

Norway Post

# Quarterly report

1st QUARTER 2007



## SUMMARY

Norway Post's operating revenues developed positively during the first quarter 2007 compared with the corresponding period last year, mainly due to acquisitions.

The results as at 31 March 2007 were positively affected by a gain of NOK 623 million from the sale of Norway Post's Letter Terminal in Oslo. However, at the same time, earnings were adversely affected by increased costs relating to service and quality, increased personnel costs and the start-up of CityMail in Denmark.

The return before non-recurring items on invested capital (ROIC) over the past 12 months was 17.3 per cent. The return on equity for the 12-month period ending 31 March 2007 was 21.4 per cent.

During the first quarter, the Group made several acquisitions in order to strengthen its products and services offerings in the Nordic region. ErgoGroup acquired SYSteam AB, an IT service provider with over 1 000 employees in approximately 50 offices in the Nordic region. Norway Post has also entered into an agreement to buy Transflex, a Swedish transport and logistics group. In addition, Norway Post has acquired Customer:View AB, a Swedish company that provides individualised customer communication.

During the winter months Norway Post experienced problems in meeting the licence requirement that 85 per cent of A-priority mail is to be delivered overnight. The problems were mainly due to a new airfreight network and the implementation of new sorting machines combined with workforce shortages in a difficult labour market. Of a total of 6 licence requirements regarding delivery quality, Norway Post fulfilled 5 of these in the first quarter. Delivery quality for A-priority mail overnight for the quarter as a whole was below the licence requirement of 85 per cent. The extensive initiatives that have been put into place to improve delivery quality have shown results. A positive trend has developed throughout the first quarter, and in March Norway Post exceeded the licence requirement.

NOK million	Q1 2007	Q1 2006	Year 2006
Operating revenues	6 720	5 737	23 668
EBITDA	417	533	2 037
EBIT (before non-recurring items)	219	352	1 287
EBIT	841	349	1 313
Net financial items	-36	-20	-113
Profit before tax	805	329	1 200

## THE GROUP'S RESULTS

### Operating revenue

Norway Post's operating revenues for the first quarter 2007 amounted to NOK 6 720 million, an increase of NOK 983 million (17.1 per cent) compared with the corresponding period last year. Acquisitions increased the operating revenue by NOK 651 million as at 31 March 2007 compared with 31 March 2006. The operating revenues for continued operations increased by 5.8 per cent.

The Group's companies in Sweden, Denmark and Finland achieved total operating revenues of NOK 1 427 million as at 31 March 2007. This was an increase of 49.5 per cent compared with the same period last year and was mainly due to the acquisition of SYSteam. International operating revenues made up 21.2 per cent of the Group's total revenues for the first quarter of the year, compared with 16.6 per cent as at 31 March 2006.

### Net income

The Group's earnings before depreciation (EBITDA) as at 31 March 2007 amounted to NOK 417 million, compared with NOK 533 million as at 31 March 2006.

The Group's EBIT before non-recurring items was NOK 219 million, NOK 133 million less than for the same period last year. This reduction was mainly due to increased costs related to service and quality, increased personnel costs and the start-up of CityMail in Denmark.

Earnings before interest and taxes (EBIT) amounted to NOK 841 million, compared with NOK 349 million as at 31 March 2006. This increase was mainly due to a gain of NOK 623 million on the sale of Norway Post's Letter Terminal in Oslo.

The earnings before taxes for the first quarter 2007 were NOK 805 million compared with NOK 329 million for the corresponding period last year.

The EBIT margin was 12.5 per cent as at 31 March 2007, compared with 6.1 per cent as at 31 March 2006. The EBIT margin before non-recurring items was 3.3 per cent as at 31 March 2007, compared with 6.1 per cent for the same period in 2006.

## KEY FIGURES

		31.03 2007	31.03 2006	31.12 2006
Equity ratio	%	36.7	36.0	35.5
EBIT margin before non-recurring items	%	3.3	6.1	5.4
EBIT margin	%	12.5	6.1	5.5
Profit margin	%	12.0	5.7	5.1
Return on invested capital before non-recurring items <sup>1)</sup>	%	17.3	43.0	21.1
Return on invested capital <sup>1)</sup>	%	27.1	28.8	21.5
Return on equity <sup>1)</sup>	%	21.4	20.6	16.5
Debt ratio (net)		0.1	0.1	0.1
Liquidity reserves	MNOK	5 983	5 697	6 712
Investments, incl. acquisitions	MNOK	1 203	943	2 932
Workforce—parent company 2)	Full-time equivalents	15 005	14 817	15 510
Workforce – Group 2)	Full-time equivalents	23 164	20 440	22 272

1) Rolling 12 months

2) Comparative workforce figures for first quarter 2006 have been restated due to a change in the reporting principle whereby external temporary help is excluded

## BALANCE SHEET AND CAPITAL

NOK million	31.03 2007	31.03 2006	31.12 2006
<b>Assets</b>			
Fixed assets	9 977	7 549	8 920
Current assets	6 928	6 420	6 713
Assets held for sale	0	5	136
<b>Total assets</b>	<b>16 904</b>	<b>13 975</b>	<b>15 769</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>6 199</b>	<b>5 029</b>	<b>5 604</b>
Provisions for liabilities	1 931	1 993	1 902
Interest-bearing liabilities	2 738	1 843	2 693
Interest-free liabilities	6 036	5 109	5 547
Liabilities held for sale	0	0	23
<b>Total equity and liabilities</b>	<b>16 904</b>	<b>13 975</b>	<b>15 769</b>

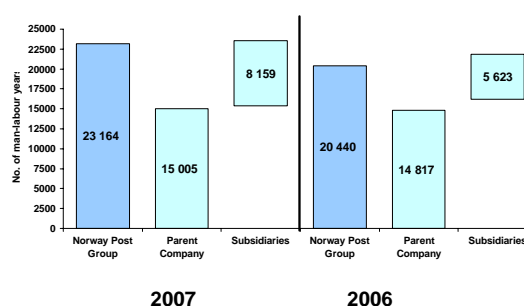
The increase in fixed assets of NOK 2 428 million in the first quarter 2007 compared with the first quarter last year is mainly due to investments relating to the acquisitions of Allianse ASA and SYSteam AB. The total amount invested during the first

quarter was NOK 1 203 million, an increase of NOK 260 million compared with the corresponding period last year.

The interest-bearing liabilities as at 31 March 2007 equalled NOK 2 738 million, an increase of NOK 895 million compared with 31 March 2006. Norway Post's liquidity reserves (including unused drawing rights) came to NOK 5 983 million at the end of the first quarter 2007.

## WORKFORCE

### Employees, Group 31.03.2007 vs. 31.03.2006



Comparative workforce figures for first quarter 2006 have been restated due to a change in the reporting principle whereby external temporary help is excluded

The Group's total workforce as at 31 March 2007 was 23 164 full-time equivalents. On the same date in 2006, the Group's workforce consisted of 20 440 full-time equivalents.

The workforces in the Post, Logistics and ICT segments increased by 470, 596 and 1 632 respectively, mainly due to acquisitions.

The operating revenues per full-time equivalent are steadily increasing. Based on the last 12 months' operating revenues, each full-time equivalent sold for NOK 1 042 000, compared with NOK 958 000 during the corresponding period last year.

## MARKET AND DEVELOPMENT BY SEGMENT

### Post

*This segment comprises letter products, banking services, information logistics and the sale of goods.  
The segment is made up of the Post Division (including the subsidiaries CityMail Sweden AB, City Mail International AB and its subsidiaries, Talk2Me AS and Customer View AB) and Distribution Network Division.*

MNOK	YTD 2007	YTD 2006	Year 2006
Volume (million physical items)	752	774	3 026
Volume, bank transactions (million transactions)*	5.7	6.1	25.1
Operating revenues *	3 229	3 118	12 318
Segment result (EBITDA)*	261	373	1 157
Segment result (EBIT)*	170	270	716

\* The comparative figures for 2006 have been restated as a result of organisational changes, a new principle for calculating bank transaction volumes and a new principle for distributing the Group's common expenses.

As at 31 March 2007, this segment's total revenues were 3.6 per cent higher than those for the corresponding period last year.

The total letter volume handled by the parent company during the first quarter 2007 was 3.4 per cent less than during the same period in 2006. Unaddressed direct mail advertising fell by 8.4 per cent compared with the first quarter 2006. This product accounted for 49 per cent of the total letter volume, compared with 51 per cent during the corresponding period last year.

The volume of A-priority and B-economy mail was the same as for the first quarter of 2006, while addressed direct mail advertising grew by 2.8 per cent during the first quarter 2007. Volume development has been affected by a high level of activity in the business sector.

The number of banking transactions was 6.2 per cent less than in the corresponding period in 2006.

CityMail Sweden AB continued to experience positive volume development and now covers 43 per cent of households. The establishment of CityMail Denmark A/S has gone according to

plan and this company has been positively received by the market.

The reduction in earnings compared with 2006 is mainly due to increased costs related to service and quality, increased personnel costs and the start-up of CityMail in Denmark.

The customer satisfaction survey conducted in the first quarter 2007 showed a total customer satisfaction for the sales and services network of 83 points, which is at the same level as the previous survey held in Autumn 2006.

In the first quarter of 2007, delivery quality for A-priority overnight mail was 81.1 per cent compared with 83.9 per cent the year before. The licence requirement is 85 per cent. Norway Post has implemented a number of measures to solve the quality problems which arose last year. Development throughout the quarter has been satisfactory, and in March Norway Post fulfilled all of the licence requirements. Norway Post continues to work towards stabilising the delivery quality at a high level.

Norway Post has acquired 100 per cent of the shares in the Swedish company Customer:View AB, and has thereby acquired important expertise in the Nordic market for advanced customer communication. This company had revenues last year of approximately SEK 27 million.

### Logistics

*This segment consists of general cargo, temperature-controlled transport, air, sea, special and heavy goods transport, third-party logistics, container handling, national and international parcels, courier services in the Nordic region and express-related logistics solutions.*

*The segment comprises the Logistics Division with its subsidiaries the Nor-Cargo Group, the Frigoscandia Group, the Box Group, Nettlast Hadeland AS, the BoxSolutions Group, and PNL AB.*

MNOK	YTD 2007	YTD 2006	Year 2006
Volume (million shipments) **	8.1	7.6	30.1
Operating revenues*	2 973	2 662	11 068
Segment results (EBITDA)*	157	102	546
Segment results (EBIT)*	125	71	446

\* The figures for 2006 have been altered as a result of organisational changes and a new principle for distributing the Group's common expenses.

\*\* Shows the increase in volume for express services excluding courier services. Due to changes in the product portfolio, the volume for 2006 has been changed compared to former reports in order to achieve correct comparison figures.

As of the first quarter 2007, the former Express and Logistics segments have been merged for reporting purposes to form one business area. Their processes are on the whole the same in relation to long-term financial developments and are subject to the same regulatory factors. A merger to form one segment corresponds to the internal management model and the business area's risk and return profile. Their processes form an integral part of the same operations, with a common sales organisation, common customer groups and common distribution channels.

As at 31 March 2007, the segment's total revenues were 11.7 per cent higher than for the corresponding period last year. The increases in operating revenue and net income are a result of volume growth, acquisitions and improvements in the continued operations.

The increase in volume during the first quarter 2007 was mainly linked to Norway Post's company parcels (B2B) operations.

The volume of B2C parcels, including PNL's volumes of imports to Norway, increased by 1 per cent during the first quarter 2007 compared with the first quarter 2006. The international parcel volumes developed positively with an increase of 17.4 per cent compared with the same period last year.

The share of private individuals buying goods on the Internet was 51 per cent in the first quarter 2007, compared with 40 per cent during the same period last year (a Synovate survey). The number of purchases is also rising in that the number of people who bought goods on the Internet on more than five separate occasions during the same period rose from 20 per cent to 27 per cent.

In the first quarter Norway Post entered into a contract to buy 100 per cent of the shares in Transflex, a Swedish transport and logistics group. This company has 75 employees and had revenues of SEK 417 million in 2006. This acquisition will strengthen the group's position in general cargo in the Nordic region as well as in international land transport.

In the first quarter, Nor-Cargo entered into a contract with Andvord Tybring Gjedde (ATG) with annual revenues of NOK 60-70 million. This contract mainly concerns the transport of general cargo to shops and wholesalers.

Following its launch in 2006, Box Express has now become established as an intra-Nordic express service and a national express service in Norway and Sweden. The products offered today include same day delivery.

The logistics industry is still characterised by capacity problems, especially in the form of a shortage of drivers. This

situation poses challenges for the industry. During the first quarter, Norway Post's Logistics segment implemented a number of projects focusing on quality in all areas of the business.

## ICT

*This segment consists of operations, infrastructure, solutions and consultancy services. The segment comprises the operations of the ErgoGroup.*

MNOK	YTD 2007	YTD 2006	Year 2006
Operating revenues*	1 329	772	3 620
Segment results (EBITDA)*	107	77	374
Segment results (EBIT)*	40	36	214

\* The figures for 2006 have been restated as a result of a new principle for distributing the Group's common expenses.

The 72 per cent growth in revenues is mainly due to acquisitions (Allianse ASA and SYSteam AB) and new contracts throughout 2006. The organic growth in the first quarter was 5 per cent.

Norway Post's share of ErgoGroup's revenues fell by 8 percentage points compared with the first quarter 2006 and equalled 15 per cent of ErgoGroup's total revenues as at 31 March 2007. The growth in customers outside Norway Post has doubled, of which 6 per cent is organic growth.

The continued organic growth is related to a large number of new orders, including orders with the Norwegian Labour and Welfare Organisation (NAV), the Norwegian Food Safety Authority, Norsk Tipping, Optimera, Fuji Autotech and Lindorff.

During the first quarter, ErgoGroup's earnings before amortisation of added values from acquired companies (EBITA) were NOK 49 million, which was NOK 17 million more than during the first quarter 2006. The EBITA margin was, however, reduced as a result of a risk accrual related to a fixed price contract, contractual price reductions as well as higher quality costs related to IT operations. Subsidiaries acquired during 2006 and 2007 have delivered good results.

ErgoGroup acquired all of the shares in Sweden's SYSteam AB with effect from 1 January 2007. SYSteam is the largest IT provider in Sweden's SME market. This acquisition complements and strengthens Norway Post's ICT commitment and ErgoGroup's IT services to SME customers in the Nordic region. SYSteam had revenues of SEK 1 359 million in 2006

and has a little over 1 000 employees working in around 50 offices in the Nordic region.

## FUTURE PROSPECTS

### Market developments

The Group's strategy plan for 2007-2011 aims to develop an integrated, world-class post and logistics group. The Nordic region is Norway Post's domestic market and the goal is to achieve a competitive increase in value through profitable growth and continued efficiency enhancement and industrialisation of Norway Post's production processes.

To ensure continued profitability and maintain and develop strong market positions, Norway Post must participate actively in the extensive changes that are taking place in its markets. Its customers are becoming international, the Nordic region is becoming one market and large, global players are making the competition more intense. The liberalisation of the postal markets together with increased internationalisation and privatisation are leading to a restructuring and consolidation of the postal and logistics industries in Europe.

Over the past few years, Norway Post has implemented major changes in order to meet new customer requirements and be profitable and competitive in a market that is subject to increasing competition. The trend towards smaller volumes of addressed letters, increasing sales of direct mail advertising and the replacement of physical messages with new electronic solutions is continuing.

The Group's future profit developments will continue to be challenged by the decline in A-priority and B-economy mail and banking transactions, a shift in the portfolio towards products with lower margins, and increasing competition. At the same time, the potential for further efficiency gains is less than before.

Norway Post expects its individual business areas to continue developing positively in the future. External revenues from logistics and ICT operations made up 60 per cent of the Group's total revenues in the first quarter 2007, compared with 56 per cent during the same period in 2006.

### Streamlining and operations

Norway Post is continuing its efforts to enhance the efficiency of its operations, increase the flexibility of its costs and develop more cost-effective processes. In accordance with its new strategy, the letter and parcel production processes have been further coordinated as of 1 January 2007 in order to optimise the value chain.

At the same time, Norway Post continues to focus on health, safety and the environment (HSE) in order to reduce its sickness absence rate, the number of those incapacitated for work and the number of lost-time injuries.

Norway Post's most important task in the short term is to improve its delivery quality. The measures implemented are having an effect but it will take time to stabilise the quality level well over the licence requirement. The most important measure for improving the delivery quality further in the long term is the building of the new, modern South East Norway mail-sorting terminal at Robsrud in Lørenskog. This terminal will be finished in 2010 and will be the main sorting facility in Norway Post's new terminal structure.

Norway Post's Letter Terminal in Oslo has been sold to KLP Eiendom with an accounting gain of NOK 623 million. Norway Post has sold the property but will rent the floor space for the Letter Terminal operations until 2010.

### Regulatory conditions

Norway Post has been granted a new licence to provide postal services effective from 1 January 2007 to 31 December 2010. The new licence introduces a ceiling on price increases for mandatory services, excluding monopoly services and mass mail deliveries.

On 18 October 2006, the EU Commission submitted a proposal regarding a new EU Postal Services Directive. This proposal entails the full liberalisation of the EU/EEA area in 2009 and is currently being discussed for the first time by the Council and Parliament. The results of the initial discussions are expected in June and July but are not expected to be final.

The Norwegian parliament, Storting, has not granted any funds for government procurements in 2007 in order to compensate Norway Post for unprofitable postal and banking services that are mandatory under the licence. New calculations carried out in December 2006 showed that NOK 144 million is needed (after deducting the profit made on the monopoly services).

Norway Post has conducted a broad assessment of its future channel strategy and the consequences for the sales network have been presented to the Minister of Transport and Communications in accordance with §10 of Norway Post's articles of association (issues of societal/fundamental importance). The Ministry of Transport and Communication's views will be stated in the Owner's Report on Norway Post. After several postponements, this report is expected to be submitted to the Storting Autumn 2007.

Oslo, 7 May 2007

## Appendix 1 – Financial information for the first quarter of 2007

### GENERAL INFORMATION

The quarterly report for the first quarter of 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. This interim report has been prepared in compliance with the currently applicable accounting standard IAS 34 for interim accounts.

The information contained in this document has not been audited.

### CONDENSED INCOME STATEMENT

	Q1 2007	Q1 2006	Year 2006
<b>Operating revenues</b>	<b>6 720</b>	<b>5 737</b>	<b>23 668</b>
Cost of goods and services	2 472	2 076	8 765
Payroll expenses	2 713	2 243	9 253
Other operating expenses	1 117	885	3 614
Operating expenses	6 302	5 204	21 631
<b>EBITDA</b>	<b>417</b>	<b>533</b>	<b>2 037</b>
Depreciation and amortization	199	181	750
<b>EBIT - Income before non-recurring items</b>	<b>219</b>	<b>352</b>	<b>1 287</b>
(Gains) loss from sale of fixed assets/subsidiaries	-624	-3	-16
Restructuring costs	1	6	13
Costs related to transfer to new pension scheme	0	0	-22
<b>EBIT - Income before interest and taxes</b>	<b>841</b>	<b>349</b>	<b>1 313</b>
Share of profit from associated companies	0	0	-12
Financial income	45	63	261
Financial expenses	82	83	363
<b>Net financial items</b>	<b>-36</b>	<b>-20</b>	<b>-113</b>
<b>Income before taxes</b>	<b>805</b>	<b>329</b>	<b>1 200</b>
Taxes	226	93	344
<b>Net income</b>	<b>579</b>	<b>236</b>	<b>856</b>

### CONDENSED BALANCE SHEET

	31.03.07	31.03.06	31.12.06
<b>Assets</b>			
Intangible assets	6 032	3 842	5 082
Tangible assets	3 747	3 512	3 684
Financial assets	198	195	154
Total fixed assets	9 977	7 549	8 920
Current assets	6 928	6 420	6 713
Assets held for sale	0	5	136
<b>Total assets</b>	<b>16 904</b>	<b>13 975</b>	<b>15 769</b>
<b>Equity and liabilities</b>			
Equity	6 199	5 029	5 604
Provisions for liabilities and charges	1 931	1 993	1 902
Interest-bearing long-term liabilities	2 675	1 491	2 633
Interest-bearing short-term liabilities	64	352	61
Interest-free short-term liabilities	6 036	5 109	5 547
Liabilities held for sale	0	0	23
<b>Total equity and liabilities</b>	<b>16 904</b>	<b>13 975</b>	<b>15 769</b>

Comparative figures for the first quarter 2006 have been restated due to changes made to the financial accounts for 2005 in May 2006.

#### STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Other equity	Other reserves	Minority interests	Total equity
<b>Equity at 01.01.2006</b>	3 120	1 560	31	28	13	4 752
Translation differences			3			3
Cash flow hedges						
Recorded in equity/transferred to income				21		21
Tax on equity changes				-6		-6
Available-for-sale investments						
Recorded in equity				-16		-16
Net income for the period			236			236
Dividends paid						
Other equity transactions			22		17	39
<b>Equity at 31.03.2006</b>	<b>3 120</b>	<b>1 560</b>	<b>292</b>	<b>27</b>	<b>30</b>	<b>5 029</b>
<b>Equity at 01.01.2007</b>	<b>3 120</b>	<b>992</b>	<b>1 476</b>	<b>1</b>	<b>15</b>	<b>5 604</b>
Translation differences			5			5
Transfer to other equity						
Cash flow hedges						
Recorded in equity/transferred to income				9		9
Tax on equity changes				-3		-3
Available-for-sale investments						
Recorded in equity						
Net income for the period			579		2	581
Other equity transactions			3			3
<b>Equity at 31.03.2007</b>	<b>3 120</b>	<b>992</b>	<b>2 063</b>	<b>7</b>	<b>17</b>	<b>6 199</b>

#### CONDENSED CASH FLOW STATEMENT

	31.03.07	31.03.06	Year 2006
<b>Cash flows from operational activities</b>			
Provided by operations	154	414	1 220
Changes in working capital and other accruals	-91	-407	845
<b>Net cash flow from operational activities</b>	<b>63</b>	<b>8</b>	<b>2 065</b>
<b>Cash flows from investing activities</b>			
Investments in tangible assets/IT development/subsidiaries	-1 203	-943	-2 932
Sales of tangible assets	754	30	57
Changes in other fixed assets	-98	44	26
<b>Net cash flow from investing activities</b>	<b>-547</b>	<b>-869</b>	<b>-2 849</b>
<b>Cash flows from financing activities</b>			
Changes in loans and other financial items	62	275	1 174
Group contribution/dividends paid	0	0	-124
<b>Net cash flow from financing activities</b>	<b>62</b>	<b>275</b>	<b>1 050</b>
Total change in liquid assets	-421	-585	266
<b>Cash and cash equivalents at start of period</b>	<b>2 306</b>	<b>2 040</b>	<b>2 040</b>
<b>Cash and cash equivalents at end of period</b>	<b>1 885</b>	<b>1 455</b>	<b>2 306</b>

## SEGMENT REPORTING

	Total operating revenues			Earnings before interest and taxes (EBIT)		
	Q1 2007	Q1 2006	Year 2006	Q1 2007	Q1 2006	Year 2006
MNOK						
External operating revenues	2 657	2 535	9 964			
Internal operating revenues	572	583	2 354			
<b>Post</b>	<b>3 229</b>	<b>3 118</b>	<b>12 318</b>	<b>170</b>	<b>270</b>	<b>716</b>
External operating revenues	2 942	2 638	10 965			
Internal operating revenues	31	23	103			
<b>Logistics</b>	<b>2 973</b>	<b>2 662</b>	<b>11 068</b>	<b>125</b>	<b>71</b>	<b>446</b>
External operating revenues	1 119	565	2 752			
Internal operating revenues	210	208	868			
<b>Electronic services</b>	<b>1 329</b>	<b>772</b>	<b>3 620</b>	<b>40</b>	<b>36</b>	<b>214</b>
External operating revenues	2	-2	-13			
Internal operating revenues	-813	-813	-3 324			
<b>Other/eliminations</b>	<b>-811</b>	<b>-815</b>	<b>-3 337</b>	<b>506</b>	<b>-27</b>	<b>-63</b>
<b>Norway Post Group</b>	<b>6 720</b>	<b>5 737</b>	<b>23 668</b>	<b>841</b>	<b>349</b>	<b>1 313</b>

Comparative figures for 2006 have been restated as a result of organisational changes and a change in the principle for distributing the Group's common expenses.

## ADDITIONAL INFORMATION

### SIGNIFICANT CHANGES IN RELATION TO PREVIOUS YEARS

The increase in intangible assets from the first quarter of 2006 to the first quarter of 2007 is largely due to goodwill acquired in connection with the acquisition of Allianse ASA, Holmskau Transport AS, AddIQ AB, Blomquist Transport og Spedisjon AS, Talk2me AS, Scanex B.V., Grenland Transport og Industriservice AS og SYSteam AB. The process to identify any excess values which can be allocated to specific intangible and tangible assets in connection with these acquisitions has not been completed as of 31 March 2007 and the goodwill amounts are therefore preliminary.

The increase in interest-bearing long-term and short-term liabilities from the first quarter of 2006 to the first quarter of 2007 is largely due to new loans to finance acquisitions as well as increased trade creditors in connection with acquired operations.