



IMPACT AND OUTLOOK ON COVID-19 FOR SWEDISH COMPANIES WITH U.S. OPERATIONS

SURVEY DATE: OCTOBER 2020
REPORT FROM TEAM SWEDEN USA



KEY CONTRIBUTORS FOR THIS REPORT

EMBASSY OF SWEDEN, USA

BUSINESS SWEDEN, USA

SWEDISH AMERICAN CHAMBERS OF COMMERCE

CONSULATE GENERAL OF SWEDEN IN NEW YORK

© Team Sweden USA 2020, all rights reserved. This study may not be reproduced either in part or in full without prior written consent of Team Sweden and its constituents in the USA

EXECUTIVE SUMMARY

SIGNS OF RECOVERY APPEAR IN THE U.S. AND SWEDISH COMPANIES SHOW GROWING OPTIMISM FOR THE FUTURE

The U.S. economy grew in the third quarter at a record pace of 7.4% (33.1% at an annual rate) signaling some much-needed economic recovery is occurring. The sign of growth has been welcomed since the U.S. economy contracted at an annualized rate of 31.7% in the second quarter. Furthermore, in September, the unemployment level decreased to 7.9%, down from a high of 14.7% in April. While signs show that the U.S. is on the road to recovery, the coming months may present new challenges as COVID-19 cases continue to rise, causing new restrictions in some regions, potentially signaling the U.S.'s trajectory may slow in the fourth quarter. Nevertheless, it appears the U.S. is eager to continue on the road to recovery, presenting new opportunities in the world's biggest economy for business, including for Swedish companies.

This positive outlook also shows among Swedish companies operating in the U.S. as seven out of 10 companies have fully recovered or are in the recovery phase. Over 25% of companies stated they have fully recovered with their operations at pre-pandemic levels while one out of 10 companies have seen their operations expand during the pandemic, particularly in the Digital Technology and Healthcare & Life Science sectors. However, 15% of respondents are still not in the recovery phase. The most recovered industries include Business Services, Energy & Infrastructure and Transportation & Automotive. Materials & Mining and Consumer Products & Services have experienced the least recovery.

70% of Swedish company respondents are currently experiencing some degree of negative impact in the U.S. due to the pandemic, which is down from 85% reported in the survey conducted in June 2020, revealing Swedish companies are seeing recovery in the market. When looking at Swedish companies' perceived impact, there is more optimism, especially in the coming year. In fact, 45% of companies anticipate having no impact or positive impact from COVID-19 in 12 months' time.

The survey results showed that Swedish companies operating within Digital Technology, Business Services and Transportation & Automotive sectors are the most optimistic while the sectors of Industrials, Materials & Mining and Energy & Infrastructure expect to still have some degree of negative impact in one year.

INVESTING IN DIGITAL TECHNOLOGIES & EXPANDING INTO NEW SEGMENTS HELP SWEDISH COMPANIES TO STAY RESILIENT

In order to stay resilient through the pandemic, Swedish companies have taken a multifaceted approach with the most common strategy being to develop digital technologies (55%), allowing for more remote operations and the ability to work from home when possible. The second most important strategy for Swedish companies' U.S. operations has been to focus on their employees' wellbeing and safety (45%) followed by repositioning brand and/or rethinking customer needs (28%) and undergoing a reorganization (28%). Through the pandemic, Swedish companies' U.S. operations have put little emphasis on acquiring new businesses (3%), divesting parts of their business (4%) or working with local governments (7%) such as on regulations, reskilling and creating/fortifying ecosystems.

Developing digital technologies was the most prevalent and was particularly notable in Consumer Products & Services, Industrials and Materials & Mining. Digital Technology companies were investing in R&D and innovation more than any other sector to stay resilient, while Transportation & Automotive focused on forming new partnerships and collaborations more than other industry group surveyed.

As Swedish companies look to take market share in the U.S., respondents are focusing their efforts on expanding into new product segments and customer segments and developing new market partnerships and sales partners. It is likely these two strategies go hand in hand for some companies who seek partners as they advance into new segments. One out of five respondents reported that new investments are on hold, signaling that many companies are still focusing on their core business in the U.S. market.

Respondents across all industries, sizes and time established in the U.S. revealed the top business priorities both at present and at the end of the crisis is to focus on customer relations and maintaining their core business. At the end of the crisis, increasing sales efforts will become 10% more important for Swedish companies' U.S. operations and capturing new growth/revenue streams will become 9% more important, compared to the priorities at present.

SWEDISH COMPANIES PLAN TO INCREASE U.S. COMMITMENT IN THE FUTURE REGARDLESS OF ELECTION WINNER

Nine out of 10 Swedish companies' U.S. operations plan to increase commitment or maintain pre-pandemic commitment levels. Swedish companies that have been newly established in the U.S. (less than three years) and experienced companies (with four to 19 years in the U.S.) were most likely to increase commitment as well as small- and mid-sized companies compared to companies with 20+ years' experience in the U.S. and large-sized companies. Overwhelmingly, 86% of Digital Technology companies surveyed stated they plan to increase commitment to the U.S. market, more than any other industry.

The majority of Swedish companies plan to maintain commitment level regardless if President Donald J. Trump is re-elected or if former Vice President Joe Biden is elected. However, one in three companies plan to increase commitment to the U.S. if Biden wins while one in five plans to increase commitment if Trump wins.

RESPONDENTS REPRESENTED COMPANIES FROM A WIDE VARIETY OF INDUSTRIES, SIZE AND MATURITY LEVELS

Over 70 management level executive respondents from Swedish companies in the U.S. responded to the survey. Companies were defined as "Swedish" when their headquarter resides in Sweden and there is also a local U.S. subsidiary attached to the AB. Respondents represented small companies (48%) with 49 employees globally or fewer, medium companies (36%) with 50 to 499 employees globally and large companies (16%) with 500 or more employees globally. The companies surveyed had varying years' experience in the U.S. market ranging from less than a year to being established more than 20 years. A diverse range of business areas are represented and are grouped into eight industry categories: Business Services, Consumer Products & Services, Digital Technology, Energy & Infrastructure, Healthcare & Life Science, Industrials, Materials & Mining and Transportation & Automotive. Furthermore, business operations across all U.S. regions (i.e. Northeast, Midwest, West and South) are represented including companies that operate nationwide.

ABOUT THE SURVEY

A REPRESENTATIVE RESPONDENT GROUP

The U.S. continues to be one of the hardest hit countries in the world by the COVID-19 pandemic, prompting Team Sweden USA to carry out a follow-up survey in order to better understand how Swedish companies' U.S. operations are doing as they focus on recovery efforts and aim to gain market share.

The follow-up survey was conducted in October 2020 and investigates the business climate in the U.S. given the ongoing health and economic crisis while also exploring the impact the U.S. election may have on Swedish companies' commitment to the U.S. market. The original survey, conducted in June 2020, focused on the impacts of COVID-19, explored stimulus options available to these firms in the U.S. and looked into trade policy and supply chain. A Swedish company categorized as Swedish refers to a company whose headquarter resides in Sweden and has a local U.S. entity.

Over 70 management level executives across all U.S. regions from 20 industries took the survey. The web-based survey contained 23 questions and included open-ended questions for further feedback and insights.

This report is presented in three main sections, beginning with the current state of recovery of Swedish businesses in the U.S. Second, the report covers Swedish companies' strategies for recovery and growth in the U.S. investigating the investments and initiatives Swedish companies are making to gain market share and stay resilient as the crisis continues. Lastly, Swedish companies' commitment to the U.S. market is explored, taking into consideration the upcoming U.S. presidential election. The findings are further segmented and analyzed by looking into the implications given company size, industry, and time established in the U.S.

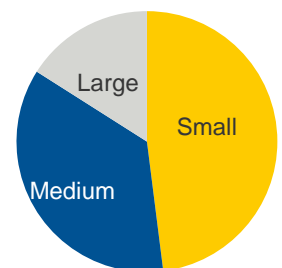
Out of the respondents, 16% were large-sized companies with 500 or more employees globally, 36% were medium-sized companies with 50 to 499 employees globally and 48% were small-sized companies with 49 global employees or less.

Experienced companies, which describes companies that have been established in the U.S. between three and 19 years, constituted the largest group of respondents at 40%. Newcomers, who have been established less than three years in the U.S., made up 31% of respondents was the next largest group, followed by Mature companies, which have been established more than 20 years in the U.S., made up 29% of respondents.

Those surveyed represented Swedish companies with operations in all regions of the U.S. with 55% stating they had a national U.S. presence, 16% mainly operated in the Northeast, 12% in the West, 12% in the Midwest and 5% in the South.

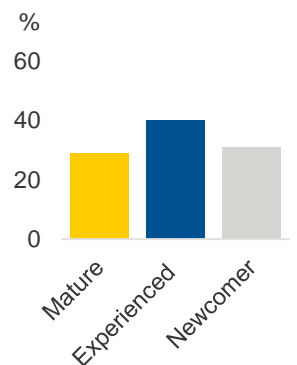
Respondents represented a diverse range of business areas and are grouped into eight industry categories: Business Services¹ represented 14% of respondents, Consumer Products & Services² (20%), Digital Technology³ (23%), Energy & Infrastructure⁴ (8%),

SIZE OF COMPANIES



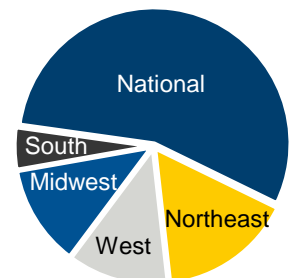
NOTE: Global employees. Large >500. Medium 50-499. Small 0-49.

YEARS IN THE U.S.



NOTE: Mature (20+ years). Experienced (3-19 years). Newcomer (3 years or less)

GEOGRAPHICAL REACH



NOTE: Surveyed companies' main presence: 55% National presence. 16% Northeast. 12% West. 12% Midwest. 5% South.

¹ Business Services includes consulting, financial services, marketing, legal services, etc.

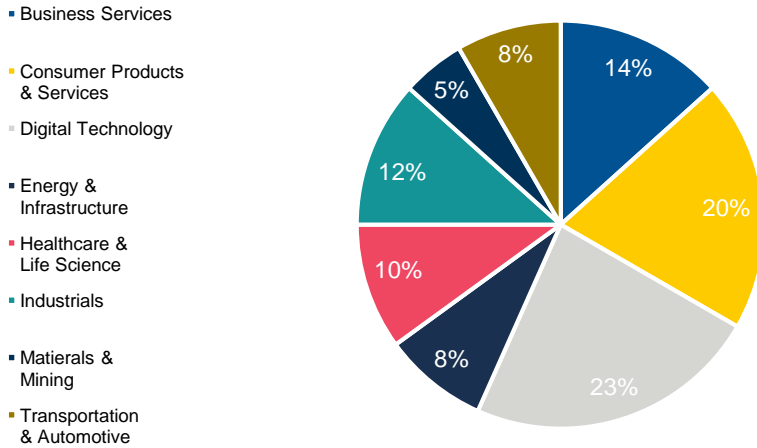
² Consumer Products & Services includes beverage/food, consumer goods, retail/wholesale

³ Digital Technology includes IT/electronics and telecommunications

⁴ Energy & Infrastructure includes construction/building, heating/ventilation, energy/electricity and Water/waste/recycling

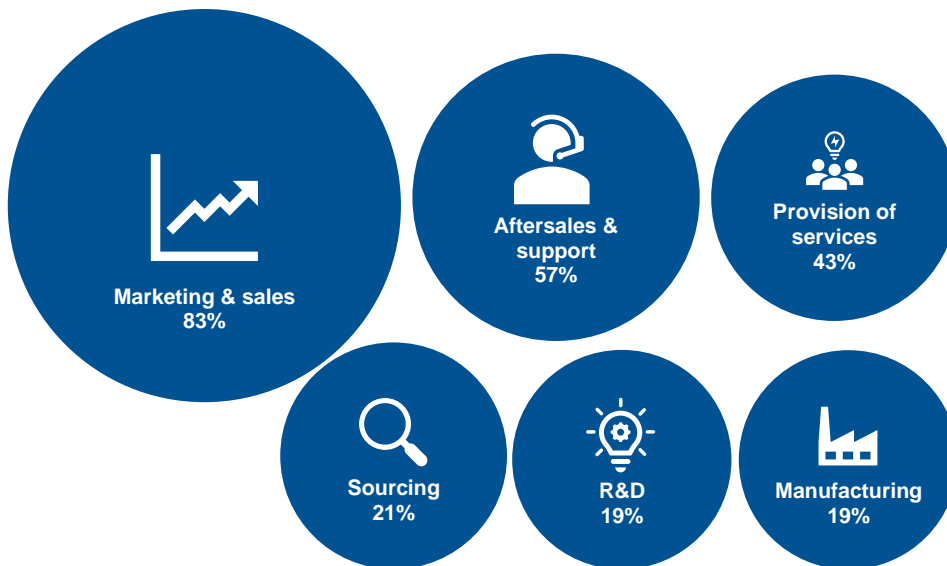
Healthcare & Life Science⁵ (10%), Industrials⁶ (12%), Materials & Mining⁷ (5%) and Transportation & Automotive⁸ (8%).

INDUSTRIES REPRESENTED



Swedish companies conveyed via the survey that they carried out a variety of activities locally and could select multiple answers to express all of the operations performed in the U.S. The companies surveyed perform the following operations: 83% marketing and sales, 57% aftersales and support, 43% provision of services, 21% sourcing, 19% research and development and 19% manufacturing, production and/or assembly.

OPERATIONS CARRIED OUT IN THE U.S.
(Companies were allowed to select more than one answer)



SOURCE: Impact of COVID-19 on Swedish Companies in the U.S. Survey (June 2020)

Our ambition for this report has been to provide a follow up and more forward-looking snapshot into how Swedish companies' U.S. operations are managing in the recovery phase to ensure continued success in the U.S. market.

⁵ Healthcare & Life Science includes healthcare, medical and pharmaceuticals
⁶ Industrials includes industrial equipment
⁷ Materials & Mining includes chemicals/plastics, containers/packaging, forest products/paper
⁸ Transportation & Automotive includes aerospace, automotive, transportation

CURRENT RECOVERY STATUS & COVID-19 IMPACT

SIGNS OF RECOVERY APPEAR IN THE U.S. AS SWEDISH COMPANIES SHOW OPTIMISM FOR THE FUTURE

The U.S. continues to be one of the hardest hit countries in the world by COVID-19 with a heterogenous as opposed to a national approach to reopening the economy, as some states continue to impose restrictions while others operate almost normally.

Many measures put in place at the beginning of the crisis remain, such as the international travel restrictions (including the U.S. restrictions toward countries in the Schengen Area and the EU travel restrictions on the U.S.), creating additional challenges for Swedish companies. Public gatherings are limited in most states, working from home is encouraged for non-essential workers and some schools and universities hold in-person classes while others continue fully remote or offer a hybrid learning solution. Social distancing and mask wearing are recommended by health officials and mandatory in most states.

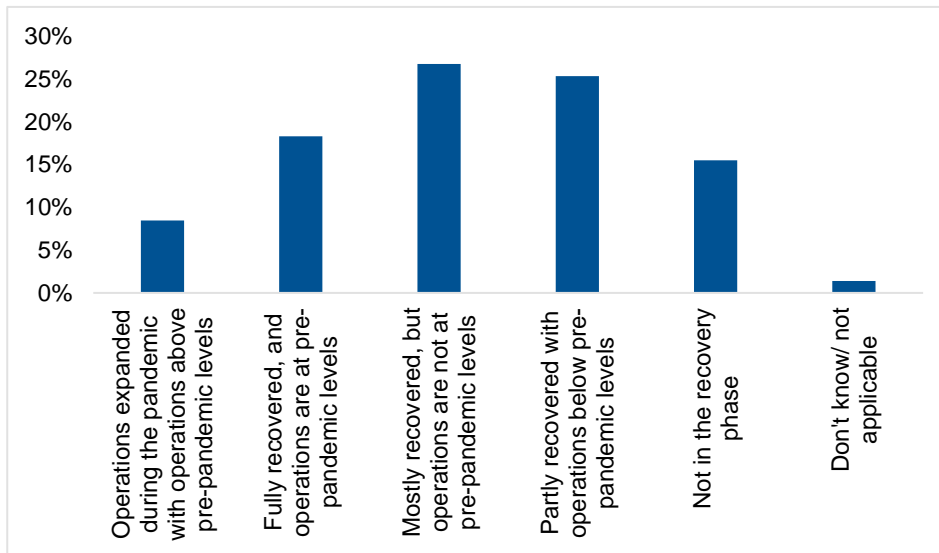
Although fiscal measures amounting to nearly 14% of U.S. GDP were implemented to ameliorate the impacts of COVID-19 on the U.S. economy, many of the funds have run out and some aid packages have expired. For example, the stimulus provided to the U.S. airline industry, which has announced layoffs for thousands of workers. President Trump and Congress have been negotiating a second stimulus bill the last few months without success and the discussions will probably continue after the elections. Many Swedish companies and other foreign companies operating in the U.S. are eligible to apply for federal stimulus and therefore it is expected that a second stimulus bill could benefit the recovery efforts of Swedish companies' U.S. operations. Over half of the surveyed Swedish companies with U.S. operations applied for some type of U.S. federal stimulus earlier this year.

Job growth slowed sharply in September, as U.S. employers added 661,000 new workers, which is the third straight month of slowing job growth. The unemployment level decreased to 7.9% in September primarily driven by people leaving the workforce, especially women. Although the U.S. economy contracted at an annualized rate of 31.7% in the second quarter, the U.S. economy grew in the third quarter by 33.1% signaling some economic recovery is occurring. However, cases continue to rise as the U.S. enters the winter months, with some regions experiencing new restrictions, potentially signaling the U.S.'s trajectory may slow in the fourth quarter.

Swedish survey respondents signaled that their U.S. operations had begun to experience some recovery. Seven out of 10 companies reported that they are fully recovered from the impacts of the pandemic or are currently in the recovery phase. While negative impact was still observed in the respondents, the impact appears to be less severe than the previous June survey with companies reporting a more optimistic outlook for recovery and new growth.

▶ **The U.S. economy grew in the third quarter at an annualized rate of 33% signalling recovery is taking place in the market**

WHAT IS THE CURRENT STATUS OF YOUR U.S. OPERATIONS IN REGARD TO THE IMPLICATIONS OF COVID-19?



SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

Swedish company respondents reported that their U.S. operations are on the road to recovery as seven out of 10 companies have fully recovered or are in the recovery phase. Over 25% of companies stated they have fully recovered with their operations at pre-pandemic levels while one out of 10 companies have seen their operations expand during the pandemic. However, 15% of respondents are still not in the recovery phase.

The most recovered industries include Business Services, Energy & Infrastructure and Transportation & Automotive. When looking at the size of companies, 1 out of 5 medium-sized companies have fully recovered compared to one out of six small-sized companies and only one out of 10 large-sized companies. This may be attributed to smaller and medium companies having leaner operations and their eligibility to receive federal stimulus as large multi-nationals were often exempt due to their size.

Companies operating in the Digital Technology and Healthcare & Life Science sector have seen their operations expand during the pandemic, 29% and 17%, respectively. The remote nature of work and schooling, people spending more time at home and many physical businesses unable to operate due to restrictions have further boosted the demand for Digital Technology products and services in the U.S. As the U.S. continues to look for a cure to COVID-19 and consumers become more health conscious, an expansion of Healthcare & Life Science companies is likely.

Overall, Materials & Mining and Consumer Products & Services have experienced the least recovery with 33% and 25%, respectively, not in the recovery phase, with companies in neither industry reporting expansion of operations. Companies in these sectors were likely negatively impacted due to restrictions put in place that stopped or limited their operations altogether as many factories, mining sites, retail locations and restaurants were deemed non-essential. These companies also had the extra challenge of ensuring safety measures such as social distancing and personal protective equipment for employees and

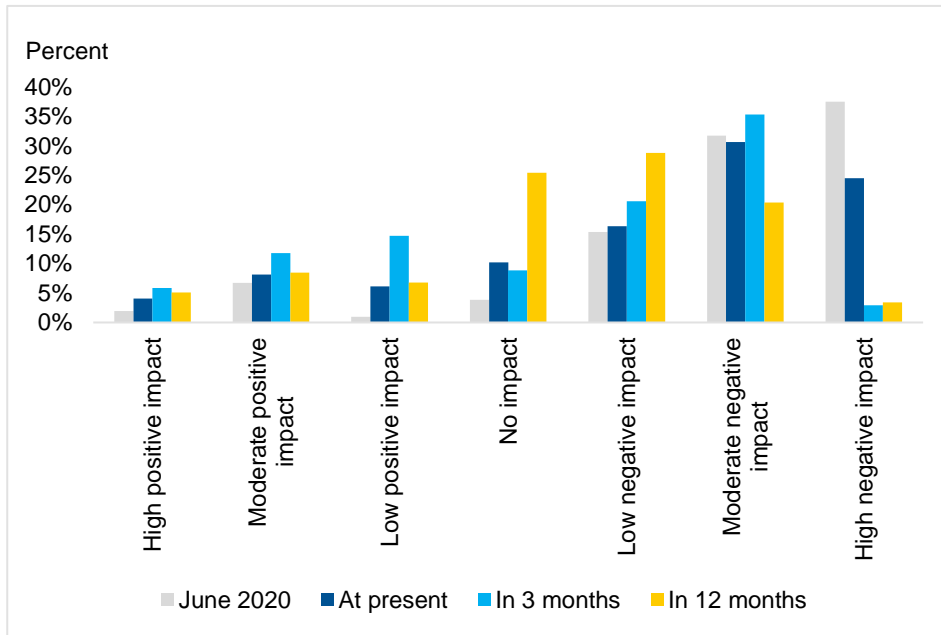
▶ **7 out of 10 respondents stated their U.S. operations have fully recovered or are in the recovery phase**

“ We are experiencing high negative impact at present, but in the next months we expect only moderate negative impact.

- Medium-sized, Consumer Goods & Services Company

in some cases guests before resuming operations. Newcomers with less than three years in the U.S. were more likely to not yet be in the recovery phase (21%) when compared to Experienced (8%) and Mature companies (15%).

HOW MUCH HAS COVID-19 IMPACTED YOUR BUSINESS AT PRESENT AND HOW MUCH DO YOU EXPECT TO BE IMPACTED IN 3 AND 12 MONTHS?



“ I would not say we have experienced growth yet, but we have attracted some new customers and expect to see growth in the future. We are happy and optimistic about that.

- Small-sized, Energy & Infrastructure Company

SOURCE: Impact of COVID-19 on Swedish Companies in the U.S. Survey (June 2020), Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

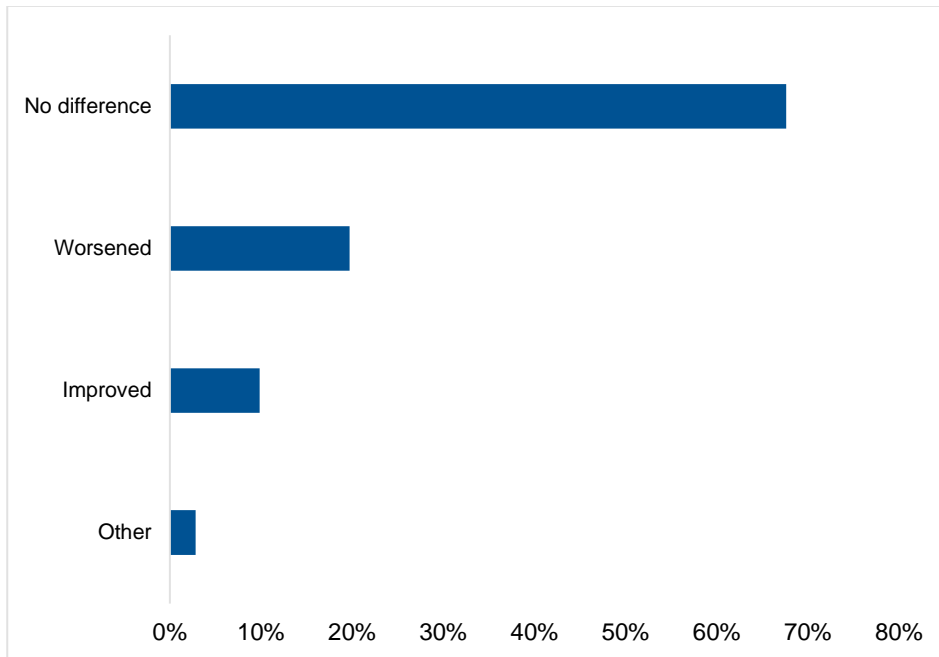
70% of Swedish company respondents are currently experiencing some degree of negative impact due to the pandemic; This number has decreased from the 85% of respondents who reported some degree of negative impact in the June 2020 survey, revealing Swedish companies are seeing recovery in the U.S. When looking at Swedish companies' perceived impact, there is more optimism, especially in the coming year. In fact, 45% of companies anticipate having no impact or positive impact from COVID-19 in 12 months' time.

The survey results showed that Swedish companies operating within Digital Technology, Business Services and Transportation & Automotive sectors are the most optimistic while the sectors of Industrials, Materials & Mining and Energy & Infrastructure expect to still have some degree of negative impact in one year. This may be related to companies' ability to continue operations more virtually, as certain industries have limitations due to their nature of operations, such as Mining and/or are at different places when it comes to digital transformation, such as Digital Technology companies being digital natives.

At present, Mature (83%) and Newcomer (73%) companies were experiencing the most negative impact. Large (86%) and small (75%) companies also reported more negative impacts. Mature companies tend to be larger, multinationals that may be impacted by disruptions to supply chain as well as were also often ineligible for federal stimulus as these funds were geared towards small businesses. It is hypothesized that Newcomers are experiencing more negative impact as well since they tend to be smaller, having more limited resources or be focusing efforts on other markets such as Sweden, as COVID-19 has impacted business globally. Meanwhile, 40% of the respondents representing

Experienced companies, with three to 19 years' experience in the U.S., reported no or positive impact.

HOW HAS YOUR RELATIONSHIP WITH YOUR CUSTOMERS CHANGED DURING THE PANDEMIC?



SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

When it comes to impact on customer relationships, two out of three Swedish respondents stated that they have not experienced a change in their relationships with their customers during the pandemic. Unfortunately, 20% have seen their customer relationships worsen, which could be due to travel restrictions limiting the ability of Swedish companies to come to the U.S. to conduct business and have face to face meetings. On the other hand, 10% of respondents have seen their customer relations improve with some Swedish companies reporting that their services and products have become even more vital for their clients during these difficult times.

Across industries, most respondents reported no difference has been experienced in their customer relationships during the pandemic. Those that did report improvement in their relationships include Industrials (29%) and Automotive & Transportation (20%), while declines were reported in Energy & Infrastructure (40%), Materials & Mining (33%) and Healthcare & Life Science (33%).

It was also observed that Newcomers with less than three years' experience in the U.S. saw a greater decline in customer relationships (32%) compared to Experienced (20%) and Mature (10%) companies, although the majority stated their relationships had not changed. Mature and Experienced companies are more likely than Newcomers to be able to use their longstanding track record with customers to weather the turbulent times. When comparing size, smaller companies were more likely to have their customer relationships worse (25%) compared to large (22%) and medium (13%) companies, although the majority of companies reported no difference.

“ We have been affected by the pandemic to the same degree as our customers. The renewal of contracts has been alright, and we expect those relationships will be okay through the end of the year. In the future we expect things to go back to somewhat normal after the second half of 2021.

- Medium-sized, Digital Technology Company

STRATEGIES FOR RECOVERY & GROWTH

SWEDISH COMPANIES ARE INVESTING IN DIGITAL TECHNOLOGIES & EXPANDING INTO NEW SEGMENTS TO STAY RESILIENT

In order to stay resilient through the pandemic, Swedish companies have taken a multifaceted approach with the most common strategy being to develop digital technologies (55%), allowing for more remote operations and the ability to work from home when possible. The second most important strategy for Swedish companies' U.S. operations has been to focus on their employees' wellbeing and safety (45%) followed by repositioning brand and/or rethinking customer needs (28%) and undergoing a reorganization (28%). Through the pandemic, Swedish companies' U.S. operations have put little emphasis on acquiring new businesses (3%), divesting parts of their business (4%) or working with local governments (7%) such as on regulations, reskilling and creating/fortifying ecosystems.

WHAT STRATEGIES HAS YOUR COMPANY IMPLEMENTED IN ORDER TO STAY RESILIENT THROUGH THE PANDEMIC? (Respondents could select multiple answers)



SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

Across all industries, developing digital technologies was the most prevalent and was particularly notable in Consumer Products & Services (58%), Industrials (57%) and Materials & Mining (67%). Digital Technology companies were investing in R&D and innovation more than any other sector to stay resilient at 46%, while Transportation & Automotive focused on forming new partnerships and collaborations more than other sectors at 40% of respondents.

When looking at time established in the U.S., it was evident that Newcomers were more likely to seek partnerships to stay resilient (39%) compared with Experienced (24%) and Mature (10%) companies. This is likely attributed to the resources and established

▶ **Over half of Swedish companies' U.S. operations are investing in developing digital technologies**

“ Through digital technology, we managed to conduct virtual meetings and even perform work and installations with online tools and multiple cameras.

- Small-sized, Energy & Infrastructure Company

connections companies with longer experience in the market already have. When comparing size, smaller companies were also more likely to form new partnerships (32%) and invest in R&D and innovation (32%) when compared to large and medium companies. As previously mentioned above, the overwhelming majority of Swedish companies' U.S. operations focused on developing digital technologies and employees' wellbeing, reflected across all three sizes of companies as well as time established in the U.S. market.

WHAT ARE YOUR TOP BUSINESS PRIORITIES IN THE U.S. AT PRESENT VS. AT THE END OF THE CRISIS? (Respondents were asked to rank each of the follow on a scale of 1 – 5, where 5=high priority and 1=not a priority)



“ Our relationship with customers has changed. There is more focus now on finding other, new solutions. We will continue to reach out to our target group, but with changed and relevant messaging and tone of voice.

- Medium-sized, Business Services Company

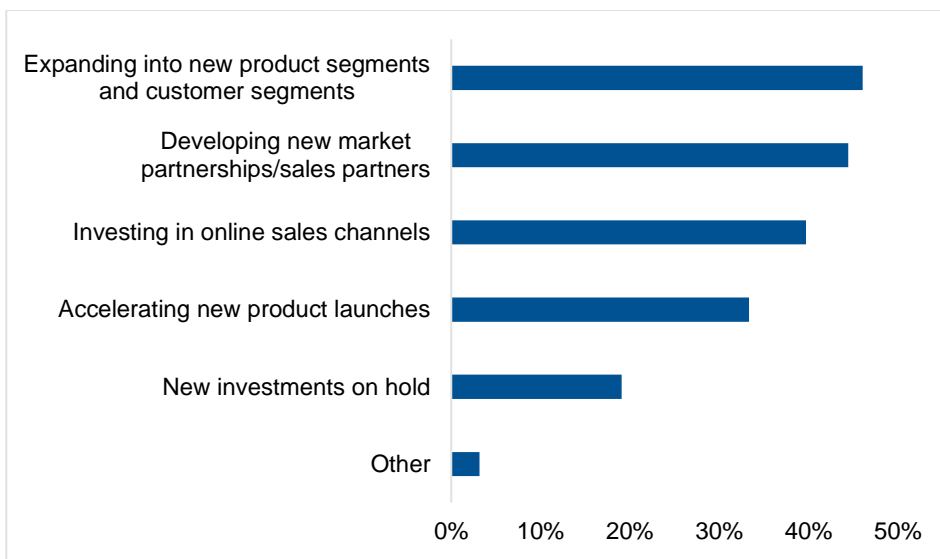
SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

Respondents revealed varying business priorities when comparing their top priorities at present versus their top business priorities at the end of the crisis. Focusing on customer relations and maintaining core business were two areas that revealed to be of high importance for both situations for companies in all industries, sizes and time established in the U.S.

At the end of the crisis, increasing sales efforts will become 10% more important for Swedish companies' U.S. operations and capturing new growth/revenue streams was ranked nine percentage points higher as a priority; both rank as a medium-high priority for Swedish companies averaging around a four on a five-point weighted scale. A significant jump in percentage points was also observed for expanding to new regions/markets (+25%) and for forming new partnerships (+13%) between now and at the end of the crisis; both of these rank as a medium priority averaging around a three on a five-point scale.

The survey data revealed different industry priorities between the various groups. A significant increase in the importance placed on expanding into new regions/markets at the end of the crisis was observed in Consumer Products & Services, Digital Technology, Healthcare & Life Science and Transportation & Automotive. Expanding into new regions/markets was ranked as medium priority averaging around a three on a five-point scale. Material & Mining respondents reported that maintaining their core business was of high importance at present, scoring a five on a five-point scale, however they would move to a medium high-priority scoring a four at the end of the crisis as the focus would shift away from maintaining the core business to focus on capturing new growth/finding new revenue streams and forming new partnerships

WHAT NEW INITIATIVES AND INVESTMENTS ARE YOU UNDERTAKING TO INCREASE MARKET SHARE IN THE U.S.? (Respondents could select multiple answers)



▶ **Only one in five respondents stated they are putting new investments on hold showing most companies are focusing on new growth**

SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

As Swedish companies look to take market share in the U.S., respondents are focusing their efforts on expanding into new product segments and customer segments (46%) and developing new market partnerships and sales partners (44%). It is likely these two strategies go hand in hand for some companies who seek partners as they advance into new segments. Only one out of five respondents reported putting new investments are on hold, signaling that most companies are looking for new growth and opportunities in the U.S. market.

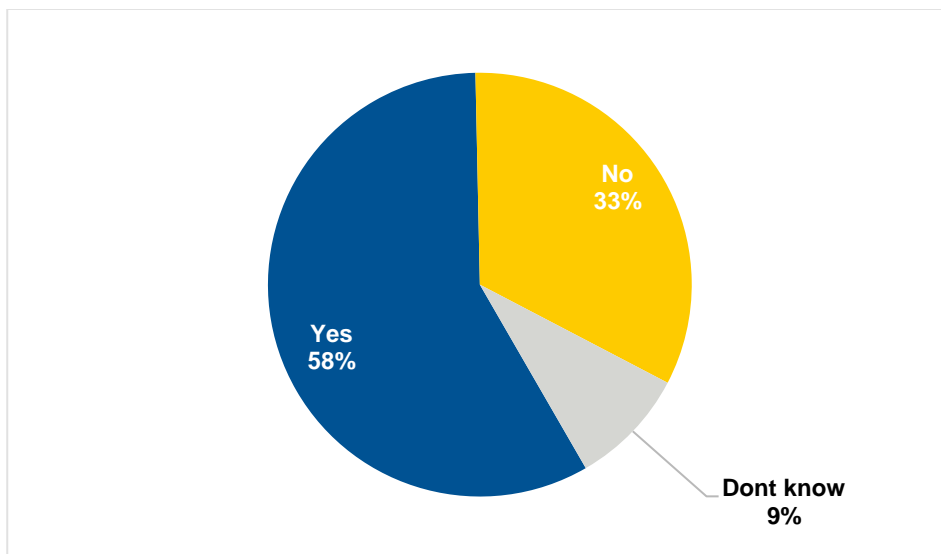
To increase market share, it was noticeable for the Consumer Products & Services sector to invest in online sales channels more than any other industry segment at 75% of respondents, likely due to the need to reach customers in a new, digital manner. Business Services (50%), Energy & Infrastructure (60%), Industrials (71%) and Transportation & Automotive (60%) industries are notably focusing on expanding into new segments and new customer segments, while Healthcare & Life Science companies reported developing new market partnerships (80%). Digital Technology and Energy & Infrastructure companies reported accelerating new product launches to gain U.S. market share at 50% and 60%, respectively.

Newcomers (50%) and Experienced companies (52%) are developing new market partnerships and sales partners to a higher extent than Mature companies (30%).

Alternatively, Mature companies are expanding into new product segments and customer segments at 60% compared to Newcomers (44%) and Experienced (36%) companies.

When analyzing investments and initiatives depending on the size of companies, large companies were developing new market partnerships and sales partnerships at 78% of respondents compared to small companies (42%) and medium companies (35%). Notably, 52% of medium- sized companies also reported accelerating new product launches to increase market share in the U.S., which was not significantly reported in small and large companies.

DO YOU SEE THE PANDEMIC AS AN OPPORTUNITY FOR GROWTH AND INNOVATION IN YOUR INDUSTRY?



“ I believe that COVID-19 will just increase the speed of change. Future winners become winners faster, while future losers will lose faster.

- Small-sized, Digital Technology Company

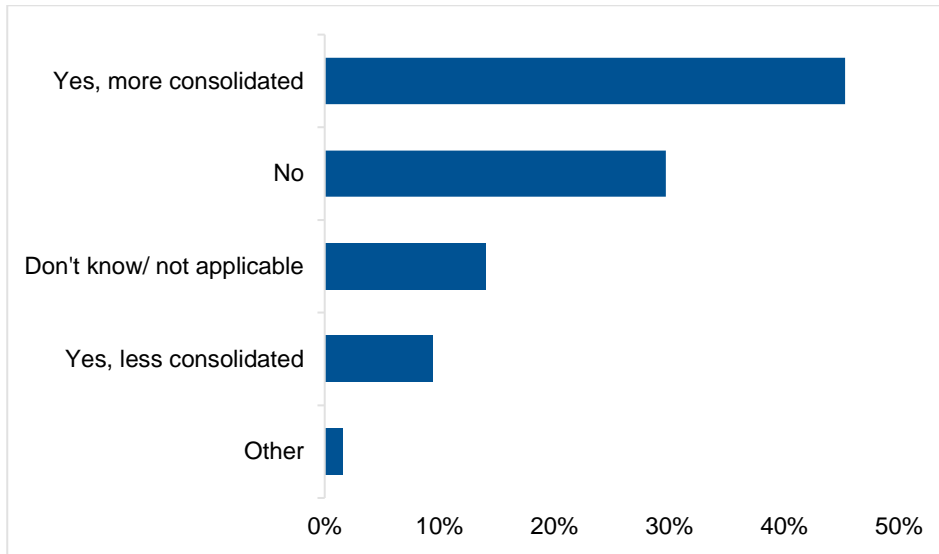
SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

Most respondents (58%) see the pandemic as an opportunity for growth and innovation in their respective industries while 33% do not. However, discrepancies could be observed between the industry groups. The follow chart provides a breakdown of how the majority of industry respondents answered:

DO YOU SEE THE PANDEMIC AS AN OPPORTUNITY FOR GROWTH AND INNOVATION IN YOUR INDUSTRY?

Yes	No	Divided answer
Business Services	Materials & Mining	Industrial
Consumer Products & Services	Transportation & Automotive	
Digital Technology		
Energy & Infrastructure		
Healthcare & Life Science		

DO YOU ANTICIPATE YOUR INDUSTRY'S COMPETITIVE LANDSCAPE TO CHANGE POST-PANDEMIC?

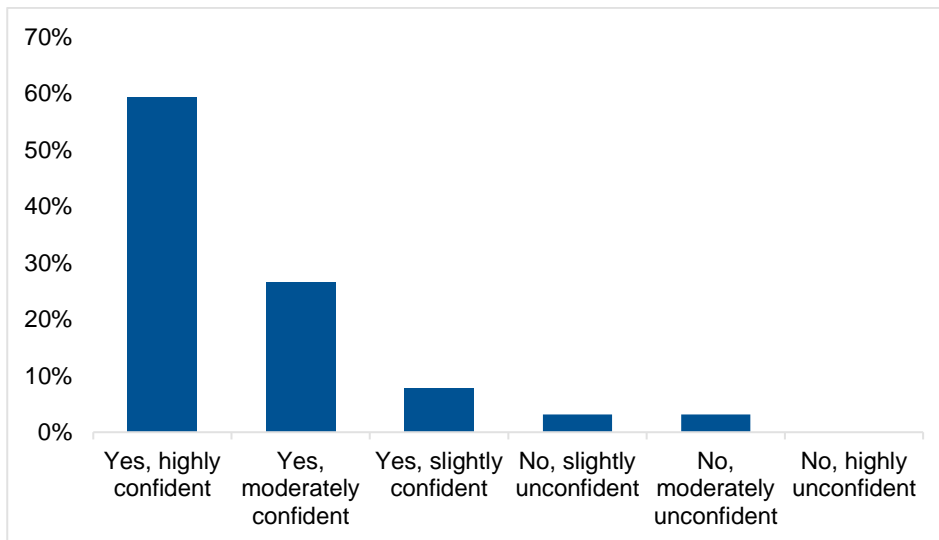


SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

When investigating change in competitive landscape in the U.S., 45% of respondents stated that they anticipate their industry's post-pandemic landscape to become more consolidated, 30% do not anticipate any change to their industry and 9% believe it will become less consolidated. The majority prediction of the movement to a more consolidated market was observed across companies of all sizes and time established in the U.S.

It is evident that certain industries have had a harder time during the pandemic, given the restrictions placed upon them, such as being deemed a non-essential business and limiting operations early on; this may have led to certain players taking more market share, creating a less fragmented landscape. 75% of the Consumer Products & Service companies surveyed anticipated their industry to become more consolidated. Digital Technology companies and Business Service companies also predict a more consolidated competitive landscape post pandemic, but not as strongly as Consumer Products & Services. Industries that do not anticipate any change include Energy & Infrastructure, Healthcare & Life Science and Industrials. The reported answers in the Materials & Mining and Transportation & Automotive sectors were divided.

DO YOU BELIEVE WITHIN YOUR U.S. OPERATIONS, YOU HAVE THE EXPERTISE, RESOURCES AND COMMITMENT TO PURSUE RECOVERY AND/OR NEW GROWTH SUCCESSFULLY?



SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

9 out of 10 Swedish companies surveyed are confident their U.S. operations have the expertise, resources and commitment to pursue recovery and growth successfully

An overwhelming majority of Swedish companies' U.S. operations of all sizes, industries and time established in the U.S. believe they have the expertise, resources and commitment to pursue recovery and new growth successfully in the future. As observed in other survey questions, respondents appear to be optimistic for the future and the growth of the U.S. economy and their local operations. 60% of respondents were highly confident while only 6% of respondents felt any degree of unconfidence.

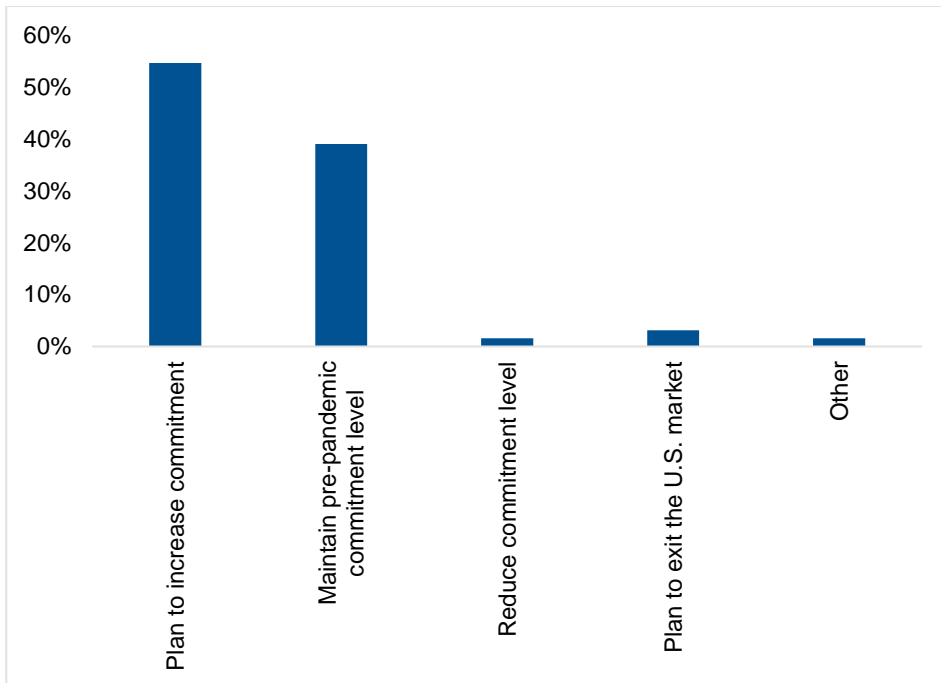
All respondents (100%) within the Business Services sector reported they are highly confident that they have the expertise, resources and commitment in their U.S. operations to pursue recovery successfully. High confidence was reported among the majority of Material & Mining companies (67%) Energy & Infrastructure companies (60%), Transportation & Automotive (60%) and Industrials (57%). However, 20% of Digital Technology companies reported some degree of unconfidence, which could be ascribed to strong key players emerging in this industry and other industries boosting their digital savvy due to the circumstances of the pandemic.

Mature, Experienced and Newcomer companies expressed high confidence in their U.S. operations at 50%, 64% and 63%, respectively. However, 10% of Newcomers 4% of Experienced and 5% of Mature companies expressed some degree of unconfidence. Similarly, large, medium and small companies also expressed high confidence at 56%, 61% and 59%, respectively with 11% of large companies and 9% of small companies expressing some degree of unconfidence. No medium-sized companies expressed unconfidence.

FUTURE U.S. COMMITMENT & POLITICAL OUTLOOK

SWEDISH COMPANIES PLAN TO INCREASE U.S. COMMITMENT IN THE FUTURE REGARDLESS OF ELECTION WINNER

HOW DO YOU SEE YOUR COMPANY'S COMMITMENT LEVEL IN THE U.S. CHANGING IN THE FUTURE?



► **9 out of 10 Swedish companies U.S. operations plan to increase commitment or maintain pre-pandemic commitment levels**

SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

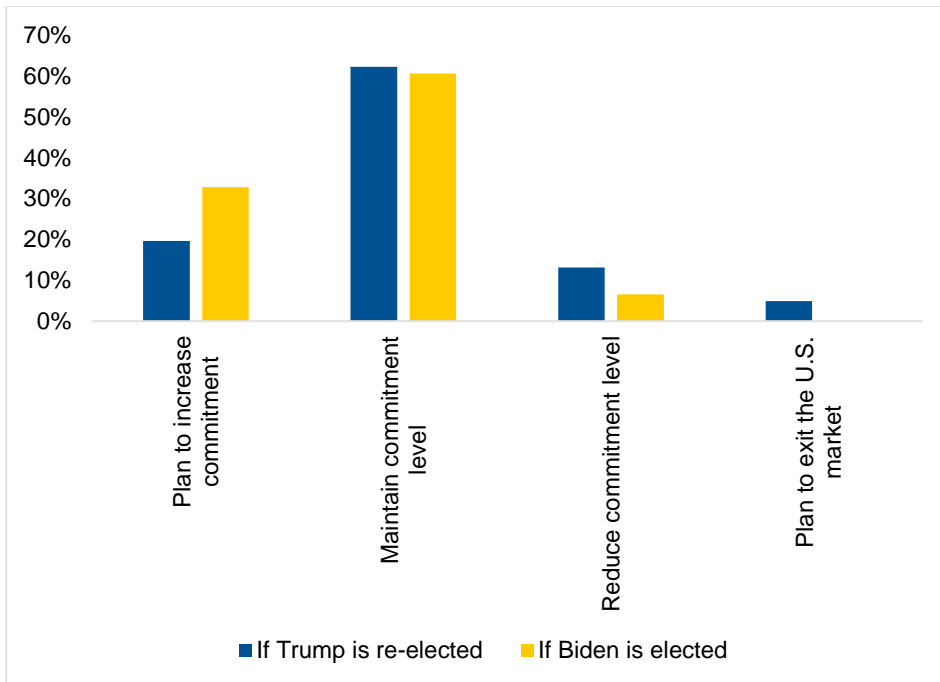
Looking to the future, Swedish companies' U.S. operations plan to increase their commitment to the U.S. market according to 55% of respondents. This is historically supported since the U.S. is the top destination for Swedish Foreign Direct Investment making Sweden the 13th overall largest investor in the U.S. Furthermore, the U.S. accounts for approximately 25% of Swedish companies' global revenue. Additionally, 39% of respondents stated they will maintain their pre-pandemic commitment level.

Overwhelmingly, 86% of Digital Technology companies surveyed stated they plan to increase commitment to the U.S., signaling that this industry has great potential not only at present in the U.S., but is expected to continue into the future. Of the industries surveyed, 60% of Energy & Infrastructure, 57% of the Industrials, 50% of Consumer Products & Services and 50% of Healthcare & Life Science plan to increase commitment.

While Newcomers and Experienced companies plan to increase commitment to the U.S. market at 68% and 64%, respectively, the majority of Mature companies at 65% plan to maintain their pre-pandemic commitment level. A similar pattern is reflected based on the size of the company where the majority of small companies (59%) and medium companies

(61%) plan to increase commitment, while most large companies plan to maintain commitment (67%). It is possible that Mature and larger companies already have a high commitment to the U.S. and aim to maintain their current market share while newer and smaller companies look to increase their commitment and gain market share.

DO YOU ANTICIPATE YOUR COMPANY’S COMMITMENT LEVEL IN THE U.S. WILL CHANGE DEPENDING ON THE WINNER OF THE U.S. ELECTION?



▶ **One in three companies surveyed plan to increase commitment to the U.S. if Biden wins, while one in five plans to increase commitment if Trump wins**

SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

The majority of Swedish companies plan to maintain commitment level regardless if Donald J. Trump is re-elected or if former Vice President Joe Biden is elected. However, one in three companies plan to increase commitment to the U.S. if Biden wins while one in five plans to increase commitment if Trump wins. 13% of Swedish companies stated they would reduce commitment if Trump wins compared to only 7% if Biden wins, while 5% said they would exit the market altogether if Trump wins the presidency. Biden’s policies favor sustainability, green technology and investing in innovation and technology which may be favorable for many Swedish companies, particularly in the areas of cleantech, energy, electric vehicles and digital technology. Trump on the other hand favors reducing taxes and deregulation. While Trump’s tax reductions may benefit multiple sectors, his deregulation efforts have traditionally favored the oil and gas, coal mining steel and aluminum and manufacturing, which may benefit Swedish companies operating in those industries.

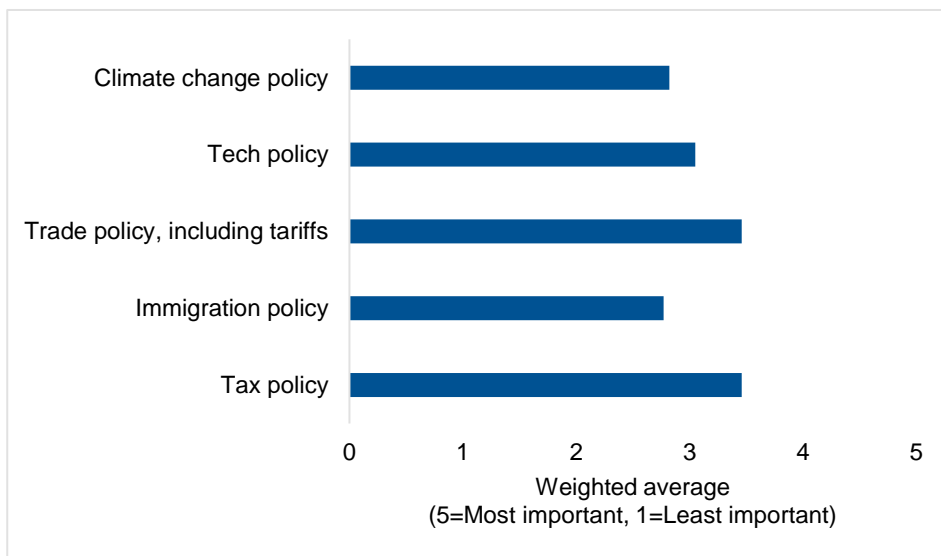
Across all industries, the vast majority of respondents will increase commitment or maintain commitment, regardless of the winner. However, if Biden wins, more respondents across the seven of the eight industry segments reported they will increase U.S. commitment to a greater degree than if Trump wins, with the exception of Industrials. If Trump wins, the Industrial respondents were the only group with no responses to reduce commitment or exit the U.S. market, but instead would maintain or increase.

While most Newcomers, Experienced and Mature companies will maintain commitment regardless of the winner, Mature companies reported to be more likely to increase

commitment if Trump wins versus Biden (35% versus 32%) while Newcomers and Experienced companies are more likely to increase U.S. commitment if Biden wins (28% versus 11% for Newcomers and 38% versus 13% for Experienced). 15% of Mature companies stated they would reduce U.S commitment if Biden won the presidency.

Small, medium and large companies aim to increase or maintain their U.S. commitment regardless of the winner, however small and medium sized companies were more likely to reduce commitment under a Trump win compared to a Biden win; 13% of small companies will reduce if Trump wins compared to 6% if Biden wins and 18% of medium companies will reduce if Trump wins versus 9% if Biden wins.

IN TERMS OF U.S. POLICY, WHICH KEY ISSUES ARE MOST IMPORTANT FOR YOUR BUSINESS OPERATIONS? (Respondents were asked to rank the following policies from most important to least important)



SOURCE: Follow up COVID-19 & US election Survey | Impact on Swedish companies' U.S. operations (October 2020)

Respondents reported the most important policies for their U.S. operations were both Trade policy and tax policy with scores of 3.46 on a five-point scale where five is most important. Swedish companies reported immigration policy to be the least important scoring 2.88 out of five. This may be due to Swedish companies' U.S. operations employing locals and therefore not as impacted by immigration policy or operating their businesses mainly from Sweden, further decreasing its importance compared to other policies.

The industry analysis revealed tax policy to be most important for Business Services, Digital technology and Energy & Infrastructure. Trade policy was most important for Industrials, Materials & Mining and Transportation & Automotive, by reason of being more prone to import materials from other markets to conduct operations. Climate change policy was most important for Consumer Products & Services while Tech policy was most important for Healthcare & Life Sciences.

Mature Swedish companies in the U.S. perceive tax policy to be an important issue scoring 3.77 points and tech policy to be the least important with 2.57 points, while Experienced companies found trade policy to be the most important scoring 3.76 points and climate change policy least important with 2.21 points. Newcomers reported Tech policy being a key issue with a score of 3.55 and trade policy to be of least importance with 2.6 points.

“ As a Swedish and U.S. based steel producer, impacts of public policy decisions such as trade and infrastructure investment have a major impact on our business environment.

- Large-sized, Materials & Mining Company

Large and medium Swedish companies in the U.S. found trade policy to be the most important scoring 3.67 and 3.95 points, respectively, and tech policy to be the least important with 1.67 and 2.78 points, respectively. Small Swedish companies in the U.S. found tech policy to be the most important with 3.5 points and immigration policy to be the least important with 2.65 points. Many smaller Swedish companies with U.S. operations fall within the digital technology industry, which explains why tech policy is a key issue for this group.

CONCLUDING REMARKS

As the pandemic continues to pose ongoing consequences in the U.S. for citizens and businesses alike, recovery appears to be occurring in most Swedish companies' U.S. operations. Team Sweden USA hopes this report provides a snapshot into how Swedish companies are currently doing in the U.S. given the impact of the pandemic, what strategies they are employing to stay resilient and take market share, while also exploring companies' outlook for the future. Although the situation continues to develop and will likely be impacted by the winner of the U.S. presidential election, the aim is for this report to serve as a useful document of reference on Swedish businesses' situation, approach and expectations going forward.

By investigating the current recovery status and ongoing impact of Swedish companies' U.S. operations, strategies for growth and recovery and future U.S. commitment level given the political climate, the results of the survey highlight that most Swedish companies' U.S. operations are beginning to experience a positive shift towards recovery with more optimism in the coming months. This follow up survey has shown that Swedish companies are less negatively impacted in the U.S. than they were in June 2020 and we hope that this momentum will continue, as also anticipated by many Swedish companies surveyed.

Looking ahead, U.S. subsidiaries will continue to be challenged by ongoing travel restrictions, the possibility of regional operational restrictions due to COVID-19 case numbers rising and a need to adapt to a new competitive landscape, as most respondents predict it will become more consolidated. However, as the U.S. economy shows signs of recovery, the market presents opportunities, including those for Swedish companies. Infrastructure, 5G and manufacturing are three key areas that have bi-partisan support to boost the U.S. economy. Clean energy and sustainability will be another area of growth in the U.S. market, with cities and the private sector pushing these initiatives under a continued Trump presidency or with more federal support under Biden. Furthermore, industries have also been forced to adopt digital technology tools to facilitate meetings, networking, demonstrations, webinars, etc., making U.S. stakeholders more open-minded to international partnerships, as when discussions are held remotely, it makes little difference whether the parties are in two distinct states, or two different countries.

To continue to be successful in the market, Swedish companies should continue to invest in developing their digital technologies to bridge the geographical divide, support the virtual nature of business and reach customers. Regardless of the election winner, the U.S. is expected to focus on domestic needs, innovation and R&D, signaling an increasing need for Swedish companies to have a local presence in order to benefit from the opportunities. Maintaining close relationships with local partners and customers will also be advantageous as their business needs and requirements adapt (i.e. monitoring new customer trends and new product areas) due to the constant and rapidly changing economic situation.

Team Sweden USA would like to thank all participating companies for taking time to respond to the follow-up survey and to the companies who participated in follow-up interviews. The contributions were truly valuable and provided Team Sweden with a deeper understanding of the current business climate in the U.S. as Swedish companies continue on the path to recovery. Together, we will continue to navigate the situation in Sweden and in the U.S., and we sincerely hope to see continued improvement in the local market here and abroad. Please do not hesitate to get in contact with Team Sweden USA to discuss opportunities and concerns. Contact details for Team Sweden USA participating organizations can be found on page 24.

TEAM SWEDEN USA CONTRIBUTORS

EMBASSY OF SWEDEN

The Embassy of Sweden in Washington, D.C. is one of Sweden's largest diplomatic missions in the world and serves as the official link between Sweden and the United States. The purpose of Sweden's trade and promotion policy is to facilitate trade and investment, and to further Sweden's economic interests as well as the image of Sweden abroad. The Swedish Embassy is located at the House of Sweden, a flagship building for Swedish public diplomacy, on the Potomac River in Washington D.C. In addition to the Embassy there are approximately 30 Swedish Consulates located throughout the U.S.

BUSINESS SWEDEN USA

Business Sweden is commissioned by the Swedish government to help Swedish companies grow global sales and international companies invest and expand in Sweden. Business Sweden offers hands-on support to Swedish companies with global ambitions, with 45 offices across the globe. In the U.S., we have offices in New York, Chicago and San Francisco and have a strong presence in the local market. We cover all 50 states and provide our clients with strategic advice, tailor-made market analyses and introductions to suitable partners and reliable legal advisors.

SWEDISH AMERICAN CHAMBERS OF COMMERCE

The Swedish-American Chambers of Commerce (SACC-USA) is a key player in the development of trade relations, investment opportunities, and talent mobility between Sweden and the United States. Our network consists of 19 Regional Chambers across the U.S and together we serve more than 2,000 members in Sweden and the U.S and arrange more than 300 business events a year. We provide you with contacts and potential business partners through events, tailored corporate programs, trade missions, business matchmaking and business intelligence. Additionally, SACC-USA facilitates talent mobility in both direction between Sweden and the U.S. We are designated by the U.S. Department of State as a J-1 visa sponsor for Swedish exchange visitors in the intern and trainee categories. We are approved by the Swedish Migration Board as an international exchange organization that can assist Americans with the application for a Swedish work permit for training. SACC-USA looks forward to welcoming you as a member of our extensive network.

CONSULATE GENERAL OF SWEDEN IN NEW YORK

The Consulate General of Sweden in New York represents Sweden in the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. The Consulate General works to strengthen the relation between Sweden and the region, promotes Swedish trade interests and furthers exchanges in culture and education. The Consulate General also provides assistance in a wide range of consular matters.

