NorgesGruppen

Initiation of coverage

NorgesGruppen is the leading retail and wholesale group in the Norwegian market, with a total market share of 41%. We characterise NorgesGruppen's business profile as strong, with inelastic demand for its products and ability to defend its strong market position. Low leverage and a prudent financial policy contribute positively towards the overall credit profile. The spreads on the company's traded bonds have generally ranged slightly lower than the A-index for Norwegian non-financial IG firms, which corresponds well to our assessment of the company's credit risk. We initiate coverage with a Marketweight recommendation on the bonds.

Market giant with benign financial profile

With more than 1,800 stores in Norway, NorgesGruppen is the largest player in the Norwegian retail and wholesale market. Amongst the stores are the concept chains of Kiwi and Meny. NorgesGruppen maintains control over large parts of the supply chain by having the fully owned ASKO act as the distributor of goods.

NorgesGruppen's EBITDA margins have remained in the 6-7% range historically. Nevertheless, the company's prudent financial strategy is evident when taking its leverage profile into consideration. With an average net debt/EBITDA of c.1.5x over the past three years, we believe the company is in good shape to retain a sound financial profile. NorgesGruppen's liquidity position is healthy, as the company has a strong presence in the capital markets and also had undrawn credit facilities of NOK5.7bn at year-end 2016. We consider the refinancing risk in the company as low.

Our analysis concludes that even if future EBITDA margins were to be severely compromised, the group would maintain a strong investment grade credit profile.

Key figures

NOKm	2014	2015	2016	2017E	2018E
Total sales	71,391	76,224	80,162	83,766	87,642
EBITDA (rep.)	4,357	4,729	4,846	4,854	4,904
EBITDA (adj.)	5,927	6,386	6,689	6,266	6,353
Net Income	1,930	2,361	2,465	2,238	2,114
FFO(rep.)	3,696	4,028	4,309	4,200	4,249
FFO (adj.)	5,266	5,685	6,152	5,612	5,698
Equity	13,007	14,820	16,728	18,519	20,210
Net debt	7,309	7,100	5,579	5,944	6,181
Net debt (adj.)	18,005	19,155	18,413	15,263	15,748
Ratios	**2014**	**2015**	**2016**	**2017E**	**2018E**
EBITDA-margin	6.1%	6.2%	6.0%	5.8%	5.6%
Net debt / EBITDA	1.7x	1.5x	1.2x	1.2x	1.3x
Adj. net debt / Adj. EBITDA	3.2x	3.2x	2.9x	2.6x	2.6x
FFO / Net debt	46%	49%	67%	61%	60%
Adj. FFO / Adj. net debt	28%	28%	32%	35%	34%
Adj. Total debt / Total capital	60%	58%	54%	47%	45%
Net debt / Total capital	38%	35%	27%	27%	26%

Source: Company data, Danske Bank Markets Credit estimates

Marketweight

Sector: Industrials, Consumer goods

Corporate ticker: NORGRU

Equity ticker 3481382Z NO

Ratings:
S&P: NR / NR
Moody's: NR / NR
Fitch: NR / NR

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Key credit issues

Strengths

- Major market player with leading position in multiple retail segments
- Total supply chain control through ASKO's supplier channel
- Balanced capital structure and smooth maturity profile
- Strong and improved credit metrics over the past three years

Challenges

- Increasing pressure on margins in the retail industry may threaten profitability
- Online grocery shopping trends may require further investments into new supplier channels
- Profitable supermarket segment gradually loses market share

Source: Company data, Danske Bank Markets Credit estimates

This document is intended for institutional investors and is not subject to all the independence and disclosure standards applicable to debt research reports prepared for retail investors.

Important disclosures and certifications are contained from page 14 of this report.

Business risk profile

Tracing its roots back to 1866, NorgesGruppen has grown to become the leading wholesaling and retailing group of the Norwegian market, totalling a market share of c.40% in the industry. The company's main revenue sources are owned retail stores and wholesale distribution companies, which are complemented by the segments of brand, property leasing and service business. With more than 40,000 employees, the group operates more than 1,850 stores throughout Norway, of which roughly 40% are fully owned. Amongst the stores are the concept chains of Kiwi and Meny. The company reaches a broad client base, with Kiwi acting as a low-price store, while Meny is characterised by high-quality products. NorgesGruppen maintains control over the entire supply chain by having the fully owned ASKO distribute goods.

NorgesGruppen has seen a healthy growth in its revenues over the past seven years, averaging at 7% annually. The company reports that half of its growth is organic, while the other half stems from mergers, particularly in the segment of retailing. Retail and wholesale are indeed the group's largest revenue sources, representing 35% and 60% of the total revenues of NOK80bn in 2016, respectively. The industries of retail and wholesale are highly competitive, prompting high pressure on margins. This is less evident in the remaining segments, where the industry margins are significantly higher.

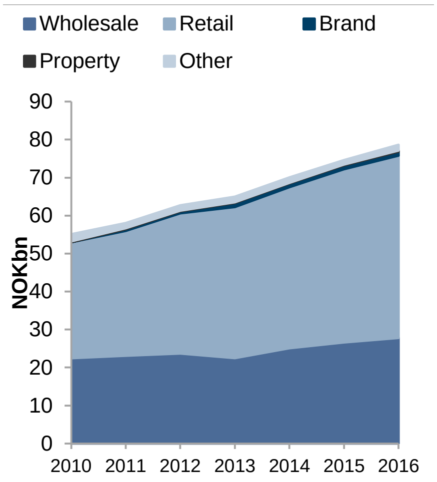
Despite a strong margin pressure and fierce competition within the industry, NorgesGruppen's large scale and prominent market position give the company a relatively strong bargaining power towards its suppliers. Hence, the company is in a favourable position to get contracts with suppliers at relatively better terms, contributing positively towards its margins compared to the rest of the industry. Compared to other peers, we therefore assess the margin pressures in NorgesGruppen to be somewhat lighter. The Norwegian retail and wholesale industry also has high barriers of entry, which was underpinned by Lidl's unsuccessful entry in the Norwegian market in 2004. With high barriers of entry, relatively lighter margin pressure and significant economies of scale we believe that NorgesGruppen is well positioned to ring-fence its leading market position, or at least curb the risk of losing substantial market share.

Table 1. Company ownership

Five largest owners	Share
Joh. Johannson Handel AS	74.40%
Brødrene Lorentzen	9.00%
PETT Kjede og Servicekon.	6.32%
Butikkdrift AS	1.81%
Drageset AS	1.12%

Source: Company data

Chart 1. Historical revenues per segment



Source: Company data, Danske Bank Markets

Chart 2. Organisation chart

NorgesGruppen ASA

	Wholesale	Retailing	Brand	Real Estate	Other activities
Business area description	Logistics Distribution Storage Market/Sale	Owned stores Retail Service chains	Production Own brands		Catering Other
Selected subsidiaries	ASKO Norge AS Storcash	Kiwi Norge AS Meny AS Kjøpmannshuset	Bakehuset Matbørsen Joh Johannson Kaffe		
Revenues 2016 (NOKm)	48 001	28 357	1 114	151	2 540
Growth y/y	5,3%	2,0%	7,5%	-49,7%	71,1%
EBITDA 2016 (NOKm)	2 481	1 335	631	428	217

Source: Company data, Danske Bank Markets

Wholesale

Wholesale has accounted for 35-40% of the group's revenues over the past years, with an average annual growth of 4%. The segment largely consists of the group's ownership in ASKO, which employs 3,300 people and is Norway's largest wholesale agent. ASKO distributes goods from the producers to the customers and enables NorgesGruppen to control large portions of the supply chain.

NorgesGruppen reports that from 2011 to 2016, ASKO has increased its productivity by 18.4%. In 2017, a new automated cooling storage station of 23,000 square metres will open in Vestby, and we expect that the facility will improve productivity even more.

In April 2017, ASKO's freezing storage caught fire, resulting in severe damage to 9,000sqm of the 15,000sqm area. Estimated rebuilding time of the storage centre is 8-12 months. The incident resulted in some delays for NorgesGruppen's grocery stores in the eastern parts of Norway, but other storages partly took over of the deliveries and hence mitigated the delays. Due to a geographically distributed supply chain and a proven ability to install temporary solutions to maintain operations, we assign only minimal credit risk to the group's operational platform.

Table 2. Introduction to ASKO

Owner	NorgesGruppen (100%)
Net profit 2016	NOK227m
Equity 2016	NOK1,187m
Total storage	370,000sqm
Vestby facility	100,000sqm
Amount of trucks	600 in operation daily

Source: Company data, Danske Bank Markets

Retail

The retail segment is the largest contributor of revenues, representing 60% of total revenues over the past years. The segment has experienced an annual growth of 5-7% historically. The business area encompasses the grocery concept chains of Meny, Kiwi and Kjøpmannshuset. With a market share of 20%, Kiwi is among the country's largest grocery stores and regards itself as a discount chain. The concept chain of Meny is Norway's largest supermarket chain, with a reported 11% market share. The chain focuses on high-quality products, including its own exclusive brands, as well as locally produced goods. Kjøpmannshuset is a leading chain of local supermarkets, consisting of the stores of SPAR, EUROSPAR, Joker and Nærbutikken.

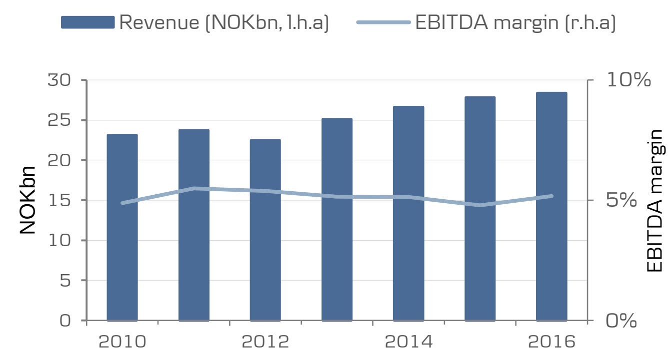
In 2016, 88% of NorgesGruppen's revenues were generated by supermarket and discount stores. These figures illustrate the significance of the group's ownership in the concept stores of Kiwi and Meny, yet also signal a high exposure to traditional commerce. Nevertheless, the demand for NorgesGruppen's products is highly inelastic, even in periods of market distress. During the financial crisis years in 2007-09, revenue growth in NorgesGruppen contracted from 14.8% in 2007-2008 to 8.6% in 2008-2009. Still, the growth was still higher than the Norwegian GDP, which declined by 1.5% in 2009.

Table 3. Introduction to Kiwi and Meny

2016 facts	Kiwi	Meny
Type	Discount	Quality
Market share*	19.9%	10.9%
Stores	c.650	c.185
Revenues**	NOK34bn	NOK18bn

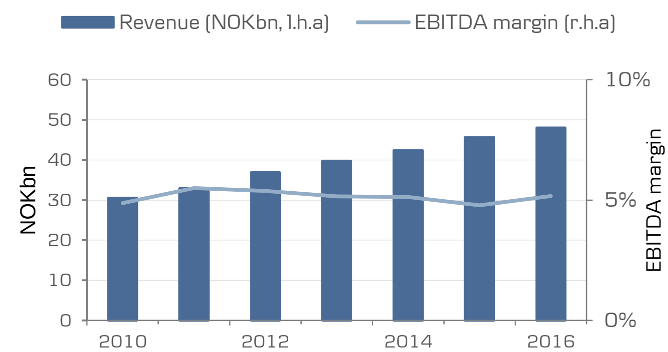
**Reported by the company*
***Including revenues from stores not fully owned*
Source: Company data, Danske Bank Markets

Chart 3. Wholesale revenues and EBITDA margin



Source: Company data, Danske Bank Markets

Chart 4. Retail revenues and EBITDA margin



Source: Company data, Danske Bank Markets

Market

Norway's grocery market still going strong

The Norwegian grocery market generated revenues of NOK170bn in 2016, up from NOK164bn in 2015 (Chart 7). After Ica's withdrawal in 2016, the market is split between NorgesGruppen (42.3%), Coop (29.4%), Rema 1000 (24.4%) and Bunnpris (3.9%). Despite increased competition from online grocery stores, the traditional grocery market growth for the year is back to the levels of 2012-2013, at 3.1% year-over-year (Chart 7).

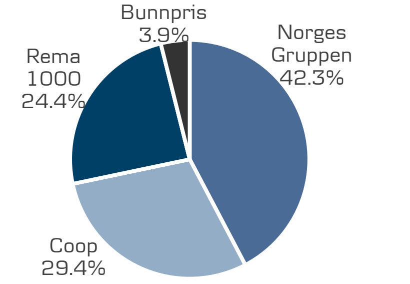
The global food and beverage industry has been slow to incorporate e-commerce in its business model, which relates to the unique logistic and storage requirements of food and beverage products. Nonetheless, online grocery shopping is on the rise. The total revenues of online grocery shopping firms in Norway amounted to approximately NOK1.5bn in 2016, with an industry growth of 3.6%. NorgesGruppen expects that the traditional grocery market faces low growth in the coming years, as consumers are offered more alternatives to traditional shopping. Nevertheless, while the online grocery market growth is higher than for the traditional grocery store market growth (3.1%), we believe that the incrementally higher growth and the moderate scale of the online grocery industry pose only a limited threat to the market shares of existing traditional grocery stores.

One inescapable trend that is evident in the Norwegian grocery market is how large-scale stores are losing market shares to discount stores (Chart 8). Discount stores have increased their market share from 50% to over 60% over the past ten years, while shares of local stores as well as large-scale stores are down 4-5%. The total amount of grocery stores have declined from 4,047 in 2008 to 3,806 in 2015. These trends signify the importance of having an infrastructure that enables new competitive products and attractive grocery stores in strategic locations. These requirements, amongst others, work as entry barriers in the grocery market, strengthening the market shares for existing players even more.

Norway's fuel retail industry

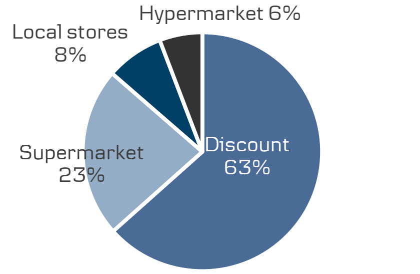
The fuel retail industry saw a notable change of players as Statoil completed its conversion of the fuel stations to the Circle K brand and St1 Nordic Oy acquired Shell's petrol station network. Since 2005, the total annual revenues of fuel stations have increased from NOK38bn to NOK46bn in 2015 – a growth of 21%, on par with Norwegian CPI. Meanwhile, revenues from consumable goods sold at fuel stations have been reduced from approximately NOK5.2bn in 2005 to NOK4.8bn in 2015.

Chart 5. Grocery stores' market share



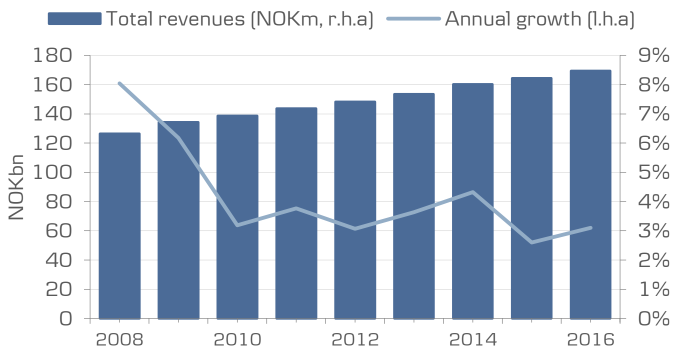
Source: Nielsen

Chart 6. Market share per store type 2015



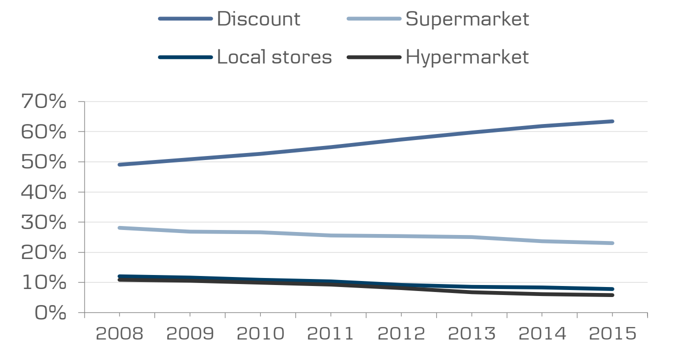
Source: Nielsen

Chart 7. Norwegian grocery market total revenues



Source: Nielsen 2017, Danske Bank Markets

Chart 8. Historical market shares per store type



Source: Nielsen 2017, Danske Bank Markets

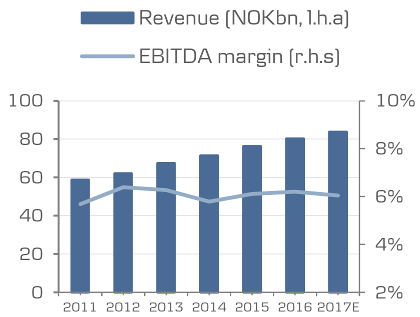
Financial risk profile

Profitability: Swelling revenues but margins under pressure

NorgesGruppen's revenues have been increasing handsomely over the past years, with 2016 sales revenues of NOK80bn. Danske Bank Markets' estimates for 2017 revenues lie at NOK84bn, being more than NOK30bn higher than revenues in 2009. We note that last year's revenue growth was at ~5% - three percentage points higher than the growth in the total grocery store market. The growth represents NorgesGruppen's competitiveness, partly driven by the Kiwi franchise in the segment of discount stores.

Despite swelling revenues historically, margins remain under pressure in the retail and wholesale industry. NorgesGruppen's EBITDA margin has been around 6% over the past years. We believe retail margins remain unaffected by the establishment of online grocery shopping, but the competition in the market may tighten in the near future. NorgesGruppen has responded to newcomers in the online grocery market by establishing an online platform for its concept houses Meny, Spar and Joker. These online channels of retailing are still in the early stages of integration, but they support the group in maintaining competitiveness and market shares in the future.

Chart 9. Revenue and margin (NOKbn)



Source: Company data, Danske Bank Markets

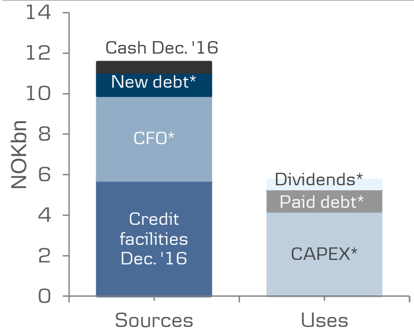
Liquidity: Sound liquidity and good access to funding

NorgesGruppen's debt structure is wide-ranging, with outstanding bonds accounting for more than 60% of the total debt. The company has a strong presence in the capital markets with undrawn credit facilities of NOK5.7bn at year-end 2016.

NorgesGruppen's operational cash flow has been steadily increasing since 2009, illustrating the mature nature of the company's core business. Coupled with stable capex levels, the company has shown positive operational free cash flow most of the years since 2009. Over the past two years, we have seen significant movements in interest-bearing debt; debt repayments and new debt increased by 2-4x from 2014 to 2015, and continued at high levels in 2016. A stable debt maturity profile signals that rollover is limited going forward.

The group has invested heavily into making the supply chain more effective and environmentally sustainable. The latest contribution to the group's infrastructure is ASKO's automated cold storage in Vestby, completed this year. Nevertheless, despite substantial investments over the past years, the interest-bearing debt is on its lowest level since 2011.

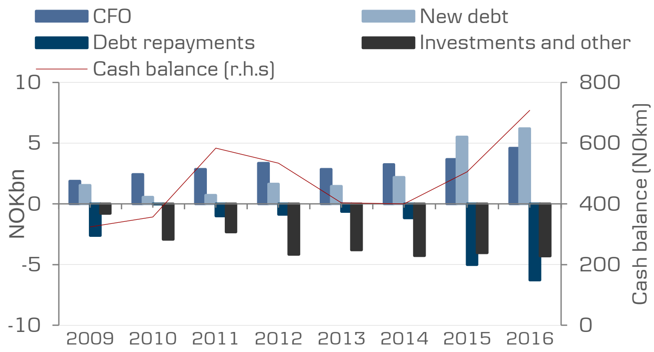
Chart 10. Estimated liquidity 2017



** Danske Bank Markets estimates 2017*

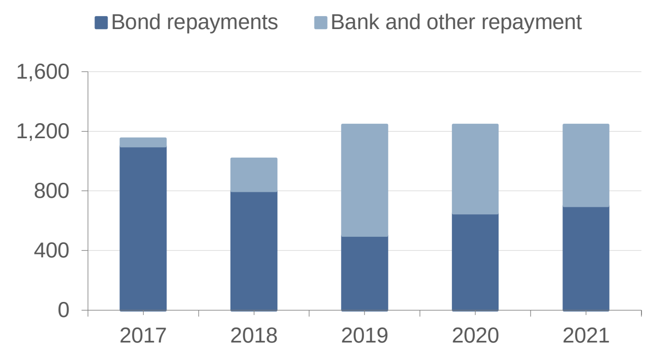
Source: Company data, Danske Bank Markets

Chart 11. Cash flow summary



Source: Company data, Danske Bank Markets

Chart 12. Maturity profile



Source: Company data, Danske Bank Markets

Leverage: Low gearing enhances the financial strength

NorgesGruppen's leverage metrics display a positive trend in which the reported net debt has decreased from NOK7.3bn in 2014 to NOK5.5bn in 2016. This includes interest-bearing receivables, e.g. mainly loans provided to associates and customers. If we exclude these receivables, total net debt amounted to NOK6.5bn in 2016. EBITDA has improved from NOK4.4bn in 2014 to NOK4.9bn in 2016, implying an improved TIBD/EBITDA from 1.9x to 1.5x over the same period.

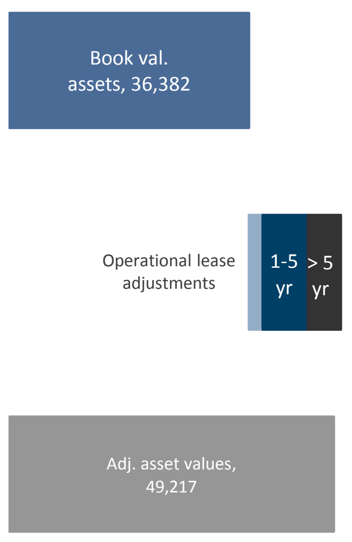
When adjusting debt and EBITDA for off balance sheet operational leases, net debt/EBITDAR arrives at 2.8x by the end of 2016. Moreover, total interest-bearing debt for the year increases from NOK7.2bn to NOK20bn. Hence, adjusted figures give a somewhat less benign picture of the company's leverage profile.

We also consider the interest coverage ratio to be at a prudent level, with EBIT interest coverage amounting to 12x at year-end 2016. Adjusting for operational leases, the interest coverage sinks to c.7x.

The equity ratio in the company was 46% at year-end 2016, up from 36% in 2012. Adjusted for operational leases, the equity ratio stands at 34% and 27%, respectively. Although the equity ratio deteriorates materially through the inclusion of operational leases, we still believe that the company has a prudent solidity level.

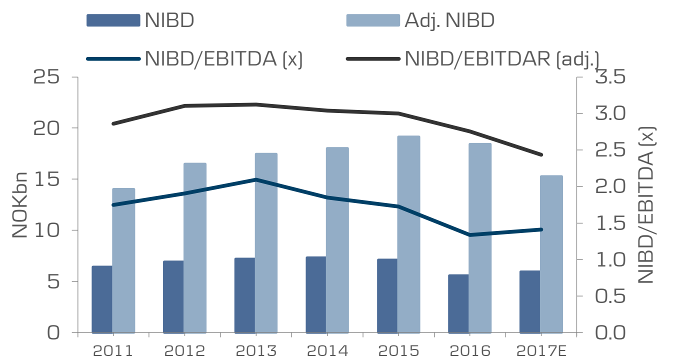
The company complies comfortably with its financial covenants, which are defined as i) equity ratio of minimum 24 percent, ii) net debt/EBITDA of maximum 3.5x and iii) interest coverage ratio of minimum 3x.

Chart 13. Adjusting for operational leases



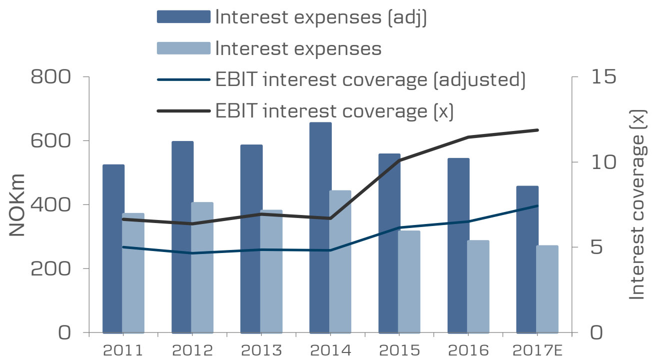
Source: Company data, Danske Bank Markets

Chart 14. Interest-bearing debt and EBITDA



Source: Company data, Danske Bank Markets

Chart 15. EBIT interest coverage*



** Based on financial costs, which includes interest costs and other financial costs*
Source: Company data, Danske Bank Markets

Table 4. Outstanding bonds

ISIN	Ticker	Outstanding	Security	Disbursement	Maturity	Interest	Base / Type
NO0010657786	NORG64	800	Sr. Unsecured	Sep-12	Sep-17	1.50%	+3M NIBOR
NO0010663651	NORG65	500	Sr. Unsecured	Dec-12	Dec-19	4.43%	Fixed
NO0010683634	NORG73	800	Sr. Unsecured	Jun-13	Jun-18	1.05%	+3M NIBOR
NO0010695109	NORG79	650	Sr. Unsecured	Nov-13	Nov-20	3.80%	Fixed
NO0010709512	NORG84	700	Sr. Unsecured	Apr-14	May-21	0.79%	+3M NIBOR
NO0010720683	NORG92	300	Sr. Unsecured	Sep-14	Sep-24	3.25%	Fixed
NO0010758477	NORG110	500	Sr. Unsecured	Feb-16	Mar-22	1.50%	+3M NIBOR
NO0010787823	NORG111	300	Sr. Unsecured	Mar-17	Feb-23	0.75%	+3M NIBOR

Source: Stamdata, Danske Bank Markets

Scenario analysis

Margin pressure may cause credit profile impairment

NorgesGruppen's operating margins are threatened by increased competitive environment. While online grocery competitors have yet to obtain substantial market shares, their competitive advantages may improve in the future, potentially resulting in further margin pressure in the market.

In this analysis, we test how impaired NorgesGruppen's credit profile could be under compromised margins. The conclusion from our scenario analysis is that NorgesGruppen's credit metrics are likely to be comparable to strong investment grade companies, even if the EBITDA margin should converge towards 4%. In the event that the margin should shrink even more, we could see the company's credit metrics resembling companies in the weaker range of investment grade companies.

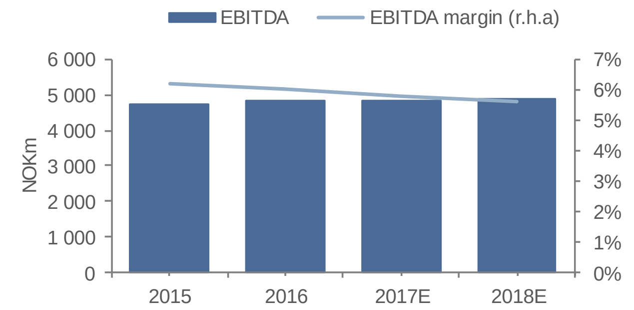
Table 5. Selected parts of Moody's rating grid

Moody's rating grid for Distribution & Supply Services			
'Leverage and coverage'	A	Baa	Ba
Debt / EBITDA (10%)	1-2x	2-3x	3-4.5x
EBITA / Interest expense (15%)	10-15x	5-10x	2.5x-5x
FFO / Debt (10%)	35-50%	22.5-35%	12.5-22.5%

The remaining factors in the grid are 'scale', 'business profile', 'profitability' and 'financial policy'.

Source: Moody's Investors Service 2015

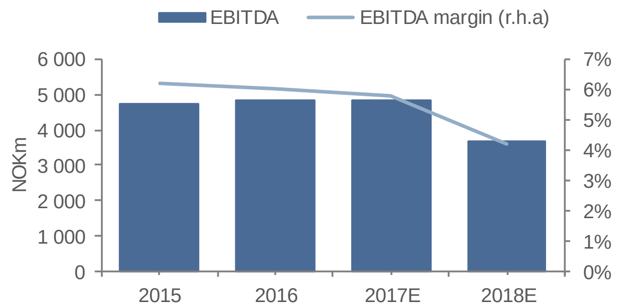
Chart 16. EBITDA margin forecast: 'Base' case



	2015	2016	2017E	2018E
Debt / EBITDA	1,83	1,48	1,49	1,48
EBIT / Int. exp	10,1	11,5	11,9	9,5
FFO / Debt	47 %	60 %	58 %	58 %

Source: Company data, Danske Bank Markets estimates

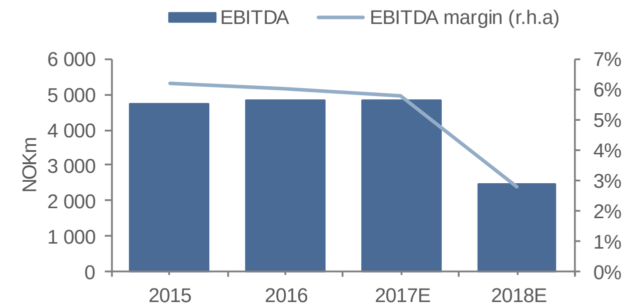
Chart 17. EBITDA margin forecast: 'Bear' case



	2015	2016	2017E	2018E
Debt / EBITDA	1,83	1,48	1,49	1,98
EBIT / Int. exp	10,1	11,5	11,9	5,7
FFO / Debt	47 %	60 %	58 %	46 %

Source: Company data, Danske Bank Markets estimates

Chart 18. EBITDA margin forecast: 'Worst' case



	2015	2016	2017E	2018E
Debt / EBITDA	1,83	1,48	1,49	2,97
EBIT / Int. exp	10,1	11,5	11,9	1,9
FFO / Debt	47 %	60 %	58 %	34 %

Source: Company data, Danske Bank Markets estimates

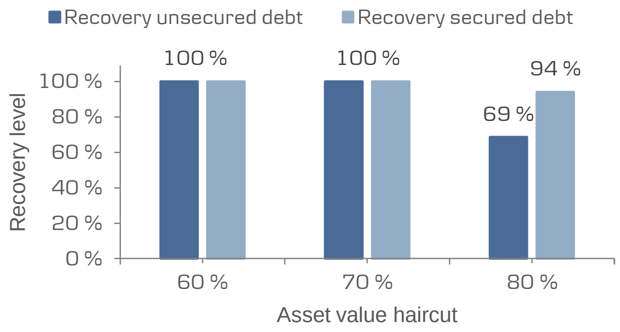
Stress test

In order to assess the loss given default in the outstanding bonds, we conduct a stress test in which we estimate the bondholders' recovery in a default scenario.

All the outstanding bonds are unsecured, as is almost all of the company's bank debt. As at year-end 2016, NorgesGruppen only had NOK35m in secured debt. The company also has a negative pledge on its outstanding loans, with a carve-out of NOK1.5bn. Encumbered assets amounted to NOK142m by year-end 2016, reflecting the low portion of debt being secured. We assume that the secured creditors are the first to take possession of the company's secured assets (fixed asset and investment property). The remaining amount after the secured creditors' claims are covered is at the unsecured creditors' disposal, with bondholders and banks ranking pari passu. However, secured debt is negligible compared to unsecured loans in the company, so the stress test is most relevant to the recovery of unsecured debt.

In a distressed scenario with a haircut on the assets of as much as 80%, the secured and unsecured creditors' recovery is 94% and 69%, respectively. Creditors are fully recovered in a 70% haircut scenario. Overall, we consider the recovery results to be highly encouraging.

Chart 19. Summary of stress test



Source: Danske Bank Markets estimates

Appendix

Remaining segments

Brand

The Brand segment represents NorgesGruppen's source of own product lines for the group's grocery stores. About 12% of revenues from the group's stores come from sales of own products. The company maintains its strategy to use this segment to provide innovative, differentiated, and strategically priced products, to compete against high quality retail brands with larger market share. Examples of the product lines are First Price, Eldorado, Folkets and Jacobs Utvalgte.

Service areas

NorgesGruppen's remaining business areas comprise the chains of Deli de Luca, Tiger, MIX, Big Horn Steak House and Kaffebrenneriet. Altogether, this segment provides an important source of profit for the company, with high margins and prosperous business opportunities.

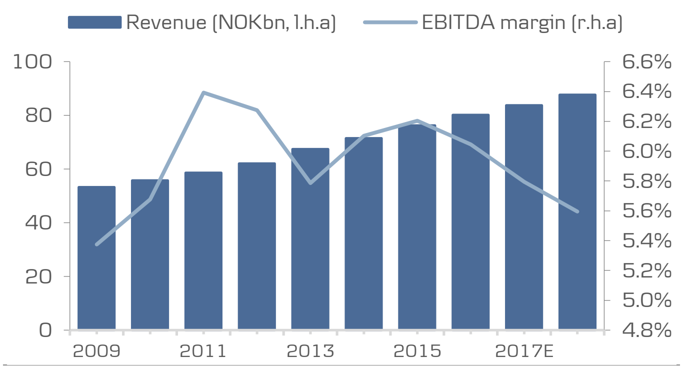
Deli de Luca is a service business chain offering food and beverages, with particular focus on quick meals and coffee. Through NorgesGruppen's alliance with Esso, the chain was opened at 65 Esso petrol stations in 2016. The pizza restaurant chain Dolly Dimples was sold on 1 May 2017.

Property

NorgesGruppen is also one of the largest property owning companies in Norway, with 800,000 square meters of properties. The holdings of plots, buildings and investment property (including inventory) amounted to NOK15.8bn in 2016. NorgesGruppen Eiendom develops and administrates the property portfolio in the group and it acquires attractive plots for development of its retail chains. About 40% of the group's property holdings area is rented by external tenants.

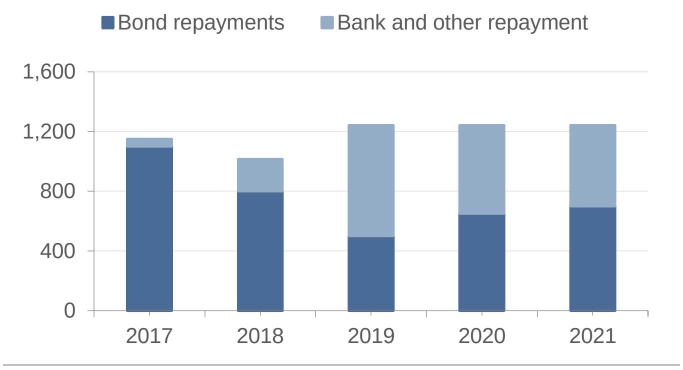
Key credit metrics

Chart 20. Total revenues and EBITDA margin



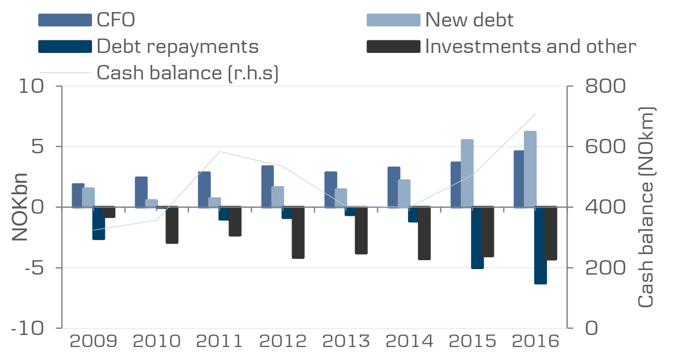
Source: Company data, Danske Bank Markets estimates

Chart 21. Debt maturity profile (NOKm)



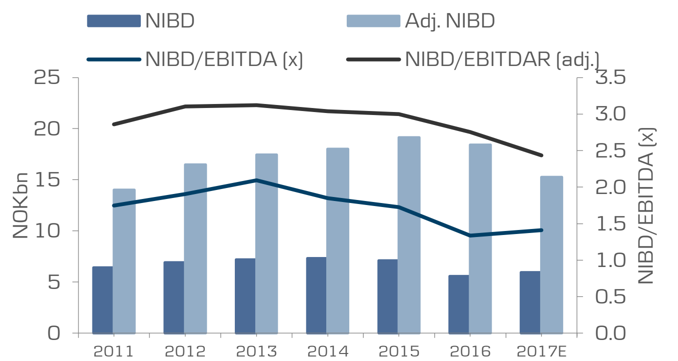
Source: Company data, Danske Bank Markets estimates

Chart 22. Cash flow summary



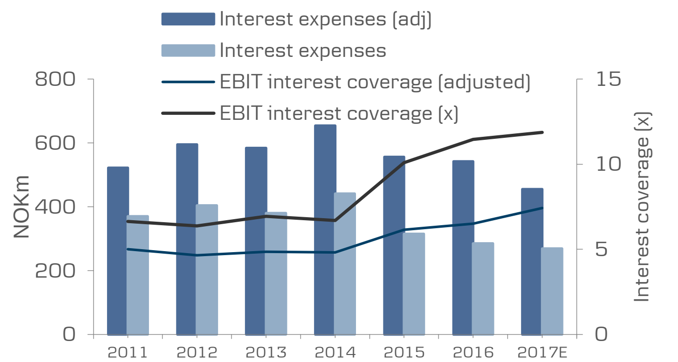
Source: Company data, Danske Bank Markets estimates

Chart 23. EBITDA and net interest-bearing debt (NIBD)



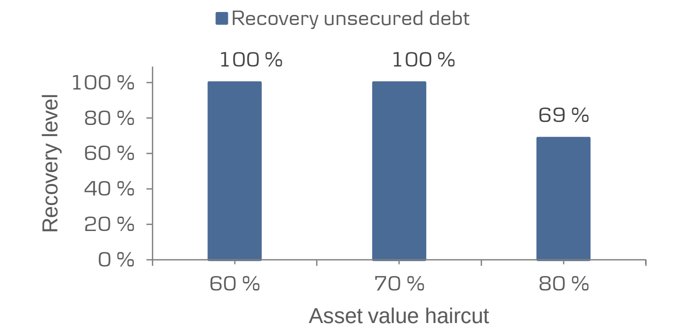
Source: Company data, Danske Bank Markets estimates

Chart 24. EBIT interest coverage



Source: Company data, Danske Bank Markets estimates

Chart 25. Stress test: Recovery for unsecured debt



Source: Danske Bank Markets estimates

Summary tables

Income statement (NOKm)	2014	2015	2016	2017E	2018E
Total sales	71,391	76,224	80,162	83,766	87,642
Operating expenses	-67,034	-71,495	-75,316	-78,912	-82,738
EBITDA	4,357	4,729	4,846	4,854	4,904
EBITDA adjusted	5,927	6,386	6,689	6,266	6,353
Depreciation and amortisation	-1,678	-1,847	-1,825	-1,962	-2,134
EBIT	2,945	3,170	3,266	3,187	3,074
EBIT adjusted	3,159	3,411	3,522	3,374	3,265
Net interest	-328	-169	-101	-121	-178
Pre-tax profit	2,616	3,001	3,164	3,066	2,896
Tax	-686	-640	-699	-828	-782
Net income	1,930	2,361	2,465	2,238	2,114
Balance sheet (NOKm)	**2014**	**2015**	**2016**	**2017E**	**2018E**
Fixed assets	12,387	13,932	15,157	17,297	19,208
Goodwill	0	0	0	0	0
Associates	2,600	2,966	2,851	2,851	2,851
Other non-current assets	7,629	7,238	7,031	7,031	7,031
Working capital assets	10,435	10,397	10,629	11,107	11,621
Cash and cash equivalents	400	505	707	397	200
of which restricted cash					
Other current assets	64	66	7	7	7
Total assets	33,515	35,104	36,382	38,690	40,918
Total assets (adj.)	44,211	47,159	49,217	48,009	50,485
Total interest-bearing debt	8,448	8,660	7,178	7,233	7,273
Total interest-bearing debt adjusted	19,144	20,715	20,013	16,552	16,840
Net interest-bearing debt	8,048	8,155	6,470	6,836	7,073
Net interest-bearing debt adjusted	18,744	20,210	19,305	16,155	16,640
Working capital liabilities	9,873	9,473	10,274	10,736	11,233
Other current liabilities	590	677	683	683	683
Other non-current liabilities	1,598	1,474	1,518	1,518	1,518
Total equity	13,007	14,820	16,728	18,519	20,210
Total equity and liabilities	33,515	35,104	36,382	38,690	40,918
Total equity and liabilities (adj.)	44,211	47,159	49,217	48,008	50,484
Cash flow statement (NOKm)	**2014**	**2015**	**2016**	**2017E**	**2018E**
EBITDA	4,357	4,729	4,846	4,854	4,904
Tax paid	-546	-590	-677	-828	-782
Other cash flow from operations	-115	-111	140	175	127
Funds from operations (FFO)	3,696	4,028	4,309	4,200	4,249
FFO (adjusted)	5,266	5,685	6,152	5,612	5,698
Change in working capital	-448	-363	291	-16	-17
Operating cashflow (CFO)	3,248	3,665	4,600	4,184	4,231
CFO (adjusted)	4,818	5,322	6,444	5,596	5,681
Capex	-2,884	-3,763	-3,174	-4,102	-4,045
Divestments /acquisitions of businesses	-99	551	504	0	0
Free operating cashflow (FOCF)	265	452	1,931	82	186
FOCF (adjusted)	1,835	2,109	3,774	1,494	1,636
Dividend paid	-251	-524	-605	-448	-423
Share buyback	-48	-16	-8	0	0
Free cashflow (FCF)	-34	-87	1,319	-366	-237
Other investing activities	0	0	0	0	0
Debt repayment	-1,152	-5,024	-6,276	-1,100	-800
Funding shortfall	-1,186	-5,111	-4,957	-1,466	-1,037
New debt	2,185	5,512	6,190	1,155	840
New equity	0	0	0	0	0
Other financing activities	-1,002	-296	-1,030	0	0
Change in cash	-3	105	203	-311	-197

Source: Company data, Danske Bank Markets Credit estimates

Summary tables

(NOKm)	2014	2015	2016	2017E	2018E
Sales growth	6%	7%	5%	4%	5%
EBITDA margin	6.1%	6.2%	6.0%	5.8%	5.6%
Adj. EBITDA margin	8.3%	8.4%	8.3%	7.5%	7.2%
EBIT margin	4.1%	4.2%	4.1%	3.8%	3.5%
Adj. EBIT margin	4.4%	4.5%	4.4%	4.0%	3.7%
EBITDA interest coverage (x)	10.1	15.5	17.6	18.6	15.5
Adj. EBITDA Interest coverage (x)	9.2	11.8	12.7	14.1	12.6
EBIT Interest coverage (x)	6.9	10.5	12.1	12.4	9.9
Adj. EBIT interest coverage (x)	4.7	6.0	6.4	7.3	6.2
FFO interest coverage (x)	8.6	13.3	15.8	16.2	13.5
Adj. FFO interest coverage (x)	8.2	10.5	11.7	12.7	11.3
CFO interest coverage (x)	7.6	12.1	16.8	16.1	13.5
Adj. CFO interest coverage (x)	7.5	9.8	12.2	12.6	11.3
Net debt/EBITDA (reported) (x)	1.8	1.7	1.3	1.4	1.4
Net debt/EBITDA (x)	1.7	1.5	1.2	1.2	1.3
Adj. net debt/adj. EBITDA (x)	3.2	3.2	2.9	2.6	2.6
Debt/EBITDA (x)	1.9	1.8	1.5	1.5	1.5
Adj. debt/adj. EBITDA (x)	3.2	3.2	3.0	2.6	2.7
Debt/EBITDA (reported) (x)	1.9	1.8	1.5	1.5	1.5
FFO/net debt	45.9%	49.4%	66.6%	61.4%	60.1%
Adj. FFO/adj. debt	27.5%	27.4%	30.7%	33.9%	33.8%
Adj. FFO/adj. net debt	28.1%	28.1%	31.9%	34.7%	34.2%
FFO/debt	43.8%	46.5%	60.0%	58.1%	58.4%
Adj. total debt/total capital	59.5%	58.3%	54.5%	47.2%	45.5%
Net debt/total capital	37.5%	34.7%	27.1%	26.5%	25.7%

Half-yearly overview (NOKm)	**H2 14**	**H1 15**	**H2 15**	**H1 16**	**H2 16**
Net sales	37 340	35 978	40 246	38 627	41 535
EBITDA	2 286	2 167	2 562	2 241	2 605
Adj. EBITDA	n.a	n.a	n.a	n.a	n.a
EBIT	1 587	1 414	1 756	1 435	1 831
Net Income	1 086	943	1 418	1 004	1 461
Capex	-1 116	-1 622	-1 813	-1 401	-1 716
FFO	1 841	1 439	2 589	1 854	2 455
Total debt	8 448	7 788	8 660	7 469	7 178
Net debt	7 309	7 502	7 100	7 174	5 579
Adjusted net debt					
Equity (incl. minorities)	13 007	13 410	14 820	15 206	16 728
Ratios:					
Net debt to EBITDA	1,7	1,7	1,5	1,5	1,2
Adj. net debt to EBITDA	n.a	n.a	n.a	n.a	n.a
FFO to net debt	51 %	44 %	57 %	62 %	77 %
Adj. FFO to net debt	n.a	n.a	n.a	n.a	n.a

Source: Company data, Danske Bank Markets Credit estimates

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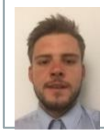

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