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Credit Analysis: NorgesGruppen ASA

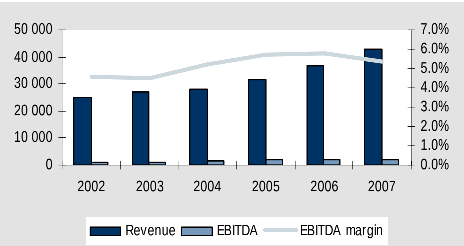
Company ratings

	Long	Outlook
Moody's	nr	nr
Standard & Poor's	nr	nr
Nordea	A-	Stable

Unsecured bond ratings

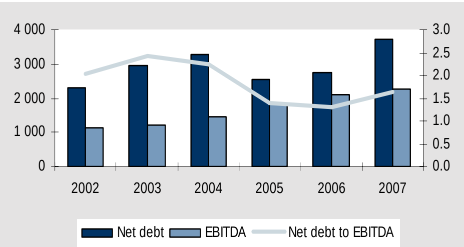
	Long	Outlook
Moody's	nr	nr
Standard & Poor's	nr	nr
Nordea	A-	Stable

Revenue and EBITDA (NOKm)



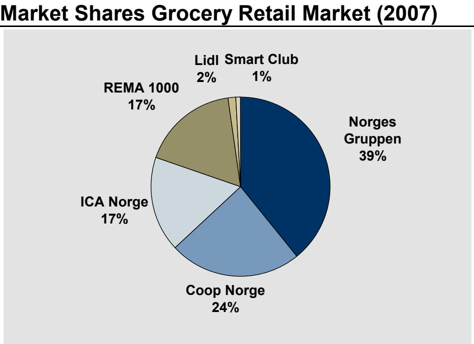
Source: Nordea Markets

Net debt and EBITDA (NOKm)



Source: Nordea Markets

Market Shares Grocery Retail Market (2007)



Source: ACNielsen, Nordea Markets

Norway's largest food retail chain and wholesaler

NorgesGruppen ASA (NG) is the largest food retail chain in Norway with a 39.2% market share and a turnover of approximately NOK 23bn in first half of 2008. The wholesale operations are by far the largest in Norway and enjoys substantial economies of scale.

Strong market positions

The Norwegian food retail industry is highly concentrated with four players controlling the market after Lidl exited Norway in early 2008. Economies of scale and restrictions on new store openings constitute barriers to entry. A relatively high price level contributes to fairly attractive industry characteristics, even though the entry by Lidl caused increased price competition by the four established players. Similarly, food wholesale is concentrated, with NG being the market leader.

Strong credit profile

With net debt to EBITDA (12 months rolling) ending at 1.9x at half-year 2008 we consider NG's leverage to be very low and the group enjoys strong credit ratios. The interest coverage ratios are also strong, with EBITDA (12 months rolling) to net interest ending half-year 2008 at 10.1 x, despite somewhat weaker operating margins compared to international peers.

Geographically undiversified

NG benefits from diversification in format since the group is active in all segments of the food market. Yet almost all revenues stem from the Norwegian grocery market, which makes NG's performance closely linked to the domestic industry performance.

We view NorgesGruppen as an A- credit

We view NorgesGruppen as an A- credit with stable outlook. Our assessment reflects the group's leading position in the less than average cyclical Norwegian retail industry. Despite recent margin pressure, we consider the operating profile to be above average. The group's financial profile is conservative with very low leverage. On the downside, our credit assessment is restricted by the high dependence on the Norwegian food retail industry. Thus, NG is exposed to any deterioration of the spending power of Norwegian consumers or intensifying competition.

This report has been prepared independently of NorgesGruppen ASA (the "company") by Nordea Markets, who may participate in a bond offering by the company.

Contents

Key Investment Considerations

Credit supportive

► Strong market positions

NG has a leading 39.2% share of the Norwegian food retail market, although the majority of the stores are retailer-owned. In addition, the group holds a controlling market position in the domestic food wholesale industry. This position was further strengthened in February 2009 when Joh. Johannson Kaffe AS was fully integrated in the group.

► 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 operations, which are Norway's largest, enjoys substantial economies of scale.

► Resilient industry characteristics

The food retail industry's sensitivity to economic cycles is below average and we argue that there are few companies active in the domestic bond market that is exposed to lower business cyclicality than NG.

► Strong credit profile

With net debt (adjusted for pension liabilities) to EBITDA ending at 1.6x at year-end 2007 we consider NG's leverage to be very low and the group enjoys very strong credit ratios. The interest coverage ratios are also strong, with EBITDA to gross interest ending 2007 at 11.0x, despite somewhat weaker operating margins compared to international peers.

Credit challenges

► Earnings and cash flow are geographically undiversified

NG benefits from diversification in format since the group is active in all segments of the food market. Yet almost all revenues stem from the Norwegian grocery market, which makes NG's performance closely linked to the domestic industry performance.

► Relatively low operating margins from the wholesale operations

A high share of wholesale revenues with lower margin than food retail dilutes the margins and makes NG vulnerable to price pressure in Norway. However, it is important to note that the group has improved its operating margins continuously during the last decade.

► Limited growth opportunities in its core businesses

NG has been an active player with respect to consolidation of the domestic food retail market, as well as the domestic wholesale operations. We are of the opinion that NG has limited growth opportunities in the domestic food retail market, mainly due to restrictions by competition authorities. Consequently, we see a risk that NG expands in other, less profitable and stable, business segments.

Credit Profile

NG is market leader in a domestic industry which is highly resilient to shifts in economic cycles. The group's operating margins, as well as cash flow generation, are stable and predictable. The credit profile weakened marginally from 2006 to 2007, but is still very strong. We also note that its credit profile remains strong despite increased margin pressure.

NG has limited growth opportunities in its core businesses, mainly due to restrictions by competition authorities. Consequently, we see a risk that NG expands in non-core business segments representing higher business risk. The fast-food, kiosk and convenience store business segments is characterised by higher business cyclicality compared to the traditional retail grocery segment.

The largest shareholder in NG controls approximately 70% of the shares. Given the limited diversity of shareholders we are of the opinion that the LBO or M&A risk associated with NG is very low.

Company and Bond Ratings

We view NorgesGruppen as an A- credit with stable outlook. Our assessment reflects the group's leading position in the less than average cyclical Norwegian retail industry. Despite recent margin pressure, we consider the operating profile to be above average. The group's financial profile is conservative with very low leverage. On the upside, our credit assessment is restricted by the high dependence on the Norwegian food retail industry. Thus, NG is exposed to any deterioration of the spending power of Norwegian consumers or intensifying competition.

We have an a A- rating on unsecured debt issued by NorgesGruppen as the group's debt funding, with minor carve-outs, are senior unsecured on a negative pledge basis.

Table 1: Key Financials 2001 to H1-08 (NOKm)

Income Statement, NOKm	2001	2002	2003	2004	2005	2006	2007	H1-08
Revenue	23 358	24 814	26 919	28 148	31 531	36 620	42 678	23 281
EBITDA	1 043	1 138	1 203	1 459	1 812	2 096	2 282	1 328
EBITDA margin	4.5%	4.6%	4.5%	5.2%	5.7%	5.7%	5.3%	5.7%
EBIT	487	520	517	669	913	1 410	1 409	859
EBIT margin	2.1%	2.1%	1.9%	2.4%	2.9%	3.9%	3.3%	3.7%
Net profit	208	218	349	433	699	1 056	1 180	561
Balance Sheet								
Total assets	9 716	9 525	10 836	11 755	12 442	14 560	17 545	19 005
Cash and cash equivalents	556	288	174	152	133	199	280	567
Shareholders equity	2 944	3 140	3 917	4 202	4 662	5 605	6 939	7 106
Total debt	3 051	2 552	3 060	3 376	2 604	2 696	3 678	5 060
Cash Flow								
FFO	722	885	1 061	1 226	1 711	1 737	1 910	1 042
Operating cash flow	752	1 299	896	1 234	1 875	1 644	1 469	713
Capex	-184	-500	-1 333	-1 371	-958	-1 806	-2 759	-1 256
Free operating cash flow	568	799	-437	-137	917	-161	-1 289	-543
Dividend	-7	-4	-92	-123	-198	-255	-294	-371
Retained cash flow	561	796	-529	-259	719	-416	-1 583	-914
Adjusted key ratios								
Net debt	2 545	2 308	2 932	3 270	2 529	2 780	3 727	4 493
Total debt	3 101	2 596	3 106	3 421	2 662	2 979	4 006	5 060
Total debt to capitalisation	51%	45%	44%	45%	36%	35%	37%	42%
Net debt to EBITDA (12 months rolling)	2.4	2.0	2.4	2.2	1.4	1.3	1.6	1.9
Interest coverage	1.9	2.6	3.1	4.4	7.6	12.1	8.5	7.0
EBITDA to interest expense	2.7	4.2	5.4	7.9	12.1	16.2	11.0	10.1
Capex to sales	1%	2%	5%	5%	3%	5%	6%	5%
FFO (12 months rolling)/total debt	23%	34%	34%	36%	64%	58%	48%	39%
Return on Equity	7%	7%	9%	10%	15%	19%	17%	8%

Source: Nordea Markets Credit Research (net debt adjusted for pension liabilities)

Group Profile

NG is Norway's largest food retail chain with consolidated sales of approximately NOK 23bn in the first half of 2008. Including franchise stores, NG holds 39.2% of the Norwegian food retail market, which amounts to about NOK 117bn (2007). The group's wholesale operations hold a strong position in Norway with some NOK 31bn in external sales to the group's stores, franchise stores, kiosks, hotels, restaurants and the catering industry.

The group has 1,978 stores in Norway, of which 525 are majority-owned and the remaining are retailer-owned. The majority-owned stores generate approximately 46% of the group's retail revenues. The wholesale operations serve outlets associated with NG, both majority- and retail-owned.

The forerunner to NG, NorgesDetalj, was founded in 1994 as an alliance between a number of independent players in the domestic grocery and wholesale industries. 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 larger group as the food retail chains in the alliance merged with the main parts of the Joh. Johannson group. The establishment of NG took place by companies in the alliance merging assets into NG in return for ownership stakes in the merged entity. Furthermore, NG expanded further the same year when acquiring the supermarket part of Centra Gruppen.

Ownership

The largest shareholder is the Joh. Johannson family, who directly and indirectly controls approximately 70% of the shares. The other major owners are Brødrene Lorentzen AS, PETT, AKA and Butikkdrift.

A listing on the stock exchange is not on the agenda. The current ownership structure limits NG's access to new equity. However, since the group does not aim to expand rapidly, we do not view the limited access to new equity as restrictive for future growth, nor a credit concern. Conversely, the current ownership structure most likely poses a barrier for a potential take-over attempt by competing rivals.

Table 2: Largest Shareholders per 31 December 2007

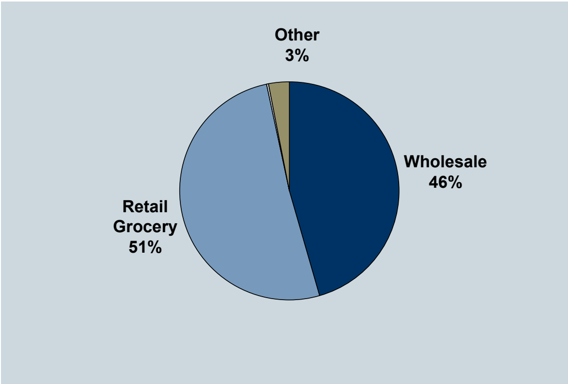
#	Investor	# of shares	% of total
1	Joh. Johannson AS & controlled companies	29 357 622	69.24%
2	Brødrene Lorentzen AS	3 593 566	8.48%
3	PETT Kjede og Servicekontor AS	2 529 965	5.97%
4	AKA AS	2 154 148	5.08%
5	Butikkdrift AS	1 602 664	3.78%
	Total five largest shareholders	**39 237 965**	**92.55%**
	Other	3 162 035	7.45%
	Total	**42 400 000**	**100.00%**

Source: NorgesGruppen, Nordea Markets

Business Operations

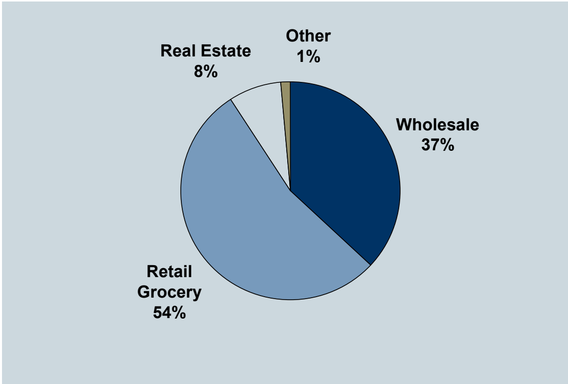
The group's two main business areas are wholesale and retail grocery, which generated 97% of the group's turnover and 77% of the group's total EBIT in 2007. In addition, NG has a profile house comprising several restaurant-, fast food-, kiosk- and coffee-chains.

Figure 11: Turnover by business area (2007)



Source: NorgesGruppen, Nordea Markets

Figure 11: EBIT by business area (2007)



Source: NorgesGruppen, Nordea Markets

Wholesale

The wholesale business ensures an efficient flow of goods all the way from producer to consumer through grocery retailing, convenience trade and catering. The business area is responsible for the group's total flow of goods, including management and supervision of the regional wholesale entities.

In 2007, wholesale generated 46% of the group's total turnover (excluding internal sales) and 37% of the group's EBIT. The business area's turnover, including internal sales, amounted to NOK 31.0bn in 2007 (excluding internal sales NOK 11.6bn). EBIT (excluding internal sales) amounted to NOK 525m, corresponding to an EBIT margin of 2.7%.

Retail Grocery

The retail grocery business embraces the group's three nationwide profile houses with a total of 1,978 outlets (2007). Roughly 46% of the turnover derives from wholly-owned stores, while turnover from dealer-owned chain members accounts for the remainder. The non-consolidated stores operate under contracts that resemble franchise contracts, but differ as NG does not own any facilities or equipment used by the stores.

In 2007, retail grocery generated 51% of the group's total turnover and 54% of the group's EBIT. The business area's turnover and EBIT amounted to NOK 21.8bn and NOK 762m respectively, corresponding to an EBIT margin of 3.5%.

NG divides its different retail chain concepts into three profile houses:

- **KIWI** is the group's discount store chain with 421 stores, of which 320 are wholly-owned. In 2007, KIWI's market share was 11.5% and total sales amounted to NOK 13.4bn. In May 2008, NG and its Denmark-based partner Dagrofa signed an agreement to expand the KIWI concept to Denmark. The strategic target is to establish 100 KIWI stores by the end of 2010.

- **Kjøpmannshuset** covers the local supermarket, kiosk and convenience store segments with a total of 777 stores. The main chain concepts are SPAR, EUROSPAR, Joker and Nærbutikkene. SPAR and EUROSPAR are local supermarket concepts, whereas Joker and Nærbutikkene are convenience store concepts.

- **Meny** comprises the large supermarkets and mega stores with a total of 157 stores. The profile house includes the Meny chain of large supermarkets (143 stores), the Ultra chain of mega stores (13 stores) and Centra/Jacob's (3 stores). In 2007, the profile house total sales amounted to NOK 12.3bn.

Restaurant, fast food, kiosk and coffee chains

NG is actively involved in fast food-, kiosk- and coffee chains through a separate profile house **Servicehandel**. This profile house includes (2007 figures):

- **MIX** is NG's kiosk chain with 696 retailer-owned stores.

- **Dolly Dimples** (50% owned): a domestic pizza chain with 91 outlets and sales of NOK 565m.

- **Big Horn** (50% owned): a domestic restaurant chain with 28 outlets and sales of NOK 255m.

- **Deli de Luca** (61% owned): a kiosk and fast food chain with 27 outlets and sales of NOK 286m.

- **JaFs** (100% owned): a domestic fast food chain with 47 outlets and sales of NOK 200m. The outlets are not directly owned by NG, but retail-owned.

- **Kaffebrenneriet** (50% owned): Norway's largest coffee chain with 17 outlets and sales of NOK 93m.

- **Le Café** (100% owned): a domestic café chain with 19 outlets and sales of NOK 72m.

- **Fresh** (100%): a fast food concept developed for Shell Select. The concept is established at 481 Shell stations and generates sales of NOK 486m.

Industry Characteristics

The Norwegian food retail market

Key characteristics of the Norwegian food retail market:

- **The market is highly concentrated** with four umbrella organisations sharing the market, after Lidl exited from the Norwegian market in the beginning of 2008.

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

- **Medium 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 compared to the larger European countries.

- **Norway is thinly populated,** which adds to transportation costs and could be a factor behind the 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. There are import duties and restrictive import quotas on various food products, such as milk and meat products. This agricultural policy is the main driver behind the relatively high level of food prices in Norway.

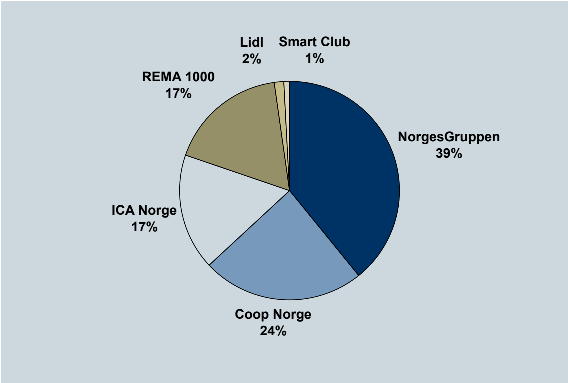
- **High share of discount stores.** More than 50% of the retail grocery stores in Norway are discount stores, which is relatively high compared to other European countries. However, the stores are “soft” discount stores rather than “hard” discount stores. A hard discount store has a very narrow product range primarily focused on food and a high share of private-label goods.

Competitors

The Norwegian food retail industry is a large domestic industry, employing approximately 87,000 persons (2007). According to ACNielsen, the total market grew by 0.6% to about NOK 117bn in 2007.

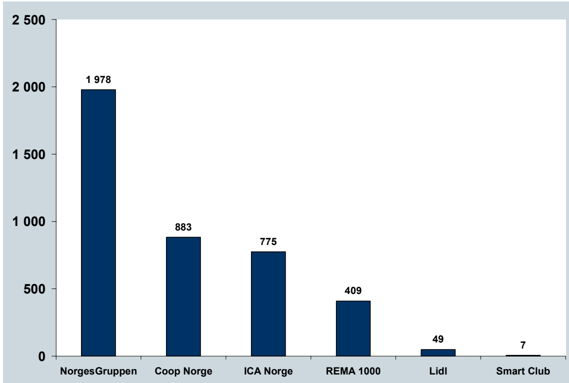
The market is more or less controlled by four umbrella organisations of which NG is the largest player with a 39% market share, followed by Coop Norge (24%), ICA Norge (17%) and REMA 1000 (17%). The German-based hard discount chain entered the Norwegian market in 2004, but decided to pull out of Norway in 2008 and its stores have been taken over by REMA 1000.

Figure 11: Market shares (2007)



Source: ACNielsen, Nordea Markets

Figure 12: Number of stores (2007)



Source: ACNielsen, Nordea Markets

Coop Norge

In 2007, the Coop chain controlled 883 stores with an aggregate market share of 24%. Coop Norge supplies goods to Coop NKL, the co-operative chain in Norway, which then re-sells to the Coop stores. Coop NKL owns the store concepts, but not the stores, which are owned by the 201 co-operative societies. During 2008, Coop took over the Smart Club chain and its 7 stores.

ICA Norge

In 2007, ICA Norge had 775 stores with an aggregate market share of 17%. ICA Norge is wholly owned by the Sweden-based retailer ICA Ahold, which in turn is 60% owned by Netherlands-based Royal Ahold. Royal Ahold is the world’s third largest retailer.

REMA 1000

In 2007, REMA 1000 had 409 stores with an aggregate market share of 17%. REMA 1000 is a franchise chain with its main operations in Norway, but has also expanded to Denmark. REMA 1000 is wholly owned by Reitangruppen, which also operates chains of service and small convenience stores, such as Narvesen, 7-Eleven and Pressbyrån.

Financial Profile

Strategy

NG's objective is to offer quality items at competitive prices, in addition to helping the customers save time. The group's vision is to improve its customers' everyday life. In practice this means giving good service and inspiration whenever customers visit its stores.

Earnings and Profitability

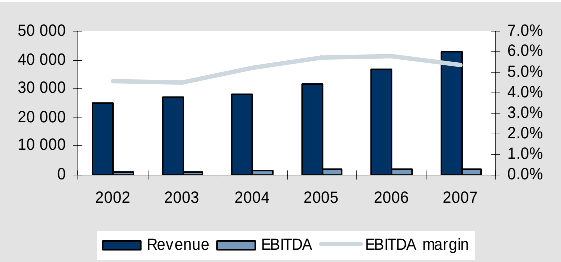
Total sales last year rose 17% to NOK 42.7bn (2006: NOK 36.6bn), mainly due to an increase in the number of wholly owned stores as well as organic growth. According to ACNielsen, several of NG's retail grocery chains increased its market share during 2007.

Despite increased sales growth, NG reported weaker operating margins in 2007. The overall group EBITDA grew by 8% to NOK 2.3bn (2006: NOK 2.1bn), but the EBITDA margin weakened to 5.3% (2006: 5.7%). The group's operating expenses increased compared to 2006 as NG continued to expand its retail grocery and wholesale operations.

In H1-08, the group's turnover increased 14% year-on-year to NOK 23.3bn (H1-07: 20.3bn). The revenue growth is due to business acquisitions, establishment of new stores and continued organic growth. EBITDA grew by 10% year-on-year, while the overall EBITDA margin fell to 5.7% (H1-07: 6.0%). The margin decline is partly due to higher depreciations, as well as increased operating expenses in its wholesale operations due to NG's growth rate.

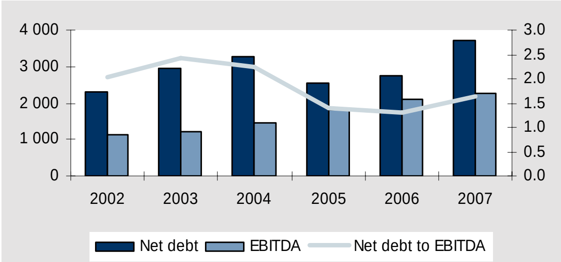
NG's outlook for 2008 incorporates expectations of weaker operating margins going forward as NG faces higher prices on food products. In order to maintain its operating margins, NG needs to charge higher prices from its end customers in a highly competitive environment.

Figure 11: Sales and EBITDA (NOKm)



Source: Company reports, Nordea Markets

Figure 12: Net debt and EBITDA (NOKm)



Source: Company reports, Nordea Markets

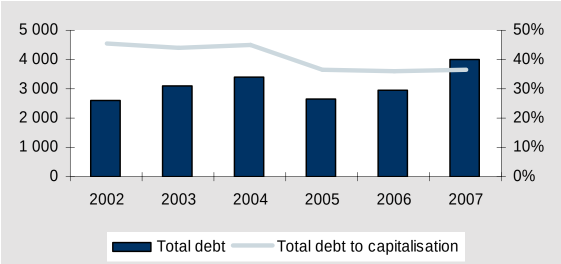
Capital Structure and Coverage Ratios

NG's net debt (adjusted for pension liabilities) increased by approximately NOK 0.8bn during H1-08 to NOK 4.5bn (2007: NOK 3.7bn). The higher leverage is mainly due to NOK 1.2bn capital expenditure, in addition to a NOK 371m dividend distribution.

Consequently, the ratio of net debt (adjusted for pension liabilities) to EBITDA (12 months rolling) weakened to 1.9x (2007: 1.6x) and the total debt to capitalisation ratio grew to 42% (2006: 37%).

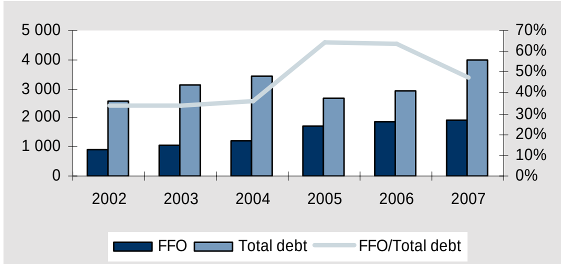
The group's equity ratio at end of H1-08 stood at 37% (2007: 40%), a comfortably level given NG's relatively low business risk.

Figure 13: Total debt to capitalisation (NOKm)



Source: Company reports, Nordea Markets

Figure 14: FFO and total debt (NOKm)



Source: Company reports, Nordea Markets

Funding and Liquidity

NG generates strong and stable operating cash flows given its non-cyclical business operations. The aggregated operating cash flow during 2003 to 2007 amounted to NOK 7.1bn, equal to 80% of the aggregated EBITDA for the same period (NOK 8.9bn).

The group has pursued a consistent shareholder and dividend policy for many years. Its average dividend payout ratio 2003-2007 equalled 37%.

At end H1-08 NG's cash balance amounted to NOK 567m. The group does not disclose any information about its undrawn debt facilities in its half-year reports, but in its full-year 2007 report NG had approximately NOK 3.1bn available under its debt facilities. We are of the opinion that NG's liquidity reserve is strong.

NorgesGruppen ASA – Key Financial Ratios

Income statement, NOKm	2001	2002	2003	2004	2005	2006	2007	H1-08
Net sales	23 358	24 814	26 919	28 148	31 531	36 620	42 678	23 281
Operating expenses	-22 315	-23 676	-25 716	-26 689	-29 719	-34 524	-40 396	-21 953
Operating profit before depr. (EBITDA)	1 043	1 138	1 203	1 459	1 812	2 096	2 282	1 328
Depreciation according to plan	-556	-618	-686	-790	-899	-685	-873	-469
Operating profit (EBIT)	487	520	517	669	913	1 410	1 409	859
Net financial items	-138	-81	-51	-47	73	20	151	-64
Profit before extraordinary items and taxes	349	439	466	622	986	1 431	1 560	795
Extraordinary items	-40	-29	-9	0	0	0	0	0
Profit before taxes (EBT)	309	410	457	622	986	1 431	1 560	795
Taxes	-82	-160	-91	-184	-270	-356	-361	-222
Minority interest	-19	-32	-17	-5	-17	-19	-19	-12
Net profit (including extraordinary items)	208	218	349	433	699	1 056	1 180	561
EBITDA margin, %	4.5	4.6	4.5	5.2	5.7	5.7	5.3	5.7
Operating margin, %	2.1	2.1	1.9	2.4	2.9	3.9	3.3	3.7
Profit margin, %	1.5	1.8	1.7	2.2	3.1	3.9	3.7	3.4
Return on operating capital, %	8.5	9.1	8.1	8.9	11.7	16.8	13.8	14.8
Return on capital employed, %	12.2	12.1	10.8	11.0	15.2	20.6	18.4	15.2
Return on equity, %	7.7	8.2	10.4	10.8	16.2	20.9	19.1	16.1
Balance sheet, NOKm	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1-08**
Intangible assets	2 334	2 356	2 918	2 851	2 695	2 988	3 847	3 745
Other long term assets	3 523	3 739	4 466	5 273	5 611	6 672	8 314	9 246
Inventories	1 445	1 570	1 754	1 965	2 156	2 205	2 527	2 943
Cash and cash equivalents	556	288	174	152	133	199	280	567
Other current assets	1 858	1 572	1 524	1 515	1 847	2 496	2 577	2 504
Total assets	**9 716**	**9 525**	**10 836**	**11 755**	**12 442**	**14 560**	**17 545**	**19 005**
Shareholders' equity	2 709	2 875	3 705	4 058	4 533	5 553	6 908	7 052
Minority interest	235	265	212	144	129	52	31	54
Interest bearing debt and provisions	3 101	2 596	3 106	3 421	2 662	2 979	4 006	5 060
Non-interest bearing debt and provisions	3 671	3 789	3 812	4 132	5 118	5 966	6 600	6 839
Total shareholders' equity and liabilities	**9 716**	**9 525**	**10 836**	**11 755**	**12 442**	**14 550**	**17 545**	**19 005**
Cash flow, NOKm	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1-08**
Operating profit	487	520	517	669	913	1 410	1 409	859
Depreciation	556	618	686	790	899	685	873	469
Other non-cash items	-321	-253	-142	-233	-101	-359	-372	-286
Funds from operations (FFO)	**722**	**885**	**1 061**	**1 226**	**1 711**	**1 737**	**1 910**	**1 042**
Changes in working capital	30	414	-165	8	164	-93	-440	-329
Operating cash flow	**752**	**1 299**	**896**	**1 234**	**1 875**	**1 644**	**1 469**	**713**
Investments	-184	-500	-1 333	-1 371	-958	-1 806	-2 759	-1 256
Cash flow after investments	**568**	**799**	**-437**	**-137**	**917**	**-161**	**-1 289**	**-543**
Dividends	-7	-4	-92	-123	-198	-255	-294	-371
New equity	-41	-13	-94	-62	67	7	16	0
Free cash flow	**561**	**796**	**-529**	**-259**	**719**	**-416**	**-1 583**	**-914**
New debt	2694	337	547.455	750	620	528	1 675	1 054
Payment of debt	-2972	-1387	-38	-451	-1426	-51	-28	0
Net cash flow	**283**	**-254**	**-20**	**40**	**-86**	**60**	**64**	**140**
Key figures	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**H1-08**
Net interest bearing debt	2 545	2 308	2 932	3 270	2 529	2 780	3 727	4 493
Net gearing, x	0.9	0.7	0.7	0.8	0.5	0.5	0.5	0.6
Net debt / capitalisation, %	42	40	42	43	35	32	34	37
Total debt / capitalisation, %	51	45	44	45	36	35	37	42
Equity ratio, %	30	33	36	36	37	38	40	37
Interest coverage ratio, x	1.9	2.6	3.1	4.4	7.6	12.1	8.5	7.0
FFO / interest expense, x	1.9	3.3	4.8	6.6	11.4	13.4	9.2	7.9
EBITDA / interest expense, x	2.7	4.2	5.4	7.9	12.1	16.2	11.0	10.1
FFO / total debt, % (annualised)	23	34	34	36	64	58	48	39
Total debt / EBITDA (annualised)	3.0	2.3	2.6	2.3	1.5	1.4	1.8	2.1

Source: Nordea Markets Credit Research estimates (net debt adjusted for pension liabilities)

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Lars Kirkeby holds no shares in NorgesGruppen ASA.

No holdings or other affiliations by analyst or associates.

Market making obligations

Nordea has no market obligations in NorgesGruppen ASA.

Corporate Finance transactions

This report has been prepared independently of NorgesGruppen ASA (the "company") by Nordea Bank Norge ASA, who may participate in a convertible bond offering by the company.

Recommendation definitions)

Outperform
Over the next three months, the fixed income instrument's total return is expected to exceed the total return of the relevant benchmark.

Market perform
Over the next three months, the fixed income instrument's total return is expected to be in line with the total return of the relevant benchmark.

Underperform
Over the next three months, the fixed income instrument's total return is expected to be below the total return of the relevant benchmark.

All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Distribution of recommendations

Recommendation	Count	% of total
Outperform	56	34%
Market perform	79	48%
Underperform	29	18%
Total	**164**	**100%**
	As of	8-15-07

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