



NorgesGruppen  
**ANNUAL REPORT**

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NorgesGruppen

## NorgesGruppen annual report 2016

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**Annual report in Norwegian is available here:**  
[www.norgesgruppen.no/finansiell-info/rapportering/](http://www.norgesgruppen.no/finansiell-info/rapportering/)



### NorgesGruppen's reporting for the year 2016



**Annual Report 2016 [Norwegian]** contains statutory information related to NorgesGruppen's annual reporting.



**Stock Exchange Report 2016 [Norwegian]** contains the annual result for 2016.



**Sustainability Report 2016 [Norwegian]** describes and documents in detail NorgesGruppen's work regarding sustainability.

## Important events during the past year

Organic growth exceeding market growth. KIWI is the growth champion.



Deli de Luca to 65 Esso stations.



ASKO got Bunnpris back again as a customer from 1 January 2017.



Part-ownership of Eurocash gives NorgesGruppen more knowledge of consumer trends and product selections.

MENY and SPAR launched their online shopping solutions in 2016, with a plan to expand further in 2017.

NorgesGruppen signed new agreements with Leger Uten Grenser and Kirkens Bymisjon.

NorgesGruppen continued to invest in eco-friendly buildings and climate-neutral distribution solutions.



NorgesGruppen launched healthy snacks and removed 700 tonnes of sugar from beverages.



Establishment of the Retail Payment system will help to ensure customers a seamless payment platform.





# Key financial figures

Result		2016	2015	2014	2013	2012	2011
Total operating revenues	NOK mill.	80 162	76 224	71 391	67 396	62 083	58 641
Cash flow (EBITDA) <sup>1)</sup>	NOK mill.	4 846	4 729	4 357	3 899	3 896	3 750
Operating profit (EBIT)	NOK mill.	3 266	3 170	2 945	2 636	2 572	2 459
Ordinary profit before tax	NOK mill.	3 164	3 001	2 616	2 405	2 268	2 155
Net result	NOK mill.	2 465	2 361	1 930	1 793	1 654	1 556
<b>Shares</b>							
Earnings per share <sup>2)</sup>	NOK	62.29	59.58	48.89	45.46	40.87	37.02
Dividend per share	NOK	16.00	15.00	13.00	12.00	11.00	10.00
<b>Capital</b>							
Total assets	NOK mill.	36 382	35 104	33 515	30 914	28 105	26 355
Equity	NOK mill.	16 728	14 820	13 007	11 455	10 220	9 505
Equity ratio	%	46.0	42.2	38.8	37.1	36.4	36.1
Net interest bearing debt	NOK mill.	5 578	7 100	7 309	7 188	6 914	6 406
<b>Profitability</b>							
Operating margin EBITDA <sup>3)</sup>	%	6.0	6.2	6.1	5.8	6.3	6.4
Operating margin <sup>4)</sup>	%	4.1	4.2	4.1	3.9	4.1	4.2
Profit margin <sup>5)</sup>	%	4.2	4.2	4.1	4.0	4.1	4.2
Return on capital employed <sup>6)</sup>	%	14.5	14.6	14.6	14.5	15.2	15.3

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)

2.5 billion

Annual profit after tax in 2016

NOK 6

Dividend per share in 2016

36.4 billion

Total capital 2016

14.5%

Return on capital employed  
in 2016



# This is NorgesGruppen

Our vision to provide you with a better everyday life is going to be realised by providing service, staying competitive, giving inspiration, ensuring quality and supplying food you can trust.

NorgesGruppen's business idea is to be a leading wholesale and retail company within consumer products in Scandinavia, with focus on Norway. The customers' needs are going to be what drives the company, and our business is going to focus on foresight, trust, competence, effectiveness and profitability in the whole value chain.

The key values for NorgesGruppen are to be responsible, customer-oriented and ready to cooperate. We will always act

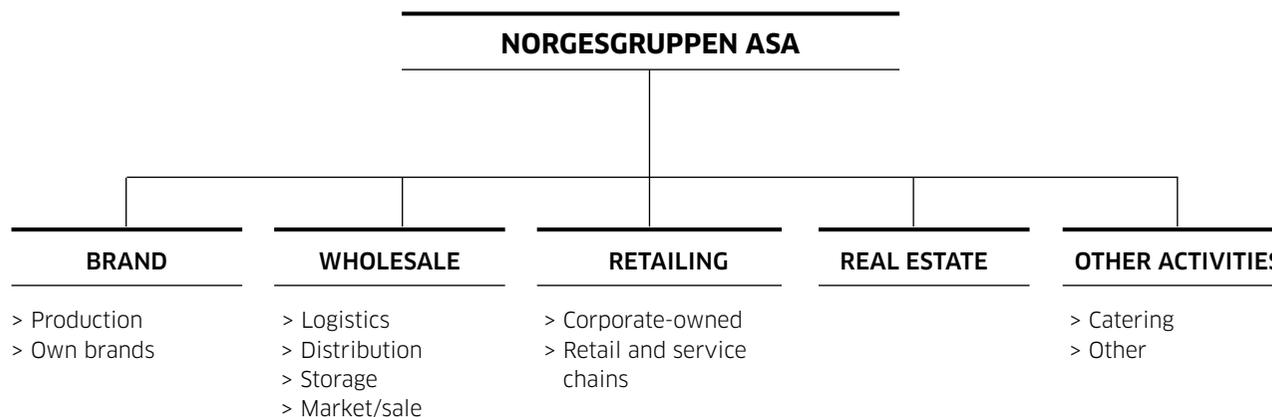
in a fair and credible way, and we will, through our actions, create trust and security. We will ensure a holistic perspective through the whole value chain. Further, adjustments will be made for independent retail-owners and good business acumen. We will inspire initiative, participation and prosperity to the employees.

Our national business operations forms an important foundation for the local value creation in the Norwegian society. A total of 1,850 grocery stores, spread all over the country, where about 60 percent are independent retailers, offering food-and drinking products, ranging all over the spectre from large international suppliers to local Norwegian suppliers. The independent retailers contribute to creating value and jobs in the local community. Documentation shows that keeping a local store is important to stop emigration from the districts. Effective product delivery gives the consumers

lower prices and a wider selection of products. Independent retailers get lower costs and a higher turnover of products in the stores.

NorgesGruppen is operating in an industry with its core business being in the retail-store sector, in addition to services and institutional catering. Chain management for different profiles, industry, property management and development, in addition to internal service areas like IT, accounting and wage production, provide many jobs in the country. We employ more than 28,800 employees in the business owned by NorgesGruppen and closer to 40,000 in total when the employees in franchises are included. Establishing a new medium-sized store generates about 30 new jobs.

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# NorgesGruppen's value creation

## Important resources

### Long-term ownership

The ownership of NorgesGruppen ensures long-term management of assets, and facilitates long-term investments for the benefit of society.

### 1,850 grocery stores, 850 retail convenience outlets

NorgesGruppen is present throughout Norway with discount stores, supermarkets, district stores, kiosks and outlets.

### 1,000 independent retailers

Around 60 per cent of NorgesGruppen's stores are retailer-owned. (As at 31.12.2016 NorgesGruppen had 819 directly-owned stores.)

### Effective distribution

We distribute goods to every part of the country and are continuously working to streamline operations and logistics. This ensures full store shelves and competitive prices for consumers.

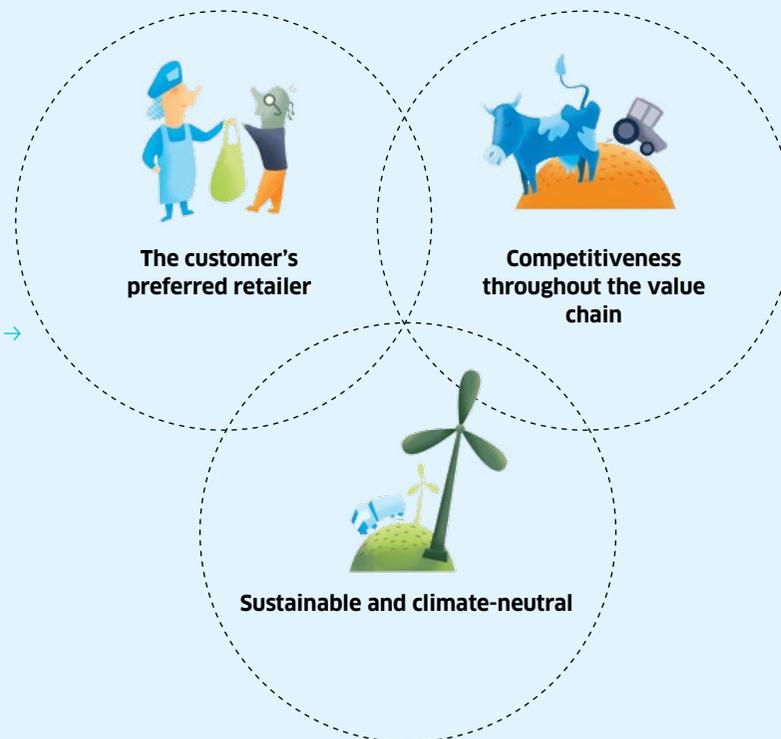
### 40,000 employees

NorgesGruppen has 28,800 employees in its organisation, while independent retailers have 12,000 employees. In 2016, NorgesGruppen's chains and ASKO had employees representing more than 70 different nationalities.

### 1,120 suppliers

We cooperate with over a thousand large and small suppliers, of which many are local and regional.

## How we work



For more information about Norgesgruppen:  
[www.norgesgruppen.no](http://www.norgesgruppen.no)

## Value that we create

### For society

We invest in the green shift, in public health and in creating value in the districts.

### For consumers

We are working to help consumers to make greener and healthier choices and are continuing to make new shopping experiences better and less expensive. We contribute to a diverse selection of products throughout the country.

### For suppliers

We purchased raw materials and products for close to NOK 59 billion in 2016 and work to make product ranges greener, healthier and better.

### For employees

For many young people, a job with us is their first workplace experience. In 2016, we welcomed 5,220 new employees and continued our efforts to create an arena for integration and learning.

### For owners and independent retailers

The profit after tax totalled NOK 2.5 billion in 2016. NorgesGruppen has a responsible dividend policy. Retailers throughout Norway must have competitive prices and a wide range of products when they are part of NorgesGruppen.





“The favourable development in results in 2016 is strong recognition of the day-to-day work in our grocery stores and of the entire service office in the chains and NorgesGruppen’s other activities.”

RUNAR HOLLEVIK,  
GROUP CEO

## A LOOK AT THE INDUSTRY

Increased sales revenue shows that more and more consumers are choosing our stores. NorgesGruppen will help consumers to make greener and healthier choices and we will continue to make new shopping experiences better and less expensive.

NorgesGruppen offers a wide spectre of different stores in the Norwegian market, with discount stores, supermarkets and district stores. Numbers from the analysis agency Nielsen shows that all of our chains, KIWI, MENY, SPAR and Joker, increased their market shares in 2016.

The numbers from Nielsen show that the grocery market grew by 3.1 percent in 2016. NorgesGruppen, including franchise stores, increased by 5.7 percent in the same period. This growth reflects how the NorgesGruppen stores are performing well in the competition for grocery store customers. The main explanation for the strengthened market position is a higher organic growth compared to the total growth in the market. This means that more customers are choosing our chains and that each business segment is increasing. →



The food prices increased by 2.6 percent in 2016, which is lower than the consumer price index, which saw a growth of 3.6 percent in the same period. The food prices fluctuate throughout the year, and NorgesGruppen's chains are always going to be competitive when it comes to price. This is important for the household economy at the same time as it is crucial for the customer's choice of grocery store, and our profitability in a competitive market.

Increased productivity and more effective operations in the grocery store market has over time contributed to halt the price development of food and drinks. Numbers from SSB show that food prices are lower or at the same level as the prices of other goods and services in the society, over time. The grocery store market, both wholesale and retail, have gone through a strong growth in productivity, compared to other industries. The grocery store sector have gone through extensive efficiency improvements the last few years. One example is NorgesGruppen's development of a central cold storage, which is commented on in the wholesale business section.

The grocery stores are experiencing increased competition from other market channels like eating on the go, eating out, specialized trade and online grocery shopping. The grocery store market, including online shopping, amounted to approximately 170.9 BNOK at the end of the year. Food boxes

Food prices increased by 2.6 per cent in 2016. This is below the consumer price index, which rose by 3.6 per cent in the same period.

and groceries online are not included in the numbers from Nielsen, but estimated numbers show a market of approx. 1,500 MNOK in 2016 and a total growth in the market as a whole of 3.4 percent. The sales in groceries online grew faster in 2016 than in traditional grocery stores.

NorgesGruppen is investing in a more effective value chain, better stores, the green transition and a future that requires additional digital solutions.

3-4

Consumers shop 3-4 times a week

8.5

Items on average

Consumer shopping pattern in discount stores

9

Items on average

Consumer shopping pattern in supermarkets

Consumers use different stores

for different shopping situations

Source: Nielsen



## ANNUAL RESULTS 2016:

# Financial development

4.1%

Operating margin

3.1%

Profit after tax after  
majority interests

46%

Equity ratio

In 2016, the Group invested NOK 2.7 billion. The Group's investments over six years total NOK 17.3 billion.

The accounts of NorgesGruppen comprise our directly-owned activities, including 819 stores as at 31.12.2016.

**Stable margins and increased revenue**

NorgesGruppen had an operating income of 80,162 MNOK in 2016, compared to 76,224 MNOK in 2015. The growth is due to the stores in NorgesGruppen doing well in the competition for grocery store customers. More and more customers choose our chains and every trade is increasing. Especially the discount store KIWI is delivering strong comparable growth in sales.

The EBITDA-margin is 6.0 percent in 2016 compared to 6.2 percent in 2015. The operating margin in 2016 is 4.1 percent, compared to 4.2 percent in 2015.

**Increase in productivity gives lower food prices**

The operating income in 2016 was 3,266 MNOK. For comparison, the 2015 operating income of the Group was 3,170 MNOK. The increase in productivity and more efficient operations in the business segments has contributed to a positive development in the total result and have slowed down the price growth for food and drinks.

The EBITDA, which shows the operating income before depreciation and impairment and income from investment in subsidiaries, is 4,846 MNOK. This is an increase of 2.5 percent compared to the same period last year.

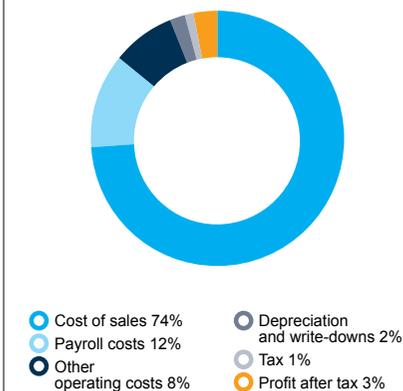




**Major investments and moderate dividend**



**Distribution of operating revenue**  
Per cent



Income before tax is 3,164 MNOK. The result after tax is 2,465 MNOK, compared to 2,361 MNOK in 2015.

The cost of sales makes, on average, three fourths of the price the customer pays for a product. Salaries to employees of the stores is the second largest item, followed by transportation, rent, electricity and other operating expenses. The profit NorgesGruppen retains after tax is about 3 percent of the price.

**Large investments annually**

NorgesGruppen invests considerable amounts in a more effective value chain, better stores, the green shift and a future that requires additional digital solutions. Large investments in fixed assets are reflected in the total capital of 36,382 MNOK, an increase of 1,278 MNOK since the year before.

Net cash flows from investments were -2,669 MNOK in 2016, compared to -3,212 MNOK the year before.

Net cash flows from operational activities were 4,600 MNOK in 2016, compared to 3,665 MNOK the same period last year. This is mainly EBITDA less paid taxes and changes in working capital together with other time-limited items.

Net cash flows from financing of -1,728 MNOK, compared to -347 the year before. In the period, 587 MNOK have been paid in dividends to the owners of the parent company.

Return on capital employed is 14.5 percent, compared to 14.6 percent in 2015. NorgesGruppen has had a good return on investments in the operating business over several years.

**A solid Group**

The group has a solid equity with a good liquidity reserve. Net interest carrying debt is reduced by 1,522 MNOK to 5,578 MNOK as of 31.12.2016 and credit facilities that have not been utilized amount to 5,714 MNOK. Despite large investments made in the last few years, the portion of interest carrying debt is decreasing.

The equity ratio is 46 percent is satisfactory in proportion to the group's business and exposure to risk. The balance as of 31.12.2016 shows an equity for the group of 16,728 MNOK.



# OUR VALUE CREATION

The most important contribution to value creation in the districts and living local communities is the purchase of Norwegian agricultural produce and locally produced food, as well as store operation in the districts.

## **Viable local communities**

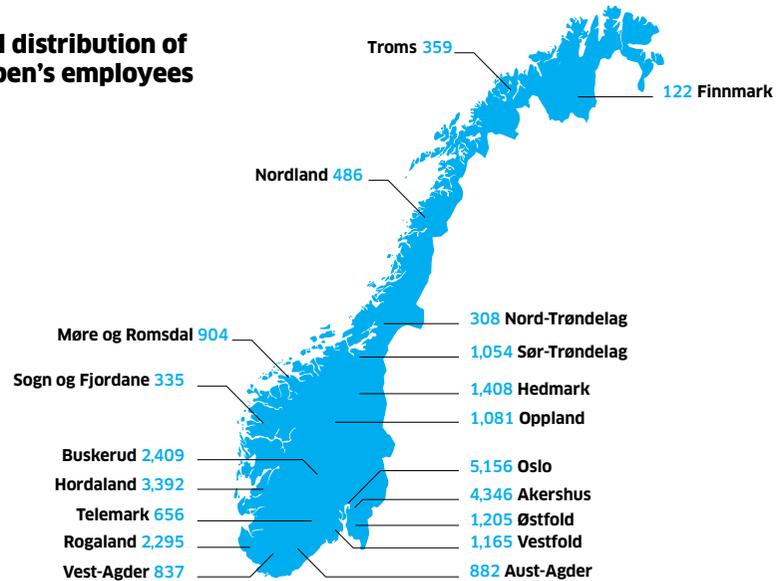
Norway is an elongated country with large distances and scattered settlement. The district stores are important to maintain viable local communities outside urban areas. With retail outlets in Norway's 430 municipalities, our nationwide activities are an important basis for the Group's value creation in Norwegian society.

At the end of 2016, NorgesGruppen had stores in 90 per cent of the country's municipalities. We account for half of the stores in municipalities with fewer than 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.

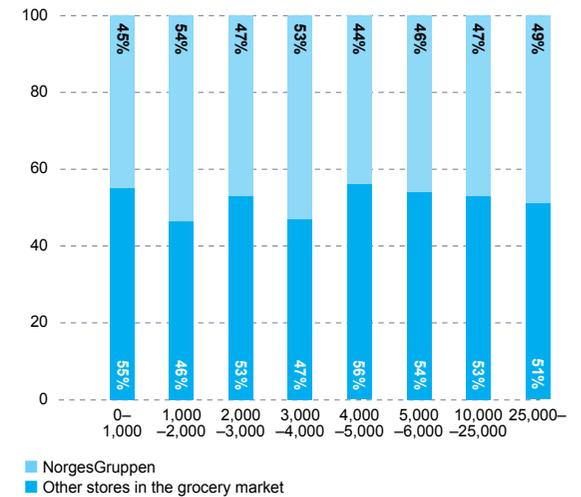
1,031 of NorgesGruppen's 1,850 stores in total are owned by independent retailers. Together with retailers, we do what we can to ensure the viable operation of as many local stores as possible. To ensure the district stores' survival, the most important factor is that, via internal set-off of freight →



### Geographical distribution of NorgesGruppen's employees



### Share of stores by municipality size



expenses, they can receive deliveries at the same price no matter where in the country they are located.

#### Workplace diversity

Many young workers have their first meeting with employment through a position in one of our stores, often as part-time workers in combination with studying. One of NorgesGruppen's targets are to have 500 contracts of apprenticeship at all times. The number of new employees in the organisation in 2016 was 5,224.

45 percent of all new employees in 2016 were under 20 years old.

Via its activities, NorgesGruppen is a major employer with many workplaces geographically distributed all over Norway.

These workplaces can vary in size, from below ten to several hundred employees. Integration of people with different nationalities and adaption of jobs for people in work training or with disabilities is a natural part of the role as a leader. NorgesGruppen's chains and ASKO has employees from more than 70 nationalities in 2016.

Establishing a new medium-sized store generates about 30 new jobs. 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.

#### Working systematically to promote local food

The aim is for local food products' ratio of turnover growth to be 2-5 per cent higher than the total growth for Norges-

Gruppen. The turnover of local food products increased by 8.9 per cent, which was 3.3 percentage points higher than the overall growth for NorgesGruppen (5.6 per cent). New initiatives are being launched in the chains and catering industry in order to continue the strong growth in local food products towards 2020.

#### Norwegian agriculture

NorgesGruppen wishes to increase production and sales of Norwegian agricultural produce, especially fruit and vegetables and product groups for which there is a shortfall today. There has been favourable revenue growth in the last few years. NorgesGruppen's purchases of Norwegian fruit and vegetables from Gartnerhallen increased by 40 per cent in volume terms and 240 per cent in value terms in 2010-2015.



# FUTURE OUTLOOK

NorgesGruppen are going to take new steps into a digitalized future, contributing to making greener and healthier choices and making tomorrow's shopping experience cheaper and better.

The radical digitalisation is expected to influence consumer behaviour and their expectations in the coming years. The demand for automatization of customer dialogue and services will increase. NorgesGruppen has a strong will and capability to invest in a future that requires more digital solutions.

NorgesGruppen expect that the traditional grocery market will be affected with relatively low growth the next few years and that the consumers will have more options through new channels. There is tough competition for customers, and grocery stores face increased competition from other market channels, such as eating on the go, eating out, specialised retailers and online retailing.

Efficiency gains in the value chain, both in short-term and long-term are important for NorgesGruppen. Actions for cost savings are important for future competitive power. Co-transportation, return logistics and increased volumes for the wholesale business are important.

Innovation and adaptability through good service to the consumers, spread in store concepts and the business overall is going to make NorgesGruppen flexible for changes in the market development and to consumer trends. In 2017, MENY's online store will be open to most of the country, which is making the supermarket selection available for even more Norwegians.



# SUSTAINABILITY

Working with sustainability is part of our business, rather than a supplement. Contributing to sustainable development is fundamentally about meeting the needs of people today, without compromising the opportunities of future generations. →



## Four focus areas and a sound foundation

In 2016, we defined four focus areas that will guide our sustainability work up to 2020. They describe areas in which our initiatives can have a great impact on society and also offer new business opportunities and increased profitability for the Group.

This guide is of little value, however, without a strong foundation. We have therefore worked methodically to ensure a responsible value chain that takes account of people, the environment, resources and animals, and that zero tolerance of corruption is practised in every area of the company.



Our position gives us the opportunity to break new ground and to make a difference. We must take this opportunity to make a positive contribution. NorgesGruppen defines sustainability as follows: Sustainability entails that we take social, ethical and environmental issues into account, and that we are profitable. We work systematically with environmental and public health issues in all business segments. Our ambition is to be a sustainable and climate-neutral company. Among



other things, we wish to help customers to enjoy a balanced diet, and to make healthier choices. We are developing more environment-friendly products, reducing climate gas emissions, investigating new environmental technology in stores and the distribution chain, and investing in renewable energy. In 2016 we also increased our efforts to reduce food waste with initiatives within the sector, as well as in people's kitchens at home.

NorgesGruppen operates in a sector with a long and complex value chain. Around 40,000 employees are attached to our activities and we influence the lives of many more through the products we purchase, whether this is from a farm in Norway, or a supplier in Asia. Every link in the value chain affects the environment and the climate, and the food we eat is vitally important for our health and well-being.

Every day, a million customers visit our stores. Our customers require the best prices, the best selection and the best service, and also have expectations of how we contribute to sustainable development. Our employees are the key to good profitability and results within sustainability. Every day, our employees make an effort to ensure that we are the customer's first choice. We are a diverse organisation, and must be a good employer for everyone, throughout Norway. In 2016, we also

**For more information:**

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set clear targets to increase the number of apprentices and workplace training places in every area of the Group during the next three years.

NorgesGruppen's sustainability report presents more information about our specific targets and initiatives. We must contribute to sustainable development – which also makes good business sense.

**Our employees are the key to good profitability and results within sustainability. Every day, our employees make an effort to ensure that we are the customer's first choice.**



## Business

# RETAIL

NorgesGruppen offers a wide spectre of different stores in the Norwegian market, with discount stores, supermarkets and district stores. Numbers from the analysis agency Nielsen shows that all of our chains, KIWI, MENY, SPAR and Joker, increased their market shares in 2016.

Increasingly more consumers choose KIWI when they are buying food and drinks. KIWI has the highest growth out of all the chains in NorgesGruppen, both organically and with new business. KIWI, including franchise stores, traded for 33,735 MNOK in 2016 and has a market share of 19.9 percent, up by 1.1 percentage point from 2015. KIWI had the strongest comparative growth in the market with 5.3 percent. In 2016 they launched KIWI Pluss. This gives the customers 7.5 percent bonus on all fresh fruits and vegetables. The bonus increased to 15 percent at the beginning of 2017. A Scandinavian industry study about sustainability elected KIWI to the best grocery store in sustainability in 2016, and the third →



best company over all companies on the list of Norway's most sustainable brands.

The supermarkets MENY and EUROSPAR differentiate themselves from the discount stores by offering a combination of good service, a large selection and digital solutions to simplify the customers shopping experience.

MENY, including franchise stores, traded for 18,414 MNOK and had a market share of 10.9 percent at the end of the year, up by 0.2 percentage points. Comparable growth for MENY was at 0.8 percent. MENY focuses on inspiration and food delight, combined with a wide product selection and has one of the largest selections of organic food, fair trade products and ethical and environmental certified products. In 2016 MENY launched Jacobs Utvalgte Lerstang chicken, which is a new quality chicken with better animal welfare. A MENY store has, on average, approximately 10,000 products and offers more than 2,300 products from 450 local producers.

The SPAR chain, including franchise stores, showed growth in 2016 with 3.0 percent comparable growth in 2016. SPAR offers a wide selection of fresh products, bread and baked goods, fruit and vegetables, together with products from local suppliers. As the first grocery store chain SPAR launched SPAR ground beef with 30 percent vegetables in 2016. SPAR increased their market share by 0.1 percentage points to 7.0 percent and traded for 11,934 MNOK.

The Joker chain had a good development in 2016 and strengthened their position as the leading chain in the local grocery store market. Joker, including franchise stores, traded for 6,276 MNOK in 2016. Comparable growth was at 0.8 percent and the market share at year-end was 3.7 percent. Joker and Den Norske Turistforening started a collaboration in 2016 for a TV show about trips and experiences in nature.

#### CONVENIENCE STORES

NorgesGruppen's convenience store activities consist of directly-owned concepts, as well as part-ownership of companies.

The chains Deli de Luca, Mix, Dolly Dimple's, Jafs and Kaffebrønneriet, all show positive development during 2016. NorgesGruppen Servicehandel has established Deli Deluca in 65 Esso stations, and the sales in 2016 are showing that the food-and drink concept has been well received by the customers. The market for convenience stores is experiencing an exciting development where ready-made meals and coffee are among the categories with the strongest growth. The convenience store market is trading for 3,500 MNOK a year, with a total of 850 shops. The competitors in this market also includes grocery stores and coffee shops targeting food and drinks for people on the move. The trends in food are greater demands for simplicity, freshness and quality.





## Business

# BRANDS

The branding in NorgesGruppen consists of wholly owned production companies for product groups that are important for the customers, i.e. bread, baked goods and own brands.

The revenues for the business area “Merkevarer” [Branding], including sales to other businesses in the Group, was 9,941 MNOK in 2016. The profit increased by 8 percent to 535 MNOK. The competitive situation in the grocery store market has led to an increased growth for Unil, which is responsible for development, purchase, sales and advertisement of NorgesGruppen’s own branded products.

Just below 12 percent of the revenue in NorgesGruppen’s stores are their own brand. The share of own brands in →



Norway is low in general, but has increased a little because of the need for differentiation, category development and increased competitive power for the chains. The goal with own brands is to give the consumer the freedom of choice and a selection inspiring products, in addition to favourable prices compared to the industry's brand products. We do this by challenging the suppliers of product groups with a high market share. In product categories where there are few alternatives, it is especially important to create new alternatives, so that the customers get a good selection. The brands First Price, Eldorado and Unik are responsible for the largest part of the sale, but other brands like Folkets and Jacobs Utvalgte also show a good development.

The quality and price of bread and baked goods are seen as an important factor for the customer's choice of store. NorgesGruppen's stores have more products from local bakeries, while the majority of breads are from our main supplier, Bakehuset. The total market for bread has had a negative growth, while the trend levelled in 2015 and stabilized in 2016. Bakehuset has taken initiatives to strengthen their position as a supplier in the segment hot-dogs-and hamburger buns in 2016. Together with clearer consumer communication, launching smaller breads and development of a larger portion grainier and healthier products; this has contributed to a positive volume and sales development for the company. During the autumn of 2016, Bakehuset started delivering to the largest hospital corporations in southern and central Norway.

2016 is showing a positive development in the volume for coffee for Joh. Johannson Kaffe and Solberg&Hansen in a market where the total consumption is almost the same as in 2015. Evergood has strengthened its position and is now responsible for close to 70 percent of the coffee sales to all of NorgesGruppen's chains. The access to quality coffee has been good throughout 2016 in a market with increased commodity prices and a stronger US dollar.

Matbørsen is NorgesGruppen's own kitchen for food production. The company produces ready to eat products for NorgesGruppen's stores and food solutions to own brands like Jacobs Utvalgte and Folkets. The company has had a negative growth in 2016 because they lost a customer, but are maintaining an operating income at the same level as last year. Future growth will happen with a lower level of costs and increased production capacity. Work to reduce salt in the products and reduce food waste is a continuing project in 2017. Matbørsen are planning to grow in the next few years through growth in the grocery store market and increased focus on the communal establishments market.





## Business

# 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.

Total revenues for the wholesale business, including other businesses in the Group, increased by 6 percent to 59,155 MNOK. The operating income decreased by 9.0 percent to 1,018 MNOK.

The wholesale business shows an increase in sales revenue because of increased market shares for NorgesGruppen's stores, good sales development to the service market and taking over the distribution of products, like Hansa Borg. The growth in productivity is 2.3 percent in 2016. In the →



period from 2011 to 2016 ASKO has had an increase in productivity of 18.4 percent. An effective distribution network is a prerequisite to ensure that the consumers get products to the lowest price and best quality possible. The improvements in productivity for distribution have been very important to reduce the effect of the general increase in costs. An efficient distribution of products contributes to making it easier, especially smaller suppliers, to distribute their products to many stores all over the country.

NorgesGruppen is offering the same purchase prices in all the products to all stores in Norway and are practicing internal freight adjustments. This reduces the large differences in transportation costs between delivering products in grouped areas compared to the local districts in Norway.

ASKO has expanded the storage capacity regionally in Hordaland and Hedmark with approximately 15,000 square meters in 2016. The new automatic cold storage in Vestby is ready for use in 2017 and will contribute to a more effective distribution and fresh products all over the country. In Buskerud ASKO opened a new Storcash store with offers based on the cash & carry principle to smaller businesses. It is determined to build a new regional storage in Sande in Vestfold that will be ready in 2020 and 2021.

ASKO has also been in the forefront with sustainability and climate neutrality in 2016. The design of windmills in

Rogaland has been going strong at the same time as considerable areas of solar panels have been installed on buildings used in operations. ASKO was the first in Norway with electrical trucks and got ENOVA-support for a hydrogen project in Trondheim that will be realised in 2017 and 2018.

ASKO intensified their work with integration in 2016 and now has more than 70 different nationalities. Increased efforts to recruit apprentices was made in 2016. ASKO had about 60 apprentices in the storage- and transportation professions in 2016.

#### THE CATERING MARKET

ASKO Servering includes food delivery to cafeterias, restaurants, hotels and public institutions where ASKO is one of two national wholesalers. The service market includes kiosk and gas stations. Out of the total purchase demand for the service market in Norway, NorgesGruppen and ASKO has an estimated market share of approx. 36 percent, including Storcash with nine special stores for businesses.

Renewed trust and extension of agreements with existing customers contributed to increased sales from 2015. In 2016 agreements with Best, GRESS, Fazer and Nores were renewed. To strengthen the goal for ASKO Servering to be the customers' preferred partner, the KIT-academy was established in 2016. KIT is an academy where the target is to raise the competency of the drivers and employees in

the service market. KIT offers seminars about food, drinks, economy and food safety, and had 661 participants in 38 seminars in 2016. A common industry initiative was started January 2017, where hotels, cafeterias and restaurants all over the country are to cut their food waste by 20 percent before 2020.





## Business

# REAL ESTATE

The main focus of NorgesGruppen Eiendom (real estate) is to ensure good locations for the company's chains and activities.

NorgesGruppen's real estate activities work to ensure good locations for our stores. Real estate is a separate business area within NorgesGruppen.

Total operating revenues for the business segment Eiendom, which includes sale to other businesses in the group, was 499 MNOK in 2016. The operating revenue was reduced by 20 percent to 269 MNOK in 2015. Several non-recurring events contributed to a strong operating income in 2015, among them the sale of four shopping malls.



→

NorgesGruppen is one of the biggest property companies with approximately 800,000 square meters separated between retail-, industrial, and wholesale properties. The business area Eiendom consists of 180 self-owned properties, including 6 shopping malls, 31 development properties, 115 management properties and 6 industrial properties. In addition to NorgesGruppen's own stores, NorgesGruppen offers premises and properties to other renters. About 40 percent of the retail properties areas were let to external tenants in 2016.

NorgesGruppen continued its work with restructuring the property portfolio and have sold properties for 180 MNOK in 2016. In 2016, NorgesGruppen have invested in properties for 622 MNOK. In addition to this comes investments in associated companies where NorgesGruppen has an owner share of less than 50 percent.

NorgesGruppen's property is developed and managed in a long-term perspective through our regional subsidiaries. Work is being done continuously to get a hold of good locations for our store chains, a work that is becoming more complicated and demanding. The property business must invest in bigger projects than before to ensure attractive locations for sale of groceries.

NorgesGruppen Eiendom has also started three pilot projects in cooperation with Enova for environmental and energy effective buildings. The goal with these projects are to cut

the energy consumption of the grocery stores compared to traditional stores. In addition, there is a focus on using environmentally friendly building materials that will considerably reduce the carbon footprint of the buildings.





## Business

# 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 collate competence that will contribute the necessary specialist knowledge within the respective fields, while the shared functions will also supply mass-produced, standardised services and management of solutions across the Group.

### **Category/Procurement and Quality**

The Category/Procurement and Quality departments are responsible for purchasing agreements, food safety, product quality and ethical trading. Through annual negotiations and continuous monitoring of the market, the departments will deliver good 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.

### 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 of the Trumf concept), digital channels, and analysis and decision-making support delivered to decision-makers within the Group. Sylinder will help to give NorgesGruppen a competitive advantage in the specific area of understanding consumer behaviour.

### 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 company plays an important role in ensuring effective 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, community 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

Group Finance is responsible for preparing the annual accounts, interim reports for the Group and other documents as the basis for financial decisions. The department determines and follows up on the Group’s accounting policies and gives the companies professional tax and VAT assistance.

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 (Settlement) 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. The department is responsible for non-product-related invoicing between the companies in the Group and to directly-owned and retailer-owned stores.

# Board of Directors as at. 31.12.2016



**KNUT HARTVIG JOHANNSON** (1937)

Chairman of Joh. Johannson Handel AS, which holds 29,760,242 shares in NorgesGruppen.



**GISELE MARCHAND** (1958)

CEO of Advokatfirmaet Haavind AS. Board member of Gjensidige Forsikring ASA, Eiendomsspar AS, Victoria Eiendom AS and Selvaag Bolig ASA. Number of shares in NorgesGruppen: 0



**GURI STØRVOLD** (1976)

Partner in Zynk Communication & Leadership AS. Board member of Gammel Nok. Number of shares in NorgesGruppen: 0



**JAN MAGNE BORGEN** (1950)

Retailer and Board positions in various other commercial and real estate companies. Meny Indre Havn AS holds 983 shares in NorgesGruppen.



**MATS GUNNAR KNUDSEN** (1986)

Board member elected by the employees. Store manager, Kiwi Hagan. Number of shares in NorgesGruppen: 0



**SVERRE LORENTZEN** (1944)

Executive Director and Board positions in Brødrene Lorentzen AS, which holds 3,600,000 shares in NorgesGruppen.





**HANNE-BEATHE HALVORSEN** (1963)

Board member elected by the employees  
Fresh produce employee, Meny Heimdal.  
Key employee representative Meny.  
Number of shares in NorgesGruppen: 0



**HALDIS KRISTIN HAUGEN** (1974)

Observer elected by the employees  
Picker, ASKO Oppland.  
Number of shares in NorgesGruppen: 0



**LISE HANNE MIDTGAARD** (1959)

Retailer, Spar Hurdal.  
Number of shares in NorgesGruppen: 0



**HENRIK LORENTZEN-STYR** (1956)

Observer elected by the employees  
Controller in NorgesGruppen.  
Number of shares in NorgesGruppen: 0



**HILDE VATNE** (1965)

Regional Director, JM Norge AS.  
Board member, DnB Næringseiendom AS  
and JM OY.  
Board positions in several property  
development companies under JM  
Norge's auspices.  
Number of shares in NorgesGruppen: 0



**ØRJAN SVANEVIK** (1966)

Employed by Fredriksen-gruppen and  
director of Seatankers Group.  
Chairman of Archer Ltd.  
Board member of Seadrill Ltd, North  
Atlantic Drilling Ltd, Marine Harvest ASA  
and Mesta AS.  
Number of shares in NorgesGruppen: 0



**RUNAR HOLLEVIK** (1968)

CEO, NorgesGruppen.



# Annual report 2016

## IMPORTANT EVENTS IN 2016

### High organic growth

According to Nielsen, the grocery store sector grew by 3.1 percent in 2016 and NorgesGruppen, including Franchises, grew by 5.7 percent. This gives NorgesGruppen a market share of 42.3 percent at year-end. Institutt for Bransjeanalyse identified all market channels where Norwegians purchase food and drinks in 2016. This study shows that NorgesGruppen has a market share of 25.3 percent in 2015, compared to 41.2 percent in Nielsen's study in 2015

### Positive development in result, but strong competition in the market

The profit before tax in 2016 was 3,164 MNOK, compared to 3,001 MNOK in 2015. NorgesGruppen are performing well in the race to compete for customers, and it is particularly the discount concept, Kiwi, that is delivering a strong growth in revenues in 2016. Statistics from SSB show that the prices in the grocery store sector experienced a lower growth (2.6 percent) compared to the consumer price index (3.6 percent) in 2016. The grocery stores are experiencing an increased competition from other market channels i.e food on the go, eating out and online grocery shopping. The operating margin, which shows the operating profit in percentage of the operating revenue, is 4.1 percent in 2016. In 2015 the operating margin was 4.2 percent.

### New members of the Group Management in NorgesGruppen ASA

Runar Hollevik is appointed as the new group Chief Executive. Mette Lier is appointed as the new group Managing Director of Finance.

### Online Shopping is becoming more accessible

MENY and SPAR launched their online shopping solutions in 2016, with a plan to expand further in 2017. They are offering their customers alternative locations to pick up their groceries; at selected grocery stores, selected ESSO gas stations or

directly delivered to their home. In 2016 an agreement for co-operation with Zoopit was signed to be able to offer competitive conditions for home-delivery.

### New food-concept at Esso gas stations

Deli de Luca opened 65 Esso gas stations in 2016, and they won the price for Highly Commended Retailer of the Year for their food-and drink concept.

### Investing in eco-friendly technology

In September 2016, ASKO Norway set their first electrical distribution car into service in the Oslo-area. NorgesGruppen also has a hybrid car in service, but we will prioritize distribution solutions based on electricity and hydrogen in the future.

### Development of solar panels continues

The solar panels at Unils storage in Østfold is Norway's second largest and will cover 25 percent of the building's energy requirement. The largest building was opened in September 2016 and it has 8,000 square meters solar cells installed in the ceilings and walls. The solar panels are a part of a total-ity along with several other energy effective solutions that together considerably reduce the environmental impact from operations. NorgesGruppen already has large solar panel constructions in operation at the ASKO storehouses in Vestby, Lillesand and Kalbakken. The new regional storage in Sande will get 15,000 square meters solar cells installed on the roof.

### Financing by the Nordic investment bank

NorgesGruppen has signed a ten-year agreement with the Nordic Investment bank (NIB), for financing of the new cold storage in Vestby. The cold storage will increase the access to fresh products all over the country and give longer shelf life for fresh products.

### Healthier product selection

A new and healthier small product assortment was launched in all chains in NorgesGruppen in the autumn of 2016.

Gartnerhallen, NorgesGruppen and BAMA has jointly established Grofondet with 100 MNOK, which will contribute to increased consumption of Norwegian fruit and vegetables, among other things. In December, the CEO Runar Hollevik and the Minister of Health Bent Høie signed a collaboration agreement which is going to contribute to the consumers eating less salt, sugar and saturated fat, and more fruit and vegetables, grainy breads and fish.

### Extending the collaboration agreement

NorgesGruppen signed new agreements with both Leger Uten Grenser and Kirkens Bymisjon. NorgesGruppen prioritises to work with well-established organisations that support the company's values and strategies.

### Practice for open stores on Sundays

In the winter of 2016, Handel og Kontor og Virke Dagligvare developed «Søndagsplakaten» to ensure equal practice among the chains in the grocery store sector for stores being open on Sundays.

### New agreement with Bunnpris

ASKO got Bunnpris back as a customer from the 1st of January 2017, an agreement that gives Bunnpris access to a wider selection of products and a more effective distribution to their stores.

### Standardised and seamless payment platform

NorgesGruppen and Coop established the company Retail Payment in 2016 to establish a common payment platform infrastructure in the market. The goal is, among other things, to make it possible for the customer to pay with their mobile phones. This will be accessible in 2017.

### Attractive employer

Economic-and engineer students ranked NorgesGruppen as the highest participant in the industry when it comes to attractiveness as a workplace. In addition, in Universum's





annual career study, employed economists have ranked NorgesGruppen the highest among the retail stores.

### ENTERPRISE AND BUSINESS IDEA

Our vision to provide you with a better everyday life is going to be realised by providing service, staying competitive, giving inspiration, ensuring quality and supplying food you can trust. NorgesGruppen's business idea is to be a leading wholesale and retail company within consumer products in Scandinavia, with focus on Norway. The customers' needs are going to be what drives the company, and our business is going to focus on perpetuity, trust, competence, effectiveness and value in the whole value chain.

The key values for NorgesGruppen are to be responsible, customer-oriented and ready to cooperate. We will always act in a fair and credible way, and we will, through our actions, create trust and security. We will ensure a holistic perspective through the whole value chain. Further, adjustments will be made for independent retail-owners and good business acumen. We will inspire initiative, participation and prosperity to the employees.

Our national business operations forms an important foundation for the local value creation in the Norwegian society. More than 1,800 grocery stores, spread all over the country, where about 60 percent are franchises, offering food-and drinking products, ranging all over the spectre from large international suppliers to local Norwegian suppliers. The local franchises contribute to creating value and jobs in the local community. Documentation shows that keeping a local store is important to stop emigration from the districts. Effective product delivery gives the consumers lower prices and a wider selection of products. Franchises get lower costs and a higher turnover of products in the stores.

NorgesGruppen is operating in an industry with its core business being in the retail-store sector, in addition to retail convenience and institutions. Chain management for differ-

ent profiles, industry, property- management and development, in addition to internal service areas like IT, accounting and wage production, provide many jobs in the country. We employ more than 28,800 employees in the business owned by NorgesGruppen and closer to 40,000 in total when the employees in franchises are included. Establishing a new medium-sized store generates about 30 new jobs.

### ORGANISATION AND EMPLOYEES

#### A diverse Norway

NorgesGruppen wants to be the preferred employer in its sector, both when it comes to positions with high competence requirements, and not least when it comes to positions where personal willingness to learn, attitude and work performance is more important factors than formal competence. Economic and engineer students ranked NorgesGruppen the highest out of the retail store companies by the working economists in Universum's annual career study.

Many young workers have their first meeting with employment through a position in one of our stores, often as part-time workers in combination with studying. One of NorgesGruppen's targets are to have 500 contracts of apprenticeship at all times. The number of new employees in the organisation in 2016 was 5,224. 45 percent of all new employees in 2016 were under 20 years old. There has been developed systematic processes and routines for recruiting and hiring that are further supported by systems that effectively ensures that formal demands and training schemes are taken into consideration.

Behind our results lies strong efforts, orderly working conditions, adapted education, a good working environment and leadership, in each working place. NorgesGruppen is dedicated to creating a clear leader role, together with clear separation in responsibility and tasks. Interaction between people in and across the value chain is a premise for creating a good workflow and a good working environment. Integration of people with different nationalities and adaption of jobs for

people in work training or with disabilities is a natural part of the role as a leader. NorgesGruppen's chains and ASKO has employees from more than 70 nationalities in 2016. The number of employees in the organisation per 31.12.2016 is 28,879.

NorgesGruppen's ambitions is to be a working place where there is no discrimination of; gender, people with reduced functional ability, ethnicity, language and religion. This is protected through equal conditions, rights and opportunities in the employment conditions. The actions taken are evaluated and formed after the needs of the firm. There is zero tolerance for harassment.

More information about our responsibility for people in all parts of the value chain is in our sustainability report, available at [norgesgruppen.no](http://norgesgruppen.no)

#### Equality

The gender distribution in the firms show that there is a higher percentage of women in the retail-stores than in the wholesale and industrial segments. At the turn of the year, there were 10,214 full-time employees and 18,665 part-time employees in the group. For full-time employees, the distribution was 39.1 percent women and 60.9 percent men. For part-time employees, the distribution was 57.7 percent women and 42.3 percent men. In the parent company, there were 112 full-time employees and 2 part-times employees. The distribution was 59 men and 53 women.

The ambition of the group is to be a work place that attracts, develops and keeps competent workers, with equal rights and opportunities for men and women. For the group as a total, there is a relatively good balance between the genders. In some areas, there is a natural skewed distribution between men and women because of the industry and the nature of the work. On the management team level, NorgesGruppen has a fluctuating and partly low percentage of women, and targeted efforts are trying to increase the percentage of female leaders. →



In the group management, there are five men and two women. The board of directors consists of ten members, five women and five men. The board of directors also has two observers, one man and one woman.

### Health, Environment and Safety

The firms in NorgesGruppen are working systematically to keep sick leave as low as possible. During the recent years, the development has been positive, but the sick leave increased some last year. In 2016 the sick leave in NorgesGruppen was 5.9 percent out of total hours worked (5.4 in 2015). The short-term leave makes 1.4 percent (1.2 percent in 2015). There has not been any reports about serious accidents or working incidents in the last year. The company places emphasis on safety and security in the working place. Safety representatives work together in a common forum and towards the central federation Virke, which coordinates the industry work with connection to safety in stores. NorgesGruppen is a member of Næringslivets Sikkerhetsråd, where the main purpose is to fight crime in, and against the industry.

## DEVELOPMENT IN THE BUSINESS SEGMENTS AND THE MARKETS

### The retail segment

NorgesGruppen offers a wide spectre of different stores in the Norwegian market, with discount stores, supermarkets and district stores. Numbers from the analysis agency Nielsen shows that all of our chains, KIWI, MENY, SPAR and Joker, increased their market shares in 2016.

The numbers from Nielsen show that the grocery market grew by 3.1 percent in 2016. NorgesGruppen, including independent retailers, increased by 5.7 percent in the same period. NorgesGruppen is performing well in the race to compete for customers, which causes this growth. The main explanation for the strengthened market position is a higher organic growth compared with total growth in the market. This means that more customers are choosing our chains and that each business segment is increasing. The total operating revenues

from the retail segment is 48,001 MNOK in 2016. The operating income increased by 32 percent to 1,444 MNOK.

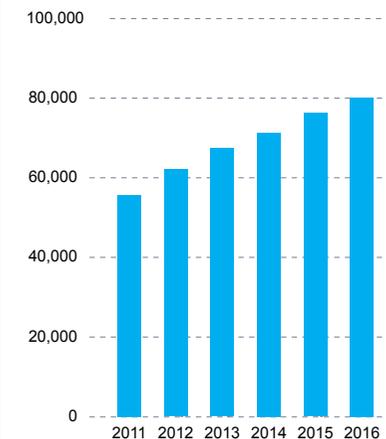
The food prices increased by 2.6 percent in 2016, which is lower than the consumer price index, which saw a growth of 3.6 percent in the same period. The food prices fluctuate throughout the year, and NorgesGruppen's chains are always going to be competitive when it comes to price. This is important for the household economy at the same time as it is crucial for the customer's choice of grocery store, and our profitability in a competitive market. Increased productivity and more effective operations in the grocery store market has over time contributed to halt the price development of food and drinks. Numbers from SSB show that food prices are lower or at the same level as the prices of other goods and services in the society, over time. The grocery store market, both wholesale and retail, have gone through a strong growth in productivity, compared to other industries. The grocery store sector have gone through extensive efficiency improvements the last few years. One example is NorgesGruppen's development of a central cold storage, which is commented on in the wholesale business section.

The grocery stores are experiencing increased competition from other market channels like eating on the go, eating out, specialized trade and online grocery shopping. The grocery store market, including online shopping, amounted to approximately 170.9 BNOK at the end of the year. Food boxes and groceries online are not included in the numbers from Nielsen, but estimated numbers show a market of approx. 1,500 MNOK in 2016 and a total growth in the market as a whole of 3.4 percent. The sales in groceries online grew faster in 2016 than in traditional grocery stores.

Andhøy, Institutt for Bransjeanalyse and Sissel Flesland conducted a research study of all the market channels where Norwegians bought food and drinks in 2016. The development shows that the food habits for consumers are changing. The market for specialized food courts and farmers markets is

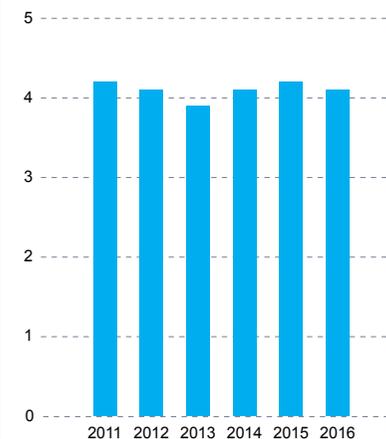
### Operating income

Amounts in NOK million



### Operating profit

Per cent of operating income





flourishing, in addition to there being an increased tendency for specialized stores to sell food products. The grocery sector is constantly changing, and the last years, companies like ICA have with-drawn from the Norwegian market. Long lasting strong price competition, stable margins, new establishments, together with growth in productivity, shows that the competition in the grocery store sector is strong. This intense competition benefits the consumer in the form of lower food prices, among other things.

Increasingly more consumers choose KIWI when they are buying food and drinks. KIWI has the highest growth out of all the chains in NorgesGruppen, both organically and with new business. KIWI, including independent retailers, traded for 33,735 MNOK in 2016 and has a market share of 19.9 percent, up by 1.1 percentage point from 2015. KIWI had the strongest comparative growth in the market with 5.3 percent. In 2016 they launched KIWI Pluss. This gives the customers 7.5 percent bonus on all fresh fruits and vegetables. The bonus increased to 15 percent at the beginning of 2017. A Scandinavian industry study about sustainability elected KIWI to the best grocery store in sustainability in 2016, and the third best company over all companies on the list of Norway's most sustainable brands.

The supermarkets MENY and EUROSPAR differentiate themselves from the discount stores by offering a combination of good service, a large selection and digital solutions to simplify the customers shopping experience.

MENY, including independent retailers, traded for 18,414 MNOK and had a market share of 10.9 percent at the end of the year, up by 0.2 percentage points. Comparable growth for MENY was at 0.8 percent. MENY focuses on inspiration and food delight, combined with a wide product selection and has one of the largest selections of organic food, fair trade products and ethical and environmental certified products. In 2016 MENY launched Jacobs Utvalgte Lerstang chicken, which is a new quality chicken with better animal welfare. A MENY store

has, on average, approximately 10,000 products and offers more than 2,300 products from 450 local producers.

The SPAR chain, including independent retailers, showed growth in 2016 with 3.0 percent comparable growth in 2016. SPAR offers a wide selection of fresh products, bread and baked goods, fruit and vegetables, together with products from local suppliers. As the first grocery store chain SPAR launched SPAR ground beef with 30 percent vegetables in 2016. SPAR increased their market share by 0.1 percentage points to 7.0 percent and traded for 11,934 MNOK.

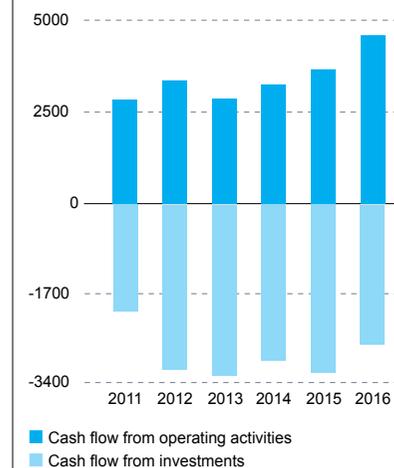
The Joker chain had a good development in 2016 and strengthened their position as the leading chain in the local grocery store market. Joker, including independent retailers, traded for 6,276 MNOK in 2016. Comparable growth was at 0.8 percent and the market share at year-end was 3.7 percent. Joker and Den Norske Turistforening started a collaboration in 2016 for a TV show about trips and experiences in nature.

### Growth possibilities in Scandinavia

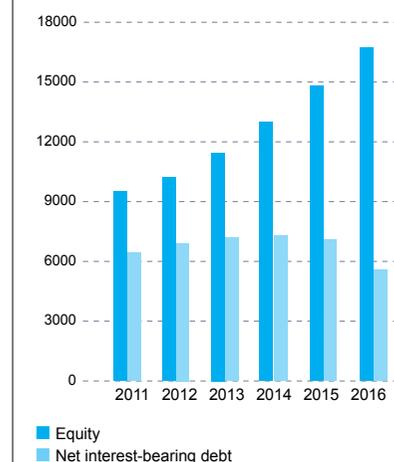
In collaboration with Axfood, NorgesGruppen has signed a deal to buy Eurocash Food AB. NorgesGruppen will become owner of Eurocash with a 49-percentage share. The deal presumes approval from the Norwegian Competition Authority. The partnership in the Swedish Eurocash is a new effort for NorgesGruppen in markets outside of Norway. The partnership in Eurocash will contribute to strengthen the collaboration between Axfood and NorgesGruppen, who have collaborated for several years through the Nordic purchase organization United Nordic. The owner share will give NorgesGruppen more knowledge about other consumer trends, shopping patterns and product selection in Sweden.

Dagrofa, where NorgesGruppen has a share of 48.9 percent, has had a positive development for their newly established MENY-stores. However, 2016 is showing a loss, and the chains KIWI, MENY and SPAR, and the administration in Dagrofa are working on measures needed to be taken to

**Cash flow and investments**  
Amounts in NOK million



**Equity and net interest-bearing debt**  
Amounts in NOK million





become more effective, adapt to the market and find growth strategies.

### Convenience stores

The chains Deli de Luca, Mix, Dolly Dimple's, Jafs and Kaffe-brenneriet, are all showing growth in 2016. NorgesGruppen Servicehandel has established Deli Deluca in 65 Esso stations, and the sales in 2016 are showing that the food-and drink concept has been well received by the customers. The market for retail convenience is experiencing an exciting development where ready-made meals and coffee are among the categories with the strongest growth. The retail convenience market is trading for 3,500 MNOK a year, with a total of 850 grocery stores. The competitors in this market also includes grocery stores and coffee shops targeting food and drinks for people on the move. The trends in food are greater demands for simplicity, freshness and quality.

### Branding

The branding in NorgesGruppen consists of wholly owned production companies for product groups that are important for the customers, i.e. bread, baked goods and own brands. The revenues for the business area Merkevarer, including sales to other businesses in the Group, was 9,941 MNOK in 2016. The profit increased by 8 percent to 535 MNOK. The competitive situation in the grocery store market has led to an increased growth for Unil, which is responsible for development, purchase, sales and advertisement of NorgesGruppen's own branded products.

Just below 12 percent of the revenue in NorgesGruppen's stores are their own brand. The share of own brands in Norway is low in general, but has increased a little because of the need for differentiation, category development and increased competitive power for the chains. The goal with own brands is to give the consumer the freedom of choice and a selection inspiring products, in addition to favourable prices compared to the industry's brand products. We do this by challenging the suppliers of product groups with a high market share.

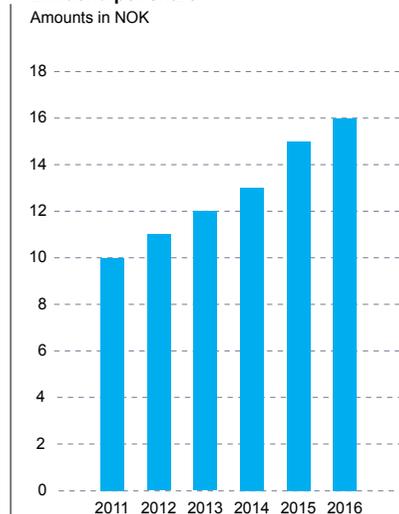
In product categories where there are few alternatives, it is especially important to create new alternatives, so that the customers get a good selection. The brands First Price, Eldorado and Unik are responsible for the largest part of the sale, but other brands like Folkets and Jacobs Utvalgte also show a good development.

The quality and price of bread and baked goods are seen as an important factor for the customer's choice of store. NorgesGruppen's stores have more products from local bakeries, while the majority of breads are from our main supplier, Bakehuset. The total market for bread has had a negative growth, while the trend levelled in 2015 and stabilized in 2016. Bakehuset has taken initiatives to strengthen their position as a supplier in the segment hot-dogs-and hamburger buns in 2016. Together with clearer consumer communication, launching smaller breads and development of a larger portion grainier and healthier products; this has contributed to a positive volume and sales development for the company. During the autumn of 2016, Bakehuset started delivering to the largest hospital corporations in southern and central Norway.

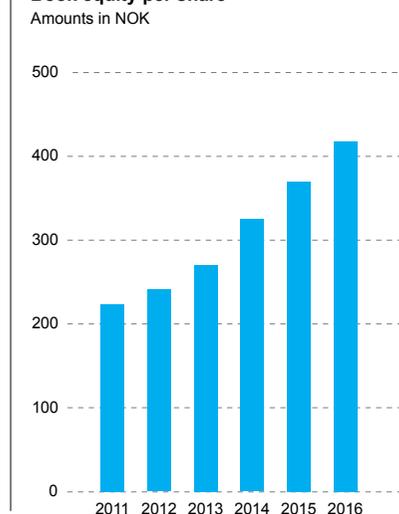
2016 is showing a positive development in the volume for coffee for Joh. Johannsson Kaffe and Solberg&Hansen in a market where the total consumption is almost the same as in 2015. Evergood has strengthened its position and is now responsible for close to 70 percent of the coffee sales to all of NorgesGruppen's chains. The access to quality coffee has been good throughout 2016 in a market with increased commodity prices and a stronger US dollar.

Matbørsen is NorgesGruppen's own kitchen for food production. The company produces ready to eat products for NorgesGruppen's stores and food solutions to own brands like Jacobs Utvalgte and Folkets. The company has had a negative growth in 2016 because they lost a customer, but are maintaining an operating income at the same level as last year. Future growth will happen with a lower level of costs

Dividend per share



Book equity per share





and increased production capacity. Work to reduce salt in the products and reduce food waste is a continuing project in 2017. Matbørsen are planning to grow in the next few years through growth in the grocery store market and increased focus on institutional catering.

### The real estate business

Total operating revenues for the business segment Eien- dom, which includes sale to other businesses in the group, was 499 MNOK in 2016. The operating revenue was reduced by 20 percent to 269 MNOK in 2015. Several non-recurring events contributed to a strong operating income in 2015, among them the sale of four shopping malls.

NorgesGruppen is one of the biggest property companies with approximately 800,000 square meters separated between retail, industrial, and wholesale properties. The business area Eien- dom consists of 180 self-owned properties, including 6 shopping malls, 31 development properties, 115 management properties and 6 industrial properties. In addition to Norges- Gruppen's own stores, NorgesGruppen offers premises and properties to other renters. About 40 percent of the retail properties areas were let to external tenants in 2016.

NorgesGruppen continued its work with restructuring the property portfolio and have sold properties for 180 MNOK in 2016. In 2016, NorgesGruppen have invested in prop- erties for 622 MNOK. In addition to this comes investments in associated companies where NorgesGruppen has an owner share of less than 50 percent.

NorgesGruppen's property is developed and managed in a long-term perspective through our regional subsidiaries. Work is being done continuously to get a hold of good loca- tions for our store chains, a work that is becoming more com- plicated and demanding. The property business must invest in bigger projects than before to ensure attractive locations for sale of groceries.

NorgesGruppen Eiendom has also started three pilot projects in cooperation with Enova for environmental and energy effective buildings. The goal with these projects are to cut the energy consumption of the grocery stores compared to traditional stores. In addition, there is a focus on using envi- ronmentally friendly building materials that will considerably reduce the carbon footprint of the buildings.

### The wholesale business

Total revenues for the wholesale business, including other businesses in the Group, increased by 6 percent to 59,155 MNOK. The operating income decreased by 9.0 percent to 1,018 MNOK.

The wholesale business shows an increase in sales revenue because of increased market shares for NorgesGruppen's stores, good sales development to the service market and tak- ing over the distribution of products, like Hansa Borg. The growth in productivity is 2.3 percent in 2016. In the period from 2011 to 2016 ASKO has had an increase in productivity of 18.4 percent. An effective distribution network is a prereq- uisite to ensure that the consumers get products to the lowest price and best quality possible. The improvements in produc- tivity for distribution have been very important to reduce the effect of the general increase in costs. An efficient distribution of products contributes to making it easier, especially smaller suppliers, to distribute their products to many stores all over the country.

NorgesGruppen is offering the same purchase prices in all the products to all stores in Norway and are practicing inter- nal freight adjustments. This reduces the large differences in transportation costs between delivering products in grouped areas compared to the local districts in Norway.

ASKO has expanded the storage capacity regionally in Horda- land and Hedmark with approximately 15,000 square meters in 2016. The new automatic cold storage in Vestby is ready for use in 2017 and will contribute to a more effective distribution

and fresh products all over the country. In Buskerud ASKO opened a new Storcash store with offers based on the cash & carry principle to smaller businesses. It is determined to build a new regional storage in Sande in Vestfold that will be ready in 2020 and 2021.

ASKO has also been in the forefront with sustainability and climate neutrality in 2016. The design of windmills in Roga- land has been going strong at the same time as considerable areas of solar panels have been installed on buildings used in operations. ASKO was the first in Norway with electrical trucks and got ENOVA-support for a hydrogen project in Trondheim that will be realised in 2017 and 2018.

ASKO intensified their work with integration in 2016 and now has more than 70 different nationalities. Increased efforts to recruit apprentices was made in 2016. ASKO had about 60 apprentices in the storage- and transportation professions in 2016.

ASKO has laid down considerable resources in the develop- ment of DRIVE, a new and extensive IT-transportation sys- tem with initial program start in 2017.

### The service market

ASKO Servering includes food delivery to cafeterias, restau- rants, hotels and public institutions where ASKO is one of two national wholesalers. The retail convenience market includes kiosk and gas stations. Out of the total purchase demand for the service market in Norway, NorgesGruppen and ASKO has an estimated market share of approx. 36 percent, including Storcash with nine special stores for businesses.

Renewed trust and extension of agreements with exist- ing customers contributed to increased sales from 2015. In 2016 agreements with Best, GRESS, Fazer and Nores were renewed. To strengthen the goal for ASKO Servering to be the customers' preferred partner, the KIT-academy was estab- lished in 2016. KIT is an academy where the target is to raise





the competency of the drivers and employees in the service market. KIT offers seminars about food, drinks, economy and food safety, and had 661 participants in 38 seminars in 2016. A common industry initiative was started January 2017, where hotels, cafeterias and restaurants all over the country are to cut their food waste by 20 percent before 2020.

### REVIEW OF THE FINANCIAL STATEMENTS

The financial statements for NorgesGruppen include our business, including 819 stores per 31.12.2016.

#### Stable margins and increased sales

NorgesGruppen had an operating income of 80,162 MNOK in 2016, compared to 76,224 MNOK in 2015. The growth is due to the stores in NorgesGruppen doing well in the competition for grocery store customers. More and more customers choose our chains and every trade is increasing. Especially the discount store KIWI is delivering strong comparable growth in sales.

The operating margin in 2016 is 4.1 percent, compared to 4.2 percent in 2015. NorgesGruppen is investing considerable amounts in the green shift and a future that demands more digital solutions.

The EBITDA-margin is 6.0 percent in 2016 compared to 6.2 percent in 2015.

#### Increase in productivity gives lower food prices

The operating income in 2016 was 3,266 MNOK. For comparison, the 2015 operating income of the Group was 3,170 MNOK. The increase in productivity and more efficient operations in the business segments has contributed to a positive development in the total result and have slowed down the price growth for food and drinks.

The EBITDA, which shows the operating income before depreciation and impairment and income from investment in subsidiaries, is 4,846 MNOK. This is an increase of 2.5 percent compared to the same period last year.

Income before tax is 3,164 MNOK. The result after tax is 2,465 MNOK, compared to 2,361 MNOK in 2015.

The cost of sales makes, on average, three fourths of the price the customer pays for a product. Salaries to employees of the stores is the second largest item, followed by transport, rent, electricity and other operating expenses. The profit NorgesGruppen retains after tax is about 3 percent of the price.

#### Large investments annually

NorgesGruppen's business demands large investments annually to ensure the profitability in a long-term perspective. There are also considerable investments being made in the green shift in the form of energy effective storage, stores and climate neutral distribution. Large investments in fixed assets are reflected in the total capital of 36,382 MNOK, an increase of 1,278 MNOK since the year before.

Net cash flows from investments were -2,669 MNOK in 2016, against -3,212 MNOK the year before.

Net cash flows from operational activities were 4,600 MNOK in 2016, against 3,665 MNOK the same period last year. This is mainly EBITDA less paid taxes and changes in working capital together with other time-limited items

Net cash flows from financing of -1,728 MNOK, compared to -347 the year before. In the period, 587 MNOK have been paid in dividends to the owners of the parent company.

Return on capital employed is 14.5 percent, compared to 14.6 percent in 2015. NorgesGruppen has had a good return on investments in the operating business over several years.

#### A solid group

The group has a solid equity with a good liquidity reserve. Net interest carrying debt is reduced by 1,522 MNOK to 5,578 MNOK as of 31.12.2016 and credit facilities that have not been utilized amount to 5,714 MNOK. Despite large investments

made in the last few years, the portion of interest carrying debt is decreasing.

The equity ratio is 46 percent is satisfactory in proportion to the group's business and exposure to risk. The balance as of 31.12.2016 shows an equity for the group of 16,728 MNOK.

#### Responsible owner-and dividends policy

The earnings per share, calculated from the majority's share of the income compared to average numbers of shares was 62.29 NOK. The earnings per share the year before was 59.58 NOK.

NorgesGruppen's owners are going to take part of the company's value creation over time by achieving competitive return on their shares through developing real equity and dividends. The board is working for a clear and predictable dividends policy. The target is for minimum 25 percent of the earnings per share to be paid in dividends, as long as the company's future need for capital is covered.

NorgesGruppen's shares are not quoted on a stock exchange, but NorgesGruppen are offering the shareholder to buy back shares if the shareholders wants to realise these. NorgesGruppen has the first option to shares that are realised.

The total number of shareholders are 854 as of 31.12.2016. The largest shareholders are Joh. Johannsson Handel AS with 74.4 percent, Brødrene Lorentzen AS with 9 percent and Pett Kjede og Servicekontor AS with 6.3 percent. NorgesGruppen ASA owns 2 percent of their own shares.

#### The parent company

NorgesGruppen ASA is the ultimate parent company of the Group. The parent company's primary function for the Group is economy and finance, communications and community contact, together with category, purchase and quality. Total operating income for the parent company in 2016 was 284 MNOK. Total operating loss for NorgesGruppen ASA in 2016 was -161 MNOK. The income before tax was 590





MNOK, compared to 1,741 MNOK in 2015. The profit after tax is 509 MNOK, compared to 1,652 MNOK in 2015. The change in profit compared to 2015 is mainly due to a change in received contribution from the group.

### Going concern

The board confirms that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to prepare the financial statements on a going concern basis. The group is in a good economic and financial state.

### Distribution and dividends

The profit for the parent company is distributed as follows:

Profit 2016:	509 MNOK
Proposed dividends:	627 MNOK
Transferred from other equity:	118 MNOK
Proposed dividends per share:	16 NOK

### Events after the balance sheet date

In co-operation with Axfood, NorgesGruppen signed an agreement to buy Eurocash Food AB 19 January 2017. NorgesGruppen will become a shareholder of Eurocash with a 49 percent shareholding. The deal is dependent on approval from the Norwegian Authority of Competition.

In March 2017 Dolly Dimple's was sold to the world leading pizza business Domino's Pizza. Domino's Norway is owned by Pizza Pizza Holding AS. The company has great ambitions for growth in Norway.

### RISK MANAGEMENT

Willing to take risk is necessary for a healthy business development both when it comes to identifying and seizing opportunities in a changed market and to control risk. The principles for risk management in NorgesGruppen builds on this being an integrated part of business leadership, used in managing target

and results. As a basis, the framework COSO Enterprise Risk Management is being used. The purpose is to be able to identify, evaluate, follow up and act on risk ratios to increase the probability that strategic and operational goals are achieved. The board and the Group Chief Executive ensures that there is proper risk management in the group as a whole, together with going through the groups primary risk areas and establish strategies in accordance with the wanted risk profile. For the subsidiaries, this responsibility lies with the companies' managing directors and the board. The board's evaluation of NorgesGruppen is that the Group, seen as a whole, has a moderate exposure to risk.

### Corporate governance

NorgesGruppen ASA follows "Norsk Anbefaling for eierstyring og selskapsledelse av 30. oktober 2014". The principles shall give security to how the group execute their business and role in society.

The board has made a statement about corporate governance, in accordance with Norsk Anbefaling for eierstyring og selskapsledelse og regnskapslovens § 3-3b. The statement is considered at the ordinary shareholder's meeting and is available in NorgesGruppen's årsrapport. The statement follows the principle of "follow and explain". Potential deviations from the recommendation are described and reasoned under each article.

The board consists of ten members, five men and five women. In addition, the board has two observers, one man and one woman. The chairman of the board, Knut Hartvig Johannson, indirectly has 29,760,242 of the shares in NorgesGruppen. All other board members are independent of the principal shareholder. There were eight board meetings in 2016.

The audit committee consists of three members chosen among the board members. The audit committee meets at least three times a year, and has the commission to prepare the board's quality assurance of the financial reporting.

The compensation committee consists of three members chosen by and among the members of the board. The committee has the commission to prepare a proposal for the board of salary and other conditions for the company's chief executive and recommend guidelines for compensation to other managing employees.

More information about the board's work is discussed in the statement under corporate governance.

### Operational and market risk

There are implemented several actions to increase the efficiency in the organization, among others, in simplification of operations, optimization of the value chain and information technology. The continuing effectiveness contributes to maintaining a competitive value chain over time, which again leads to competitive power for all independent retailers.

Future changes in external conditions, laws and regulations might involve both limitations and possibilities for the grocery market and NorgesGruppen. NorgesGruppen emphasizes the importance of clearly communicating points of view and perspectives openly in the social debate and in dialogue with central and local politicians, authorities and other interested parties. NorgesGruppen is a member of the second largest industry organization, Virke.

Parliament has decided that a new grocery portal shall be established, and it is expected that Forbrukerrådet will launch a new version in 2017. The Norwegian Authority for competition has given an order that this portal shall not include information about prices. NorgesGruppen believe that a portal like this must be implemented with secure and realistic limits for it to be a useful tool for the consumers.

Food safety is a prioritized area both towards the authorities, our suppliers, in the wholesale link and in the grocery stores. NorgesGruppen are in dialogue with several public bodies and other interested parties, like Mattilsynet, Vitenskapskomiteen →



for Mat, Senter for Mattrygghet ved NMBU, Folkehelseinstituttet and Forbrukerrådet. More than 70 percent of the withdrawals in 2016 are caused by deviations from quality without any health hazard. The number of situations where products were withdrawn from the market went down for the first time in ten years. The decrease is seen in cases that are caused by deviations from quality without health hazards. One of the explanations to the decrease might be increased awareness around food waste.

NorgesGruppen's vertically integrated business has a considerable amount of transactions, agreements with suppliers and customers. It is important for NorgesGruppen that all elements in the agreements with relation to bonuses, rebates and market support are handled precisely and separated through the value chain in line with established agreements and principles. In this way, it benefits the last link and the consumer. To handle this, in combination with the considerations to be taken for effective and safe logistics and handling of food safety, the group has established integrated IT-solutions through the whole value chain.

The IKT-work is going to contribute to increased competition power by increasing the efficiency of business processes, taking advantage of economies of scale and finding new business opportunities. In addition, IKT is going to secure stable operations and good safety, systematizing of business processes, effectiveness of commercial transactions and quick processing. Further, IKT in NorgesGruppen shall contribute to develop and integrate new services and channels out to both customers and partners.

The system portfolio for NorgesGruppen consists of standardized package solutions and self-developed solutions that are developed in close co-operation with the firms. Infrastructure and applications are operated and administrated from a central IT-organization with several subcontractors. An administrative structure has been established to ensure effective operations, division of labour and internal control over the IT-systems.

### Financial and liquidity risk

NorgesGruppen assumes a reliable and prudent financial management. The most important financial risk areas are interest risk, liquidity risk and currency risk. NorgesGruppen's objective is to maintain a strong financial freedom to trade.

The group has a well-diversified lending portfolio composed of bond issues, certificates and various committed credit facilities in banks with different terms. Refinancing the portfolio is a continuous process. The Group has been active in the bond and certificate market, together with establishing new credit facilities during 2016.

The board of directors are focusing on the group's financial situation and has updated this consecutively throughout the year. The board's conclusion is that the group has a satisfactory loan and payment ability to maintain sufficient financial freedom.

The loan portfolio appears to be well diversified against risk with regards to maturity dates and financial sources. NorgesGruppen is exposed to changes in money market rate NIBOR, because the loans are based on this and changes in the interest rate derivative's market value.

NorgesGruppen's operational business is not seen as being especially exposed to interest and the group has chosen a relatively low interest rate guarantee portfolio. The board has adopted a routine for use of financial interest rate instruments to reduce the effect of fluctuations in the short-term interest rate market.

NorgesGruppen is mainly exposed to currency related to commodity flow, investment and services. The group are utilizing currency instruments to reduce the effect from fluctuations in the currency rates. The group has limited credit risk in connection with in-store sales, sale to other customers and chain customers, together with lending. The group has had low realized losses over time.

### SUSTAINABILITY

NorgesGruppen shall run the business in a way that protects the interests of the group at the same time as we contribute to a sustainable development in our industry. This is a part of our business and not something additional. Sustainability is the general term for NorgesGruppen's socially beneficial work. This includes actions within health, environment, district and people, together with ethics in the value chain and anti-corruption.

NorgesGruppen has an ambition to contribute to a sustainable value chain. The group works systematically with actions within environment and health in all business segments. NorgesGruppen are initiators towards both suppliers, authorities and the group itself to ensure continuously improvements within sustainability.

In 2016, NorgesGruppen intensified the work with reducing salt, sugar and saturated fat from its own brands. The salt content has been reduced by approx. 140 ton from 2014 to 2016. The development with improving environmentally friendly packaging and sustainable trade in the value chain was also strengthened. In addition, NorgesGruppen has set a goal to become climate neutral by 2025.

For more information see our sustainability report from 2016, available online.

### FUTURE OUTLOOK

NorgesGruppen expect that the traditional grocery market will be affected with relatively low growth the next few years and that the consumers will have more options through new channels.

NorgesGruppen are going to take new steps into a digitalized future, contributing to making greener and healthier choices and making tomorrow's shopping experience cheaper and better. The radical digitalization is expected to influence consumer behaviour and their expectations. The demand



for automatization of customer dialogue and services will increase.

NorgesGruppen has a strong will and capability to invest both in the green shift and in a future that demands more digital solutions. At the same time, NorgesGruppen's business demands large investments annually to ensure profitability in a long-term perspective, among other things, establishing new stores, upgrade of existing stores, more environmentally friendly and effective distribution, together with development of new products and services for the customer.

It is becoming more and more expensive to establish new stores, and more difficult to find the best locations in the large cities and populated areas. Property prices on land are increasing and in the cities there are higher demands for structure, choice of materials and energy effectiveness. Efficiency gains in the value chain, both in short-term and long-term are important for NorgesGruppen. Actions for cost savings are important for future competitive power. Co-transportation, return logistics and increased volumes for the wholesale business are important.

Innovation and adaptability through good service to the consumers, spread in store concepts and the business overall is going to make NorgesGruppen flexible for changes in the market development and to consumer trends. In 2017, MENY's online store will be open to most of the country, which is making the supermarket selection available for even more Norwegians.

Oslo 30. March 2017  
Board of directors NorgesGruppen ASA

Knut Hartvig Johannson  
Chairman of the board

Sverre Lorentzen

Hilde Vatne

Guri Størvold

Ørjan Svanevik

Gisele Marchand

Jan Magne Borgen

Lise Hanne Midtgaard

Mats Gunnar Knudsen

Hanne Beathe Halvorsen

Runar Hollevik  
CEO



## NorgesGruppen ASA

### Group Income Statement

(All amounts in TNOK)	Note	2016	2015	2014
Revenue		76 867 992	72 746 151	68 508 293
Other Operating income	22	3 294 448	3 477 541	2 882 939
<b>Total Operating income</b>	<b>4</b>	<b>80 162 440</b>	<b>76 223 692</b>	<b>71 391 232</b>
Cost of Sales		(58 596 019)	(56 162 847)	(52 635 629)
Salary costs	5	(9 854 756)	(8 884 506)	(8 363 340)
Other operating expenses		(6 865 643)	(6 447 506)	(6 034 835)
Depreciation and impairments	6, 7	(1 825 308)	(1 847 331)	(1 678 320)
Share of profit from associated companies	10	244 893	288 598	265 734
<b>Total operating expenses</b>		<b>(76 896 834)</b>	<b>(73 053 593)</b>	<b>(68 446 389)</b>
<b>Operating profit/ (loss)</b>		<b>3 265 606</b>	<b>3 170 099</b>	<b>2 944 843</b>
Finance income	15	183 723	145 114	112 135
Finance costs	15	(285 013)	(314 446)	(440 578)
<b>Net financial items</b>		<b>(101 290)</b>	<b>(169 332)</b>	<b>(328 442)</b>
<b>Profit on ordinary activities before tax</b>		<b>3 164 316</b>	<b>3 000 767</b>	<b>2 616 400</b>
Tax on profit on ordinary activities	17	(699 430)	(639 907)	(686 094)
<b>NET PROFIT FOR THE YEAR</b>		<b>2 464 887</b>	<b>2 360 860</b>	<b>1 930 306</b>
Minority interest share of net profit		25 319	27 565	23 565
Majority interest share of net profit		2 439 568	2 333 295	1 906 741
Earnings per share / diluted earnings per share	19	62.29	59.58	48.89



## NorgesGruppen ASA

### Group Statement of Comprehensive Income

(All amounts in TNOK)	Note	2016	2015	2014
<b>NET PROFIT FOR THE YEAR</b>		<b>2 464 887</b>	<b>2 360 860</b>	<b>1 930 306</b>
<b>Comprehensive income</b>				
<i>Items that will not be reclassified to income statement</i>				
Actuarial gains and losses on pension schemes	11	(25 669)	6 394	(43 401)
Other comprehensive income	24	(805)	2 132	(2 067)
<i>Items that may subsequently be reclassified to income statement</i>				
Gains/ (losses) on cash flow hedges	12	118 965	(32 966)	(122 115)
Currency translation differences		(36 913)	35 107	57 608
Actuarial gains and losses on pension schemes		(16 336)	(26 478)	(13 097)
Tax on comprehensive income	17	(22 324)	6 993	44 204
<b>Total comprehensive income/(loss) for the year</b>		<b>16 918</b>	<b>(8 818)</b>	<b>(78 868)</b>
<b>Total net profit for the year</b>		<b>2 481 805</b>	<b>2 352 042</b>	<b>1 851 438</b>
Minority interest share of the profit		19 739	16 022	25 731
Majority interest share of the profit		2 462 066	2 336 020	1 825 707



## NorgesGruppen ASA

### Group Balance Sheet per 31. December

(All amounts in TNOK)	Note	2016	2015	2014
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible assets	7	4 895 355	4 904 827	4 760 143
Deferred tax assets	17	324 685	267 345	370 608
Property, plant and equipment	6	15 157 066	13 932 298	12 387 401
Investment property	6	621 181	655 102	1 368 677
Investment in associated companies	10	2 850 833	2 965 691	2 600 032
Equities and investments	16	93 444	91 740	161 261
Other financial assets	16	-	-	5 662
Other long-term receivables	23	1 096 729	1 319 012	962 518
<b>Total fixed assets</b>		<b>25 039 293</b>	<b>24 136 015</b>	<b>22 616 302</b>
<b>Current assets</b>				
Inventories		6 099 483	5 682 146	5 190 570
Accounts receivables and other receivables	23	4 529 546	4 715 090	5 244 554
Other financial assets	16	6 621	65 722	63 961
Cash and cash equivalents	16	707 409	505 027	399 629
<b>Total current assets</b>		<b>11 343 059</b>	<b>10 967 985</b>	<b>10 898 714</b>
<b>TOTAL ASSETS</b>		<b>36 382 352</b>	<b>35 104 000</b>	<b>33 515 016</b>



## NorgesGruppen ASA

### Group Balance Sheet per 31. December

(All amounts in TNOK)	Note	2016	2015	2014
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Called-up share capital	18	1 826 101	1 825 707	1 825 982
Retained earnings		14 650 304	12 748 583	10 937 299
Non-controlling interests		252 082	245 480	244 046
<b>Total equity</b>		<b>16 728 487</b>	<b>14 819 771</b>	<b>13 007 327</b>
<b>LONG-TERM DEBT</b>				
Long-term debt	13	6 025 332	6 206 455	5 622 378
Other financial liabilities	16	110 752	184 320	205 961
Pension liabilities	11	481 089	437 963	430 972
Deferred taxes	17	903 037	808 146	947 943
<b>Total long-term liabilities</b>		<b>7 520 210</b>	<b>7 636 884</b>	<b>7 207 254</b>
<b>Current liabilities</b>				
Account payables		5 542 851	4 671 268	5 162 283
Other short-term liabilities	14	5 887 294	7 183 618	7 484 711
Tax payable	17	683 498	676 938	589 848
Other financial liabilities	16	20 013	115 521	63 594
<b>Total current liabilities</b>		<b>12 133 656</b>	<b>12 647 345</b>	<b>13 300 435</b>
<b>Total liabilities</b>		<b>19 653 865</b>	<b>20 284 229</b>	<b>20 507 689</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36 382 352</b>	<b>35 104 000</b>	<b>33 515 016</b>

Oslo March 30, 2017  
Board of Directors NorgesGruppen ASA

Knut Hartvig Johansson  
Chairman of the board

Sverre Lorentzen

Hilde Vatne

Guri Størvold

Ørjan Svanevik

Gisele Marchand

Jan Magne Borgen

Lise Hanne Midtgaard

Mats Gunnar Knudsen

Hanne Beathe Halvorsen

Runar Hollevik  
CEO



## NorgesGruppen ASA

### Group statement of changes in equity

(All amounts in TNOK)

	Note	Paid-up capital			Retained earnings			Total	Non-controlling interests	Total equity
		Share capital	Share premium	Shares	Other equity	Currency translation differences	Hedging reserve			
<b>Equity 31.12.13</b>		<b>424 000</b>	<b>1 434 239</b>	<b>(35 722)</b>	<b>9 449 604</b>	<b>16 899</b>	<b>(68 412)</b>	<b>11 220 608</b>	<b>234 510</b>	<b>11 455 119</b>
Profit for the year		-	-	-	1 906 741	-	-	1 906 741	23 565	1 930 306
Other comprehensive income for the year	24	-	-	-	(49 497)	57 608	(89 144)	(81 034)	2 166	(78 868)
<i>Total profit for the year</i>		-	-	-	1 857 244	57 608	(89 144)	1 825 707	25 731	1 851 438
Changes in shares	18	-	-	(865)	(47 161)	-	-	(48 026)	-	(48 026)
Changes in capital		(24 000)	-	24 000	-	-	-	-	-	-
Dividends	18	-	-	4 329	(239 338)	-	-	(235 009)	(16 195)	(251 204)
<i>Transactions with owners</i>		(24 000)	-	27 464	(286 499)	-	-	(283 035)	(16 195)	(299 230)
<b>Equity 31.12.14</b>		<b>400 000</b>	<b>1 434 239</b>	<b>(8 258)</b>	<b>11 020 349</b>	<b>74 507</b>	<b>(157 556)</b>	<b>12 763 280</b>	<b>244 046</b>	<b>13 007 327</b>
Profit for the year		-	-	-	2 333 295	-	-	2 333 295	27 565	2 360 860
Other comprehensive income for the year	24	-	-	-	(7 657)	35 107	(24 725)	2 725	(11 543)	(8 818)
<i>Total profit for the year</i>		-	-	-	2 325 638	35 107	(24 725)	2 336 020	16 022	2 352 042
Changes in shares	18	-	-	(275)	(15 575)	-	-	(15 850)	-	(15 850)
Dividends	18	-	-	-	(509 161)	-	-	(509 161)	(14 587)	(523 748)
<i>Transactions with owners</i>		-	-	(275)	(524 736)	-	-	(525 011)	(14 587)	(539 598)
<b>Equity 31.12.15</b>		<b>400 000</b>	<b>1 434 239</b>	<b>(8 533)</b>	<b>12 821 251</b>	<b>109 614</b>	<b>(182 281)</b>	<b>14 574 290</b>	<b>245 480</b>	<b>14 819 771</b>
Profit for the year		-	-	-	2 439 568	-	-	2 439 568	25 319	2 464 887
Other comprehensive profit for the year	24	-	-	-	(31 003)	(36 913)	90 413	22 498	(5 580)	16 918
<i>Total profit for the year</i>		-	-	-	2 408 565	(36 913)	90 413	2 462 066	19 739	2 481 805
Changes in shares	18	-	-	395	26 854	-	-	27 249	-	27 249
Transactions with non-controlling interests		-	-	-	-	-	-	-	4 200	4 200
Dividends	18	-	-	-	(587 200)	-	-	(587 200)	(17 337)	(604 537)
<i>Transactions with owners</i>		-	-	395	(560 346)	-	-	(559 950)	(13 137)	(573 087)
<b>Equity 31.12.16</b>		<b>400 000</b>	<b>1 434 239</b>	<b>(8 138)</b>	<b>14 669 471</b>	<b>72 701</b>	<b>(91 868)</b>	<b>16 476 405</b>	<b>252 082</b>	<b>16 728 487</b>



## NorgesGruppen ASA

### Group cash flow statement

(All amounts in TNOK)	Note	2016	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Profit on ordinary activities before tax		3 164 316	3 000 767	2 616 400
Taxes paid in the period	17	(676 776)	(589 848)	(546 172)
Depreciation	6, 7	1 752 337	1 663 559	1 569 669
Impairment	6, 7	72 971	183 772	108 651
Changes in financial instruments		(5 750)	13 810	(5 495)
Adjustment for non-cash element of pension charge	11	17 456	13 385	6 713
Gains/losses arising from sales of property, plant and equipment and financial assets		(49 536)	(165 551)	6 304
Income from investments in associated companies	10	(244 893)	(288 598)	(265 734)
Received dividends from associated companies	10	278 977	196 364	205 739
Changes in inventories		(417 336)	(491 577)	(424 849)
Changes in accounts receivables	23	(59 800)	(70 964)	(215 600)
Changes in account payables		871 583	(491 016)	824 336
Changes in other accruals		(103 357)	690 562	(631 544)
<b>Net cash generated from operations</b>		<b>4 600 192</b>	<b>3 664 665</b>	<b>3 248 418</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>				
Proceeds from sale of property, plant and equipment and investment property		251 451	1 105 584	165 045
Purchase of property, plant and equipment and investment property	6	(3 117 437)	(3 434 597)	(2 844 177)
Purchase of intangible assets	7	(56 161)	(328 773)	(39 715)
Proceeds from sale of intangible assets		137 773	153 355	219 748
Purchase of financial assets		(107 101)	(351 552)	(247 100)
Changes in loans to associated companies	23	232 062	(228 577)	(178 949)
Changes in other long-term liabilities	23	(9 779)	(127 918)	(58 232)
<b>Net cash used in investing activities</b>		<b>(2 669 192)</b>	<b>(3 212 478)</b>	<b>(2 983 380)</b>



## NorgesGruppen ASA

### Group cash flow statement, cont.

(All amounts in TNOK)	Note	2016	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from issue of long-term debt	13	6 189 517	5 512 000	2 185 000
Repayment of long-term debt	13	(6 275 902)	(5 023 665)	(1 151 773)
Change in short-term debt	14	(1 029 946)	(295 526)	(1 002 229)
Repurchase of shares	18	(7 750)	(15 850)	(48 025)
Dividends paid	18	(604 537)	(523 748)	(251 204)
<b>Net cash used in financing activities</b>		<b>(1 728 618)</b>	<b>(346 789)</b>	<b>(268 231)</b>
Net change in cash and cash equivalents		202 382	105 398	(3 193)
Cash and cash equivalents at beginning of the year.		505 027	399 629	402 822
<b>Cash and cash equivalents at the end of the year</b>		<b>707 409</b>	<b>505 027</b>	<b>399 629</b>

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