



English Summary

**ANNUAL
REVIEW 2015**



NorgesGruppen

NorgesGruppen is Norway's largest retailer. The Group's core activity is retail and wholesale distribution of groceries. Through the grocery store chains, the Group represents a market share of 41.2 per cent. NorgesGruppen's wholesale business is responsible for the distribution of goods to the Group.

OUR VISION

We provide you with a better everyday life

We will achieve this vision by providing service, staying competitive, giving inspiration, ensuring quality and supplying food you can trust.

BUSINESS IDEA

NorgesGruppen shall be a leading, mainly Norwegian owned, wholesale and retail company within Scandinavian consumer products, based on foresight, trust, competence, effectiveness and profitability throughout the value chain. Customers' requirements must drive the company; with focus on quality, the environment and food they can trust.

OUR KEY VALUES

Responsible

We shall always act on an honest and trustworthy basis. Via our actions we shall create trust and confidence. We shall act professionally and reliably.

Customer-oriented

We shall always stay focused on the customer by being competitive, available and quality conscious.

Ready to cooperate

We shall ensure a holistic approach throughout the value chain. We shall be an attractive collaborating partner.





OUR HISTORY

NORGESGRUPPEN IS NORWAY'S LARGEST retailer, comprising grocery and convenience stores, and wholesale operations throughout the country – with a history stretching back over almost 150 years.

The history of NorgesGruppen started when Joh. Johannson set up a wholesale company in 1866, while the first shop was established with Oluf Lorentzen's "finer groceries" in 1869 and Jens Evensen's fresh produce in 1907.

The consumer goods sector saw rapid development in the 1950s. Speciality shops and specialised retailers lost ground to consumer goods stores in which customers could purchase all their groceries in one place.

At the start of the 1960s, a large proportion of sales and distribution still took place directly from producers and suppliers to the shops,

but over the next decade wholesalers gained a leading position in the Norwegian consumer goods sector, while the first chains of stores began to appear in the market. The first KIWI store opened in 1979. The need for rationalisation and financial expansion led several of the chains to merge during the 1970s and 1980s, and the wholesalers, including Joh. Johannson, formed regional chains.

From the 1990s, the consumer goods sector market began to resemble the market that we see today. Low-priced products gained momentum and the chain concepts were strengthened. A large number of independent retailers which had ASKO/Joh. Johannson as their wholesaler established their own collaboration, "Norges-detalj", in 1993. In 2000, NorgesGruppen ASA was established on the merger of the Joh. Johannson wholesale organisation, retail chains and profile outlets. Today, large grocery store chains such as MENY, KIWI, SPAR and Joker are part of NorgesGruppen.

NORGESGRUPPEN 2015

NorgesGruppen is one of Norway's largest companies, and a market leader in the grocery sector.

A STRONG CONSUMER focus, attractive chain concepts and good business acumen are behind NorgesGruppen's position as a market leader in the grocery sector.

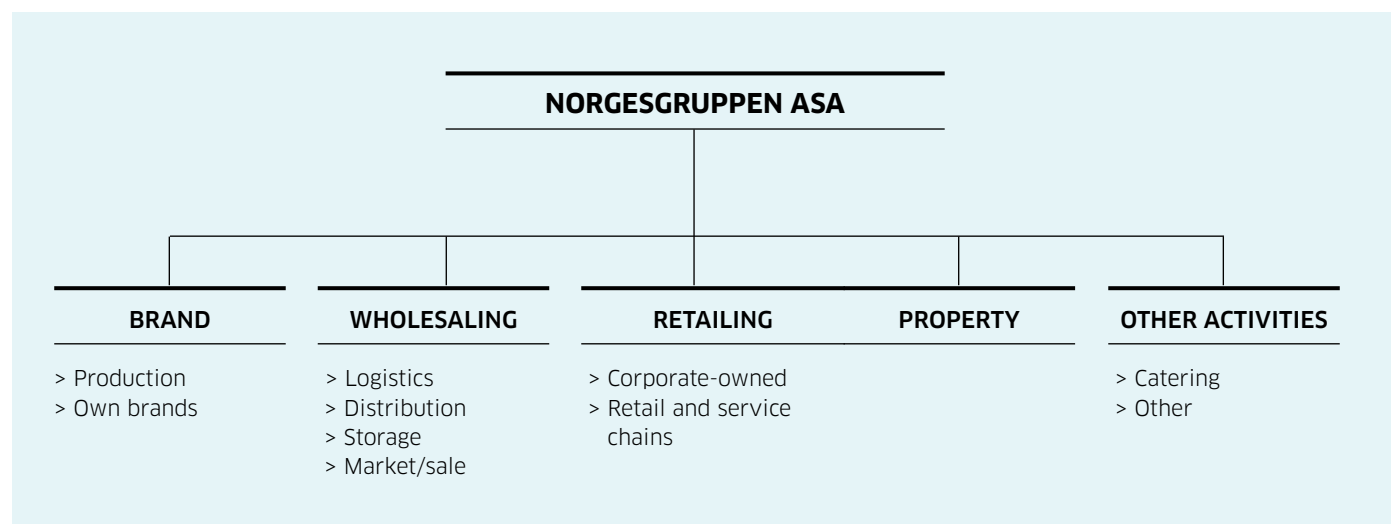
A total of 1,806 grocery stores throughout Norway, of which 812 are owned by NorgesGruppen itself, offer products across the full range from major international suppliers to local Norwegian suppliers. NorgesGruppen is one of Norway's largest purchasing organisations, with major annual procurement operations for the grocery, retail convenience goods and institutional catering sectors.

Product development and innovation are important to developing the products we offer to Norwegian consumers. NorgesGruppen must be a collaborator and partner to suppliers and Norwegian agriculture. The Group's nationwide activities are the basis for the value it creates in Norwegian society.

ASKO, which is Norway's largest wholesaler, ensures effective distribution of products to the grocery, retail convenience goods and institutional catering sectors. Effective distribution assures the customer lower prices and a wide selection of products; and low costs and high product turnover for retailers.

NorgesGruppen is also one of Norway's largest property developers. NorgesGruppen Eiendom develops and manages the Group's property portfolio, and is dedicated to finding good locations for the retail chains.

Commercial retailing is important to society, contributing to local business development. The establishment of just one medium-sized grocery store will create around 30 new jobs. More than 40,000 people throughout Norway are employed by NorgesGruppen and our retailers.



NorgesGruppen's annual report in Norwegian is available here:
<http://www.Norgesgruppen.No/finansuell-info/rapportering/>

STABLE FINANCIAL DEVELOPMENT

In 2015 a satisfactory increase in operating revenue for all business areas was achieved, compared to the preceding year. More consumers are increasingly choosing to purchase in NorgesGruppen's stores, in a market that is subject to strong price pressure.

KIWI, IN PARTICULAR, has increased its revenue in both new and existing stores. The acquisition of the former ICA stores has also contributed positively to the revenue. ASKO achieved good results and higher sales revenue in 2015, primarily due to increased volumes and new product groups. In 2015, NorgesGruppen achieved growth in operating revenue of 6.8 per cent compared to 2014, with operating revenue totalling NOK 76,224 million.

Satisfactory development in results

Several non-recurring events contributed to a sound operating profit in 2015, including the sale of four shopping centres to Scala Retail Property AS. The solid increase in operating revenue improved the operating profit compared to the previous year. The Group's operating profit for 2015 was NOK 3,170 million. The operating profit for 2014 was NOK 2,945 million.

The operating margin for 2015 was 4.2 per cent (4.1 per cent in 2014). The EBITDA margin was 6.2 per cent, compared to 6.1 per cent for 2014. EBITDA, defined as the operating profit before amortisation and write-downs, and revenue from investments in associated companies, was NOK 4,729 million. This is an increase of NOK 372 million from 2014.

The year 2015 was characterised by strong price competition in the market. Adjusted for non-recurring events, the EBITDA margin was 5.75 per cent, having decreased from the preceding year (6.05 per cent in 2014). EBITDA adjusted for non-recurring events amounted to NOK 4,371 million, after increasing by NOK 52 million from 2014.

The profit before tax in 2015 was NOK 3,001 million, and the profit after tax amounted to NOK 2,361 million, of which majority interests accounted for NOK 2,333 million.

Major investments in operations and facilities

NorgesGruppen continued to make significant investments in 2015.

Continuous investments are made to streamline our value chain, including refrigerated product warehouses, more eco-friendly stores and lorries, new and more effective ordering systems, and packaging improvements.

Major capital investments are reflected in total assets of NOK 35,104 million, which is an increase of NOK 1,589 million from the previous year. Total assets show an increase in stocks and current receivables, due to the increase in sales revenue.

Net cash flows from investment activities constitutes a total of NOK 3,212 million, compared to NOK 2,983 million in 2014.

Net cash flows from operating activities constitutes a total of NOK 3,665 million, compared to NOK 3,248 million in 2014. This is mainly EBITDA less tax paid and changes in working capital and other accrued items.

Net cash flows from financing activities were negative at NOK 347 million. Adjusted for payment of dividend in 2015, the cash flow from financing activities is positive at NOK 177 million, as a consequence of lower net interest-bearing debt.

A solid Group

The Group's equity is considered to be robust, with a good liquidity reserve. Net interest-bearing debt decreased by NOK 209 million to NOK 7,100 million as at 31.12.2015 and non-utilised credit facilities amount to NOK 5,283 million. Despite the major investments in recent years the ratio of interest-bearing debt to equity shows a declining trend.

The equity ratio of 42.2 per cent is assessed to be satisfactory in terms of the Group's activities and risk exposure. The high investment level does not significantly affect the equity ratio. The balance sheet as at 31.12.2015 shows Group equity of NOK 14,820 million.

“NorgesGruppen continued to make significant investments in 2015. Continuous investments are made to streamline our value chain.”

4.2%

OPERATING MARGIN

42.2%

EQUITY RATIO

3,212

MNOK INVESTMENTS
in projects and innovation

KEY FINANCIAL FIGURES, 2006–2015

Result		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total operating revenues	NOK mill.	76 224	71 391	67 396	62 083	58 641	55 675	53 232	49 016	42 678	36 620
Cash flow (EBITDA) ¹⁾	NOK mill.	4 729	4 357	3 899	3 896	3 750	3 161	2 861	2 169	2 282	2 096
Operating profit (EBIT)	NOK mill.	3 170	2 945	2 636	2 572	2 459	2 105	1 828	1 204	1 751	1 620
Ordinary profit before tax	NOK mill.	3 001	2 616	2 405	2 268	2 155	1 866	1 587	1 053	1 560	1 431
Net result	NOK mill.	2 361	1 930	1 793	1 654	1 556	1 411	1 172	759	1 199	1 075
Shares											
Earnings per share ²⁾	NOK	59.58	48.89	45.46	40.87	37.02	33.19	27.23	17.52	28.19	25.53
Total number of shares of 31.12.	1000 shares	40 000	40 000	42 400	42 400	42 400	42 400	42 400	42 400	42 400	41 480
Dividend per share	NOK	15.00	13.00	12.00	11.00	10.00	9.50	7.75	5.00	8.00	7.00
Capital											
Total assets	NOK mill.	35 104	33 515	30 914	28 105	26 355	25 063	22 110	20 002	17 545	14 560
Equity	NOK mill.	14 820	13 007	11 455	10 220	9 505	9 162	8 165	7 145	6 939	5 605
Equity ratio	%	42.2	38.8	37.1	36.4	36.1	36.6	36.9	35.7	39.6	38.5
Net interest bearing debt	NOK mill.	7 100	7 309	7 188	6 914	6 406	6 411	5 638	4 957	3 330	2 186
Profitability											
Operating margin EBITDA ³⁾	%	6.2	6.1	5.8	6.3	6.4	5.7	5.4	4.4	5.3	5.7
Operating margin ⁴⁾	%	4.2	4.1	3.9	4.1	4.2	3.8	3.4	2.5	4.1	4.4
Profit margin ⁵⁾	%	4.2	4.1	4.0	4.1	4.2	3.8	3.5	2.8	4.1	4.3
Return on capital employed ⁶⁾	%	14.6	14.6	14.5	15.2	15.3	14.2	14.1	12.1	18.9	21.1

1) Operating profit before amortisation and write-downs and revenues from investments in associated companies

2) Net profit to majority interest/average number of shares

3) EBITDA/Operating revenue

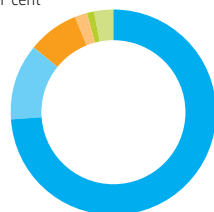
4) Operating profit/operating revenue

5) Profit before tax + interest expense/operating revenues

6) Profit before tax/(average equity + interest-bearing debt)

DISTRIBUTION OF SALES REVENUE, 2015

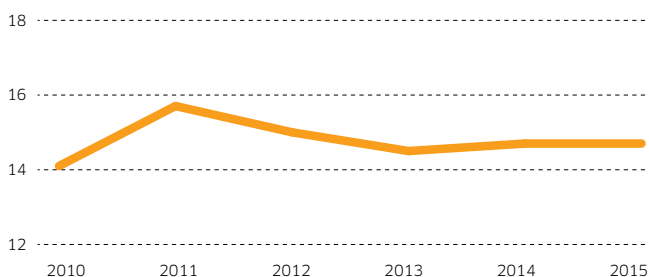
Per cent



■	Cost of sales 74%
■	Payroll costs 12%
■	Other operating costs 8%
■	Amortisation and write-downs 2%
■	Tax 1%
■	Profit after tax 3%

RETURN ON CAPITAL EMPLOYED (ROCE)

Per cent



Return on capital employed (ROCE) shows the return on our investments.

IMPORTANT EVENTS IN 2015



Market development

NorgesGruppen increased its market share to 41.2 per cent, up by 1.3 percentage points from the previous year. The change in market shares in the grocery market is affected by ICA's withdrawal from the Norwegian market.

Strong price competition

The strong price competition has contributed to the lowest market growth for several years. KIWI's discount concept is an investment in future growth, and the development in revenue shows that KIWI in particular is gaining more new customers.

Takeover of 50 stores

NorgesGruppen acquired 50 former ICA stores after Coop's acquisition of ICA Norge. This acquisition was one of the Norwegian Competition Authority's conditions for approval of Coop's acquisition of ICA Norge. The 50 former ICA stores have mainly been re-branded as KIWI, SPAR and Joker stores.

Sale of shopping centres

NorgesGruppen sold Grorud Nærserter, Rykkinn Nærserter, Tangen Sentrum Nærserter and Fagernes Kjøpesenter to Scala Retail Property AS, in which NorgesGruppen has a 49 per cent ownership interest.

No special legislation for the grocery sector

In 2015, the Norwegian Parliament rejected a bill on fair trading

practices. The Parliament has decided to initiate an assessment of whether there is a need for changes to the Norwegian Competition Act. NorgesGruppen is experiencing strong competition in the market.

Focus on the petrol station market

As from 1 December 2015, NorgesGruppen Servicehandel (Convenience Store) took over the operation and development of the store concept at Esso's proprietary petrol stations in Norway. The agreement with Shell on the operation of the Fresh convenience food concept terminated on 31.12.15.

Nominated for international environmental award

NorgesGruppen was the only Norwegian operator to be nominated for the Nordic Council's 2015 Nature and Environment Prize, for our ambitious long-term climate strategy.

Fund for development of Norwegian production

Gartnerhallen, Bama and NorgesGruppen are establishing the NOK100 million GROfondet to finance and ensure the transformation of the Norwegian fruit and vegetable industry.

Innovation in collaboration with suppliers

In 2015 NorgesGruppen launched traceable salmon with a number of additional benefits in cooperation with Lerøy; narasin-free chicken in collaboration with Nortura; and small bread loaves in cooperation with Bakehuset.



A LOOK AT THE INDUSTRY

Commercial retailing is a large and important industry for value creation in society, contributing to local business development. With retail outlets in Norway's 430 municipalities, our nationwide activities are an important basis for the Group's value creation in Norwegian society.

MORE THAN 40,000 people throughout Norway are employed by NorgesGruppen and our retailers. Close to 1,000 of NorgesGruppen's 1,806 grocery stores are owned by independent retailers. Good business acumen is a key factor behind NorgesGruppen's current position as a market leader in the grocery sector.

Changing markets

The development in NorgesGruppen's business areas – retail, wholesale, property and brands – shows that the markets are changing. The high investment levels concern the establishment and upgrading of stores, more eco-friendly product delivery, and the development of new products. Norges-

Gruppen's activities require significant ongoing investments, in order to ensure long-term profitability. A strong willingness and capacity for investment are a key factor behind our increasing market shares.

Within the grocery sector, the change in market shares in 2015 was affected by ICA's withdrawal from the sector. NorgesGruppen acquired 50 former ICA stores, which have mainly been re-branded as KIWI, SPAR and Joker stores. Strong price competition contributed to lower market growth in 2015 than seen for several years. Discount chains have achieved a 63.4 per cent market share.

“Good business acumen is a key factor behind NorgesGruppen's current position as a market leader in the grocery sector.”

.....
TOMMY KORNELIUSSEN,
CEO

“NorgesGruppen has set ambitious long-term goals for its efforts to offer healthier food and help to improve people’s health.”

It is pleasing to see that more and more consumers are choosing our stores. The development in revenue in 2015 shows that our grocery chains are performing well in the face of market competition. More than half of our growth is organic, which means that customers are increasingly attracted to NorgesGruppen’s stores. The competition in the grocery market is intense and demanding. Cost control and organic growth are vital to maintaining long-term profitable operation.

Innovation and product development in collaboration with suppliers

At NorgesGruppen we work systematically to achieve healthy competition within all of our product groups, so that we can offer consumers an exciting and attractive range from several suppliers. NorgesGruppen would like to have even more brand suppliers within each category, in order to offer consumers as much choice as possible.

In 2015, we launched a wider selection of local food products in our stores. We are continuously looking for more local, regional and national suppliers of exciting products.

Product development and innovation are important to developing the products we offer to Norwegian consumers. NorgesGruppen must be a collaborator and partner to suppliers and Norwegian agriculture. In 2015, NorgesGruppen launched traceable salmon with a number of additional benefits, in cooperation with Lerøy; narasin-free chicken in collaboration with Nortura; and small bread loaves in cooperation with Bakehuset.

Social responsibility

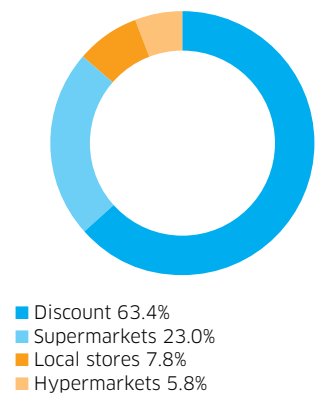
NorgesGruppen and ASKO were nominated for the Nordic Council’s 2015 Nature and Environment Prize, for our ambitious

long-term climate strategy. This strategy will ensure a sustainable future for our activities, among other things via conversion to biofuel in the transport sector and self-sufficiency within renewable energy. NorgesGruppen gives employees financial support to reduce their own energy consumption and climate emissions.

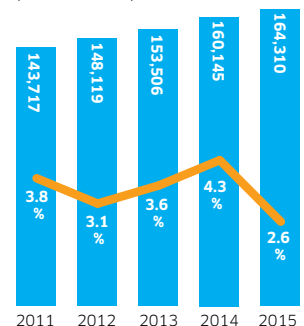
NorgesGruppen has set ambitious long-term goals for its efforts to offer healthier food and help to improve people’s health. All of our chains have run campaigns to help customers to make healthier choices. In parallel to this, NorgesGruppen also cooperates actively with the healthcare authorities.

NorgesGruppen has the pleasure of working with many exciting players in the commercial sector. We benefit especially from being able to work with organisations that are engaged with such topics as international solidarity, poverty and addiction, rural events and arts.

SEGMENT RATIOS 2015
Per cent



TOTAL REVENUE, GROCERY MARKET
(Source: Nielsen)





HOW WE CREATE VALUE

With retail outlets in Norway's 430 municipalities, our nationwide activities are important for the Group's value creation in Norwegian society.

Viable local communities

Norway has 94 municipalities with under 2,000 inhabitants. Many of these have a weak basis for supporting the local stores which are an important element of preventing rural depopulation. NorgesGruppen has an increasing share of these district stores.

Together with retailers, we do what we can to ensure the running of as many local stores as possible. To ensure the district stores' survival, the most important factor is that, via internal set-off of freight expenses, they can receive deliveries at the same price no matter where in the country they are located.

Workplace diversity

Via its activities NorgesGruppen is a major employer, with many workplaces spread throughout Norway. These workplaces can vary in size, from below ten to several hundred employees. 40,000

employees of 43 different nationalities are part of NorgesGruppen and our 1,000 retailers.

The establishment of one medium-sized grocery store will create around 30 new jobs on an annual basis. Commercial retailing is important throughout the country, contributing to local business development. It is the largest sector in individual municipalities, employing between 9 and 18 per cent in each county. For many people, a job at NorgesGruppen is their first workplace experience. The under30s are the age group that accounts for the highest new recruitment ratio.

Working systematically to promote local food

NorgesGruppen has approximately 3,000 local food products from around 650 suppliers on its shelves, and is continuously mapping relevant suppliers in order to be able to offer additional suitable local products in its stores. In the "Hunt for Norway's food

CREATING VALUE

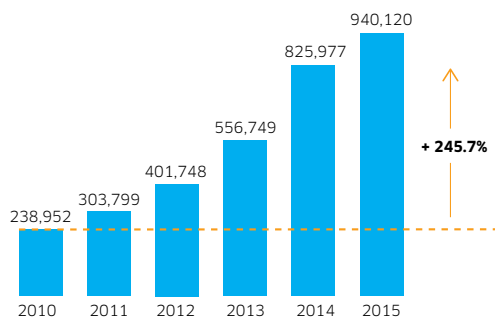


treasure” MENY Lauget (‘the MENY Guild’) has found the best local food products from Norwegian counties, and now has around 2,300 local food products in its range. As of 15 September 2015, all of KIWI’s stores launched beer varieties from at least one local craft brewery. 180 SPAR stores are upgrading with their own local food counters.

In 2015, turnover of local food products from stores in Norges-Gruppen increased by 14 per cent. Local food as a ratio of Norges-Gruppen’s total grocery turnover increased from 1.3 per cent in 2014 to 1.4 per cent in 2015.

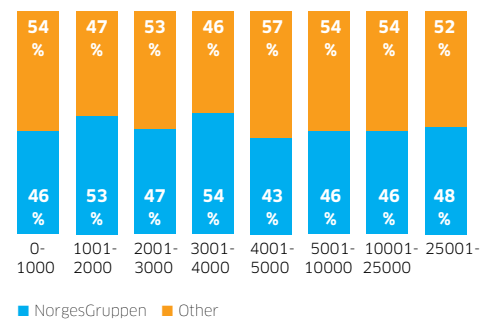
MENY was the best chain by far for local food in Nielsen’s survey of “Norwegian grocery chains in 2015”.

DEVELOPMENT IN LOCAL FOOD TURNOVER IN NORGESGRUPPEN 2010-2015 (NOK million)

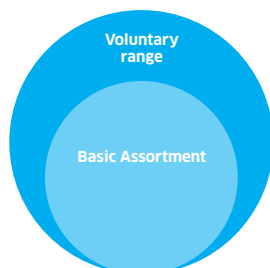


SHARE OF STORES BY MUNICIPALITY SIZE

Municipality size (residents)



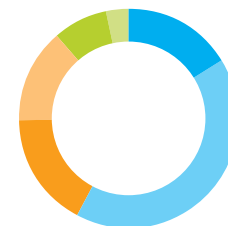
DIFFERENCE BETWEEN BASIC AND VOLUNTARY RANGE



All of our stores can match customer demand in their local environment by picking items from the voluntary range

AGE DISTRIBUTION 2015

NG-owned activity



- Under 20 (4,606)
- 20-29 (11,737)
- 30-39 (4,784)
- 40-49 (3,894)
- 50-59 (2,287)
- Over 60 (925)

NORGESGRUPPEN'S CONTRIBUTION TO SOCIETY



NorgesGruppen plays a significant role in society and we wish to use this role to achieve improvements in public health, the environment, the supplier chain, in the regions and for our employees.

Here are a few examples of our activities and achievements in 2015. We are proud of our achievements, but have also set ambitious targets that require us to work even harder in the times ahead.

HEALTHIER LIVES

We wish to be the best retailer at offering healthy food. We support the public authorities' dietary recommendations by encouraging our customers to eat more of the healthier food products, and less of the not so healthy, to achieve a more balanced and varied diet.

+ 50%

wholemeal
in fresh bread

2%

growth in fruit
and vegetables

8.5%

growth in
fresh fish

LOCAL STRENGTH

We wish to be the leading retailer within local food and specialities. Local stores is one of our competitive advantages. We deliver items for the same price all over the country and must offer the market the best conditions for retailers and local stores.

14%

growth
in local food

MENY

is best
for local food

135

district stores
are ours



RESPONSIBLE VALUE CHAIN

We are part of a complex global supply chain. Our ambition is to assure customers that product quality, environment protection, animal welfare and human rights are taken into consideration in our value chain as a whole. We must also be the leading provider of ethically- and environmentally-labelled products.

+ 11%

growth in certified products

Good

product life cycle management

Supplier

follow-up

HIGHLY-MOTIVATED EMPLOYEES

Our vision- "We provide you with a better everyday life" - shall be fulfilled and experienced by each employee, every single day. We wish to be the preferred employer in the sector for positions requiring specific qualifications, as well as positions for which the right contribution and attitude count more than formal qualifications.

28,000

employees in companies owned by NorgesGruppen

40,000

employees in total, including stores owned by independent retailers

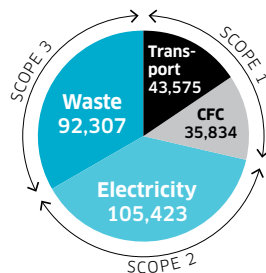
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nationalities

MORE SUSTAINABLE CONSUMPTION OF RESOURCES

Our long-term ambition is to have a neutral climate impact. We cannot achieve this ambition solely by reducing and streamlining the Group's consumption of energy and resources. We therefore also focus on renewable energy production and establishing life cycles to improve the value chain.

Our core activities had climate emissions equivalent to 277,000 tonnes of CO₂ in 2015. Power and waste account for the largest emissions.



Climate emissions distributed by source

Scope 1: Direct emissions where NorgesGruppen has operational control

Scope 2: Indirect emissions from energy production NorgesGruppen purchases

Scope 3: Indirect emissions linked to NorgesGruppen's activities, but outside the company's direct control



FUTURE OUTLOOK

The innovation and adaptability of our store concepts will make NorgesGruppen more flexible towards changes in market development, as well as consumer trends.

LARGE INVESTMENTS IN the retail, wholesale, property and brand markets are made each year. Examples are the establishment of new stores, upgrading of existing stores and distribution facilities, and more eco-friendly distribution, as well as the development of new products. A strong willingness and capacity for investment have been a key factor in increasing our market shares.

NorgesGruppen expects increased sales revenue from newly-established stores, with a full impact in the first full year of operation in 2016. In addition, more new stores are planned in 2016, mostly KIWI stores in the rapidly expanding discount

market. Investments in new stores and locations will be an increasingly more demanding task, with higher investment year-on-year. More stores with refrigeration and freezer facilities will be needed, and rent levels will be higher, with more intense competition for premises. As a result, it will be more expensive to establish new stores. In turn, this will mean that it will take longer for new store investments to be paid off.

2016 may entail weaker key financials for the Group, due to the strong pressure on prices and related margins. As a consequence, the Group's gross earnings will be affected negatively. The price pressure in the market is exerting pressure on margins,

“A strong willingness and capacity for investment have been a key factor in increasing our market shares.”

FUTURE OUTLOOK

especially for the discount operator, KIWI. The lower prices offered by KIWI are an investment in future growth, and KIWI's revenue development shows that more new customers use our stores.

In addition, increased wholesale revenue is expected, due to combined transport, return logistics and higher volumes. Increased supplies to grocery stores and new suppliers are contributing to short-term and long-term rationalisation gains. As from April 2016, ASKO will distribute for Hansa Borg, in addition to the existing turnover of Coca-Cola, Aass Breweries, Mack Breweries and a number of locally-produced items.

According to Norges Bank (the central bank of Norway), the outlook for the Norwegian economy has weakened. The coming years will be a period of more difficult conditions than in previous years. Falling oil prices and declining oil investments will have effects throughout the country. This pres-

ents a risk that households are less inclined to spend money, due to higher unemployment and greater pessimism regarding the Norwegian economy. So far, this does not seem to have any great impact on consumer spending patterns.

Assessments of organic development, new establishments and market conditions in local markets indicate somewhat weaker growth in the market in 2016 than recent years. Adaptability in store concepts and flexible strategies will enable NorgesGruppen to meet market development and consumer trends. NorgesGruppen focus on strengthen its position through growth together with brand suppliers in terms of innovation, category development and streamlining of the value chain as a whole.

GROWTH IN CONSUMER SPENDING

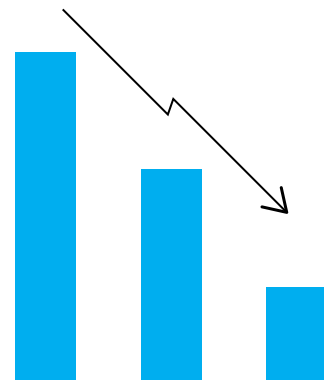
0.9%

increase in January 2016

(Source: Statistics Norway)

STRONG PRICE PRESSURE

Expected weaker economic conditions





CHAIN OPERATIONS

The grocery market increased by 2.6 per cent in 2015, compared to 4.3 per cent in 2014, according to figures from the analysis company Nielsen. Strong price competition contributed to the lowest market growth for several years.

NorgesGruppen is achieving good results in district stores, supermarkets and discount stores. NorgesGruppen's revenue increased by 6 per cent, which is 3.4 per cent more than the overall market. NorgesGruppen has the highest organic growth in the market. The market share was 41.2 per cent in 2015, up by 1.3 percentage points from the previous year. The figures include both retailer owned and NorgesGruppen owned stores. The change in market shares in the grocery market is affected by ICA's withdrawal from the Norwegian market.

The KIWI concept chain

KIWI is the country's largest chain in terms of number of stores, and second-largest in terms of revenue terms. Based on an attractive concept, KIWI must be at the forefront of people's minds as the most positive and aggressive discount chain. The price profile places the chain among the two cheapest in the country, and KIWI aims to be Norway's cheapest grocery chain. In addition to low prices, the chain has a strong position among families with children and for fruit and

vegetables and keyhole labelled products, as well as long opening hours and attractive locations. KIWI also works systematically with environmental and sustainability initiatives.

The discount segment continued to increase its market share, from 61.8 per cent in 2014 to 63.4 per cent in 2015. KIWI is the fastest-growing chain within NorgesGruppen, both organically and in terms of new establishment. KIWI achieved revenue of NOK 30,990 million in 2015, with a market share of 18.9 per cent, which is up by 1.2 percentage points. KIWI achieved the highest comparable growth in the market, at 5 per cent. KIWI has 626 stores, and 38 new stores opened in 2015. During 2015, between four and eight stores per week were upgraded to a more modern design with a larger selection of fresh produce, fruit and vegetables.

The MENY concept chain

The MENY concept chain is Norway's largest supermarket chain and

is distinguished in the market by differentiating itself strongly from the discount segment in quality terms. MENY focuses on offering a broad and exciting product selection, tempting fresh produce departments and competent, service oriented employees. MENY's objective is to focus on helping people to eat more healthily.

As the discount stores offer an ever-increasing range of fresh produce and other product selections, the supermarkets must focus on their quality proposition and their own exclusive brands. In overall terms, the supermarket segment had a market share of 23.0 per cent in 2015, equivalent to a decline by 0.7 percentage points. The supermarkets seek to differentiate themselves in order to meet the competition from discount stores by offering a combination of good service, a wide product selection and digital solutions to make shopping easier for the customer.

MENY achieved revenue of NOK 18,200 million in 2015, with a market share of 10.7 per cent, which is up by 0.5 percentage points. The comparable growth rate for MENY was by 1 per cent. MENY has 198 stores in total. Twelve new stores opened in 2015, including 7 former Ultra stores. The re-profiling of Ultra and Centra as MENY will strengthen MENY as a supermarket chain. In 2015, MENY continued its focus on local food, to give Norwegian consumers access to local delicacies with a special character and high quality. MENY offers 2,375 products from 450 local producers.

The Kjøpmannshuset concept chain

Kjøpmannshuset is a leading company for the development and operation of nationwide chains of local supermarkets and shops. The concept chain is based mainly on retailer-owned activities, and Kjøpmannshuset operates the SPAR and EUROSPAR, Joker and Nærbutikken chains. Sales revenue for Kjøpmannshuset totalled NOK 18,100 million in 2015. Retailer-owned stores accounted for NOK 14,100 million in sales revenue, while NorgesGruppen-owned stores accounted for NOK 4,000 million in 2015. At the end of 2015, 950 stores were associated with the Kjøpmannshuset concept chain.

SPAR

The SPAR chain comprises locally adapted attractive supermarkets with a good selection of fresh produce combined with personal and friendly service. In addition, SPAR has a high level of campaigns and activities, with special offers at favourable prices. EUROSPAR is the concept for the largest SPAR stores, and offers additional value to the customers within fresh produce, ready meals and product ranges.

The SPAR chain achieved good momentum in 2015, with 2.9 per cent comparable growth in 2015. In 2015, 21 new SPAR stores opened, and have shown positive development. SPAR increased its market share by 0.2 percentage points to 6.9 per cent, with revenue of NOK 11,388 million. There are 282 SPAR stores in total. The roll-out of the profile continued in 2015, with the conversion and new opening of 50 stores under a new profile.

Joker

Joker is the customer's local store within both cities and rural areas,

and functions as a gathering point and meeting place within the local community. Joker stores offer customers what they need in terms of groceries, fruit and vegetables, as well as freshly baked bread and fresh baked goods. A number of important additional services in-store are also available, which makes Joker stores a local first choice. The Nærbutikken chain comprises smaller stores with a local selection of products that covers consumers' everyday need for consumer goods and locally requested services.

Joker is developing strongly with many loyal customers in a market that is nonetheless also becoming more challenging. In overall terms, the Nærbutikken segment's market share declined from 8.3 per cent in 2014 to 7.8 per cent in 2015. Joker strengthened its position as the leading chain in the local store segment in 2015, with revenue of NOK 5,930 million. The comparable growth rate was 3.5 per cent. Joker opened 11 new stores and increased its market share by 0.1 percentage point to 3.6 per cent. There are 452 Joker stores in total.

Servicehandel (Catering) concept chain

The concept chain NorgesGruppen Servicehandel (Catering) is responsible for the ownership, development and operation of attractive concepts in the market for convenience food and beverage solutions. We are a leading retail chain within kiosks and fast food, with both self-operated and franchised retail outlets in attractive marketplaces such as shopping centres and traffic hubs. Overall, NorgesGruppen has 810 outlets within the retail convenience market.

Market development

The retail convenience market is developing well, with meal solutions and coffee among the categories with the highest growth. Retail convenience achieves annual revenue of NOK 3,700 million. The market competition is also directed at grocery stores and coffee bars providing meals and beverages to people on the move. In general terms, the trend is for simple, fresh and high-quality catered meals. This is a trend seen in many countries, among other things due to urbanisation and an increasing number of single-person households.

There is stronger focus on the petrol station market than for many years, since all of the large operators have gained new ownership in recent years, with focus on market growth. For NorgesGruppen Servicehandel the agreement with Shell on the Fresh concept expired in 2015. NorgesGruppen Servicehandel acquired Tiger AS operating company as from 1 December 2015 and will establish the Deli de Luca concept at selected Esso petrol stations in 2016. The objective is to establish a whole new standard for the product selection along Norway's roads, with a combination of groceries, retail convenience, kiosks and restaurants. The Deli de Luca, Tiger, Mix, Dolly Dimples, Jafs and Kaffebrønneriet chains all achieved good results in 2015.

Deli de Luca

Deli de Luca offers good food and beverage experiences to customers looking for service, quality and availability. The concept's core category is meals on the run and coffee. The objective is to offer all customers good service, good meal solutions and innovative products. Deli de Luca has increased its range of healthier alternatives. Through-



out 2015, Deli de Luca has made several changes that have contributed to increased growth throughout the year and positive results for all the retailers.

Focusing on operations and operational standards has been a strong contributing factor to the positive results. In 2016, Deli de Luca will be established at selected Esso petrol stations.

Tiger

In 2015, NorgesGruppen Servicehandel entered into a 10-year alliance agreement with Esso Norge AS and acquired the shares in the subsidiary, Tiger AS. Under this acquisition, NorgesGruppen Servicehandel acquires 107 Group-owned petrol stations and 1,500 employees. NorgesGruppen Servicehandel will handle the operation of shops and car washes at Esso's own company-owned petrol stations in Norway. At the other 130 Esso petrol stations operated by distributors and franchisees, we will be responsible for products, ranges and suppliers. We will also contribute expertise within store operation and station concepts. Esso Norway owns the petrol stations and delivers fuel. Fuel sales will take place on an agent basis for Esso. The aim is to establish a whole new standard for the selection of food and beverages available along Norway's roads.

Dolly Dimple's

Dolly Dimple's is a pizza chain whose target group is young people and families who like pizza both at home and at work. Our customers can eat in the restaurant, take their pizzas home with them, or have them delivered to their doorstep. In recent years the concept has been renewed, and all of the Group-owned restaurants have been refurbished. Dolly Dimple's profitability has improved significantly on the basis of comparable sales growth, cost efficiency measures, reduced administrative costs and improved product and service solutions. In 2016, Dolly Dimple's will celebrate its 30th anniversary.

MIX

During the last five years, MIX has gone through major transformation, from being a provider of sweets, snacks and films to being the best in the street for ice cream, food, beverages and games. A strong focus on ice cream, milkshakes and a wide range of food and beverages, combined with local specialities, are key aspects of the chain's operation and development. In connection with the development of the concept, MIX lost eight profiled kiosks from 2014 to 2015.

Jafs

Jafs offers traditional fast food such as hamburgers, plate dishes, ice cream and drinks. The key focus is profitability for retailers and value for consumers and in recent years the chain has achieved the upgrading and further development of both the concept and the stores, in close cooperation with the individual retailers. The growth and development in recent years show that there is a strong demand for traditional hamburgers.






Big Horn Steak House

Big Horn Steak House is one of the strongest brands in the Norwegian restaurant sector, as Norway's leading brand in the steakhouse market segment. They are an American-inspired Steak House offering an exceptional steak experience in a traditional and informal atmosphere. The concept is to offer high quality at competitive prices, with focus on tasty dishes. Their guests shall enjoy good customer service and rapid order handling. Big Horn's menu has been developed to satisfy every customer group, including those wishing to try something else besides a traditional steak dinner. In 2016, the menu is being further expanded with blue mussels and wild prawns.

Kaffebrenneriet

Kaffebrenneriet holds the position as the leading coffee house in Norway, with outlets in the largest cities. They offer coffee varieties with colourful labels, and cosy interiors with informative chalkboards and a subdued atmosphere. Our customer shall feel welcome every time they visit, and that they will keep coming back for a coffee experience created with passion, expertise and quality. The Norwegians take a great interest in different coffee-brewing methods, such as hand-brewing, filtering and coffee percolators. The Fairtrade concept also attracts a lot of interest, which Kaffebrenneriet meets with our Direct Trade programme, based on long-term, sustainable cooperation with coffee farmers from different parts of the world.

GROCERY CHAINS

CHAIN	CONCEPT	STORES		
KIWI	Discount		Stores in all Company-owned Number of items Sales area Sales per store	626 547 3,500-4,200 1,000-2,500 sq m 20-200 NOK mill
Kjøpmannshuset	Local store		Stores in all Company-owned Number of items Sales area Sales per store	453 24 3,500-4,200 100-300 sq m 5-40 NOK mill
	Local store		Stores in all Company-owned Number of items Sales area Sales per store	212 0 2,000-3,000 100-200 sq m 0,6-20 NOK mill
	Supermarkets		Stores in all Company-owned Number of items Sales area Sales per store	285 90 5,000-7,000 400-1,200 sq m 20-190 NOK mill
MENY (incl. Jacobs)	Large supermarkets		Stores in all Company-owned Number of items Sales area Sales per store	199 154 15,000-20,000 1,500-2,000 sq m 60-400 NOK mill

As of December 31, 2015



WHOLESALE

ASKO is localised with regional warehouses from Tromsø in the north to Lillesand in the south, with a central warehouse at Vestby in Akershus.

IN ORDER TO streamline the flow of goods and handle increased growth, ASKO is expanding its facilities' capacity by 44,000 m² in 2015 and 2016.

At the end of 2016, ASKO's new central warehouse for refrigerated goods, also called "Norway's largest refrigerator", will be completed. This is an automated 23,000-m² facility which will have revenue of NOK 12,000 million and more than 37 million D-pak (parcels). This facility will handle 60 per cent of all turnover of fresh produce within ASKO. ASKO's Refrigerated Central Warehouse will contribute to effective goods flows, environmental savings and higher rollover rates, ensuring deliveries of fresher produce all over the country.

ASKO is also planning a new, fully-automated, regional warehouse in Sande i Vestfold. A decision will be taken in 2016, with completion in 2020.

This capacity will ensure that ASKO is well prepared to offer its customers a competitive edge in the entire product flow.

ASKO undertakes 17,000 weekly deliveries to grocery stores, retail outlets and institutions. With over 17,000 customers and 3,300 employees, ASKO is also Norway's largest wholesaler. ASKO handles the entire goods flow from producer to final customer, with 600 lorries on the road on a daily basis.

In 2015, ASKO achieved net revenue of NOK 54,300 million, which represents growth of just below 4 per cent. During the period from 2011 to 2015, ASKO achieved strong productivity development of 15.1 per cent, which is a principal factor behind the operating profit achieved, at approximately 2 per cent of revenue.

ASKO's ambition is to have a neutral climate impact, and is well on the way to achieving this ambition. During the period from



2008 to 2015, ASKO reduced its energy-based CO₂ emissions by 30 per cent, and its transport based emissions per m³ by 50 per cent. Before 2020, the objective is to be self sufficient in clean energy and to only use renewable fuels. ASKO's five wind turbines in Rogaland, which will contribute around 75 per cent of ASKO's energy requirement, will be completed in 2017. During 2017, ASKO also plans to install 75,000 m² of solar panels, which will fill approximately 15 per cent of the energy requirement.

In 2016, ASKO will gain Norway's three first electric trucks, and is collaborating with ENOVA to be able to launch Norway's first hydrogen driven lorry in 2017. In the central eastern part of Norway, where biofuels are available, as of the end of 2015 ASKO achieved over 90 per cent renewable fuel in its distribution vehicles.

ASKO completed the zone delivery project for its grocery customers in 2015. This has contributed to streamlining the entire value chain. Combined with automatic goods ordering, NG-Flyt, this has also helped to fill gaps and increase delivery efficiency.

In May 2015, Hansa Borg Breweries decided to switch to wholesale distribution. As from April 2016, ASKO will take over this distribution, in addition to the existing turnover from Coca-Cola, Aass Breweries, Mack Breweries and a number of locally produced beer and cider products.

In 2016 and 2017, ASKO will implement an advanced, newly-developed transport management system with good simulation opportunities. This project is called DRIVE and will ensure ASKO good transport planning and fleet management.

One of ASKO's overall objectives is to be a preferred workplace, also in view of the projected shortage of manpower in the future. As a consequence, the ASKO school has around 40 annual course programmes, with 500 participants. ASKO also focuses on apprentices and has established a mentor scheme for the good and effective introduction of all new employees.

ASKO's wholesale activities have roots going back to 1866 and in 2016 will have provided Norway with food for 150 years. Stone by stone, in a long-term perspective, has always been the guide. Effective distribution is important for grocery stores, institutional kitchens and catering services, and thereby for consumers and society in general. Streamlined operation and continuous development entail lower costs and food prices, higher product turnover and a wider selection. This also helps to reduce climate emissions and eliminate food waste.



CORPORATE FUNCTIONS AND SHARED SERVICES

NorgesGruppen's corporate functions and shared services will provide resources and be collaborative partners for the operative companies in the Group and for the retailer-owned operations linked to our chains.

THE PURPOSE OF the corporate functions is to gather competence that will contribute the necessary specialist knowledge within the respective fields, while the shared functions also offer mass-produced, standardised services and management of solutions across the Group.

Category/Procurement and Quality

The Category/Procurement and Quality departments are responsible for negotiating agreements with suppliers, food safety, product quality and ethical trading. Through annual negotiations and continuous monitoring of the market, the departments will guarantee and deliver the country's best procurement terms. The departments' most important task is to select the right range of products for each individual chain at all times.

The departments have highly-qualified category and analysis

resources that ensure optimal decisions within the individual processes. Together with the suppliers, a range of projects are carried out within category development and assortment optimisation.

UNIL

UNIL AS is responsible for the importing, development, procurement and marketing of products under NorgesGruppen's own brands, and has a portfolio of more than 2,500 products. The brands are sold to both the grocery and institutional catering sectors (petrol stations, kiosks, street kitchens, restaurants, canteens and hotels). Unil has products within both food and non-food categories, with strong brands such as First Price, Eldorado, Folkets, Unik, Fiske-mannen and Jacobs Utvalgte in our portfolio.

The philosophy behind our brands is simple: you get the same or

better quality as comparable brands, at a lower price. Unil offers a wide range of discount, quality, Fairtrade and premium items. These grocery products can be found in NorgesGruppen's own stores: MENY, KIWI, SPAR, Joker, Jacobs and Nærbutikken.

Group Procurement

NorgesGruppen Konsernanskaffelser (Group Procurement) manages negotiations and enters into procurement agreements for product and service areas in which the Group and associated organisations are the end-users.

The company focuses on savings through Group based framework agreements within the procurement of operations-related products and services. These agreements also contribute to ensuring that NorgesGruppen has a competitive advantage in terms of procurement in areas such as store fittings and equipment, media, electricity, packaging, ICT, profiling, waste management, staffing solutions and insurance.

Value adding services

The value-adding services department is responsible for payment and ID services and solutions relating to our chains.

This department also runs various different card concepts for both consumers and companies, such as Trumf Visa, electronic gift cards and dedicated credit cards for our business customers, as well as other value-adding services, such as 'Post i butikk', parcel services, scratch cards and betting.

Sylinder

Sylinder is an advisory and analysis company which offers its services to other companies within the Group. The company operates as a part of NorgesGruppen Detalj AS and offers services in the areas of CRM (including the development and use of the Trumf concept), digital channels, and analysis and decision making support delivered to decision-makers within the Group. Sylinder gives NorgesGruppen a competitive advantage in the specific area of understanding consumer behaviour.

NorgesGruppen Eiendom

NorgesGruppen is one of Norway's largest property operators with around 800,000 m² of properties within the retail, industrial and wholesale sectors. The property business area consists of 185 Group-owned properties distributed on 170 different AS, including 6 shopping centres, 14 development properties, 128 other properties, 6 industrial properties and 16 site development companies. Besides NorgesGruppen's own stores, NorgesGruppen also offers premises and properties to other lessees. Around 40 per cent of the retail properties' area was leased out to external lessees in 2015.

Via our regional subsidiaries, NorgesGruppen's properties are developed and managed in a long-term perspective. The company has particularly strong expertise within stores and retail. The continued focus is to achieve good locations for our store chains, which is an increasingly more complicated and demanding task. As a property operator, we must increase our investments in large projects, in order to secure space in the most attractive properties for grocery sales.

NorgesGruppen Data

NorgesGruppen Data supplies all of the Group's IT services, with the development and operation of commercial technology for our activities. This includes solutions and services that are supplied through external sub-suppliers. The vision is to provide solutions that ensure winners, and the company hereby plays an important role in ensuring efficient processes, innovation and business development. In addition, the solutions from NorgesGruppen Data contribute to good management and internal control practices within the Group.

Communication and public relations

The Group's communication and public relations staff functions manage the company's internal and external communication. Handling press enquiries, reputational strategy, nutritional policy, contact with the authorities, societal support and sponsorship are some of the main tasks.

HR

NorgesGruppen HR-Tjenester AS delivers a wide range of HR related services to large areas of NorgesGruppen, included retailer-owned activities. The company's core areas are payroll production, including reporting, personnel administration, recruitment, training and functional management of the Group's HR and payroll systems.

Accounting

NorgesGruppen Regnskap offers accounting services to companies affiliated with NorgesGruppen. The company emphasises the utilisation of technology, automation and process development in order to ensure low costs and accurate information that is beneficial to its customers.

Group Finance

The Group Finance department is responsible for the preparation of the consolidated accounts and follows up the on-going reporting from the various business areas. The department establishes and follows up the Group's accounting principles. In addition, the department has a central role in supporting the business areas in connection with corporate acquisitions and sales, and in providing professional assistance within taxation and value-added tax, among other areas.

The treasury function is the Group's central finance function and is responsible for the follow-up of the financial policy adopted. The treasury function has the overall operative responsibility for all external and internal financing in the Group, liquidity management and financial risk management. The department is responsible for the follow-up of the Group's banking partners in order to ensure the most appropriate use of financial solutions and products within the Group at all times.

NorgesGruppen Avregning is responsible for the calculation, collection and distribution of bonuses and discounts for stores affiliated with NorgesGruppen. This work includes following up the store register. Invoices between NorgesGruppen and stores that do not relate to the sale of products are settled through this department.

NORGESGRUPPEN

NorgesGruppen is Norway's largest trading enterprise. The group's core business is grocery retailing and wholesaling. The group's close to 30,000 employees work for the vision "Provide you with a better everyday life", focussing on good service.

More information can be found at NorgesGruppen's website, where the goal is to offer you an updated site that reflects the significant activity in the enterprise.

www.norgesgruppen.no

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