SCOPE | Ratings

Felleskjøpet Agri SA

Kingdom of Norway, Agriculture

Issuer
BBB-

Outlook
Stable

Senior unsecured debt
BBB-

Rating composition

Business Risk Profile		
Industry risk profile	BBB-	BBB-
Competitive position	BBB-	
Financial Risk Profile		
Credit metrics	BB+	BB+
Liquidity	+/-0 notches	
Standalone credit assessment		**BBB-**
Supplementary rating drivers		
Financial policy	+/-0 notches	+/-0 notches
Parent/government support	+/-0 notches	
Governance & structure	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**BBB-**

Key metrics

			Scope estimates	
Scope credit ratios	**2023**	**2024**	**2025 E**	**2026 E**
Scope-adjusted EBITDA interest cover	4.3x	3.8x	4.5x	5.4x
Scope-adjusted debt/EBITDA	3.4x	3.4x	3.2x	2.8x
Scope-adjusted funds from operations/debt	18%	20%	23%	28%
Scope-adjusted free operating cash flow/debt	-6%	10%	-3%	2%
Liquidity	191%	343%	226%	260%

Rating sensitivities

The upside scenario for the ratings and Outlook (individually):

- Leverage sustained below 2.5x.
- A track record of cash flow that has consistently stabilised above 5%, with commensurate liquidity financial policies, including around cash and other liquidity buffers, as well as maturity profiles.

The downside scenarios for the ratings and Outlook (individually):

- Leverage sustained at or above 3.5x.
- FOCF/debt below 5% on a sustained basis.

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Related methodologies

General Corporate Rating Methodology, Feb 2025

Retail and Wholesale Rating Methodology, Jun 2025

Consumer Products Rating Methodology, Oct 2025

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1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Leading position in the Norwegian grain market, processing more than 50% of the grain, and also serving as the market regulator. • High overall market share in the agricultural segment, operating in a partly protected environment with high entry barriers. • Stable and diversified business model supported by a cooperative company structure.	• Low-margin business, partly due to the cooperative mandate under which the company operates. • Historically somewhat high leverage ratios. • Current increased investment plans, due to the new ERP system, are putting pressure on FOCF generation.

2. Rating Outlook

The Stable Outlook reflects our expectation that Felleskjøpet will maintain its leading market position and continue to play an important role in the overall value chain for Norwegian farmers. This assumes no change to the cooperative structure, regulatory conditions or protective measures applicable to the Norwegian agricultural sector. Financially, we expect leverage to remain below 3.5x in FY2025 and recover to below 3x thereafter, while FOCF/debt is expected to improve to above 5% in the medium term. This outlook is supported by the company's ongoing efforts to improve working capital management of inventories and payables, which are already yielding results and are expected to continue doing so.

3. Corporate profile

Agriculture cooperative owned by farmers

Felleskjøpet Agri SA is a Nordic agricultural cooperative headquartered in Lillestrøm, Norway. It is owned by around 36,000 Norwegian farmers. It operates along the agricultural value chain, primarily aiming to strengthen its members' economy in the short and long term. Acting on behalf of the Norwegian government, it regulates the grain market, accepting all grain delivered and enforcing the agreed prices of the Agricultural Department. While the company's main focus is Norway, it also operates across the Nordics, particularly in Sweden through Granngården, and to a lesser extent in Denmark via Cernova. In 2024, the company generated revenues of NOK 21.1bn and Scope-adjusted EBITDA of NOK 1.3bn. The business can be divided into four main segments: Agriculture (production and wholesale of agricultural inputs such as animal feed, fertilisers and seeds, and operation of grain facilities across Norway); Retail Nordics (sale of agricultural, gardening and animal care products to private and commercial customers via 96 own stores in Norway, 102 own stores in Sweden, and an online store); Machinery (sales, repairs and maintenance); and Cernova (milling and baking).

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
24 Nov 2025	Affirmation	BBB-/Stable
16 Jan 2025	Affirmation	BBB-/Stable
31 Jan 2023	Affirmation	BBB-/Stable

5. Financial overview (financial data in NOK m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025 E**	**2026 E**	**2027 E**
Scope-adjusted EBITDA interest cover	7.3x	4.3x	3.8x	4.5x	5.4x	6.4x
Scope-adjusted debt/EBITDA	3.4x	3.4x	3.4x	3.2x	2.8x	2.5x
Scope-adjusted funds from operations/debt	26%	18%	20%	23%	28%	32%
Scope-adjusted free operating cash flow/debt	8%	-6%	10%	-3%	2%	5%
Liquidity	183%	190%	343%	226%	260%	171%
Scope-adjusted EBITDA						
EBITDA	916	823	758	832	949	1,023
add: Operating lease payments	486	567	572	542	542	542
add: Recurring associate dividends received	-	-	-	-	-	-
Other items	-	-	-	-	-	-
Scope-adjusted EBITDA	1,403	1,390	1,330	1,374	1,491	1,566
Scope-adjusted Funds from operations						
Scope-adjusted EBITDA	1,403	1,390	1,330	1,374	1,491	1,566
less: Scope-adjusted interest	(193)	(325)	(353)	(305)	(274)	(246)
less: cash tax paid	(52)	(112)	(41)	(26)	(51)	(71)
Other non-operating charges before FFO	72	(101)	(19)	-	-	-
Scope-adjusted Funds from operations (FFO)	1,230	851	917	1,043	1,165	1,249
Scope-adjusted Free operating cash flow						
Scope-adjusted Funds from operations	1,218	864	923	1,043	1,165	1,249
Change in working capital	79	254	799	(4)	(49)	(81)
Non-operating cash flow	199	(77)	(70)	-	-	-
less: capital expenditures (net)	(716)	(834)	(697)	(700)	(550)	(500)
less: lease amortisation	(400)	(481)	(484)	(457)	(468)	(479)
Other items	-	-	-	-	-	-
Scope-adjusted Free operating cash flow (FOCF)	380	(274)	471	(118)	98	189
Scope-adjusted Net cash interest paid						
Net cash interest per cash flow statement	107	239	266	219	200	183
add: interest component, operating leases	86	86	88	85	74	63
Change in other items	-	-	-	-	-	-
Scope-adjusted Net cash interest paid	193	325	353	305	274	246
Scope-adjusted debt						
Reported financial (senior) debt	4,627	4,637	4,427	4,440	4,617	4,219
add: shareholder loans (net of equity credit)	-	-	-	-	-	-
less: cash and cash equivalents	(1,839)	(1,728)	(1,920)	(1,776)	(1,985)	(1,689)
add: non-accessible cash	-	-	-	-	-	-
add: pension adjustment	178	182	187	187	187	187
add: operating lease obligations	1,740	1,694	1,818	1,593	1,372	1,140
add: other debt-like items	-	-	-	-	-	-
Scope-adjusted debt (SaD)	4,706	4,786	4,512	4,444	4,190	3,856

6. Environmental, social and governance (ESG) profile[1]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit positive credit negative credit neutral

Felleskjøpet's cooperative ownership structure is considered a positive factor in terms of business risk, as is its role as a market regulator in grain markets.

The company is focusing heavily on reducing emissions within its own operations and has managed to reduce its Scope 1 and 2 emissions by 28% since 2017. The most significant measures have been implemented in Felleskjøpet Agri's grain reception facilities and feed factories, with actual emissions fluctuating according to the grain season.

Scope 3 emissions (from purchased goods and services) account for a significant proportion of the total emissions of Felleskjøpet Agri and its subsidiaries Granngården, Norgesmøllene and Nelson Garden. From the 2025 financial year onwards, Felleskjøpet Agri will publish a comprehensive climate report for the group. Once this is available, the group will set new emission reduction targets.

As a major supplier to the Norwegian agricultural sector, Felleskjøpet aims to provide its customers with products and solutions to make domestic food production more sustainable. This includes meeting the growing demand for electric machinery, providing technology for more efficient production, and producing feed and food based on the right ingredients.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BBB-

Blended industry risk of BBB-

Felleskjøpet's industry risk profile is a blend of Agribusiness (industry risk of BBB), discretionary retail (BB) and non-durable consumer products (A). We use a blend of normalised revenue and EBITDA exposure to calculate the company's overall industry risk, which is BBB-.

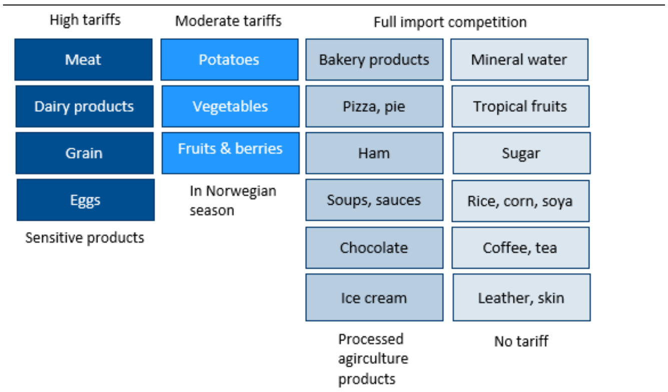
Business model protected by regulatory task and capital intensity

As an agricultural cooperative, Felleskjøpet Agri is naturally exposed to the Norwegian agricultural industry, particularly in its Agriculture and Machinery segments. Revenues in these segments depend on demand from farmers for inputs such as animal feed, fertilisers, seeds and machinery. Barriers to entry are high in its protected niche market due to its role as a grain market regulator appointed by the Norwegian government. This is because its business model requires significant capital-intensive infrastructure to handle freshly harvested grain and transport, dry and store it.

Structural aspects of the Norwegian agricultural sector – shielded from competition through tariffs

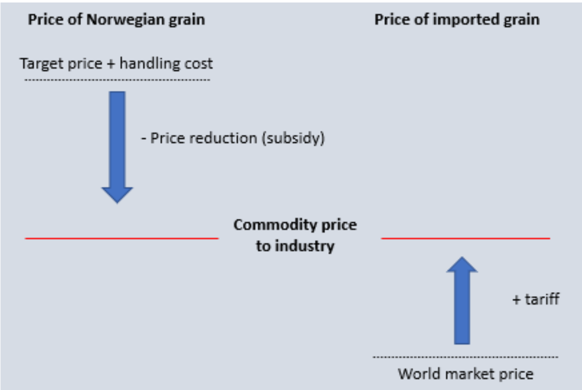
In terms of structural aspects, most of Norway's agriculture sector is not competitive on its own but relies on protective measures from the government. The rationale behind shielding the domestic agricultural sector from international competition is to maintain the domestic food supply, preserve arable land (considered a non-renewable resource) and keep smaller communities and agricultural traditions alive across the country. While this reliance on government support increases the political risk for some of Felleskjøpet Agri's business activities, there is widespread political consensus in favour of maintaining domestic agricultural production. This consensus was reinforced during the disruption to supply chains caused by the pandemic, and we expect it to continue.

Figure 1: Norwegian import tariff system (protection)



Source: Felleskjøpet Agri

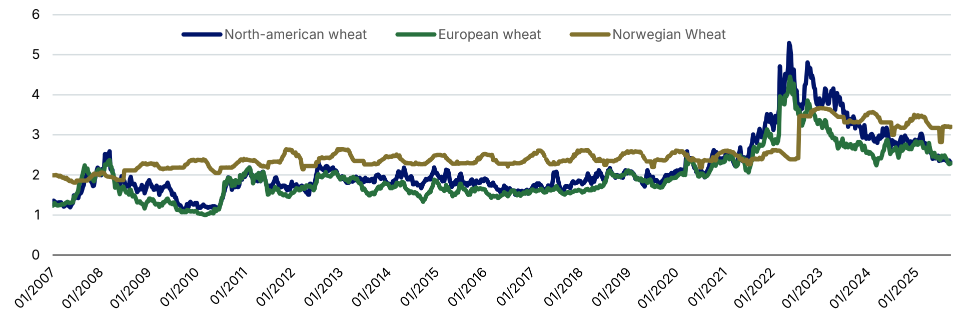
Figure 2: Price mechanism for grain to industry



Source: Felleskjøpet Agri, Scope

Historically, Norwegian prices for agricultural commodities have been well above international prices due to government protectionism in the form of import tariffs. Therefore, the situation in which American and European grain prices exceeded the Norwegian price for extended periods in 2021–2023 due to poor harvests and the war in Ukraine was unusual. Although tariffs are usually adjusted to offset the impact of volatile international prices, this is not possible when imports are more expensive, which has an immediate impact on feed producers.

Figure 3: Wheat prices in NOK/kg



Source: Norwegian Agriculture Directorate, Scope

Felleskjøpet Agri is a leading player in Norway's grain market, purchasing over half of domestic production. Most grain is used in feed production, with some going into its Cernova bakery business. The sale of feed concentrate is the biggest revenue generator in the agriculture segment, and the company has a significant market share in Norway, at around 64% in the counties where it operates and around 50% in Norway as a whole. Domestic livestock producers generally prefer feed made from locally sourced ingredients, and the company's main competitors in this area are Norgesfôr and Fiska. The company holds a market share of around 70% for fertilisers and seeds. Overall, Felleskjøpet Agri has a very strong position in the grain, feed and input supplies sectors. However, this is somewhat tempered by political risk. This is because the sector relies on government support. However, the occurrence of adverse changes appears distant due to a broad political consensus on food security.

Dominant market shares in its core agriculture areas

The Retail Nordics segment comprises 96 stores in Norway and 102 Granngården stores in Sweden. Granngården was acquired from EQT in 2016. These stores offer products for farming, gardening, and animal care. Although Felleskjøpet Agri is a major player in its niche, it faces fragmented competition and growing pressure from e-commerce. Total market size is also rather small in a European context.

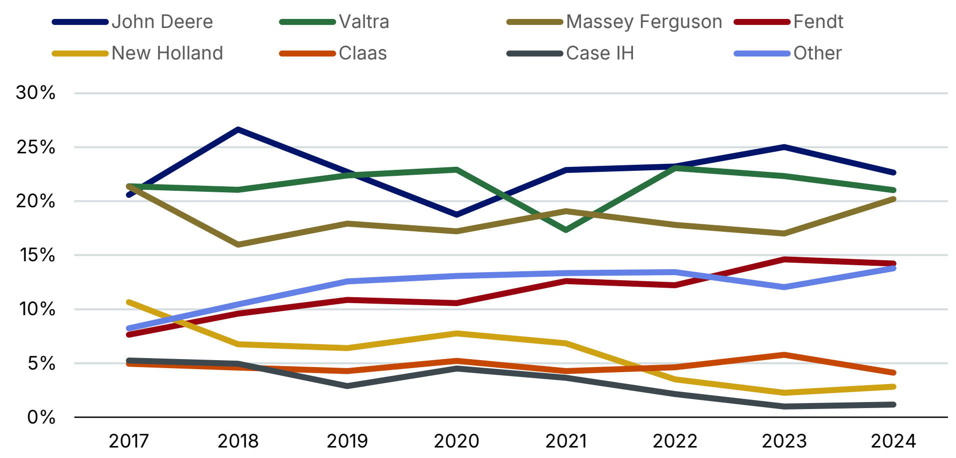
Fragmented market in retail

The Machines segment covers the wholesale of agricultural and lawn machinery, as well as after-sales services, including repairs and maintenance. It is the sole Norwegian distributor of John Deere products since 1978 and, since 2020, has also sold Sampo threshers.

John Deere is a leading provider of agricultural technology, particularly in the area of precision farming. As this becomes increasingly important, boosted by the trend towards fewer, larger farming businesses, we view it positively with regard to downside risk to market share. John Deere has been the most sold tractor brand in Norway for the past four years, with a market share of 23% in 2024 (compared to 25% in 2023 and 23% in 2022). It is followed by Valtra with 21% and Massey Ferguson with 20%. However, the tractor market has shrunk by 12% in 2024, following an 8% fall in 2023, and sales continued to drop into 2025, as reflected in revenues from the segment in 2025.

Sole distributor of John Deere tractors, the Market leader in Norway

Figure 4: Market shares in tractors sales



Source: Opplysningsrådet for veitrafikken; Traktor.no

Cernova, which has been fully owned by Felleskjøpet Agri since the latter acquired the remaining 34% in 2025, operates the flour refinery and bakery segment. This includes Norgesmøllene, Norgesbakeriene, Mesterbakeren, and Cernova Industri. The company supplies flour, baking ingredients and finished products to bakeries, supermarkets, the catering industry and other industrial customers. Although competition in this market is intense, Cernova benefits from a strong domestic presence, an agreement with REMA 1000 for bread and bakery deliveries, and the

Integrated value chain with Cernova

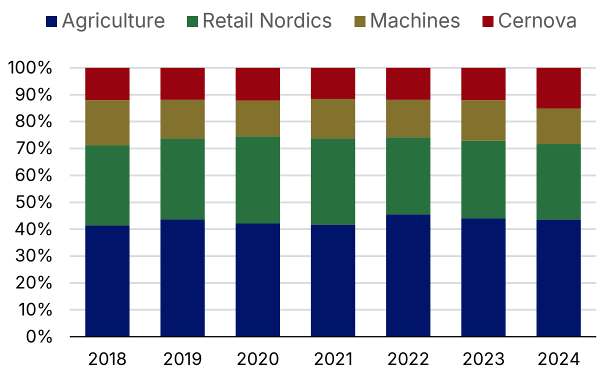
leading flour brand, 'Norgesmøllene'. The strength of its brands ("Norgesmøllene" "Nyt Norge") enables it to charge prices above those of budget alternatives.

Felleskjøpet Agri offers a broad product range across the agricultural value chain, reducing its reliance on individual products. Compared to the Swedish cooperative Lantmännen, Felleskjøpet Agri has a larger retail share, but a smaller share of the bakery and food production market. Its business is closely tied to Norwegian agricultural activity, particularly in the Agriculture and Machinery segments.

Low geographic diversification with over 80% of revenues from Norway

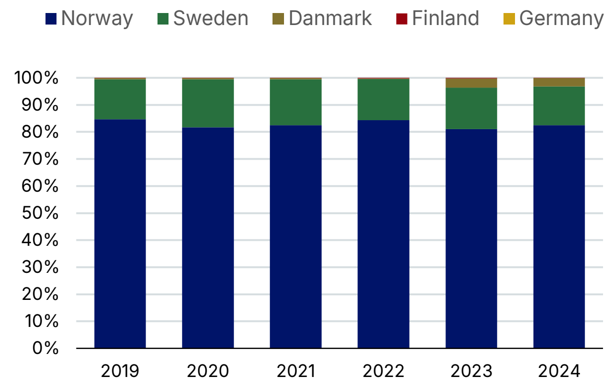
Over 80% of revenues are generated in Norway, with most of the remainder coming from Sweden via Granngården. This creates low geographic diversification compared to more international peers. A key risk is structural or regulatory changes in Norwegian agriculture, which would affect core operations nationwide. Regional diversification within Norway offers less protection than a cross-country presence.

Figure 5: Diversification by business segment (Revenue)



Source: Felleskjøpet, Scope

Figure 6: Diversification by country (Revenue)



Source: Felleskjøpet, Scope

Supplier diversification is moderate in the commodity business. Although dependence on John Deere for tractors and threshers increases supplier risk in Machines, this is mitigated by Deere's strong reputation and the long-standing relationship established in 1977. In the Retail Nordics sector, supplier risk is low due to the broad range of easily substitutable products.

Felleskjøpet has a diverse customer base, but is significantly exposed to the Norwegian agricultural sector. Its customers for feed, seeds and machinery are mainly farmers, with around 36,700 registered agribusinesses providing good diversification. However, structural changes affecting the sector could concentrate risk, and the trend towards fewer, larger farms may increase reliance on larger customers. Retail customer diversification is highly fragmented, while the bakery segment serves supermarkets, bakeries and commercial clients nationwide, with some dependency on key accounts such as REMA 1000.

Stable but rather low profitability

Felleskjøpet's profitability, as measured by its EBITDA margin, is a weaker aspect of its business risk profile. Overall margins are observed to be between 6% and 8%, though they have remained relatively stable over time. Poor harvest seasons, such as the dry summer of 2018 and the droughts and floods of 2023, had relatively little influence on margins, demonstrating the resilience of the price mechanism granted as market regulator, with no volume risk. A large proportion of the company's agricultural sales are products such as feed, food and inputs for agricultural production, which have relatively stable demand. In our view, the upside in margins for the Agriculture and Machines segments is limited, due to competition and the company's purpose as a cooperative to service the agricultural sector (its owners) rather than to profit maximisation. The margin outlook for Retail Nordics and Cernova (bakery) is generally more positive, although it was recently affected by the cyber-attack on Granngården servers in 2024.

8. Financial risk profile: BB+

The financial risk profile is considered slightly weaker than the business risk profile.

Adjustments for leases and pensions

The main changes made to financial items are the inclusion of operating leases in Scope-adjusted debt, the adjustment for operating lease payments in Scope-adjusted EBITDA, and interest components of operating leases in interest coverage. These adjustments are made because the company does not report under IFRS 16. Further adjustments have been made for deposited accounts, which are considered short-term debt, and for pension liabilities (adjusted by 50%) under Scope-adjusted debt.

Leverage between 3.0-3.5x

Since 2020, Felleskjøpet's leverage, as measured by debt/EBITDA, has been between 3.0x and 3.5x. This tends to fluctuate during the year due to the significant working capital build-up in Q3 related to the grain harvest, and the seasonally weak Q1. This pattern is well understood in financial markets and is also reflected in their financial covenant testing, which takes place in Q2 and Q4.

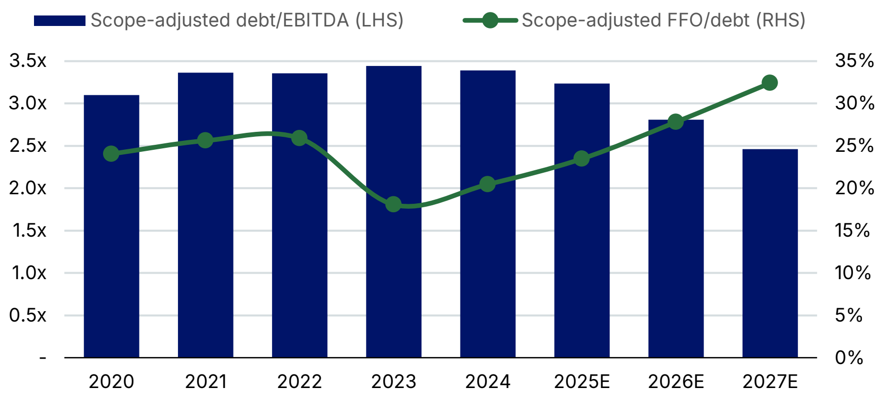
Implemented working capital measures to reduce swings

Over the last 24 months, the company has implemented several measures to address its working capital fluctuations, such as extending payables and reducing inventories where possible. The latter was achieved through a significant transaction worth NOK 190 million in December 2024, involving the sale of 50,000 tonnes of grain, thereby reducing the company's need for working capital-related debt. A similar transaction is expected in Q4 2025.

Deleveraging below 3x expected in the medium term

We expect leverage to reach 3.2x by the end of 2025, which is still at the higher end of the company's comfort zone of 2.0–3.5x. Deleveraging below 3x is then estimated to occur in 2026.

Figure 7: leverage as measured by Debt/EBITDA (x; lhs) and FFO/debt (%; rhs)



Source: Felleskjøpet, Scope estimates

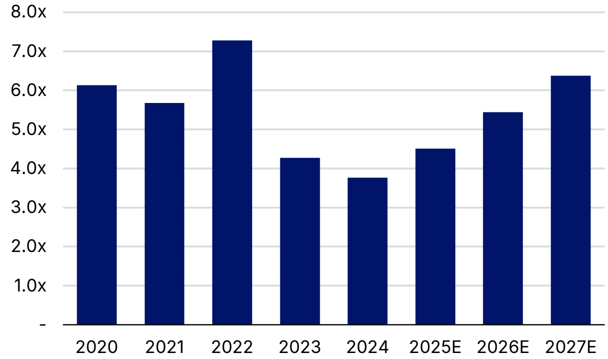
FFO/debt around 25%

FFO/debt has been around 25% historically and is expected to improve again to such levels in 2025 after dipping to around 20% in 2023/2024, with further strengthening of the metrics expected towards 30%.

Interest cover is expected to recover to above 5x again

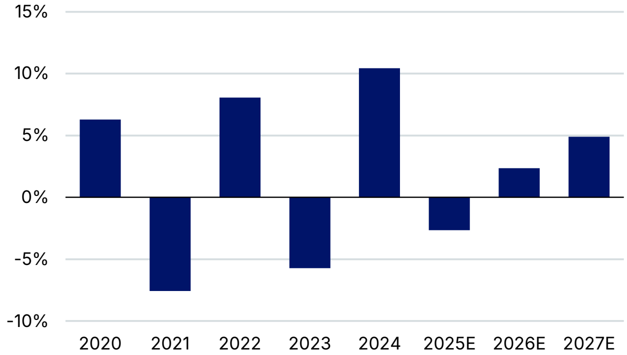
Interest coverage is expected to reach 4.5x in 2025, following a decline in 2024, and then recover above 5x in subsequent years. This is thanks to the expected improvement in EBITDA, while overall debt levels and interest rates are expected to decline. The company's recent bonds have been priced more tightly than 1–2 years ago, underscoring the anticipated decrease in interest costs.

Figure 8: Interest coverage (x)



Source: Felleskjøpet, Scope estimates

Figure 9: Free operating cash flow/debt (%)



Source: Felleskjøpet, Scope estimates

Cash flow coverage is volatile, with an expected recovery towards 5%

Cash flow coverage remains the weakest aspect of the financial risk profile due to significant volatility caused by fluctuations in working capital and currently elevated capital expenditure of around NOK 700 million, which is linked to the company's new ERP system. Following significant improvements in working capital management in 2024, the FOCF/debt ratio reached a healthy 10%. However, as changes in working capital are expected to be more modest going forward, we forecasts a ratio below 5% for 2025 and 2026, with an improvement above this threshold expected by 2027.

Adequate liquidity

Liquidity is deemed adequate thanks to good access to banks and domestic bond markets, as well as short-term debt coverage consistently exceeding 200% (including undrawn credit lines of NOK 1.5 billion).

A large proportion of the short-term debt consists of a 'deposit account', which allows the company's owners and employees to deposit money and receive interest in return. The deposited amount has historically shown low volatility.

Table 1. Liquidity sources and uses (in NOK m)

	2024	2025 E	2026 E
Unrestricted cash (t-1)	1,728	1,920	1,776
Open committed credit lines (t-1)	1,500	1,500	1,500
Free operating cash flow (t)	471	(118)	98
Short-term debt (t-1)	1,078	1,463	1,299
Liquidity	**343%**	**226%**	**260%**

Source: Felleskjøpet, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

We have not made any adjustments for supplementary rating drivers. While the company's financial policy target of leverage of 2.5x–3.0x is supportive, the company is currently outside this target range.

Cooperative nature provides stability, although capital injections are unlikely

Felleskjøpet is organised as a cooperative owned by its members. Based on the track record, we view the membership capital as stable. That said, membership capital represents an insignificant proportion of the company's overall capital in terms of potential exits. Although equity injections are unlikely, we acknowledge that cooperative peers have demonstrated the use of alternative instruments, such as hybrid bonds, in the event of a need for equity.

Furthermore, we highlight that Felleskjøpet serves political and public interests in Norway, given its responsibility for grain regulations and the implementation of agricultural policies. While ordinary market competition rules do not fully apply, the authorities have tools to ensure that cooperatives do not abuse their position.

With regard to ownership, governance and structure, certain elements of cooperative ownership were regarded as beneficial factors for the business risk profile, as was the supportive element of being a market regulator in grain markets (ESG factor).

Its cooperative nature and role as a market regulator are supportive elements

10. Debt rating

We have affirmed the rating for senior unsecured debt at BBB-, in line with the rating action on the underlying issuer rating.

Senior unsecured debt rating: BBB-

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