

NORMA

Apr 23, 2003

Update: Q1 results

| Price EEK 72.0/EUR 4.60 | 23-Apr-03 | | Rating : Target, end-2003: EEK 73/EUR 4.67 | | | Neutral | |
|----------------------------|--------------|----------------|---|------------|------------------|---------|-----|
| | Price EEK | Sales EEK m | Net profit EEK m | EPS EEK | EPS Change, % | P/E | P/B |
| Year | | | | | | | |
| 1999 | 38.5 | 516.4 | 107.6 | 8.2 | 126.1% | 4.7 | 1.3 |
| 2000 | 47.5 | 632.6 | 157.4 | 11.9 | 46.3% | 4.0 | 1.2 |
| 2001 | 52.9 | 815.9 | 177.6 | 13.5 | 12.8% | 3.9 | 1.1 |
| 2002 | 63.2 | 1,013.8 | 193.6 | 14.7 | 9.0% | 4.3 | 1.1 |
| 2003f | 72.0 | 1,050.7 | 121.4 | 9.2 | -37.3% | 7.8 | 1.2 |
| 2004f | 72.0 | 1,143.8 | 137.4 | 10.4 | 13.2% | 6.9 | 1.1 |

Norma's Q1 2003 results were weaker than our estimates, mostly due to a large decline in the company's Russian exports that also brought down profitability. We have modified our forecasts for FY 2003 but maintain Norma's year-end price target of EEK 73/EUR 4.67 and a Neutral investment rating.

- Norma's Q1 revenues amounted to EEK 207.6m (-10.3% yoy) – 6% below our estimates, due to the larger than expected decline in Russian exports. Norma's deliveries to Russian clients decreased by 47% yoy (vs. our expectation of a 25% decline). AvtoVAZ reported that its Q1 production volume dropped by 25% yoy. AvtoVAZ started cutting output already in Q4 2002 but the impact to Norma appears to have been postponed by relatively inflexible supply contracts. The share of Russian sales in Norma's total revenues amounted to only 31% in Q1 (vs. 53% in Q1 last year). Norma's Western exports increased by 31% yoy in Q1.
- There are some indications that AvtoVAZ could be recovering from the difficulties for now. Its March output fell by a relatively modest 5% yoy and a few weeks ago the company announced that it would call for extra working days to increase April production compared to the initial plan.
- The drop in Russian deliveries brought down Norma's profitability. The company's Q1 operating and net profit amounted to EEK 19.4m (-49.5% yoy) and EEK 28.1m (-47.5% yoy) respectively, both more than 20% below our forecasts. Norma's operating margin equalled 9.3% in Q1 compared to 16.6% in the same period last year and 18.4% for FY 2002.
- The board of Norma has proposed a dividend of EEK 5.0/EUR 0.32 per share for 2002.
- We have revised our forecasts for Norma to take into account the larger-than-expected decline in Russian sales. We however assume that this segment revives in H2 2003 in line with the latest news from AvtoVAZ. Norma's FY 2003 expected sales now amount to EEK 1,051m (+3.6% yoy, -4.8% vs. our previous forecast). 2003 estimated EPS totals EEK 9.2 (-37.3% yoy, -31.3% yoy on comparable basis, -8.6% vs. our previous forecast).
- We maintain Norma's year-end EEK 73/EUR 4.67 price target and a Neutral investment rating.

Quarterly summary

| Norma, EEK '000 | Q2 02 | Q3 02 | Q4 02 | 2002 | Q1 03e | Q1 03a | Diff., % | 2003e |
|---------------------------------|----------------|----------------|----------------|------------------|----------------|----------------|-------------|------------------|
| Net sales | 264,810 | 240,151 | 277,378 | 1,013,765 | 222,003 | 207,600 | -6% | 1,050,715 |
| Cost of goods sold | 200,463 | 179,306 | 219,117 | 773,911 | 177,464 | 175,325 | -1% | 840,572 |
| Gross income | 64,347 | 60,845 | 58,261 | 239,854 | 44,539 | 32,275 | -28% | 210,143 |
| Marketing expenses | 5,483 | 4,369 | 4,873 | 20,005 | 5,244 | 3,352 | -36% | 19,964 |
| Development expenses | 4,961 | 5,536 | 7,884 | 22,592 | 5,589 | 3,703 | -34% | 23,431 |
| General admin. expenses | 8,450 | 8,351 | 8,008 | 32,976 | 7,402 | 7,172 | -3% | 31,311 |
| Prov. for bad receivables | -30 | 0 | -2,600 | -2,648 | 276 | 17 | -94% | 1,051 |
| Other business income | 341 | 18,903 | 3,864 | 23,539 | 300 | 1,778 | 493% | 2,500 |
| Other business expenses | 786 | 353 | 1,674 | 3,581 | 940 | 409 | -56% | 2,800 |
| Operating profit | 45,038 | 61,139 | 42,286 | 186,887 | 25,388 | 19,400 | -24% | 134,086 |
| Total financial income | 2,997 | 3,149 | 2,077 | 12,130 | 3,158 | 2,895 | -8% | 12,000 |
| Total financial expenses | 1,572 | 323 | -505 | 1,535 | 450 | 151 | -66% | 1,500 |
| Income before taxes | 46,463 | 63,965 | 44,868 | 197,482 | 28,095 | 22,144 | -21% | 144,586 |
| Income tax | 41 | 3,798 | -9 | 3,858 | 0 | 8 | n/r | 23,166 |
| Net income | 46,422 | 60,167 | 44,877 | 193,624 | 28,095 | 22,136 | -21% | 121,420 |
| Gross margin, % | 24.3% | 25.3% | 21.0% | 23.7% | 20.1% | 15.5% | n/r | 20.0% |
| Operating margin, % | 17.0% | 25.5% | 15.2% | 18.4% | 11.4% | 9.3% | n/r | 12.8% |
| EBT margin, % | 17.5% | 26.6% | 16.2% | 19.5% | 12.7% | 10.7% | n/r | 13.8% |
| Net margin, % | 17.5% | 25.1% | 16.2% | 19.1% | 12.7% | 10.7% | n/r | 11.6% |
| % change yoy | | | | | | | | |
| Net sales | 35% | 16% | 13% | 24% | -4% | -10% | n/r | 4% |
| Gross profit | 8% | -1% | 1% | 2% | -21% | -43% | n/r | -12% |
| Op. costs bef. provisions | 2% | -102% | -9% | -21% | 5% | -29% | n/r | 35% |
| Op. profit bef. provisions | 11% | 45% | 6% | 11% | -33% | -49% | n/r | -27% |
| Operating profit | 21% | 45% | 0% | 12% | -34% | -50% | n/r | -28% |
| EBT | 12% | 43% | -1% | 10% | -33% | -48% | n/r | -27% |
| Net profit | 19% | 35% | -1% | 9% | -33% | -47% | n/r | -37% |
| % change on prev. period | | | | | | | | |
| Net sales | 14% | -9% | 16% | 24% | -20% | -25% | n/r | 4% |
| Gross profit | 14% | -5% | -4% | 2% | -24% | -45% | n/r | -12% |
| Op. costs bef. provisions | 7% | n/r | n/r | -21% | 2% | -31% | n/r | 35% |
| Op. profit bef. provisions | 17% | 36% | -35% | 11% | -35% | -51% | n/r | -27% |
| Operating profit | 17% | 36% | -31% | 12% | -40% | -54% | n/r | -28% |
| EBT | 10% | 38% | -30% | 10% | -37% | -51% | n/r | -27% |
| Net profit | 10% | 30% | -25% | 9% | -37% | -51% | n/r | -37% |

* e – estimate, a – actual

Norma Group

| Profit and loss account | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|--------------------------------|----------------|----------------|----------------|----------------|------------------|----------------|------------------|------------------|
| EEK '000 | | | | | | | | |
| Net sales | 516,435 | 634,171 | 815,920 | 231,426 | 1,013,765 | 207,600 | 1,050,715 | 1,143,803 |
| Cost of goods sold | 296,246 | 410,215 | 580,205 | 175,025 | 773,911 | 175,325 | 840,572 | 909,323 |
| Gross income | 220,189 | 223,956 | 235,715 | 56,401 | 239,854 | 32,275 | 210,143 | 234,480 |
| Marketing expenses | 20,302 | 22,739 | 23,601 | 5,280 | 20,005 | 3,352 | 19,964 | 22,876 |
| Development expenses | | 19,487 | 18,871 | 4,211 | 22,592 | 3,703 | 23,431 | 26,651 |
| General admin. expenses | | 33,469 | 32,116 | 8,167 | 32,976 | 7,172 | 31,311 | 32,942 |
| Provisions for bad receivables | 8,668 | 2,382 | -1,839 | -18 | -2,648 | 17 | 1,051 | 915 |
| Other business income | 12,212 | 13,484 | 7,048 | 431 | 23,539 | 1,778 | 2,500 | 1,500 |
| Other business expenses | 14,895 | 7,009 | 2,911 | 768 | 3,581 | 409 | 2,800 | 2,940 |
| Operating profit | 121,580 | 152,355 | 167,103 | 38,424 | 186,887 | 19,400 | 134,086 | 149,656 |
| Total financial income | 9,937 | 8,531 | 13,122 | 3,907 | 12,130 | 2,895 | 12,000 | 12,500 |
| Total financial expenses | 5,407 | 3,436 | 355 | 145 | 1,535 | 151 | 1,500 | 1,550 |
| Income before taxes | 126,110 | 157,450 | 179,870 | 42,186 | 197,482 | 22,144 | 144,586 | 160,606 |
| Taxes | 18,522 | 0 | 2,232 | 28 | 3,858 | 8 | 23,166 | 23,166 |
| Net income | 107,588 | 157,450 | 177,638 | 42,158 | 193,624 | 22,136 | 121,420 | 137,440 |

| Balance sheet | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EEK '000 | | | | | | | | |
| ASSETS | | | | | | | | |
| Current assets | | | | | | | | |
| Cash & marketable securities | 149,335 | 146,937 | 182,901 | 206,982 | 342,848 | 273,361 | 298,846 | 348,610 |
| Net A/R | 110,479 | 97,484 | 140,155 | 154,446 | 153,045 | 168,255 | 168,114 | 183,008 |
| Other current assets | 10,904 | 91,117 | 99,985 | 96,993 | 29,835 | 105,645 | 99,818 | 108,661 |
| Inventories | 54,685 | 65,699 | 83,132 | 89,665 | 91,551 | 99,598 | 105,072 | 114,380 |
| Total current assets | 325,403 | 401,237 | 506,173 | 548,086 | 617,279 | 646,859 | 671,850 | 754,660 |
| Fixed assets | | | | | | | | |
| Long-term financial investments | 3,174 | 1,253 | 1,060 | 5,060 | 9,600 | 9,590 | 9,600 | 9,600 |
| Net fixed assets | 156,902 | 163,263 | 216,042 | 210,213 | 223,030 | 220,792 | 212,370 | 213,636 |
| Intangible assets | 3,310 | 2,363 | 1,886 | 1,567 | 1,711 | 23,140 | 22,140 | 21,140 |
| Total fixed assets | 163,386 | 166,879 | 218,988 | 216,840 | 234,341 | 253,522 | 244,110 | 244,376 |
| TOTAL ASSETS | 488,789 | 568,116 | 725,161 | 764,926 | 851,620 | 900,381 | 915,960 | 999,036 |

LIABILITIES & OWNERS' EQUITY

| | | | | | | | | |
|---------------------------------------|----------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Current liabilities | | | | | | | | |
| Short-term loans | 26,656 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Accounts payable and accrued expenses | 50,174 | 64,979 | 110,385 | 107,992 | 122,420 | 149,045 | 131,339 | 142,975 |
| Total current liabilities | 76,830 | 64,979 | 110,385 | 107,992 | 122,420 | 149,045 | 131,339 | 142,975 |
| Total long-term liabilities | 26,672 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL LIABILITIES | 103,502 | 64,979 | 110,385 | 107,992 | 122,420 | 149,045 | 131,339 | 142,975 |

OWNERS' EQUITY

| | | | | | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Share capital | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 | 132,000 |
| Other reserves | 2,436 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 |
| Retained earnings | 130,063 | 200,488 | 291,938 | 469,576 | 390,376 | 584,000 | 518,000 | 573,420 |
| Net profit | 107,588 | 157,450 | 177,638 | 42,158 | 193,624 | 22,136 | 121,420 | 137,440 |
| TOTAL OWNERS' EQUITY | 385,287 | 503,138 | 614,776 | 656,934 | 729,200 | 751,336 | 784,620 | 856,061 |
| TOTAL LIABILITIES AND EQUITY | 488,789 | 568,117 | 725,161 | 764,926 | 851,620 | 900,381 | 915,960 | 999,036 |

| Cash flow EEK '000 | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|--|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| OPERATING CASH FLOW | | | | | | | | |
| Net income | 107,588 | 157,450 | 177,638 | 42,158 | 193,624 | 22,136 | 121,420 | 137,440 |
| Depreciation | 30,532 | 30,163 | 33,820 | 9,496 | 40,357 | 11,805 | 45,857 | 48,593 |
| Gross cash flow | 138,120 | 187,613 | 211,458 | 51,654 | 233,981 | 33,941 | 167,277 | 186,033 |
| Change in working capital | 48,284 | -62,939 | -23,566 | -20,225 | 60,876 | -72,442 | -89,654 | -21,410 |
| Total operating cash flow | 186,404 | 124,674 | 187,892 | 31,429 | 294,857 | -38,501 | 77,624 | 164,623 |
| INVESTING ACTIVITIES | | | | | | | | |
| Capital expenditure | 21,315 | 35,577 | 86,122 | 3,348 | 47,170 | 30,996 | 55,626 | 48,859 |
| Long-term financial investments | -1,301 | -1,921 | -193 | 4,000 | 8,540 | -10 | 0 | 0 |
| Investing activities | 20,014 | 33,656 | 85,929 | 7,348 | 55,710 | 30,986 | 55,626 | 48,859 |
| FINANCING ACTIVITIES | | | | | | | | |
| Change in debt | -27,029 | -53,816 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in deferred tax liability | -16,793 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in shareowners' equity | -40,273 | -39,599 | -66,000 | 0 | -79,200 | 0 | -66,000 | -66,000 |
| Total financing activities | -84,095 | -93,415 | -66,000 | 0 | -79,200 | 0 | -66,000 | -66,000 |
| Change in minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in cash & marketable sec | 82,295 | -2,398 | 35,964 | 24,081 | 159,947 | -69,487 | -44,002 | 49,764 |

| Key figures Margins etc. | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|-------------------------------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Gross profit margin | 42.6% | 35.3% | 28.9% | 24.4% | 23.7% | 15.5% | 20.0% | 20.5% |
| Operating margin | 23.5% | 24.0% | 20.5% | 16.6% | 18.4% | 9.3% | 12.8% | 13.1% |
| EBT margin | 24.4% | 24.8% | 22.0% | 18.2% | 19.5% | 10.7% | 13.8% | 14.0% |
| Net margin | 20.8% | 24.8% | 21.8% | 18.2% | 19.1% | 10.7% | 11.6% | 12.0% |
| Equity/assets | 78.8% | 88.6% | 84.8% | 85.9% | 85.6% | 83.4% | 85.7% | 85.7% |
| Actual tax rate | 14.7% | 0.0% | 1.2% | 0.1% | 2.0% | 0.0% | 16.0% | 14.4% |
| Current ratio | 4.2 | 6.2 | 4.6 | 5.1 | 5.0 | 4.3 | 5.1 | 5.3 |
| Quick ratio | 3.5 | 5.2 | 3.8 | 4.2 | 4.3 | 3.7 | 4.3 | 4.5 |
| Inventory turnover | 5.3 | 6.8 | 7.8 | 8.5 | 8.9 | 7.4 | 8.6 | 8.3 |
| A/R, days | 87.3 | 59.8 | 53.2 | 50.8 | 52.8 | 70.9 | 55.8 | 56.0 |
| Net gearing | -9.8% | -11.7% | -9.7% | -6.0% | -29.4% | -19.6% | -38.1% | -40.7% |

| Key figures Growth and profitability | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|---|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Sales growth | 7.0% | 22.8% | 28.7% | 39.0% | 24.2% | -10.3% | 3.6% | 8.9% |
| Operating profit growth | 44.7% | 25.3% | 9.7% | -15.1% | 11.8% | -49.5% | -28.3% | 11.6% |
| EBT growth | 90.7% | 24.9% | 14.2% | -12.9% | 9.8% | -47.5% | -26.8% | 11.1% |
| Net profit growth | 126.1% | 46.3% | 12.8% | -12.9% | 9.0% | -47.5% | -37.3% | 13.2% |
| ROAE, net profit | 30.6% | 35.4% | 31.8% | 27.9% | 28.8% | 12.6% | 16.0% | 16.8% |
| ROAA | 23.8% | 30.4% | 27.5% | 24.4% | 24.6% | 10.7% | 13.7% | 14.4% |
| ROIC | 24.3% | 26.7% | 24.2% | n/a | 25.0% | n/a | 19.4% | 21.7% |

| Key figures Share data | 1999 | 2000 | 2001 | 3m 02 | 2002 | 3m 03 | 2003f | 2004f |
|-------------------------------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Year-end No of shares, '000 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 |
| Weighted average No of shares, '000 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 | 13,200 |
| Share price, EEK | 38.50 | 47.50 | 52.90 | 69.78 | 63.21 | 71.19 | 72.00 | 72.00 |
| Dividend per share, EEK | 3.00 | 5.00 | 6.00 | n/a | 5.00 | n/a | 5.00 | 4.2 |
| EPS, net profit | 8.15 | 11.9 | 13.5 | 3.2 | 14.7 | 1.7 | 9.2 | 10.4 |
| Change, % | 126.1% | 46.3% | 12.8% | -12.9% | 9.0% | -47.5% | -37.3% | 13.2% |
| CEPS, net profit | 10.46 | 14.21 | 16.02 | 3.91 | 17.73 | 2.57 | 12.67 | 14.09 |
| Change, % | 81.1% | 35.8% | 12.7% | -8.9% | 10.7% | -34.3% | -28.5% | 11.2% |
| BV per share | 29.2 | 38.1 | 46.6 | 49.8 | 55.2 | 56.9 | 59.4 | 64.9 |
| P/E, net profit | 4.7 | 4.0 | 3.9 | 5.5 | 4.3 | 10.6 | 7.8 | 6.9 |
| P/CEPS, net profit | 3.7 | 3.3 | 3.3 | 4.5 | 3.6 | 6.9 | 5.7 | 5.1 |
| P/net sales | 1.0 | 1.0 | 0.9 | 1.0 | 0.8 | 1.1 | 0.9 | 0.8 |
| Market cap, EEK '000 | 508,200 | 627,000 | 698,280 | 921,096 | 834,404 | 939,708 | 950,400 | 950,400 |
| P/BV | 1.3 | 1.2 | 1.1 | 1.4 | 1.1 | 1.3 | 1.2 | 1.1 |
| Dividend yield | 7.8% | 10.5% | 11.3% | n/a | 7.9% | n/a | 6.9% | 5.8% |

This material has been prepared by AS Trigon Capital. AS Trigon Capital and/or any persons connected with it may act upon or make use of any of the foregoing material and/or any of the information which it is based prior to the publication of the same to its customers. AS Trigon Capital and/or any persons connected with it may provide corporate finance services to an issuer of the aforementioned securities and may have done so within a period of six months prior to the publication of this material. This material should not be regarded as substitute for the exercise by the recipient of its own judgement. Additional information with respect to the securities referred to herein will be available upon request. This report has been prepared solely for information purposes and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in this material. The information on which this material is based on has been obtained from sources which we believe are reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of the opinion are subject to change without notice. AS Trigon Capital or any person connected with it accepts no liability whatsoever for any direct or consequential loss of any kind arising out of the use of this document or any part of its contents. AS Trigon Capital and/or any person connected with it and/or their respective directors and staff may, from time to time, have a long or short position in the aforementioned securities and may buy or sell such securities.