fade in the near term.

CFOs participating in this year's edition of the survey are only slightly less optimistic than they were last year. 40% of CFOs are optimistic (compared with 47% last year), while one in three said they do not anticipate significant changes. When looking at the net balance of answers (defined as the difference between the share of positive and negative answers), we observed an 8pp decrease from 23% to 15%.

Business confidence has deteriorated in the EU countries. In 2021, 48% of CFOs said they were optimistic about the prospects for their companies. In 2022, this optimism fell to 39%. Sentiments in the Eurozone have not changed since last year.

Compared with six months ago, how do you feel about your company's financial prospects?



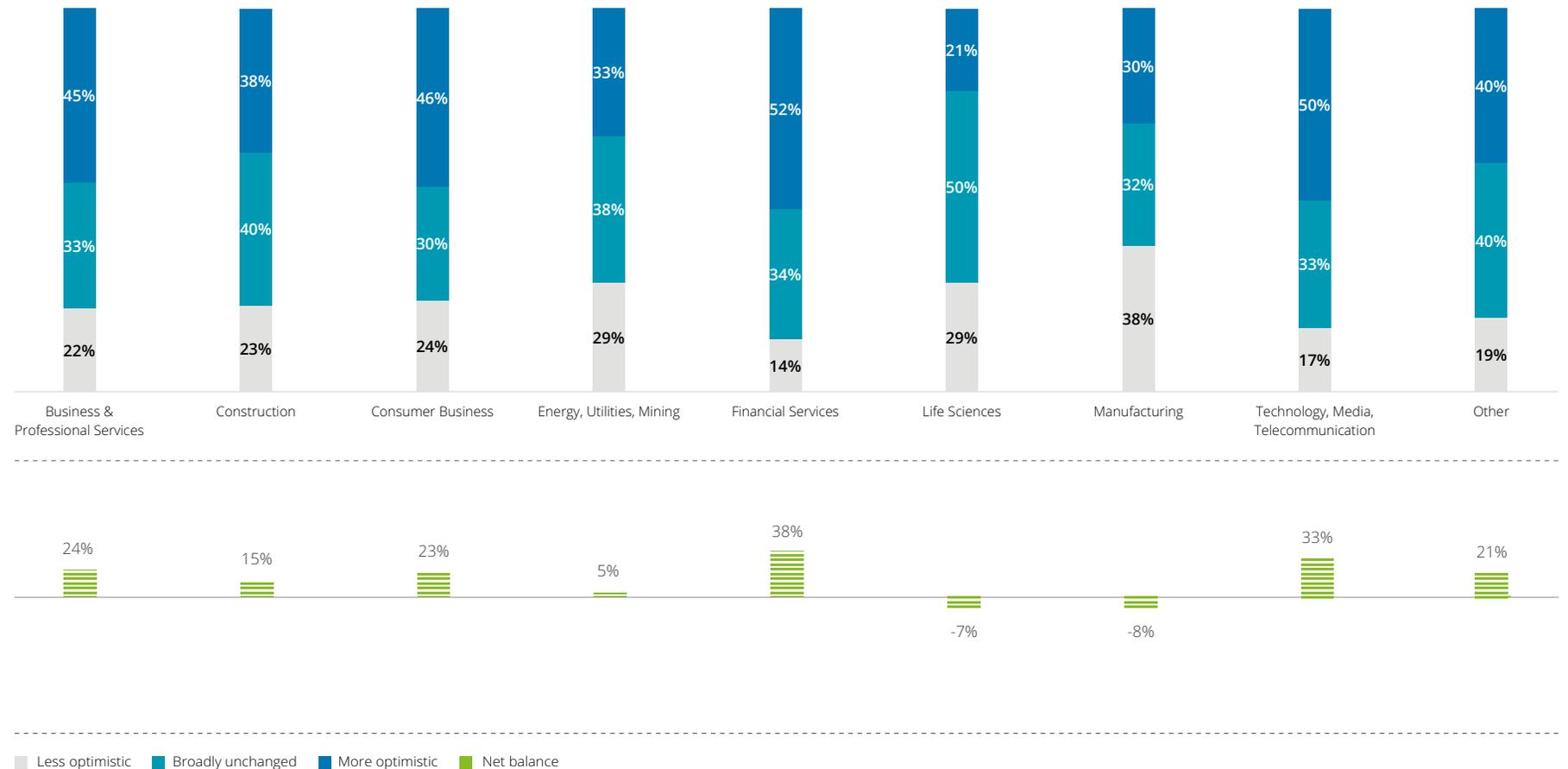
Legend: Less optimistic (grey), Broadly unchanged (teal), More optimistic (blue), Net balance (green)

As in 2021, there are considerable differences between countries. While 63% of CFOs in Kosovo and 61% of those in Bosnia and Herzegovina expect their companies' financial prospects to improve, only 21% of CFOs in Hungary share the same opinion. The most polarised opinions are those held by CFOs in Poland and the Czech Republic. In Poland, 33% expect their companies' financial prospects to improve, while 32% think they will get worse. In the Czech Republic, the equivalent results stand respectively at 34% and 32%.

CFOs from the Financial Services and Technology, Media, Telecommunication sectors show the highest percentage of positive expectations for their financial prospects in 2022, with 52% and 50% respectively feeling more optimistic than a year ago.

The most pessimistic expectations are among CFOs from the Energy, Utilities, Mining, the Life Sciences and Manufacturing sectors where 29% and 38% respectively regard financial prospects for their companies as less positive. CFOs from the Financial Services sector recorded the biggest increase in optimism (up from a net balance of 20% in 2021 to 38% in 2022). Apart from those in the Life Sciences and Manufacturing sectors, CFOs' expectations for their financial prospects in 2022 were definitely more optimistic than in 2021.

Compared with six months ago, how do you feel about your company's financial prospects?

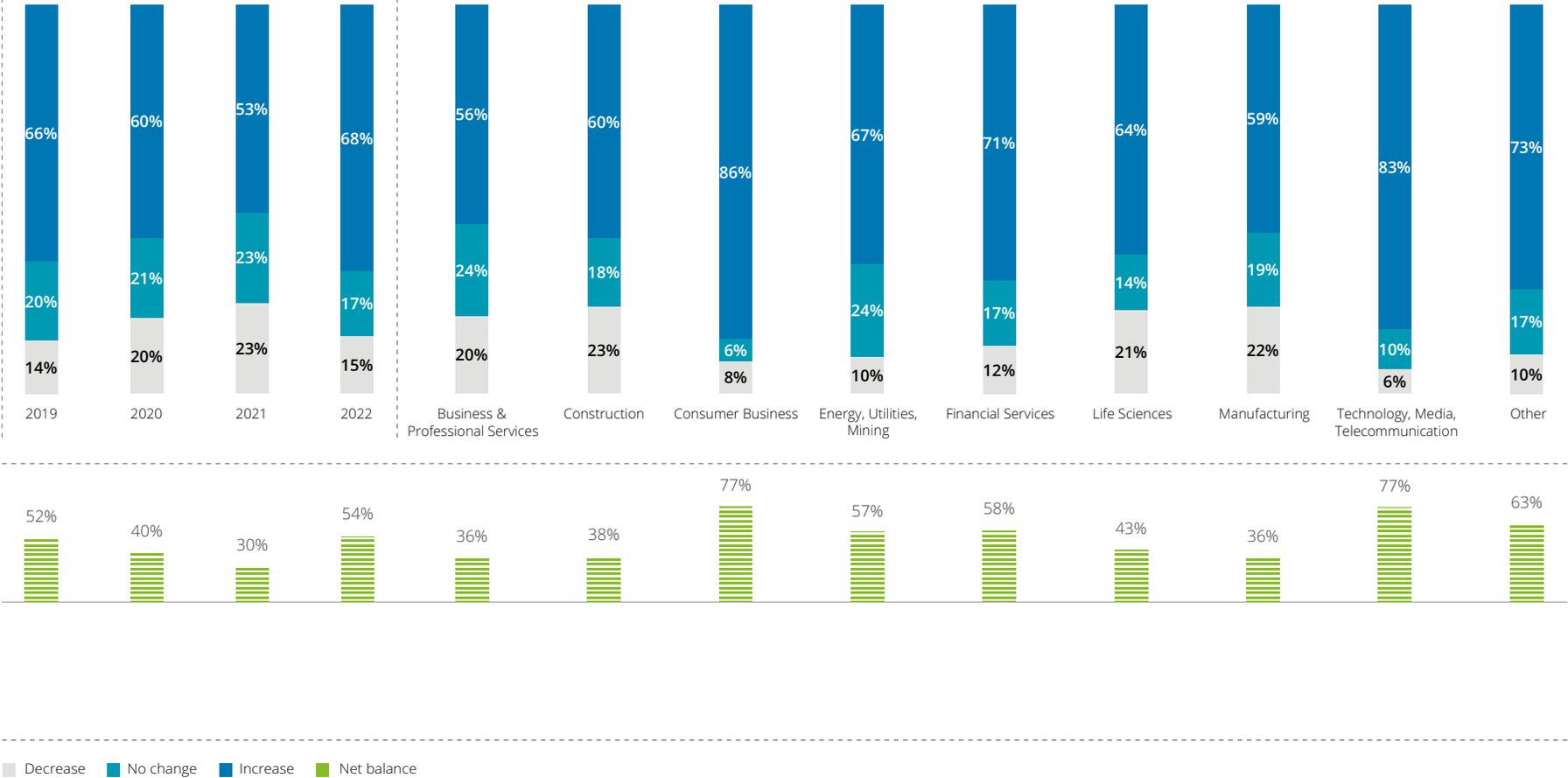


Broad expectations of revenue recovery

As economic activity has continued to recover, respondents no longer see weak demand as a major problem. Rather, CFOs are facing a number of supply-side issues, such as a shortage of skilled professionals, increasing regulation and high commodity prices. Nevertheless, CFOs' revenue expectations over the next 12 months have brightened, with 68% expecting an increase only 15% a reduction. The proportion of CFOs expecting revenues to increase in 2022 (68%) was 15pp higher than in 2021.

There is an upwards trend in all industries, with both the Technology, Media, Telecommunication and Consumer Business sectors recording a net balance of 77%. CFOs in the Financial Services and Technology, Media, Telecommunication sectors displayed the biggest increase in net balance (respectively up from 24% in 2021 to 58% in 2022, and from 31% in 2021 to 77% in 2022).

In your view, how are your company's revenues likely to change over the next 12 months?



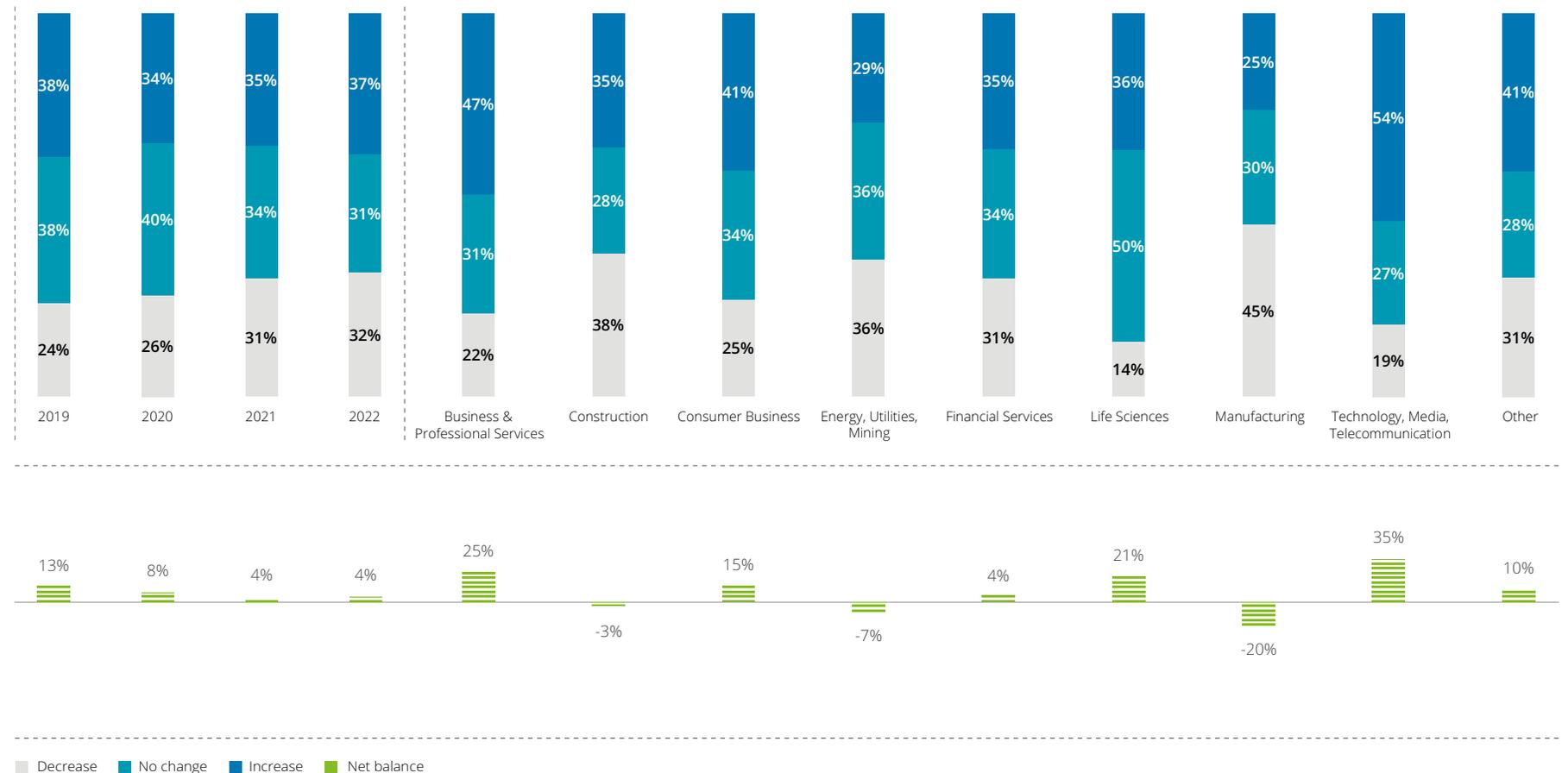
Expectations for operating margins remain evenly distributed

Similar to last year, predictions of the operating margins that businesses will achieve over the next 12 months are evenly distributed. 37% of CFOs expect operating margins to increase, 31% predict them to stay at the same level, and 32% anticipate a decrease. As in 2021, the net balance stands at 4%.

CFOs in the Manufacturing, the Energy, Utilities, Mining, and the Construction sectors expect a decrease, rather than an increase, in their operating margins: the net balance for all of them has fallen below zero. The expectations of CFOs in Manufacturing in particular have deteriorated more than in any other industry since last year, from a net balance of 9% in 2021 to -20% in the current year.

The expectations of CFOs in the Business & Professional Services and the Technology, Media, Telecommunication sectors have improved considerably since last year, respectively from a net balance of 6% to 25%, and from -2% to 35%.

In your view, how are operating margins for your company likely to change over the next 12 months?

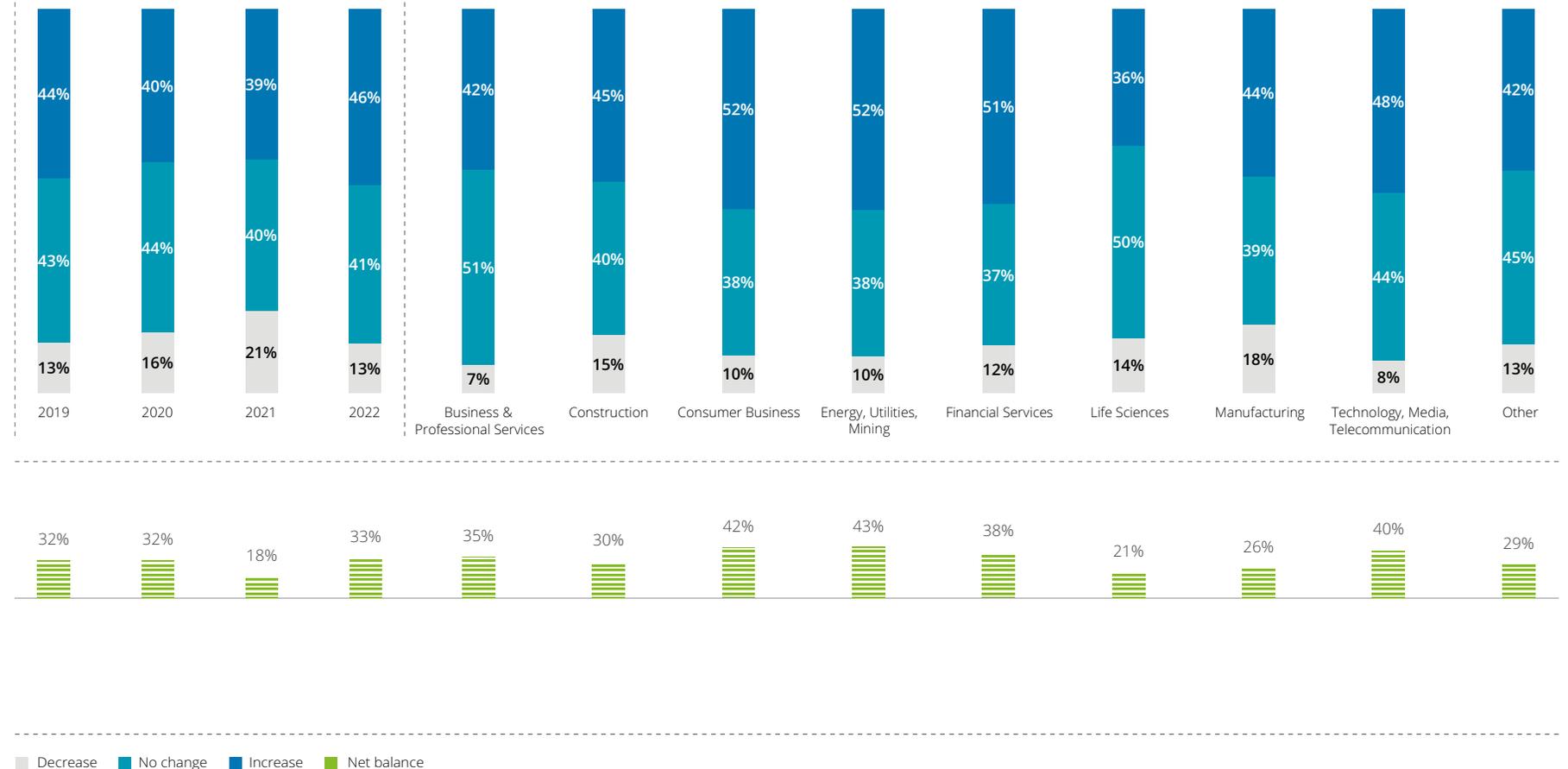


Investment plans become more positive

Expectations for capital expenditures (CAPEX) over the next 12 months have improved slightly. About half (46%) the participating CFOs are planning an increase, and only 13% expect to reduce their CAPEX spend. The net balance rose from 10% in 2021 to 33%.

Last year, CFOs from the Business & Professional Services sector were the most negative, with 38% expecting a fall in their companies' CAPEX during 2021. In 2022, these CFOs delivered the biggest increase in net balance (+50pp), followed by those from Technology, Media and Telecommunication (+36pp) and Construction (+35pp).

In your view, how is your company's capital expenditure (CAPEX) likely to change over the next 12 months?

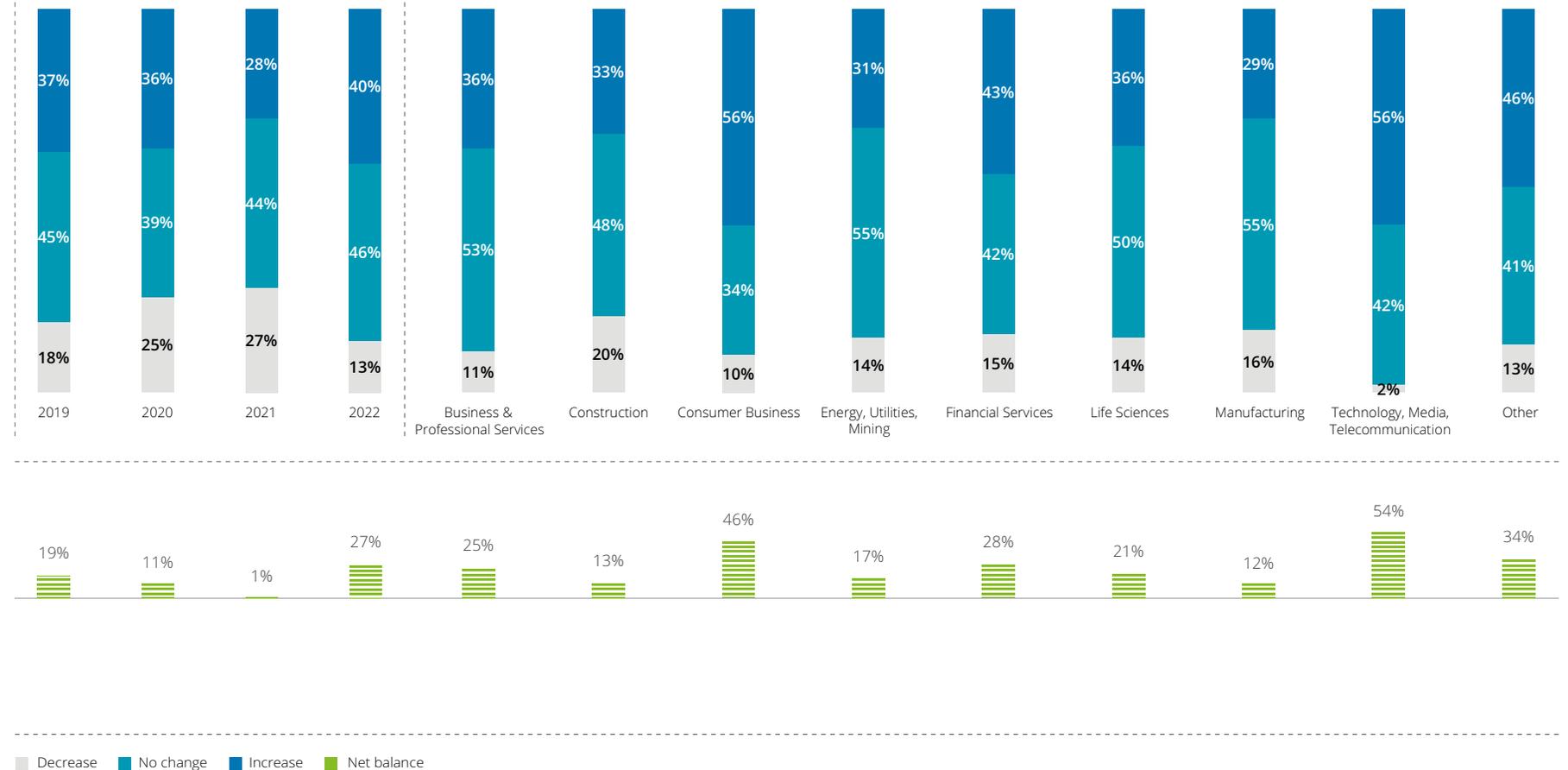


Employment expectations continue to strengthen

The survey results also reveal that CFOs have significantly revised upwards their plans for future recruitment when compared with last year. 40% of CFOs expect to grow employee numbers over the next 12 months, while only 13% foresee a reduction. The net balance therefore increased from 1% to 27%, the highest since 2019. As companies' hiring plans are so strong, it is unsurprising that the shortage of skilled labour has become so pronounced and is seen increasingly by CFOs as a risk. Recruitment expectations were up in all industries.

In 2022 CFOs from the Consumer Business sector delivered the biggest increase in net balance (+42pp), followed by Financial Services (+39pp), TMT (+38%) and Life Sciences (+37%).

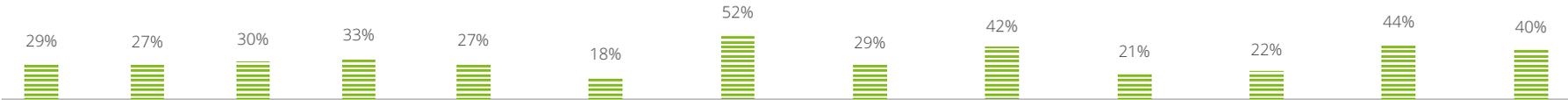
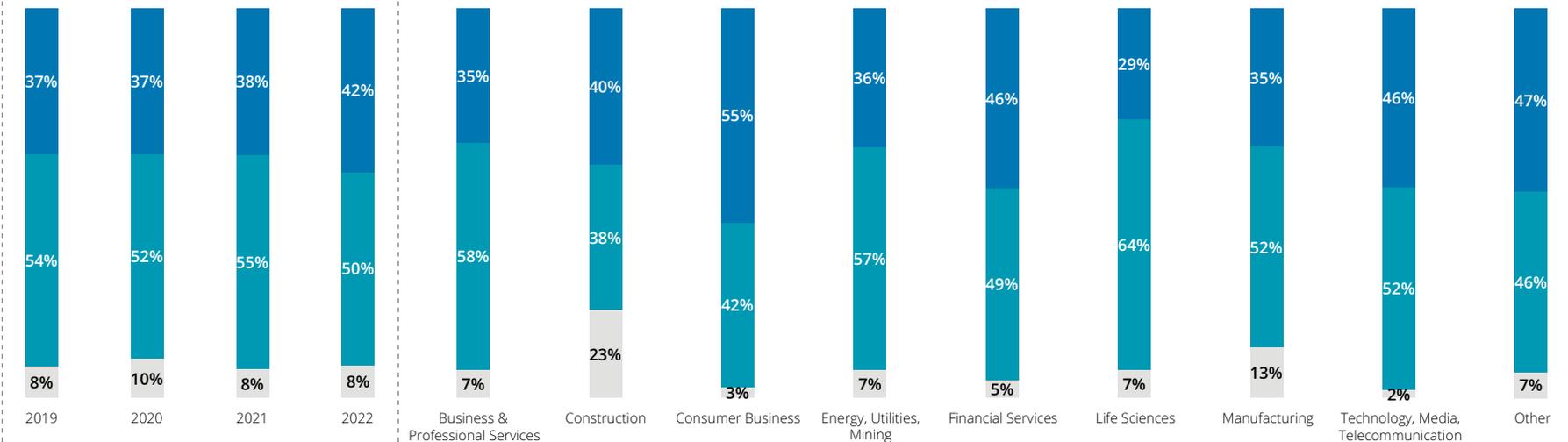
In your view, how is the number of employees in your company likely to change over the next 12 months?



Debt servicing looks stable once more in 2022

CFOs' views on their companies' ability to service debt over the next three years remains largely unchanged, with 92% expecting it either to increase or remain the same. CFOs from the Consumer Business sector are the most optimistic, with 55% expecting their organisations to improve and only 3% anticipating a decrease in this area.

Over the next three years, do you expect your ability to service your debt to:



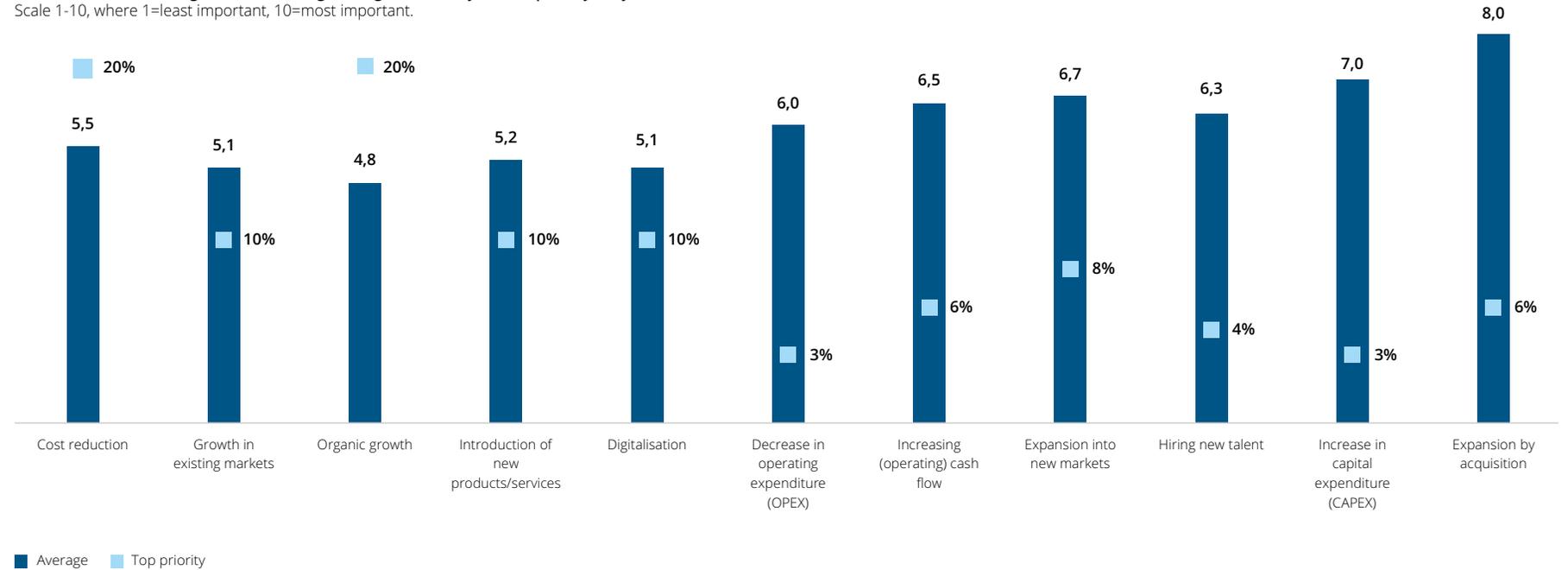
Decrease No change Increase Net balance

Strategic priorities for CFOs

Survey participants report that they are on an expansionary course. There are visible variations in the levels of importance that CFOs attribute to different strategies, ranging (on a 1-10 scale) from 4.8 for organic growth to 8.0 for expansion through acquisition.

Similarly to last year, cost reduction is set to be a priority for businesses in 2022, with 20% of CFOs putting it at the top of their agendas (a significant decrease from 32% last year). CFOs are also seeking organic growth (the top priority for 20%), probably to win back or gain greater market share in the post-pandemic world. CFOs are also focusing on growth in existing markets, and on introducing new products/services and digitalisation to remain competitive and be better prepared for future challenges.

Please state to what degree the following strategies are likely to be a priority for your business over the next 12 months?
Scale 1-10, where 1=least important, 10=most important.

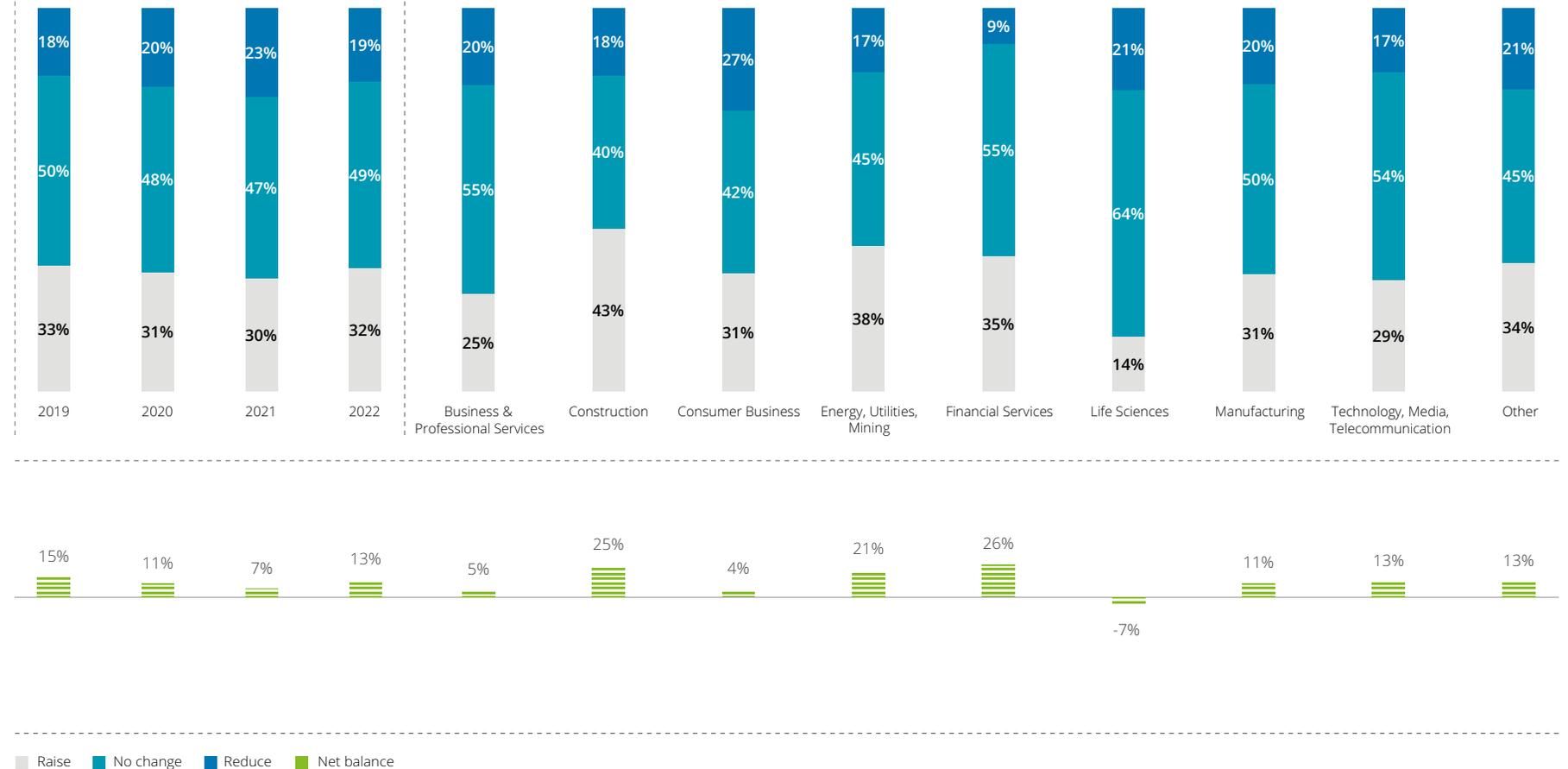


Gearing levels remain steady in 2022

The next 12 months are unlikely to bring significant changes to companies' gearing levels, with 49% of CFOs expecting no change in this area. Within industries, respondents from the Life & Sciences sector have the most pessimistic outlook, with 21% expecting their level of gearing to decline and 64% thinking it will stay at the same level as in 2021.

The expectations of CFOs in the Financial Services and Construction sectors, on the other hand, recorded a net balance of respectively 26% and 25%, the highest among all industries (with 35% and 43% expecting their level of gearing to increase).

What is your aim for your level of gearing over the next 12 months?



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