Nordea

Credit Research

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Credit Analysis: NorgesGruppen ASA

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Table 1. NG' ratings

	Short	Long	Outlook/credit trend
Moody's	n/r	n/r	n/r
Standard and Poor's	n/r	n/r	n/r
Nordea	n/r	A-	Stable

Norway's largest food retailer and wholesaler

NorgesGruppen (NG) is Norway's largest food retail chain with a 34.8% market share and a turnover of NOK 27bn. Furthermore, the wholesale operation is the largest in Norway.

Solid market position

The Norwegian food retail industry is concentrated with four incumbent players and the recent entrant Lidl. Economies of scale in purchasing and distribution along with restrictions on new store openings are barriers to entry. A high price level contributes to fairly attractive industry characteristics. Similarly, food wholesale is concentrated, with NG holding a commanding position.

Strong coverage ratios

NG has moderate levels of debt with net debt to capital of 41% at year-end 2004. Coverage ratios are also strong with EBITDA to net interest expense at 10x.

Low-cost competition enters the market

The German low-cost chain Lidl has opened 24 stores in Norway since 2004. This results in downward pressure on pricing. We expect food producers to be more affected than retailers.

Nordea rating raised to A-

We upgrade our Nordea rating of NG from BBB+ to A-. At the same time we lower the outlook for the rating to stable from positive. The main reason for the upgrade is the steady improvement in profitability and coverage ratios during the past two years, despite the more challenging operating environment.

Nordea
MARKETS

Key investment considerations

Credit supportive

► Strong market positions in the Norwegian food retail and wholesale markets

NG has a leading 34.8% share of the Norwegian food retail market, although the majority of stores are retailer-owned. The company holds a commanding market position in food wholesale.

► High barriers to entry

Restrictions on new store openings due to planning regulations and the need for critical mass, not least in purchasing and distribution, mean that barriers to entry are high in Norwegian food retailing. Similarly, NG's wholesale operation, which is Norway's largest, enjoys substantial economies of scale.

► Resilient industry characteristics

Food retail's sensitivity to economic cycles is below average.

► Low leverage and strong coverage ratios

NG's leverage is relatively low with a total debt to EBITDA of 2.3x at year-end 2004. The EBITDA net interest coverage was solid at 10x. We expect the company to maintain the leverage at the current level.

Credit concerns

► Low-cost competition erodes margins

Lidl established itself in Norway in 2004 and it currently has 24 stores. Unsurprisingly, the result has been price pressure that challenges incumbent players to reduce costs fast enough. While we believe that food producers have to absorb most of the pricing pressure, there is a negative effect also for wholesalers and retailers.

► NG's earnings and cash flow are geographically undiversified

Practically all revenues stem from the Norwegian grocery market, which makes NG's performance closely linked to industry's performance. Thus NG is exposed to any worsening of the competitive landscape in the Norwegian food retail industry.

► The operating margin is relatively low

NG's EBITA margin of 3.8% in 2004 is relatively low compared to our international peer group although the margin is competitive in a Norwegian context. A high share of external wholesale revenues with lower margins than food retail dilutes the margin but also means that investment needs are lower. Nevertheless, the relatively low margin makes NG vulnerable to price pressure in Norway.

Introduction

NorgesGruppen (NG) is Norway's largest food retail chain with consolidated sales of NOK 27bn in 2004. Including franchise stores, NG holds 34.8% of the Norwegian food retail market, which amounts to about NOK 100bn. The group's wholesale operations hold a commanding position in Norway with NOK 13.1bn in external sales to franchise stores, kiosks and the HORECA (hotels, restaurants and catering) industry.

The group has 1,838 stores in Norway, of which 399 are consolidated and the rest are retailer-owned. The consolidated stores generate some 40% of the group's retail revenues. The wholesale operations serve outlets associated with NG, both consolidated and unconsolidated.

Established in 2000 in its present form

The forerunner to NG, NorgesDetalj, was founded in 1994 as an alliance between a number of independent players in the grocery and wholesale industry in Norway. The alliance was a response to increased competition from larger groups with more integrated wholesale and distribution operations.

In 2000 NG was transformed into a group as the food retail chains in the alliance merged with the main parts of the Joh. Johannson group. The creation of NG took place by companies in the alliance merging assets into NG in return for ownership stakes in the new company. In 2000 NG continued to grow by acquiring the Centra supermarkets from Centra Gruppen.

Ownership structure

NG is privately held. The largest owner is the Joh. Johannson family, who directly and indirectly holds 70% of the shares. The other major owners are Brodrene Lorentzen, Pett, AKA, Butikkdrift, and Centra Gruppen. The latter will exchange one of its two convertibles in NG to shares, which will increase the ownership stake in NG from 2.3% to 4.3%.

A listing on the stock exchange is not on the agenda. The current ownership structure limits the group's access to new equity. However, since the company's does not aim to expand rapidly, we do not see the limited access to new equity as restrictive for the company or a credit concern. Conversely, the private ownership probably influences what we perceive as a risk-adverse strategy.

Table 1. Ownership structure as of 31 December 2004

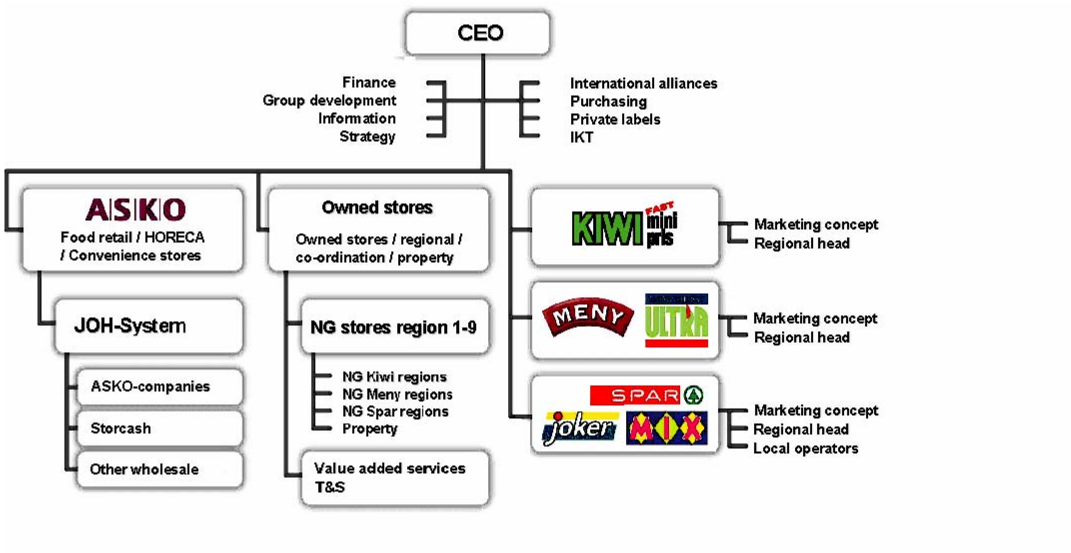
Shareholder	Shares	% of shares
Joh. Johannson AS	26,103,588	
- Controlled by owners in Joh. Johansson AS	3,052,024	70.29%
Brodrene Lorentzen AS	3,048,820	7.35%
Pett Kjede og Servicekontor AS	2,001,586	4.83%
AKA AS	1,601,524	3.86%
Butikkdrift AS	1,075,132	2.59%
Centra Gruppen AS	955,232	2.30%
Others	3,642,094	8.78%
TOTAL	**41,480,000**	**100.0%**

Source: NG

Operating model

NG's operations can be divided into three areas: wholesale, owned retail stores and managed marketing concepts/franchise stores (Figure 1). The wholesale operation supplies the owned stores, the franchised stores and the HORECA market. External sales from the wholesale operation came to NOK 13.1bn in 2004, which was just below the NOK 13.9bn in revenues from own stores. The revenue composition and product flow are fairly complex as appears from Figure 2.

Figure 1. Organisational chart



Source: Nordea

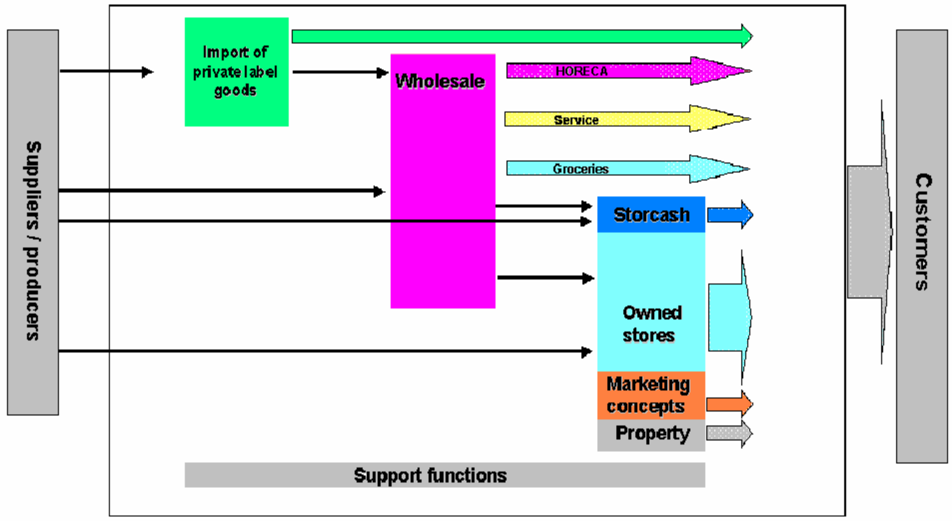
NG's operating model means that it generates revenues from all stages of the product flow, from sourcing to retailing via wholesale:

- At the **sourcing level**, NG holds a share of about 5-7% (of the sales in NG stores) with its private-label goods., The small size of the Norwegian food retail market makes it difficult to achieve necessary economies of scale in private-label goods

- NG's strongest position is in **wholesale**. The wholesale organisation (Asko) generated NOK 18.1bn in revenues in 2004, of which about NOK 5bn was related to owned stores, which is eliminated in the external reporting. Asko distributes 53% of all products sold in NG stores. In 2005 Asko will add new product groups to its distribution system, such as meat and tobacco. NG expects that this will lead to an increase of some 10 percentage points of the goods supplied via Asko. Asko strives to reach 100% of the product flow to the retail chains in the long term.

- At the **retail** level, NG generates sales from both consolidated stores (that is, stores that are owned by 50% or more) and from franchise revenues, typically a percentage of sales, from stores that form part of any of NG's chains. Total revenues by retailers associated with NG were NOK 35bn in 2004, of which about 40% was consolidated by NG.

Figure 2. Revenue sources and product flowchart



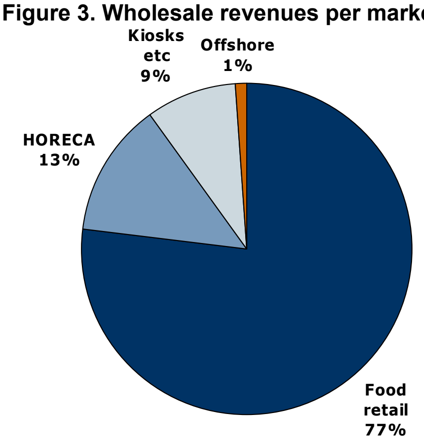
Source: NG and Nordea

Wholesale

The business area is responsible for the total flow of goods from the producer to grocery stores, kiosks, catering establishments etc.

It is supportive for credit quality that the wholesale operations are diversified as they do not only serve retail stores associated with the group but derive a large share of revenues, 13%, from supplying food to 7,500 catering and personnel restaurant customers. This gives NG a dominant market share in the HORECA segment. An additional 9% of wholesale revenues comes from supplying kiosks and service stores. NG holds a solid market share within wholesale to kiosks and service stores.

Figure 3. Wholesale revenues per market



Source: NG

Grocery stores

The 1,992 stores that belong to NG's chains command a 34.8% market share in Norway. Turnover, including the retailer-owned stores, amounted to about NOK 35bn in 2004. NG consolidates the sales from 399 stores, which account for about 40% of revenues.

The unconsolidated stores operate under contracts that resemble franchise contracts, but differ as NG does not own any facilities or equipment used by the stores. NG does not plan to increase its store ownership dramatically.

NG divides its different chain concepts into three groups (numbers as of year-end 2004):

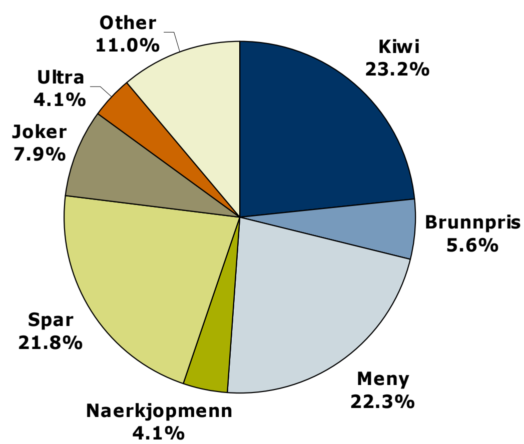
- **Meny**: consists of 136 large supermarkets, of which 88 were owned by NG. Total sales came to NOK 9.3bn. The main Meny concept consists of 125 large supermarkets. Ultra consists of 11 mega stores that are wholly owned by NG.

- **Kjøpmannshuset:** covers the local supermarket, kiosk and convenience store segments with 1,105 stores. Only 69 stores are owned by NG. Turnover was NOK 18.2bn. Spar is a local supermarket concept, whereas Joker and Naermat are convenience store concepts. MIX is NG's kiosk chain with 875 retailer-owned stores.

- **Kiwi:** is the group's discount store chain with 339 stores, of which 229 is owned by NG. Total sales were NOK 8.5bn.

In addition to its own stores and concepts, NG has close cooperation with several independent regional chains.

Figure 4. NG's food retail revenues per chain concept, 2003 (including unconsolidated stores)



Source: AC Nielsen

Industry characteristics

The Norwegian food market

Key characteristics of the Norwegian food market:

- **The market is concentrated** with four umbrella organisations sharing the market and the new entrant Lidl claiming only a modest market share (so far).

- **There are relatively high barriers to entry** due to planning restrictions. The Norwegian municipalities have a strong saying in the type of activities that can be performed on a specific land lot. Therefore finding attractive store locations can be a slow and cumbersome process.

- **Low penetration of private-label goods.** The small size of the Norwegian market and its domestic nature make it difficult to achieve economies of scale in private-label goods production. Consequently, the share of private-label goods is relatively small. Since the share of private-label goods is a significant driver of profitability, the low share of private labels could partly explain the low industry margins.

- **Norway is thinly populated,** which adds to transportation costs and which could be a factor behind the high concentration in distribution. Thus, the low population density also constitutes a barrier to entry.

- **Highly protective agricultural policy.** Norway is not a member of the EU and maintains an agricultural policy that strongly supports small domestic farmers. For instance, there are import duties and restrictive import quotas on various food products, such as milk and meat produces. One effect of the policy is that a high share of the food sold in Norway is produced domestically. The policy is likely to be the main reason for the high level of food prices in Norway.

- **A high share of discount stores.** More than 50% of the stores in Norway is discount stores, which is high in an international context. However, the stores are “soft” discount stores rather than “hard” discount stores. A hard discount store has a very narrow product range primarily focused on food and a high share of private-label goods.

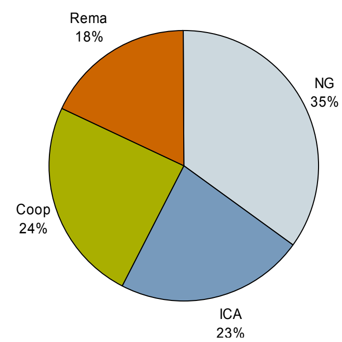
- **High prices, strong purchasing power and good margins for importers.** The general price level is high in Norway. Thanks to high incomes, the Norwegians nevertheless enjoy high purchasing power. Importers, even of goods that are not hit by high duties, adjust to the high price level and relative price insensitivity among Norwegians by charging high margins.

Competitors

Most of the Norwegian food retail market is shared by four umbrella organisations, of which NG is the largest followed by Coop, ICA Norge, and Reitangruppen (Rema 1000). In 2004 the German hard discount chain Lidl established itself in Norway and the chain currently has 24 stores in Norway, but its market share is so far minor.

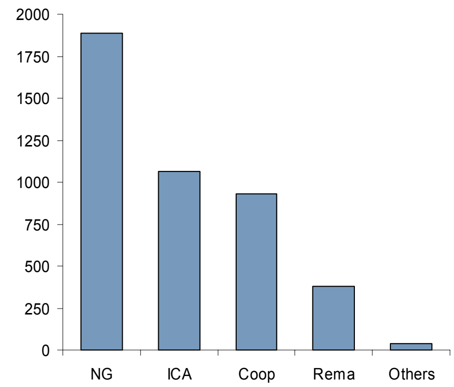
The Norwegian grocery industry has undergone a major restructuring process in recent years. Two of the four grocery chains are now foreign-owned (ICA Norge and Coop).

Figure 5. Estimated market share of umbrella organisations in Norway, 2004



Source: Nordea

Figure 6. Number of stores, 2003



Source: AC Nielsen

Coop Norden

Coop Norden was established on 1 January 2002 via a merger between the cooperative chains in Sweden, Denmark and Norway. The owners – Swedish KF, Danish FDB and Norwegian Coop NKL – contributed the majority of their operations in the three countries and their capital in exchange for shares in Coop Norden. However, Coop NKL transferred a smaller share of its operations and operates differently from Coop in Sweden and Denmark. This explains the lower ownership share of Coop NKL. The ownership shares in Coop Norden are distributed as follows: FDB 38%, KF 42% and Coop NKL 20%.

The structure of Coop Norway is complex as Coop Norway supplies goods to Coop NKL, which sells it to the stores. Coop NKL then owns the store concepts but not the stores, which are owned by the 201 cooperative societies. Coop Norway is the most successful member of Coop Norden, whereas Swedish KF generates substantial losses. This seems to create tension within the Coop Norden group.

Coop Norway is active in purchasing, production of private-label goods and the distribution and wholesale of food. The share of private-label goods reached 10% in Coop Norway in 2004.

ICA Norge

ICA Norge is wholly owned by the Swedish food retailer ICA Ahold. In turn, Ahold is 60% owned by Royal Ahold, the world's third largest retailer. The financial position of Royal Ahold has recovered since 2003 when it showed obvious weakness.

ICA Norge had group revenues of NOK 22.5bn and consolidated revenues of NOK 18.2bn. The group operates 978 stores in Norway, of which the majority is wholly owned and some are franchised. ICA Norge owns, or has rental contracts for, most of the franchise store premises. The group also provides wholesale and store support services. Besides franchise, ICA Norge also has 161 associated stores, which are supported by administration, distribution and operating and support systems.

REMA 1000

REMA 1000 is a franchise chain with its main operations in Norway, but which also holds 3% of the Danish market. Total sales, including franchised stores, totalled NOK 20.6bn in 2004.

REMA 1000 has 504 stores in Norway, Denmark and Sweden (only 1 store). REMA 1000 is a discount store concept with a low number of articles (about 2,500). REMA 1000 is wholly owned by Reitangruppen, which also operates chains of service and small convenience stores, such as Narvesen in Norway, Pressbyrån in Sweden and 7-Eleven in Sweden, Norway and Denmark. The total number of convenience stores is 1,381.

Lidl

The German discount chain opened its first stores in Norway in 2004. The company is expected to continue to expand from the current base of 24 stores. In 2005 Lidl is expected to reach a market share below 1%.

In industry jargon Lidl's concept is "hard discount", which means a small number of products, some 1,200 items and a high share of private-label goods, many of them imported. This can be compared to the 3,000 to 3,500 items in a Kiwi store – a "soft discount" chain.

Profitability and financing

Profitability

NG's margins have improved in the past few years and in 2004 NG's EBITA margin was 3.8%, up from 3.3% the year before. The margin remains low in an international comparison but competitive in a Norwegian context (however, the disclosure level of the Norwegian peers is generally poor). NG's operating margin is hampered by the large share of external wholesale revenues, which has lower margins than food retail.

We believe the improved margin is a result of increased internal efficiency. The improvement is impressive considering the more challenging operating environment for the retail operations and the numerous setbacks facing the wholesale operations in 2004. Contrary to our expectations, the entrance of low-cost competition in Norway has not negatively affected NG's margins so far.

Cash flow

A higher level of investments has offset the improvements in operating cash flow of the past years. In 2004 NG for instance invested in IT and a logistics system for the wholesale operations. In the long-run, NG should have a relatively low level of investments since wholesale operations generally require less investment than retail operations.

Capital structure and financial policy

NG is conservatively capitalised. At the end of 2004 total interest-bearing debt was NOK 3.4bn. Net debt to EBITDA and net debt to capitalisation were only 2.2x and 42%, respectively, which are low compared with peers. Coverage ratios are adequate for a low single A rating with EBITDA/net interest expense at 10x and an interest coverage ratio of 4.5x.

In June 2005 the two convertible loans from Centra Gruppen expired. One loan of NOK 180m will be converted. NG plans to use existing shares, of which it has significant holdings. The remaining NOK 320m will be repaid in cash, which means that it will be refinanced. Since the interest rates on the convertibles were high, NG's funding costs will be reduced from the transaction.

Funding strategy

NG has access to a variety of funding sources. The company has two outstanding bond issues of NOK 300m and NOK 750m, maturing in 2009 and 2012, respectively. NG also has a CP-programme, under which NOK 300m was outstanding as of year-end 2004. Remaining financing comes primarily from bilateral bank facilities. As of 29 June 2005, NG had NOK 1.8bn in unutilised long-term credit facilities.

International peer group

Trends in European retailing

Since there are no rated Nordic peers, we have selected five European food retailers as peers to NG. The span of ratings is wide, between Ba2/BB (Ahold) and A1/A+ (Carrefour and Tesco), but most food retailers are rated in the single A or triple B categories. As always, the ratings reflect more than the key ratios in Table 2 below. Some reflections on the recent development in Europe:

- **Low-cost retailers gain ground.** In recent years, European food retailing has experienced increased competition and stagnant demand. This environment has helped low-price chains, such as Tesco, to gain ground. Hard discount stores have grown rapidly in throughout Europe. Mid-priced chains, such as Ahold, Casino and Carrefour, have been forced to lower their price profile in order to reverse market share losses. This strategy appears to be reasonably successful. In Germany, weak consumer demand has further supported the well-established hard discount segment, which is led by Aldi and Lidl. Particularly mid-range players have suffered as a result.

- **Deregulation leads to increased competition.** The competition has long been ruthless in the UK due to little regulation, few barriers to entry and a comparably large number of players. In France, the Galland law, which prohibits loss leaders, and planning restrictions have offered some protection from competition. With the likely loosening of the Galland law, competition is expected to increase further in France.

Royal Ahold Casino S.A. (Ba2/Positive and BB+/Stable)

Ahold is one of the world's largest retailers with substantial operations outside its home market, the Netherlands. Accounting irregularities in the US Food service division led to a confidence and liquidity crisis in 2003. This led to a reversal of the previous acquisitive strategy, and since 2003 Ahold has managed to improve its financial profile, thanks to divestments and new equity. However, while improving, Ahold's debt levels remain high and profit margins are narrow.

Casino S.A. (nr and BBB/Negative)

Casino holds a solid 13% of the French food retail market. Its focus is primarily the French market, where it operates a number of formats, ranging from hypermarkets, supermarkets, soft-discount stores and convenience stores. A recent acquisition in Brazil has stretched Casino's financial profile and led to a negative outlook from S&P.

Carrefour S.A. (A1/Stable and A+/Stable)

Carrefour is the world's second largest food retailer and one of the few truly geographically diversified with stores in more than 30 countries. From its strong base in the French food retail market, Carrefour has expanded throughout Europe. The operating performance was disappointing in 2004 as the French operations underperformed.

Sainsbury (Baa3/Negative and BBB-/Negative)

Sainsbury has fallen back to a third position in the competitive UK food retail market. The company has underperformed key competitors, such as Tesco, for several years and Sainsbury is restructuring its operations in order to regain some lost ground. Moody's has warned that the company is weakly positioned in investment grade.

Tesco PLC (A1/Stable and A+/Stable)

Tesco is the leading food retailer in the UK with an 18% market share. Despite generally low prices, Tesco manages to show strong margins, which relates to its high operational efficiency. Although the UK operations remain dominant, Tesco has expanded internationally and increased its share of non-food retail, which has made the company more diversified than most peers.

Table 2. Peer group comparison

Country	Royal Ahold NV Netherlands	Carrefour S.A. France	Casino S.A. France	NorgesGruppen ASA Norway	Sainsbury PLC UK	Tesco PLC UK
Ratings						
Moody's rating/outlook	Ba2/Pos	A1/Stable	NR	NR	Baa3/Neg	A1/Stable
S&P rating/outlook	BB+/Stable	A+/Stable	BBB/Neg	NR	BBB-/Neg	A+/Stable
Earnings /cash flow data (EURm)						
Total sales	52,000	72,668	23,170	3,414	21,515	47,997
EBIT	747	2,915	1,103	96	467	2,958
EBITA	1,092	3,234	1,156	130	473	3,043
EBITDA	2,559	4,917	1,642	177	1,132	3,895
Funds from operations	1,564	3,406	1,204	132	635	3,240
Operating cash flow	1,470	4,248	1,068	137	1,111	3,891
Net CAPEX	-1,063	-2,018	-668	-111	-643	-2,049
Retained cash flow	407	1,621	220	11	468	1,207
Balance sheet data (EURm)						
Total assets	38,977	38,977	15,769	1,392	16,443	19,186
Cash and marketable securities	3,196	989	508	18	952	1,132
Goodwill	1,968	8,851	841	346	144	1,475
Equity	4,600	8,329	3,308	492	6,191	12,746
Total debt	9,270	9,724	5,849	408	2,913	7,060
Total adjusted debt*	13,251	10,431	n/a	408	3,150	7,284
Net debt	6,074	8,736	5,340	389	1,960	5,927
Adjusted net debt*	10,055	9,443	6,122	389	2,197	6,152
Short-term debt	2,039	2,597	1,184	53	501	675
Key ratios						
EBIT margin, %	1.4	4.0	4.8	2.8	2.2	6.2
EBITA margin, %	2.1	4.5	5.0	3.8	2.2	6.3
EBITDA margin, %	4.9	6.8	7.1	5.2	5.3	8.1
EBIT margin*, %	2.0	4.1	4.9	2.8	2.2	6.2
EBITDA margin*, %	6.2	7.5	8.0	5.2	5.4	8.1
Interest coverage, x	1.0	6.0	3.6	4.5	2.8	8.1
Net interest coverage, x	1.1	6.9	6.6	5.7	3.8	12.9
Net interest coveragee, x*	1.1	6.3	5.5	5.7	3.5	12.4
EBITDA / interest expense, x	3.3	10.0	4.6	7.9	6.1	10.2
EBITDA / net interest expense, x	3.6	11.4	8.5	10.0	8.2	16.2
EBITDA / net interest expense, x*	3.2	11.4	7.9	10.0	7.7	15.5
Total debt / capitalisation, %	66.5	53.9	60.7	44.4	31.6	35.5
Net debt / capitalisation, %	33.9	46.6	51.2	42.4	20.7	29.5
Net debt / capitalisation, %*	56.1	50.3	58.7	42.4	23.2	30.6
Total debt to EBITDA, x	3.6	2.0	3.6	2.3	2.6	1.8
Net debt / EBITDA, x	1.9	1.6	2.9	2.2	1.7	1.5
Net debt / EBITDA, x*	3.1	1.7	3.3	2.2	1.9	1.6
Flow from operations / total debt, %	16.9	35.0	20.6	32.3	21.8	45.9
Flow from operations / net debt, %	25.7	39.0	25.8	33.9	32.4	54.6
Flow from operations / net debt, %*	19.2	41.6	22.5	33.9	29.3	52.6
Operating cash flow / sales, %	2.8	5.8	4.6	4.0	5.2	8.1
Net CAPEX ongoing operations / Sales, %	2.0	2.8	2.9	3.3	3.0	4.3
Operating cash flow/net CAPEX, %	138	210	160	124	173	190

**Adjusted for operating leases and other off-balace exposures (not including pensions)*

Source: Company data and Nordea:

Note: Key ratios are calculated according to Nordea standards and may differ from company reports

Conclusion and rating

We have upgraded our Nordea rating of NG one notch from BBB+ to A- and at the same time lowered the outlook for the rating from positive to stable. The upgrade reflects the gradual improvement in profitability and coverage ratios during the past two years. We consider it encouraging that NG has been able improve margins despite the increasing price pressure in the Norwegian food retail market.

Our rating is supported by NG's leading position in the below-average cyclical Norwegian food retail industry. The industry is characterised by significant barriers to entry and consequently the incumbent players enjoy relatively strong positions. However, competition is likely to increase in the industry from the growing presence of low-cost competition.

The financial profile is conservative with low levels of debt. Debt coverage ratios are strong and in line with a low single A rating. On the upside, our credit assessment is restricted by the intensifying competition and increasing price pressure in the industry and the relatively low margins.

Financial information

Table 3 NorgesGruppen ASA – financial information (NOKm)

Income statement	2000	2001	2002	2003	2004
Net sales	**20,029**	**23,357**	**24,814**	**26,919**	**28,148**
Operating expenses	-19,772	-22,858	-24,238	-26,302	-27,382
Associated company income	44	53	85	109	97
EBITDA	**770**	**1,043**	**1,138**	**1,204**	**1,459**
Adjusted EBITDA	**770**	**1,043**	**1,138**	**1,204**	**1,459**
Depreciation	-447	-556	-618	-686	-766
Operating profit (EBIT)	**367**	**540**	**604**	**626**	**790**
Adjusted EBIT	**367**	**540**	**604**	**626**	**790**
Gross interest expense	-315	-389	-272	-223	-185
Interest income	120	194	101	62	39
Adjusted gross interest expense	-315	-389	-272	-223	-185
Other financial items	128	199	106	64	41
Net financial items	-187	-190	-166	-159	-145
Adjusted net financial items	-187	-190	-166	-159	-145
Profit after financial items	**70**	**309**	**410**	**457**	**622**
Extraordinary items	0	0	0	0	0
Profit before taxes	70	309	410	457	622
Taxes	-35	-82	-160	-91	-184
Minority interests	-18	-19	-32	-17	-5
Net profit	**16**	**208**	**218**	**349**	**432**

Balance sheet	2000	2001	2002	2003	2004
Assets					
Intangible assets	2,047	2,334	2,356	2,918	2,851
Other long-term assets	3,564	3,300	3,487	4,084	4,991
Inventories	1,344	1,445	1,570	1,754	1,965
Cash and cash equivalents	314	556	288	174	152
Other current assets	1,932	1,858	1,571	1,523	1,515
Total assets	**9,201**	**9,493**	**9,273**	**10,454**	**11,474**
Shareholders equity and liabilities					
Shareholders' equity	2,232	2,709	2,875	3,705	4,058
Adj equity	2,232	2,709	2,875	3,705	4,058
Minority interest	238	235	265	212	144
Total interest-bearing debt	3,579	3,051	2,552	3,061	3,360
Adjusted total debt	3,579	3,051	2,552	3,061	3,360
Non-interest bearing debt and provisions	3,376	3,721	3,833	3,859	4,194
Total shareholders equity and liabilities	**9,424**	**9,716**	**9,525**	**10,836**	**11,755**

Cash flow	2000	2001	2002	2003	2004
EBIT	257	499	576	617	766
Depreciation	447	556	618	686	766
Other non-cash items	-382	-446	-437	-488	-446
Funds from operations (FFO)	**322**	**609**	**756**	**815**	**1,087**
Adjusted FFO	**322**	**609**	**756**	**815**	**1,087**
Changes in working capital	309	270	199	-119	44
Operating cash flow (OCF)	**632**	**880**	**955**	**696**	**1,131**
Adjusted OCF	**632**	**880**	**955**	**696**	**1,131**
Capex	-737	-568	-813	-907	-915
Free operating cash flow (FOCF)	**-106**	**312**	**142**	**-211**	**216**
Dividends	0	0	0	-92	-123
Retained cash flow (DCF)	**-106**	**312**	**142**	**-303**	**93**

Source: Company data and Nordea:
Note: Key ratios are calculated according to Nordea standards and may differ from company reports.

Table 4 Key ratios

Key ratios	2000	2001	2002	2003	2004
Profitability ratios					
EBIT margin	1.8%	2.3%	2.4%	2.3%	2.8%
Adjusted EBIT margin	1.8%	2.3%	2.4%	2.3%	2.8%
EBITDA margin	3.8%	4.5%	4.6%	4.5%	5.2%
Adjusted EBITDA margin	3.8%	4.5%	4.6%	4.5%	5.2%
Return on equity	0.9%	8.4%	7.8%	10.6%	11.1%
Return on capital	7.1%	9.0%	10.3%	9.9%	10.9%
Coverage ratios					
Interest coverage	1.57	1.90	2.61	3.09	4.49
Adjusted interest coverage	1.57	1.90	2.61	3.09	4.49
EBITDA to interest expense	2.44	2.68	4.19	5.40	7.88
EBITDA to net interest expense	3.94	5.36	6.66	7.48	9.96
Adjusted EBITDA to interest expense	2.44	2.68	4.19	5.40	7.88
FFO interest coverage	2.02	2.57	3.78	4.65	6.87
Adjusted FFO interest coverage	2.02	2.57	3.78	4.65	6.87
FFO to total debt	0.09	0.20	0.30	0.27	0.32
Adjusted FFO to total debt	0.09	0.20	0.30	0.27	0.32
Free operating cash flow to total debt	-0.03	0.10	0.06	-0.07	0.06
Retained cash flow to total debt	-0.03	0.10	0.06	-0.10	0.03
Free operating cash flow to capex	-0.14	0.55	0.18	-0.23	0.24
Leverage ratios					
Net debt	3,265	2,495	2,263	2,886	3,208
Adjusted net debt	3,265	2,495	2,263	2,886	3,208
Capitalisation	6,048	5,995	5,692	6,978	7,562
Adjusted capitalisation	6,048	5,995	5,692	6,978	7,562
Net debt to EBITDA	4.24	2.39	1.99	2.40	2.20
Adjusted net debt to EBITDA	4.24	2.39	1.99	2.40	2.20
Total debt to EBITDA	4.65	2.92	2.24	2.54	2.30
Adjusted debt to EBITDA	4.65	2.92	2.24	2.54	2.30
Equity ratio	23.7%	27.9%	30.2%	34.2%	34.5%
Adjusted equity ratio	23.7%	27.9%	30.2%	34.2%	34.5%
Net debt to capital	0.54	0.42	0.40	0.41	0.42
Adjusted net debt to capital	0.54	0.42	0.40	0.41	0.42
Total debt to capital	0.59	0.51	0.45	0.44	0.44
Adjusted debt to capital	0.59	0.51	0.45	0.44	0.44
Liquidity ratio					
Cash to debt	8.8%	18.2%	11.3%	5.7%	4.5%
Payment readiness	1.6%	2.4%	1.2%		
Asset turnover ratios					
Asset turnover	2.18	2.46	2.68	2.58	2.45
Inventory turnover	14.90	16.16	15.80	15.34	14.32
Inventory days	24	22	23	23	25
Accounts receivable turnover	21.01	21.23	25.16	25.79	27.48
Accounts receivable days	17	17	14	14	13
Accounts payable turnover	15.99	17.32	13.65	14.90	13.78
Accounts payable days	23	21	26	24	26
Other ratios					
Capex to sales	0.04	0.02	0.03	0.03	0.03

Source: Company data and Nordea:
Note: Key ratios are calculated according to Nordea standards and may differ from company reports.

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