

# **NorgesGruppen's Annual and Sustainability Report 2018**



NorgesGruppen

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## We make your everyday easier

We put customer needs first in every decision we make.  
We help customers to save time and money, make green and healthy choices,  
and experience the enjoyment of good food.

### NorgesGruppen's reporting for 2018/2019 →



Stock Exchange Report/Annual Accounts 2018  
Second half-year



Annual and Sustainability Report 2018  
Norwegian and English editions



Annual Accounts 2018  
Full accounts with notes, Annual Report  
and presentation of the Board of Directors

[www.norgesgruppen.no](http://www.norgesgruppen.no)  
for updated information about significant activities at NorgesGruppen.

# Stronger in every market segment

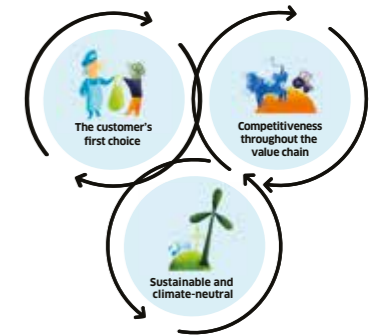
NorgesGruppen has positioned itself more prominently among discount stores, supermarkets and local stores throughout Norway. Trends are also positive for online retailing and food-on-the-go.



**“We have sales-optimised stores that can fulfil customers’ needs and requirements, and service-minded staff teams who are ready to take on the tough competition, every day.”**

Runar Hollevik together with fresh produce manager Ane Eriksen Lierhagen, MENY Skøyen

**“Our store teams make tomorrow’s shopping cheaper and better. We wish to give inspiration for good culinary experiences, and offer our customers green and healthy choices from our efficient value chain.”**



Times are turbulent and competition fierce in the grocery sector. After emerging from a prolonged period of sound growth up to 2015, the sector's growth has slowed down in recent years. One reason is that several new operators are offering grocery products. We must therefore always be ready to fight to be the customer's first choice.

Our grocery, catering and retail convenience customers no longer rate us solely by price and selection. They also consider our impact on society. For our youngest customers, the environment and climate change are the most important issues (Young 2016, Adult 2025). In recent years, both our customers and our employees have become increasingly engaged in the environmental challenges we face. This imposes obligations on both us and our business partners. We must be sustainability pioneers, as demonstrated by our elimination of many tonnes of superfluous plastic in 2018.

Existing stores account for 80 per cent of the total growth in our grocery segment in 2018. KIWI and Joker have gained more customers, with larger shopping baskets; and at MENY and SPAR, customers buy more at every visit. This is due to a combination of better and more sales-optimised stores that meet customers' needs and requirements, and the fantastic efforts of all of our staff teams, every day, in the face of tough competition. It is pleasing to note that KIWI and MENY continued to head several reputation and brand surveys in 2018. This proves that customers find shopping at our store chains to be a good experience.

In 2018, our competitors established more stores than we did. Instead, we concentrated on improving and developing our exist-

ing stores. Our establishment rate will be increased in the future, with stores that are aligned to their local customer base.

Deli de Luca, MIX and Jafs in the retail convenience market also made good headway during the past year. Several retail outlets were upgraded, with new offers for their customers. The current trend is for diners to replace the newsagent concept. Food-on-the-go continues to expand, and by more than the grocery market in 2018.



In the catering market, NorgesGruppen and ASKO were in close dialogue with their customers throughout the year, presenting and receiving feedback on new products. ASKO was also nominated supplier of the year by one of its largest customers, Hurtigruten.

As our sales increase, we can operate more efficiently. We have never had better and more efficiently-run stores than in 2018. Improving the distribution of refrigerated products has increased shelf lives by up to one day, for the benefit of our customers.

Our ability to develop the company over time, with long-term owners, has laid the foundation for investing in more environ-

mentally-friendly solutions, new technology, and strong chain concepts and expertise. Soon, our new coffee processing facility will be ready. This will further boost our competitiveness in terms of efficiency, packaging and the environment. We are the first in our sector in the Nordic region to offer green bond loans that will be used exclusively to finance investments in environmentally-friendly transport and buildings, and renewable energy. For the first time, ASKO's production of renewable energy almost covers its total electricity consumption.

NorgesGruppen offers consumers a variety of options through supermarkets, district stores and discount stores. Our supermarkets have the best selection of food and beverages. During the year, KIWI, our discount chain, consolidated its price-leading position in the sector. Our retailers in the various districts of Norway offer know-how and service close to customer's homes, thereby contributing to vibrant district communities. Our retailers have a good appetite for investment, allowing us to continue to contribute to employment and new settlement all over Norway. We can also contribute further to community integration, to reducing climate impacts and to preventing illness by advocating a healthy diet.

The efforts of everyone in the NorgesGruppen family are making a difference. We must further develop our winner culture, with many actions every day to create better experiences for customers.

Runar Hollevik  
Group CEO, NorgesGruppen

# Our customers are shopping more often

In 2018, the grocery market saw low growth, many price campaigns, more discount stores and a strong focus on food waste and plastic reduction.

### Sound growth in a tough market

In 2018, NorgesGruppen achieved growth of 3.3 per cent, while the traditional grocery market increased by 2.8 per cent (Nielsen). This means that NorgesGruppen won market shares. Our customers shopped more, and more often, in our stores.

Food prices in Norway increased moderately compared to the consumer price index (CPI) in 2018. The increase in food prices in 2018, adjusted for tax changes, was 1.3 per cent. By comparison, CPI in total, adjusted for tax changes, increased by 2.5 per cent (SSB). The growth in food and beverage prices was significantly below the price growth for other goods and services.

### New challengers in the grocery market

Following a long period of strong growth, the grocery market has levelled off since 2015. The key reasons for the slower growth are that more operators are offering groceries, and also low population growth and less food waste. Norway's food and beverage market totalled around 286 BnNOK in 2017 (Andhøy and Virke). Grocery stores' sales accounted for around 176 BnNOK – approximately 60 per cent – of this amount. Border shops, speciality stores and online stores are achieving higher sales growth than grocery stores. The strong competition has led to turbulence in the market, with many campaigns causing customers to move to new chains and stores.

NorgesGruppen expects continued low growth in the grocery market in the coming years. Grocery stores are characterised by low margins, with the intense competition leading to major efficiency gains, and this trend will continue. This is confirmed by a

survey by NIBIO (Norwegian Institute of Bioeconomy Research) which shows that the retail grocery sector has seen high productivity growth, compared to other sectors (Pettersen, NIBIO).

Sales growth, in combination with competitive distribution, store operation and procurement, will be important success factors in the market. Grocery stores are continuously engaged in adjusting to customers' needs and optimising the stores. Consumers' increasing use of digital services is strengthening the value of the Trumf loyalty programme as a tool for customer dialogue and adjustment of chain concepts and product ranges. NorgesGruppen considers it paramount to use this tool and new digital solutions within the framework of the General Data Protection Regulation (GDPR).

### Increasing interest in health and the environment

Our own surveys and Norske Spisefakta both show that customers give increasing priority to health and environmental considerations when choosing stores and buying food. For several years, NorgesGruppen has focused on making it easier for customers to choose greener and healthier products. In 2018, we followed up by cutting prices for a number of items, and changing display points in the stores, in order to convince more customers to choose healthier alternatives. KIWI's launch of quick and easy fish dinners was a success that compensated for some of the overall decline in fish sales.

We also continued to work to prevent food waste – in our own operations and among consumers – and set a new target for the reduction of plastic. Parallel to this, we

improved our contingency planning and food safety reporting tools and followed up on suppliers, to make sure that they have adequate systems to safeguard labour rights, food safety, the environment and animal welfare. Our focus on sustainability is sincere and long-term because we believe that this benefits us, our customers and society as a whole.

### A changing framework

The Norwegian government's White Paper on the retail industry was presented in November 2018. NorgesGruppen believes that the retail industry should address three societal needs in particular: We can contribute to community integration, to reducing climate impacts, and to improving public health. These issues are central to NorgesGruppen's sustainability work.

The Norwegian Competition Authority is tasked by the government with investigating competition in the grocery market. NorgesGruppen has contributed constructively and openly to the clarification of questions from the Authority concerning price-setting in the sector. We have clear guidelines to comply with the Norwegian Competition Act at all times. NorgesGruppen also has good trading practices.

### Our chains are segment winners

Our strong chain concepts and a sharp customer focus are among the reasons that NorgesGruppen exceeded market growth in 2018. In overall terms, the number of transactions per store day rose by 0.9 per cent in 2018, while the average shopping basket increased by 1.7 per cent in NorgesGruppen's stores, according to our own figures.

	Unit	2018	2017	2016
<b>Finance</b>				
Operating revenue	MNOK	87,813	85,632	80,162
Simplified cash flow (EBITDA)	MNOK	4,992	5,238	4,846
Operating margin (EBITDA)	%	5.7	6.1	6
Operating profit (EBIT)	MNOK	3,140	3,052	3,266
Operating margin (EBIT)	%	3.6	3.6	4.1
Profit before tax	MNOK	3,057	2,778	3,164
Profit margin	%	3.5	3.2	3.9
Cash flow, investment activities	MNOK	-3,638	-2,507	-2,699
Equity ratio	%	50.7	48.1	46
<b>Business</b>				
Saved Trumf bonus	MNOK	1,081	1,005	568
Number of Trumf members	Number	2,213,086	2,058,036	1,835,740
Growth in number of Trumf members	Number	155,050	222,296	200,363
Growth in number of transactions per store day	%	0.9	1.0	1.4
Transactions per day	Number	1,209,112	1,203,575	1,187,588
Market growth (Nielsen)	%	2.8	1.1	3.1
Growth, NorgesGruppen	%	3.3	3.3	5.8
Organic growth, NorgesGruppen	%	2.6	1.3	3.7
<b>Sustainability</b>				
Share of renewable fuels	%	34	34	29
Reduction of food waste from 2015	%	-21	-19	-
Production of renewable energy for own consumption	%	4.5	0.6	-
Sugar reduction (comparable development in volume per year)		-2.7%	-4.3%	540 tonnes
Seafood sales (comparable development in volume per year)	%	-1.1	-2.9	-
Growth in locally produced food compared to NorgesGruppen's total growth	%	2.2	3.9	8.9
Apprentices	Number	437	376	221
Gender balance in managerial positions (women/men)	%	32.6/67.4		

(Definitions in footnotes, p. 7)

The growth champion was the KIWI chain, which achieved 5.0 per cent sales growth. The comparable growth of 4.1 per cent far exceeded other discount operators' growth. KIWI increased both its number of customers and the number of items sold. The market gained 79 discount stores in 2018.

Joker was the growth champion in the local store segment, and gained more customers and sold more items in 2018. With comparable growth of 1.5 per cent, Joker performed third-best in the sector.

NorgesGruppen's supermarket chains, MENY

and SPAR, achieved the best growth among the operators in their segment. MENY increased the number of transactions per store in 2018, with customers buying more items. The chain had a very positive second half-year and in individual months was the growth champion.

SPAR achieved high customer growth in 2017 and retained customers in 2018. SPAR's customers also shopped more.

For the second consecutive year, Trumf members saved more than 1 BnNOK in bonus. We gained 155,000 new members in 2018.

### Development in Scandinavia

MENY in Denmark, with 120 stores, performed positively in 2018. The Foodservice business performed below expectations, however. A new strategy to increase competitiveness was adopted.

In Sweden, Axfood and NorgesGruppen's jointly-owned business, Eurocash, had a good year.

### Sales-optimised stores

NorgesGruppen is focused on sales optimising the stores at all times. This means that the shelves are filled with items of

good quality, with a long shelf life. In 2018, ASKO Sentrallager Kjøl (central refrigerated warehouse) was put into full operation, contributing to improving the shelf life of fresh refrigerated items by around 0.5-1 day on average. The items in the warehouse are rolled over within an average of four to five days, and some within just a few hours. ASKO also implemented a new control system to make better use of transport equipment and ensure even more stable deliveries.

Maintaining profit margins

NorgesGruppen's operating income was 87,813 MNOK in 2018, which is 2.2 BnNOK higher than in 2017. Operating profit (EBIT) was 3,140 MNOK in 2018, compared to 3,052 MNOK in 2017. The operating margin (EBIT) was 3.6 per cent, which is the same margin as in 2017. The profit margin increased from 3.2 per cent in 2017 to 3.5 per cent in 2018. The profit before tax in 2018 was 3,057 MNOK, compared to 2,778 MNOK in 2017.

NorgesGruppen achieved higher income from associated companies in 2018 than in 2017.

Energy costs were significantly higher in 2018 than in previous years. The increase in power and fuel costs from 2017 to 2018 was 170 MNOK.

The annual financial statements comprise NorgesGruppen's directly-owned stores, which numbered 825 in 2018.

Strong financial position

NorgesGruppen adjusts equity and the rest of its financing structure to the company's objective, strategy and risk profile. The Group's equity at 31.12.2018 amounted to 19,843 MNOK. This is equivalent to an equity ratio of 50.7 per cent. Net interest-bearing debt was 3,791 MNOK at 31.12.2018.

Investing in future value creation

Net cash flows from investment activities totalled -3,638 MNOK in 2018, compared to -2,507 MNOK in 2017.

In 2018, NorgesGruppen gave priority to optimising the stores and developing existing good locations with better store solutions. The store establishment rate will increase somewhat in 2019. Choices of store concepts are based on demographic trends and the local customer base at relevant locations.

NorgesGruppen believes that future value creation should be put before short-term gains. Long-term ownership, together with the ability to develop the company in step



“NorgesGruppen believes that future value creation should be put before short-term gains.”

Mette Lier, CFO, Group Finance

with society, has laid the foundation for investment in effective operation, environmentally-friendly solutions, and strong chain concepts and expertise.

Financial scope

NorgesGruppen's objective is to maintain its strong financial independence. The most important financial risk areas are interest rate, liquidity and currency risk. The Group has a differentiated loan portfolio comprising bond loans, commercial paper and various committed credit facilities from banks. Refinancing the loan portfolio is a continuous process.

NorgesGruppen has established its first green framework for financing based on Green Bonds. Loans under the green framework will solely be used to finance or refinance investments in environmentally-friendly transport, buildings, and renewable energy. NorgesGruppen's green framework has been graded dark green by CICERO, an independent research foundation.

NorgesGruppen was licensed as a financial and payment institution in 2018.

Responsible dividend policy

Over time, NorgesGruppen's shareholders must benefit from the company's value creation through competitive returns on their shares, based on the development in actual equity and dividend. The aim is for minimum 25 per cent of the profit per share to be distributed as dividend, for as long as the company's future capital requirement is covered on a satisfactory basis.

The profit per share, calculated on the basis of the majority interest in the profit for the year in relation to the average number of outstanding shares, was NOK 61.14 in 2018. The profit per share in 2017 was NOK 52.33.

The total number of shareholders was 825 at 31.12.2018. The largest shareholders were Joh. Johannson Handel I AS at 74.4 per cent, Brødrene Lorentzen AS at 9 per cent, and Pett Kjede og Servicekontor AS at 6.3 per cent. NorgesGruppen ASA holds 2.2 per cent of its own shares.

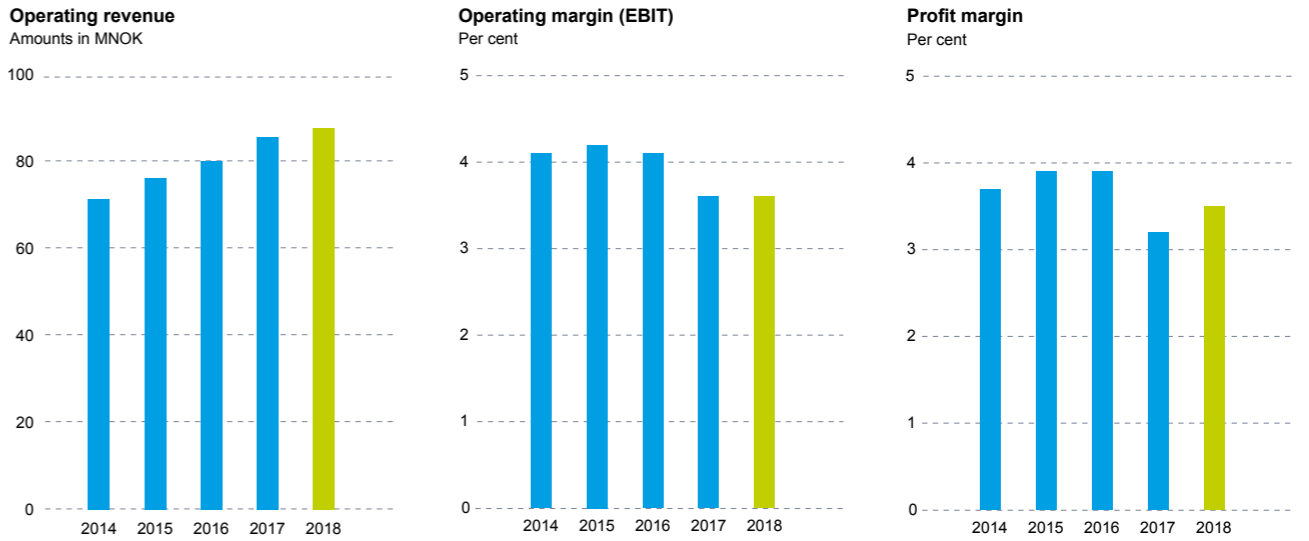
New accounting standard (IFRS 16) concerning leases

As from 1.1.2019, NorgesGruppen must introduce the new accounting standard for leases (IFRS 16). The standard requires balance sheet recognition of all leases, on both the asset and debt sides, which entails that the overall balance sheet will be significantly larger, and that key figures need to be adjusted. Options that are likely to be exercised are also included. Options that are future rights, and not obligations, offer good business opportunities in the longer term.

Financial highlights for the Group

Result		2018	2017	2016	2015	2014
Total operating income	MNOK	87,813	85,632	80,162	76,224	71,391
Simplified cash flow (EBITDA) <sup>1)</sup>	MNOK	4,992	5,238	4,846	4,729	4,357
Operating profit (EBIT)	MNOK	3,140	3,052	3,266	3,170	2,945
Ordinary profit before tax	MNOK	3,057	2,778	3,164	3,001	2,616
Profit for the year	MNOK	2,410	2,090	2,465	2,361	1,930
Shares						
Earnings per share <sup>2)</sup>	MNOK	61.14	52.33	62.3	59.58	48.89
Total number of shares at 31.12.	1,000 shares	40,000	40,000	40,000	40,000	40,000
Dividend per share in	MNOK	16.00	16.00	16.00	15.00	13.00
Capital						
Total capital	MNOK	39,171	37,678	36,382	35,104	33,515
Equity	MNOK	19,843	18,135	16,728	14,820	13,007
Equity ratio	%	50.7	48.1	46.0	42.2	38.8
Net interest-bearing debt	MNOK	3,791	4,177	5,578	7,100	7,309
Profitability						
Operating margin, EBITDA <sup>3)</sup>	%	5.7	6.1	6.0	6.2	6.1
Operating margin <sup>4)</sup>	%	3.6	3.6	4.1	4.2	4.1
Profit margin <sup>5)</sup>	%	3.5	3.2	3.9	3.9	3.7
Return on capital employed <sup>6)</sup>	%	12.8	13.1	14.5	14.6	14.6

1) Operating profit before depreciation and write-downs, and revenue from investments in associated companies.  
2) Annual profit to majority interests/average number of outstanding shares.  
3) EBITDA/Operating income  
4) Operating profit/Operating income  
5) Profit before tax/Operating income  
6) Profit before financial expenses/average equity + interest-bearing debt



# This is NorgesGruppen

NorgesGruppen's key values are responsible, ready to cooperate and customer-oriented. We must put consumers' needs first by being competitive and available, and by delivering high quality.

## PRIMARY PRODUCERS

NorgesGruppen gives particular attention to Norwegian agricultural products.



## SUPPLIERS AND PARTNERS

NorgesGruppen has around 1,200 brand suppliers, of which about 400 are large Norwegian players, and close to 700 are regional or local suppliers.



## OUR DISTRIBUTION

ASKO runs an efficient nationwide distribution network, offering 25,000 unique items.



## OUR CHAINS

NorgesGruppen's strong chain concepts cover the full range from discount, via district stores, to supermarkets. We have 1,834 stores all over the country, of which 1,009 are owned by retailers. In addition, we have around 1,000 sales outlets within retail convenience.



## OUR PRODUCTION



Unil produces many of NorgesGruppen's well-known brands.



Bakehuset supplies bakery products to 95 per cent of NorgesGruppen's stores, six days a week.



Matbørsen produces meal solutions and ready-to-eat products.



JOH. JOHANNSON  
— kjent for god kaffe siden 1866

Joh. Johansson Kaffe is a Norwegian company that produces a third of all the coffee consumed in Norway.

## OUR EXTERNAL CUSTOMERS

### Catering

ASKO has 14,000 customers in the catering market.

### Groceries

In addition to its own stores, ASKO also delivers to external grocery store operators.

# NorgesGruppen's value creation

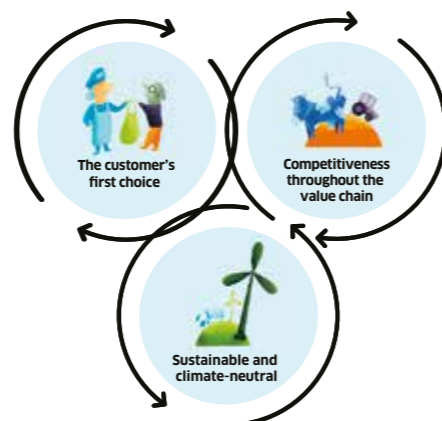
We aim to achieve sustainable and profitable development. This is decisive for our ability to create value for our stakeholders, whether they are customers, employees, retailers, owners or suppliers society at large.

## Stores where people live

We have stores in 89 per cent of Norway's municipalities. We wish to maintain a strong local presence, as this is important to ensure new settlement in the districts of Norway.

## Efficient value chain

Our efficient distribution network, with an automated central warehouse and several regional warehouses, ensures consumers products of high quality, at the lowest possible price, and makes retailers' lives easier.



## → WE HAVE

### Strong expertise

For generations, 41,000 retailers and employees connected to NorgesGruppen have delivered service and know-how in line with customers' needs. Local retailers offer knowledge and service where people live, creating value and ripple effects in local communities.

### Long-term ownership

Active ownership, and the ability to develop the company in step with society, has laid the foundation for investment in more environmentally-friendly distribution, technology, and strong chain concepts. Good management and future value take precedence before short-term gains. One of our major shareholders, Brødrene Lorentzen AS, will celebrate its 150th anniversary in 2019.

## → WE WILL

### The customer's first choice

We will make tomorrow's shopping experience less expensive and better, inspire good culinary experiences, and contribute to healthier and greener choices. **Would you like to learn more?** See pages 14-21.

### Competitiveness throughout the value chain

Customers shall experience sales-optimised stores, full shelves and products of good quality at the right price – based on the most efficient value chain possible. **Would you like to learn more?** See pages 36-40.

### Sustainable and climate neutral

Sustainability opens up new business opportunities. We wish to seize these opportunities and also take on our responsibility as a major operator. **Would you like to learn more?** See pages 22-35.

## → WE MAKE

**YOUR EVERYDAY EASIER**

## → WE CREATE

### The customers

NorgesGruppen gives consumers options through super-markets, district stores and discount stores. We offer variation and food selection via several channels at the lowest possible food prices, while giving customers the opportunity to make healthier and greener choices. We have never had more sales-optimised stores than in 2018.



### The retailers

Our retailers choose to be part of NorgesGruppen because we provide an attractive operating basis. We do this via strong chain concepts, competitive procurement and distribution costs, simple ordering procedures, reliable deliveries and a good selection of products. We also support retailers financially, with upgrading and investments.



### The employees

We aim to offer workplaces in which people thrive and can develop in step with the company's needs. In the years to come, NorgesGruppen's chains will continue the good work with apprentices, vocational training and skills development. As one of Norway's largest employers, we wish to offer work experience and a work community to people outside the labour market.



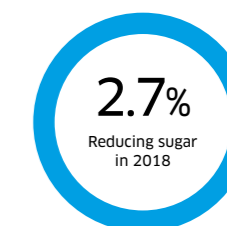
### The suppliers

Never before have we worked so closely with so many suppliers. They are our business partners and allow us to offer and meet the needs and requirements of our customers. Cooperation is also vital to ensuring good utilisation of resources and efficiency throughout the value chain. We sell products from almost 1,200 suppliers.



### The society

The food and transport sector is central in the work of achieving the green transformation of society. NorgesGruppen's ambition is to be climate neutral, and to contribute to preventing lifestyle diseases by facilitating healthy choices. NorgesGruppen also contributes to local communities and workplaces all over Norway.



### The owners

Our shareholders engage in the company's development and achieve competitive returns on their shares. NorgesGruppen has 825 shareholders, of whom many are retailers. To ensure long-term value creation, most of the company's profit is re-invested in the company.



# Market-driving forces

The grocery sector is transforming, driven by changes both in the market and among customers. Consumers have more choices, and are making higher demands of the shopping experience, product prices and sustainable solutions than ever before.

## Changing market

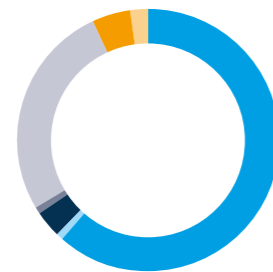
→ Norwegians shop a lot and on average use 3.5 different food outlets each month. On average, they have four chains within shopping distance. Besides shopping in grocery stores, customers can shop across the border, online – or buy food in a restaurant, “on-the-go”, or at a newsagent or service station.

### Sector convergence

More and more operators offer every-day groceries to consumers. As the retail industry increasingly experiences growth challenges, more operators are joining the retail grocery market.

Norway's food and beverage market totals approximately 286 BnNOK (Andhøy and Virke, 2017), of which sales in retail grocery sales account for approximately 176 BnNOK – i.e. 60 per cent of the market. Sales growth for border shops, speciality stores, online stores and specialised stores far exceeds retail grocery stores' sales. While in recent years retail grocery stores have achieved growth of between 1 and 3 per cent, online stores, for example, have grown by 40 per cent, and border grocery shopping by approximately 9 per cent (Andhøy and Virke, 2017). In 2018, more new operators became established in Norway, including Iceland, Rusta, Loco and Normal.

Market for food and beverages  
286 BnNOK



- Grocery stores (Nielsen, 2018)
- Online shopping (Nielsen, 2018)
- Border shopping, groceries (Nielsen, 2018)
- Specialised retailers (Andhøy and Virke, 2017)
- Eating out (Andhøy and Virke, 2017)
- Food-on-the-go (Andhøy and Virke, 2017)
- Miscellaneous

Several new alliances are establishing in Europe. Amazon is building up retail grocery expertise by buying up Whole Foods. ICA has entered into a strategic alliance with Ocado, which has fully automated goods flows and is best at personalisation of online shopping, with 1–2 hour delivery times. Sainsbury's and ASDA wish to join forces to become the UK's largest operator. Carrefour (largest in Europe) and Tesco (largest in the UK) are initiating procurement cooperation.

## Changing customers



### Health-conscious consumers

→ The interest in healthy diets and good nutrition has never been higher. According to Norsk Spisefakta, as many as 63 per cent of consumers are interested in healthy eating, which is an increase from the previous year. Consumers rank healthy food higher in importance than low prices. They are increasingly mindful of sugar, which is at the top of their 'reduce' list.



### Online shopping is increasing

→ Norske Spisefakta (2018) reports that online grocery shopping has increased strongly during the last two years, and that one out of ten consumers have now shopped online. According to Andhøy and Virke (2018), online sales grew by 40 per cent in 2017. MENY's online revenues increased significantly in 2018.



### Price is increasingly important

→ According to Norske Spisefakta (2018), 51 per cent of us value low prices when we shop for food for ourselves or our households. NG Kjedet Tracker (2018) confirms that offers and prices are increasingly important to our customers. Discount stores now account for 68.2 per cent of the market (Nielsen).



### Ready meals and food-on-the-go

→ Quick and easy shopping is an important parameter for consumers (NG Kjedet Tracker, 2018). 74 per cent state that they opt for food-on-the-go on a monthly basis, or even more often (Nielsen, 2018). Food and beverages on-the-go increased by 14 per cent in total, which is a higher growth rate than groceries in total (2.8 per cent). Norske Spisefakta (2018) also reports a strong increase in “takeaways”.

## Sustainability is in high demand

Our retail grocery and catering customers believe in sustainability, and expect NorgesGruppen to take responsibility. We give priority to ten of UN's Sustainable Development Goals.



NorgesGruppen works with other key players in the food industry to develop sustainable systems for food production.



By offering more, and healthier, products to our customers, we are contributing to preventing lifestyle diseases and to better public health.



NorgesGruppen works for everyone, irrespective of gender, to have equal opportunities to hold positions at every level of our company.



NorgesGruppen invests in infrastructure, technology and know-how to increase the share of clean energy in the market.



It is our responsibility that our 41,000 employees thrive, and are treated fairly. We work to promote labour rights in the value chain.



NorgesGruppen's aims to make a positive contribution financially, socially and environmentally wherever we operate.



Through technology and business innovation, NorgesGruppen works to increase resource efficiency and to offer green choices.



At NorgesGruppen, we are continuously engaged in countering, adjusting to and reducing the consequences of climate change.



NorgesGruppen's efforts to prevent over-fishing, illegal fishing and marine pollution, will enable us to offer fish and shellfish of high quality for many years to come.



NorgesGruppen works with every link of the value chain to promote sustainable agriculture and to prevent deforestation.



### The customer's first choice

Our ambition is to be the customer's first choice. For us, this means helping customers save time and money, and make green and healthy choices. By offering a varied selection of food products in our stores, we want to give our customers inspiration for good culinary experiences.

## In step with the customer

In order to get ahead in a tough market, NorgesGruppen is focused on developing in step with consumers' wishes and on fulfilling the vision of giving customers an easier everyday life.

→ Our stores and retailers are facing intense competition for retail grocery customers. The trend for many consumers to also shop across borders or online, eat out or opt for food-on-the-go is making this competition even more intense.

#### Low prices and good offers

According to Norske Spisefakta's 2018 survey, low prices are still the most important factor for customers. In 2018, KIWI reinforced its price-leading position in the sector by coming out best in most price surveys, and ranked best in price terms in our surveys (NG Kjedetrapper). SPAR delivered 10-kroner campaigns with good results, and relaunched the First Price selection in its stores in early 2019. MENY always had 500 low-price items in their stores. Joker's campaigns received a good response from customers.

#### Healthier and greener choices

Both Norske Spisefakta and our own surveys indicate that healthy food and the environment are customers' top priority.

In 2018, NorgesGruppen continued its systematic efforts to strengthen public health by offering healthier products and eliminating salt, sugar and saturated fat from food products. The store chains promoted healthy products with price cuts and new display layouts, while ASKO developed nutritional meals for nursery school children. Further examples of greener and healthier choices are presented on the next pages.

#### Winning customers with simplicity

Fast and easy meal solutions were a continuing product development trend in 2018. The dinner solutions prioritised in 2018 included "GO" dinner in 1,2,3" from KIWI, "Heat & Eat" from MENY and "IBOKS" from SPAR. Deli de Luca launched several healthier meal alternatives from Deli's Kitchen, which is their own kitchen.

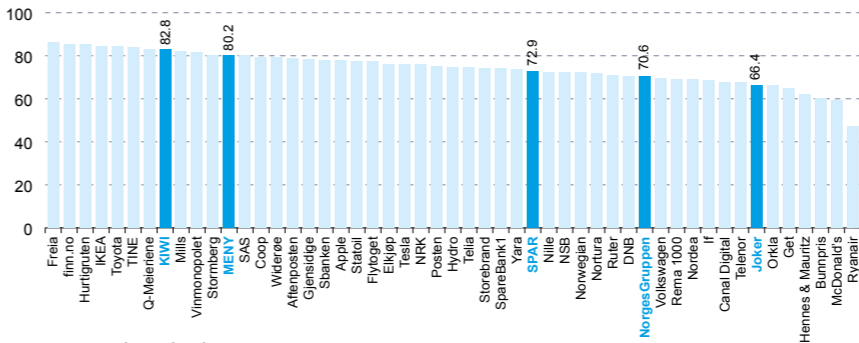
Online shopping still only accounts for a modest share of NorgesGruppen's revenues, but increased significantly in 2018, when MENY's online shopping sales were three times higher than the year before. For SPAR,

online shopping increased by 82 per cent, while Joker's online sales almost quadrupled. This strong growth reflects how online shopping is still in a start-up phase. Even though the demand is high, distribution costs are still challenging the profitability of online shopping.

#### Customised offers and selection

The range of goods offered by Norwegian and Swedish stores is very similar in comparable stores (Menon, 2016). In Norway, MENY is the chain with the best selection. MENY focuses on inspiring good culinary habits, and sold record quantities of its premium products in 2018 (see page 17).

In future, NorgesGruppen will give great emphasis to adapting each store's range to customers' requirements. Insights from digital tools and the Trumf programme will make it easier to offer customers the selection and quality they require or are ready to try, while staying aware that we must still protect customers' personal data.



Source: RepTrak Apeland, 2018

The Apeland (2018) reputation survey shows that NorgesGruppen and our store chains have a sound reputation. KIWI and MENY continue to top the reputation league.

## KIWI is the price leader



KIWI came out top in most price surveys in 2018, and has won six of the seven last food price ratings in the Norwegian newspaper VG. Major price reductions for a number of healthy and popular products have made KIWI the price leader.

→ "We find it more effective to reduce prices for healthy products, rather than increasing prices for less healthy products," says price manager Tone Solum Lund of KIWI. In 2018, KIWI cut prices for such products as diet soft drinks, Keyhole items and Christmas products. (The Keyhole is a food label that identifies healthier food products within a product group.) Now, sugarfree soft drinks are cheaper than soft drinks containing sugar. This helped to increase sugarfree soft drinks' share of total soft drink sales in KIWI to 58 per cent in 2018, up from 52 per cent in 2017. Sales increased by 17 per cent after price cuts for Keyhole products in the breakfast category (average sales in weeks 30-33 in 2018, compared to average sales in weeks 34-37 one year before).

For a campaign period during the first months of 2019, the prices of fresh and frozen fish were reduced by an amount equivalent to the VAT rate. The price cut is part of an extensive large-scale experiment to get people to eat more fish. Sales figures showed that KIWI customers bought 42 per cent more fish compared to the same period of 2018. KIWI PLUSS members now receive a 15-per-cent bonus on all freshly-packed fish, in addition to all fresh fruit and vegetables. The trend is the same for fish as for other healthy products. Sales of fresh fish and vegetables, and Keyhole products, increased by 23 and 22 per cent, respectively, after the "VAT cuts" in 2007 and 2011. ("VAT cuts" is a campaign to cut prices by the VAT rate.)

In 2018, KIWI achieved the highest comparable growth in the market, at 4.1 per cent. Measured in terms of sales per store, it caught up with its main competitor. 80 per cent of the growth



was organic, with 14 new stores being established in 2018. In the summer of 2019, the chain opened the flagship store KIWI Lerberg in Hokksund, where the KIWI adventure started 40 years ago.



By cutting prices, NorgesGruppen is helping to increase sales of healthier products.

## Norwegians spend little on food

→ Norwegians only spend just over 11 per cent of their income on food and beverages. This puts Norway among the countries with the relatively lowest food prices in Europe, as a percentage of their income, and at around the same level as Sweden and Denmark. Food is relatively cheapest in Lux-

embourg. In the Nordic region, only Swedes spend a lower proportion of their income on food and beverages.

The increase in food prices in 2018, adjusted for tax changes, was 1.3 per cent. In comparison, CPI adjusted for tax changes totalled 2.5

per cent (SSB – Statistics Norway). One half of the total growth in food and beverage prices was due to tax changes, and this price growth was significantly below the price growth for other goods and services in Norway. (Sources: Eurostat and SSB.)

## Better selection, better sales

MENY has never sold more from its premium categories than it did towards the end of 2018. The record sales are in line with MENY's aim to give inspiration for good culinary habits, offer wide selections of food, fresh products and dinner solutions.

→ High product quality and a good selection are among the most important factors when customers choose stores, according to a survey from SIFO (National Institute for Consumer Research) (2015). NorgesGruppen's surveys (2018) tell us the same, naming MENY as the store chain with the best selection. In several ways, MENY stays abreast of customers' needs by offering extraordinary culinary experiences. Here are some examples:

### Higher meat quality

Together with Prima Jæren, Nortura and 357 Norwegian farmers, MENY is ready to offer first-class Angus-breed meat products. This project is a response to customers' wish for the same high meat quality to be guaranteed every time. The aim is to create growth throughout the value chain, with unique products and innovation.

### "Matskatter"

With the "Matskatter" (food heritage) concept, MENY is reserving space for local food producers. The MENY team

has travelled all over the country to find the unique food heritage that has left its mark on Norwegian food culture. MENY now has over 2,500 products from around 450 local food producers who focus on good craftsmanship and share a passion for fine food.

### New dinner concepts

MENY further developed several of its dinner concepts in 2018:

**Dinner of the week:** Varied seasonal selections for two weekly dinner solutions (fish/meat). Can be prepared within 20 minutes and only include four ingredients.

**"Heat & Eat":** Ready meals, made from good primary products, now comprising more than 30 different dishes.

**Takeaway:** Exciting new hot dishes were launched in 2018, including a spareribs platter in the summer, and a rib platter before Christmas.

**Fish in 1-2-3:** New dishes in 2018, including ready-cooked fresh bacalao, and a fish wok dish.



### Jacobs Utvalgte

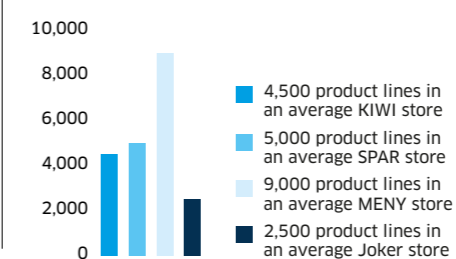
Jacobs Utvalgte (Jacob's Selected), which celebrates its tenth anniversary in 2019, is well-known by consumers. The series includes more than 160 different products. Customers are willing to pay for the Jacobs Utvalgte premium brand.

## 1,200 producers on store shelves

### NorgesGruppen's suppliers



### Item lines



## Customers are satisfied with the selection of food available

# 9 out of 10

Consumers are satisfied with the selection in Norwegian retail grocery stores (Kantar TNS, 2018)

## Food destination at Solsiden

Monica Ervig Kjendalen is one of many female store managers in NorgesGruppen. Every day, she hunts down the margins that make MENY Solsiden the destination for the very best products, the best shopping experience and the best expertise when it comes to food and culinary experiences in Trondheim.

→ According to our NG Kjedetracker survey, MENY is the most inspiring store to shop in, with service-minded and knowledgeable staff. Monica Ervig Kjendalen and the rest of the team at MENY Solsiden in Trondheim confirm this evaluation. The store has gained the highest rating in MENY's customer surveys in recent years, and this position is based on its strong professional expertise.

Store manager Monica is the heart and the brain behind this fine achievement. She puts employees at the centre, gets them involved, assigns responsibility and creates good conditions in which talent can flourish. The successful initiatives include evening meetings for employees on customer service and professional skills, coaching and active use of MENY's digital training platform, MENY Masters. MENY Solsiden attracts the best professionals in the sector and has been a springboard for several of the managers in the region. This store stands out among the stores in Trondheim. Its creative layout is in a class of its own in terms of order, hygiene and structure. The store manager is not afraid to explore new paths, using new technology to stay ahead. In 2018, Monica was named Store Manager of the Year. MENY Solsiden has been nominated as the region's best MENY store for several consecutive years. It was best MENY store in 2016, and Monica won NorgesGruppen's Store Manager Prize in 2018.



Store Manager  
of the Year  
**2018**  
Virke (The Enterprise  
Federation of  
Norway)

**"Monica is a highly skilled retailer who delivers great results on many parameters over time. She is a role model in our organisation."**

CEO Meny, Vegard Kjuus



MENY Solsiden contributes good and secure workplaces and economic growth.

## Easier. Better. Digital.

Online shopping accounts for a small, but growing share of NorgesGruppen's sales. MENY achieved online sales of 270 MNOK in 2018. We are also implementing digital services in order to make shopping easier and culinary experiences better.

→ Quick and easy shopping is very important to customers, according to our NG Kjedetracker survey. Most Norwegians have stores close to their homes, and they shop on a frequent basis. Online shopping requires customers to place a weekly shopping order, which for many involves a change of habits. Yet online shopping is increasing, and MENY is the store chain in NorgesGruppen that is most focused on this.

MENY, SPAR and Joker handle online shopping efficiently by using the stores as warehouses and employees as pickers. In this way, they have kept start-up costs down and made business from online shopping, despite limited sales volumes.

Online shopping is most developed at Meny, which in 2018 launched voice recognition as part of its solution, to make shopping even quicker. MENY's CEO Vegard Kjuus emphasises that personal service and customer care were prioritised in the initial phase, and that satisfied customers are more important than rapid growth. MENY has budgeted for further growth of 65 per cent in 2019. In 2018, Joker entered into cooperation with Foodora on the express delivery of groceries. This service was received well by customers, and scores high among Foodora's partners (4.6 out of 5). Further deployment is being evaluated.

NorgesGruppen, headed by MENY, is building up online shopping, step by step. Digital technology is being introduced in all of our chains, to make shopping quicker and easier for customers.

**Trebling**  
of MENY's online sales in  
2017-2018



This entails everything, from partly completed shopping lists, easier parking solutions, electronic receipts, new payment solutions and self-service check-out points, to services that make it easier to plan, shop and cook good food. More and more customer dialogue is digitalised, and the Trumf programme in particular plays an important role in understanding and covering customers' needs.



### More food-on-the-go and ready meals

→ The market for convenience meals and beverages grew in 2018, and several of NorgesGruppen Servicehandel's concepts achieved favourable sales growth. Our upgraded concept for MIX retailers is in the implementation phase, and together with Jafs the store chains can report sound growth and the recruitment of new retailers. Deli de Luca is now present at 67 Esso service stations, and has developed a sepa-

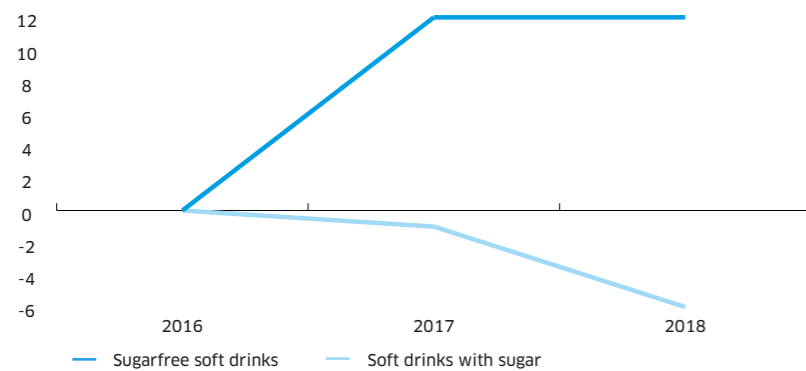
rate meal offering for other stations, while also pilot testing a new concept for urban stores. In Nielsen's 2018 retail convenience survey, Deli de Luca retained its number one position within all core categories for newsagents and retail convenience stores. The grocery stores have launched additional to-go products, and all store chains are focusing on ready meal solutions.

# Sugarfree beverages are more popular

In 2018, 54.8 per cent of all soft drinks in NorgesGruppen's stores were sugar-free, and the share is increasing. This is due to factors such as new products, better displays and price reductions.



Volume development, sales of sugarfree soft drinks and soft drinks with sugar in our chains



The volume of sugarfree soft drinks increased steadily in 2017 and 2018, while the volume of soft drinks with a sugar content declined. Sugarfree beverages are contributing to the category's growth.

→ Juice and soft drinks containing sugar are the biggest source of sugar in the Norwegian diet. Soft drinks account for around 17 per cent of all sugar sold through NorgesGruppen's chains. Including juice, chocolate and other confectionery, these product groups account for almost half of the sugar purchased in our stores.

This is why NorgesGruppen has addressed these particular product groups, to help Norwegians reduce their sugar intake. Since 2015 we have succeeded in reducing the sugar volume in the beverage category by over 6 per cent. The biggest contributions to the sugar reduction have come from a change in bottle size and a 30-per cent reduction of the sugar content in Husholdningssaft and Appelsinsaft from First Price.

In 2017, all chains gave a better shelf display position to sugarfree soft drinks than to soft drinks containing sugar. Now, sugarfree soft drinks are within reach, prominently displayed to customers, and placed first in refrigerators. We also removed certain products containing sugar, such as Sprite, replacing them with sugarfree options. Thanks in large to our close cooperation with suppliers, three out of four novelties and innovations in the soft drink category have been sugar-free in recent years.

These initiatives have contributed to focusing soft drink sales on sugarfree varieties. For KIWI, the ratio of sugar-free beverages increased from 53 per

## 8.4%

Sugar reduction in NorgesGruppen's chains during the last three years.

cent in 2017, to 59 per cent in 2018, also thanks to price reductions for sugarfree soft drinks in the spring of 2018. Overall, NorgesGruppen has reduced the sugar volume by 5.5 per cent from 2015 to 2018, based on figures from the first half of 2018.

The contributions came from the following categories (the reduction within the category is stated in parenthesis):

- Yoghurt (11.2 per cent)
- Breakfast cereals (10.5 per cent)
- Chocolate/confectionery (9.9 per cent)
- Sugar (9.7 per cent)
- Beverages (6.1 per cent)

NorgesGruppen's aim is to reduce added sugar by 10 per cent from 2015 to 2020. This is equivalent to removing 4,000 tonnes of sugar from our diet.

(The source of this article is the report prepared by GreeNudge on behalf of NorgesGruppen in 2019.)

Find the full report at [www.norgesgruppen.no](http://www.norgesgruppen.no)



By cutting prices, NorgesGruppen is contributing to increasing sales of healthier products.



## Successful food waste experiment

→ In 2018, NorgesGruppen and our Joker, MENY, KIWI and SPAR chains conducted a food waste experiment in collaboration with Østfoldforskning and Oslo MET. The aim was to map the reasons for food waste in households.

The experiment monitored four Norwegian families for four weeks, including the Gzyl family shown in the photo. For the first two weeks, they had to weigh and register the food which they threw away. During the next two weeks, they tried to reduce food waste in various ways. These efforts yielded remarkable results: the families reduced the amount of food they threw away by 30-70 per cent.

Three measures stood out as particularly effective in achieving the fine results. The first one was that the families became more aware of how much food and money they threw away when they measured their food waste. Having a box of leftovers in the fridge, and estimating portion sizes better, were also important. Furthermore, the families followed

researchers' and retailers' advice to use recipes that made better use of the food they bought, to cut and freeze bread, and to use planning tools. The full report is available at [www.norgesgruppen.no](http://www.norgesgruppen.no)

NorgesGruppen aims to reduce its own food waste by half before 2025. On page 26 you can read how we will achieve this. We are also investigating solutions to help customers reduce food waste in their own households.

What the families threw away



- Leftovers from dinner: 40%
- Beverages: 16%
- Fruit and vegetables: 14%
- Lunchpacks: 10%
- Bread: 8%
- Miscellaneous: 8%
- Bread slices: 3%



NorgesGruppen is working to reduce food waste in its own activities and among consumers.

**BEFORE**  
the measures, the families threw away

218 kg  
of food per year  
= NOK 13,000 straight in the bin



**AFTER**  
the measures, the families threw away

121 kg  
of food per year  
= NOK 6,000 saved by reducing food waste

The full report is available at [www.norgesgruppen.no](http://www.norgesgruppen.no)



We give importance to reporting openly on the sustainability results of our work. The symbols in red, yellow and green show how we stand in terms of achieving the sustainability goals we have set for 2020, given the information we have today. Each symbol must be viewed in the context of the explanation in the column, since each process is unique.



### Sustainable and climate neutral

NorgesGruppen will take social, ethical and environmental issues into account, while running profitable operations.

# Sustainable options

NorgesGruppen is dedicated to reducing its climate and environmental footprint and contributing to better public health. We aim to drive diversity in the workplace, support local communities and ensure sustainability throughout our value chain.

→ NorgesGruppen aims to have a positive impact on the society. To this end, we always take social, ethical and environmental issues into account, while running profitable operations.

For several years, our customer sustainability surveys have shown that customers care greatly about how we treat our employees. Our customers also focus more and more on reducing food waste, unnecessary packaging, and environmental impacts. Overfishing, deforestation and climate change are further examples of direct impacts on our sector. We must do what we can to counter and adapt to this development.

Our climate and environmental targets have been set to ensure that NorgesGruppen can become climate neutral.

This will be achieved when:

- We only use renewable fuels in our distribution.
- We only use renewable energy and ensure that new renewable energy equivalent to our energy consumption is produced.
- We have eliminated our emissions of HFC gases.
- We reach maximum materials recovery or recycling of our packaging and waste.
- We have compensated for our remaining climate gas emissions.

According to a report from the Norwegian Directorate of Health, the potential benefits for society from the population following the official dietary advice total 154 BnNOK per year. By offering healthier options in our stores, NorgesGruppen contributes to more people adhering to the dietary advice.

Our retailers contribute to employment and the viability of local communities throughout Norway. We have stores in 89 per cent of Norway's municipalities and we are working actively to promote local food producers. This supports local value creation, and greater diversity and quality on the stores' shelves.

We focus on the sustainability topics where we can make the greatest positive difference, and where we can see commercial opportunities. Sustainability is thus an integrated element of our activities, and we report on sustainability on an equal basis with financial targets. Our strategy for 2020 sets 30 targets that are related to the UN Sustainable Development Goals (see the overview on page 13).



We have five action areas in our sustainability work. The four in the centre are the spearheads, while the fifth – a sustainable value chain – constitutes the foundation for everything we do.

### What our customers care most about

2018	2019	
1	1 →	Treating employees fairly
2	2 →	Reducing food waste
5	3 →	Anti-corruption
3	4 →	Products at the right price
4	5 →	Reducing the environmental impact of the production of products and packaging
6	6 →	Ensuring good animal welfare
15	7* →	Fair trade
7	8 →	Ensuring sustainable fish and preventing over-fishing
9	9 →	Clear labelling of product content, such as sugar, salt and additives
8	10 →	Ensuring sustainable raw materials production

\* Previously used the Norwegian translation "Rettferdig handel" but for this year changed to the commonly used English expression "Fair trade", which explains the higher ranking.

Customers' responses generally confirm the importance of the goals we have set and give us a clearer picture of the areas that should be prioritised.

Read more at [www.norgesgruppen.no](http://www.norgesgruppen.no)



# A healthier Norway

Many of us eat eat healthier, but large shares of the population do not follow the dietary recommendations. NorgesGruppen will contribute to improving public health by facilitating healthier choices. Six out of ten consumers would like to eat more healthily.

AREA	TARGET 2020	2017	2018	COMMENT	
FRUIT AND VEGETABLES	+ 22% (+4%/year)	+ 2.6%	-3,0%	NorgesGruppen performed better than the overall market, which saw a decline. The hot summer gave reduced sales of a number of vegetables. We saw sales increases for salads and freshly processed fruit and vegetables, but this did not offset the decline for large product groups in the vegetable category.	☹️
FISH/ SEA-FOOD	+ 16% (+3%/year)	- 2.9%	-1.1%	Our comparable development shows a decline in seafood sales. Unpackaged fresh fish declined, while packaged fresh fish, dinner solutions and fish products increased. Read more on the next page.	😞
WHOLE-GRAIN BREAD	>52%	51.2%	49.2%	We performed better than the overall market, with a decline of -1.5 per cent, compared to -2.5 per cent for the market in total. In the second half-year we achieved positive growth in volume terms, compared to 2017 (+0.3 per cent). The share of wholegrain products is developing positively for three of our chains, while strong volume-driving campaigns in one of the chains had a negative impact on the wholegrain share.	☹️
KEYHOLE PRODUCTS	>20%	19.1%	19.7%	The number of Keyhole products continues to increase, and we have 1,455 products in the range in total. The turnover share is also increasing and the target for 2020 is within reach.	😊
SALT	-20% (-3.7%/year)	- 0.3%	-0.2%	Once again this year, we can see a moderate decrease, and adjusted for our chains' underlying growth (increase in number of shopping baskets), the decline is by around 1 per cent. This shows that the sector's joint salt reduction target is beginning to yield results. Sales growth for ready meals, marinated meat products and snacks contributes to limiting the reduction to 0.2 per cent.	☹️
SUGAR	-10% (-2%/year)	- 4.3%	-2.7%	The strong decline in sugar turnover is continuing. A number of measures are having an impact, in step with consumers' wish to reduce their sugar intake. There is a decline for all product groups, except ice cream. Beverages account for the greatest decrease. Read more about this on page 20.	😊
SATURATED FAT	-5% (-1 %/year)	+ 0.3%	-0.9 %	For the first time, we see a decline in comparable sales of saturated fat, after -1.6 per cent adjustment for underlying growth (increase in the number of shopping baskets). We see a decline in all product groups, besides meat and ready meals. The butter/margarine/fat product group accounts for the strongest decrease. Product improvements and campaigns have yielded results.	😞



The year in brief

# Successful sugar reduction, but lower fish sales

### Results

Price reductions, product improvements and a more prominent display of healthy products help customers make better dietary choices. In 2018, KIWI achieved favourable sales development after cutting prices for diet soft drinks and Keyhole products, and the same for fish in 2019. More prominent displays also contributed to sales growth. KIWI has increased the selection of Keyhole products to 885 products. These account for more than 23.5 per cent of sales in their product groups. For further information about price cuts and sugarfree beverages, see pages 16 and 20.

KIWI PLUS increased the bonus for fruit and vegetables, and reached 1.2 million members in 2018. The bonus programme enables KIWI to inspire customers to eat greener and more healthily.

More than 50 MENY stores have moved snacks and confectionery away from the check-out area and further back in the store – to reduce impulse purchases of sweets

and make shopping easier for families with young children. The pilot project showed that sales of sugar-based products and chocolate dropped by 13 and 9 per cent, respectively, while sales of snacks increased by 4 per cent. MENY's salad bar is very popular. It meets the need for healthy snacks and food-on-the-go.

The “GO” dinner in 1,2,3” ready-to-serve soups won the “Bramat” nutrition test in 2018. Vegetarian products and alternative protein sources continued to increase towards 50 per cent for MENY.

We expect sales growth and more plant-based products in the years to come. In 2018, we removed, or declined, several products due to their excessive sugar content.

NorgesGruppen supports the Norwegian Trekking Association (DNT) in promoting healthy food, an active lifestyle and protection of nature. We achieved the goal of getting 100,000 more Norwegians out trekking before 2018, one year earlier than planned, and together we have ensured a better selection

of fruit and vegetables in the DNT cabins. Now, in a new food project, we are focusing on sustainability and seasonal produce.

### The road ahead

The letter of intent between the public health authorities and the food sector is important to making Norwegian diets healthier. NorgesGruppen also cooperates with suppliers on reducing salt and sugar, and is continuing the cooperation with GreeNudge to evaluate whether our initiatives are contributing to healthier shopping baskets. The reports from GreeNudge, which are available on our website, provide important information concerning which instruments are effective. The chains continuously assess how they can use this knowledge in their own stores.

“Mat for Minsten”, which offers nutritious meals to nursery schools, is being rolled out by ASKO throughout the country. Going forward, NorgesGruppen will, among other things, plan concepts, information and guidance that make it easier for the elderly to choose the right, nutritious food.

## Effortless fish options

→ NorgesGruppen wants more fish to reach people's dinner tables, but this is hard to accomplish. The Norwegian Directorate of Health recommends fish for dinner two to three times a week, as well as fish sandwich toppings. Many Norwegians, especially the younger generations, eat much less fish than this. Sales of fish in NorgesGruppen's stores declined slightly in 2018. Fish is regarded as expensive, and sustained high salmon prices again in 2018 are part of the reason for this decline. Unpackaged fresh fish is declining, while consumer-packed fresh fish is increasing – especially products that are ready to put in the oven. Within frozen fish, several new oven-baked fish products were wel-

comed by customers and showed positive sales growth.

In 2018, KIWI launched the “Cheap dinner for one” concept targeted at single-person households. The salmon and trout products in this series were well-received, and so far the concept has been a great success. MENY has a strong focus on fish dishes in its “Dinner of the Week” concept, and are also working to offer complete, simple fish dinners from the fresh produce counters. NorgesGruppen is also working to make it easier for customers to choose frozen varieties, and to offer white fish in new, less traditional, forms.



“Cheap dinner for one” is a series of fresh products for small households. In Norway, almost 900,000 people live alone, and the series has been extremely well received.

Read more about KIWI's reduced fish prices in 2019 on page 16.



# An ecofriendly Norway

NorgesGruppen will contribute to cutting greenhouse gas emissions and reduce the environmental impact of its activities. Our ambition is to be climate neutral.

AREA	TARGET 2020	2017	2018	COMMENT	
RENEWABLE FUELS in incoming and outgoing distribution	100%	34%*	34%	We do not wish to use palm oil in our fuel. Renewable fuel without palm oil that is suitable for cold conditions does not exist today. The target for 2020 will therefore not be achieved in full.	🔴
HFC GASES	-75% From 2010	-53%	-68%	Emissions are reduced by phasing out HFCs and replacing facilities with a high probability of leaks.	🟢
ENERGY EFFICIENCY	18% From 2010	12%	11%	Increased refrigeration and freezing capacity dampens the effect of the measures. The target for 2020 will not be achieved in full.	🔴
RENEWABLE ENERGY Own produced or released renewable energy	11%	0.6%	4.5%	ASKO's wind farm in Rogaland commenced production in 2018 and will have a full impact in 2019.	🟢
FOOD WASTE FOR BIOGAS OR ANIMAL FEED	100%	84%	86%	The increase is due to how stores in several areas of the country have been able to deliver food waste for biogas production.	🟡
RECYCLING	85%	81%	81%	The target for 2020 will be challenging to achieve, and improvements are being made to the recycling system.	🟡
FOOD WASTE from own operations	-25% From 2015	-19%	-21%	Discounting of food products close to their expiry date has been introduced in a large proportion of our stores. This has made the biggest contribution to reducing food waste.	🟢
INCREASED FILLING RATIO (increase the ratio of product versus air in packaging)	5%**	New target	0.5%	Measurement and reporting is being developed, and the result stated is an estimate.	🔴

\* The result reported for the previous year was 60 per cent renewable fuel in 2017. This figure solely included outgoing distribution and has been adjusted here to include incoming distribution.  
\*\* The original target of 15 per cent has been reduced to 5 per cent in total, and 15 per cent within relevant product groups.



## The year in brief Reduced HFC emissions and more green energy

### Results

NorgesGruppen aims to be a leader within environmentally-friendly transport, and store and warehouse operation. This includes measures to achieve greener fuel, reduce food waste and the use of plastic, improve energy efficiency, and increase production of renewable energy.

NorgesGruppen's environmental efforts achieved good results in 2018. We commenced wind power production (see also page 28) and significantly reduced emissions of HFC gases. We also adopted a new target of a 20 per cent reduction of plastic before 2025 (see box below). Nonetheless, there are still areas that present challenges, and we will probably not achieve the targets in full for renewable fuel, improved energy efficiency or increased filling rates.

ASKO now only uses renewable fuel in its own vehicles throughout the warmer months. Alternatives without palm oil that are viable in cold conditions do not exist today, and during the winter ASKO therefore uses an alternative with 10 per cent renewable fuel and 90 per cent fossil fuel. The target of 100 per cent renewable fuel before 2020 will therefore not be achieved in full.

We are working continuously to implement energy saving measures and construct new environmentally-friendly buildings (see also page 28), but we will not achieve the 2020 target for energy efficiency. The hot summer in 2018 resulted in 1-2 per cent higher power consumption compared to 2017. The power consumption for increased refrigeration and freezing capacity also reduces the effect of energy measures.

In 2017, NorgesGruppen set the target to increase the product filling ratio by 15 per cent. During 2018, however, we learned that it will be difficult to increase the product filling ratio for large product groups such as beverages and bread. We have therefore decided to reduce the overall target to 5 per cent, while retaining 15 per cent for certain prioritised product groups. We have worked well with suppliers and our own brands, and more than 70 product improvement initiatives in 2018 have overall resulted in calculated savings of around 1,000 trailer lorries per year. One example is the new square punnets for Bama's Shaken Season tomatoes, which have given space for 31,000 more punnets per lorry.

In 2018, we increased the proportion of

food waste used for production of biogas, after stores in several parts of Norway established reception facilities for this. In addition, around 60 per cent of unsold bakery products are used in animal feed. To achieve our target, these schemes must be expanded in the future.

Reduction of food waste continued in 2018, and achieving the target is realistic. The most important initiatives were the discounting of food products and optimising goods flows (read more about this on page 29).

### The road ahead

NorgesGruppen will focus on achieving more renewable energy, greener fuel, and reduced food waste and use of plastic. Parallel to this, we will also expand and improve our recycling systems.

The energy efficiency measures are continuing and new and renovated stores have more energy efficient equipment. In addition, Joh. Johannson will open the world's most modern coffee refining facility at Vestby in 2019. This 9,400-m² timber building will have climate neutral operation and a low-emission coffee refining process.

## Plastic reduction initiatives

- NorgesGruppen will:
1. Reduce plastic consumption by 20 per cent by 2025
  2. Not sell products containing microplastic
  3. Have plastic-free alternatives to products that easily end up in nature
  4. Contribute to increased recycling of materials by:
    - a. All plastic being easy to recycle
    - b. Increased use of recycled plastic and renewable and sustainable raw materials
    - c. Working to achieve better collection and recycling



356 tonnes

KIWI, SPAR, MENY and Joker have eliminated 356 tonnes of plastic packaging used for fruit and vegetables in 2018.

## Green energy and good climate solutions

NorgesGruppen's ambition is to be climate neutral. We are focused on producing green energy and increasing energy efficiency in our activities.

### Commenced production of wind power

→ In March 2018, ASKO opened its wind power facility in Rogaland. Five turbines are in operation at Skurvenuten and Tindafjell, and in 2019 a further two will be put into operation at Lindesnes.

The wind power facility's opening increased renewable energy's share of NorgesGruppen's total energy consumption to 4.5 per cent in 2018, which is an increase from 0.6 per cent in 2017. The target is for 11 per cent of our energy consumption to be renewable. The facility in Rogaland will produce enough power to cover two thirds of the elec-

tricity consumption of ASKO's facilities in Norway. NorgesGruppen already has approximately 90,000 m<sup>2</sup> of solar panels on the roofs of warehouses and stores. The panels produce enough renewable energy to supply 650 households in Norway per year.

By focusing on renewable energy we will contribute 98 GWh of green energy. We are supporting a green energy transition by producing renewable energy that would not otherwise be produced. This is good for us, and good for the climate.



### SPAR Snarøya – a showroom for green solutions

→ The SPAR Snarøya ecofriendly store is full of smart environmental solutions. Overall, they reduce the store's climate footprint by 60 per cent.

SPAR Snarøya opened in August 2018 and represents the state of the art for energy efficiency measures in grocery stores. The store has a unique new timber structure which takes it to a whole new level. Insulation, foundations and floors are all low-carbon solutions. The premises are equipped with energy-efficient LED-based lighting, powered from e.g. solar panels on the façade. The store recovers and uses surplus heating from the refrigerators for heating and hot water.

Environmental measures are also taken outside the store. The asphalt around the store is a type that can be laid at low temperature, thereby saving energy and emissions. In



parking areas, customers can charge electrical bicycles and electrical vehicles.

The store has put SPAR on the map and won SPAR International's environmental award. With the opening of SPAR Snarøya, Norg-

esGruppen has a total of seven ecofriendly stores. They are important arenas for the testing of technology to reduce the carbon footprints of our stores, thereby helping NorgesGruppen to fulfil its ambition to be climate neutral.

## Plastic and food waste

Plastic and food waste were both hot topics in 2018. In the food sector, these two challenges are often related but not always readily compatible.

→ Plastic and food waste received a lot of attention in 2018, and for good reasons. These are two major challenges that are closely related. Without plastic, there would be far more food waste than is the case today, yet excessive use of plastic increases the incidence of litter, damaging flora and fauna.

These two environmental challenges are often juxtaposed, and we must take both of them into consideration in our efforts to reduce plastic and food waste.

NorgesGruppen is therefore working with innovation at system and product level, and through sector collaboration.

Below are three examples of actions and results from 2018.

**Read more about our food waste experiment on page 21.**



PHOTO: KATRINE LUNKE



### The Retailers Environment Fund

→ Since August 2018, each plastic bag sold in NorgesGruppen's stores has contributed NOK 0.50 to the Norwegian Retailers Environment Fund. The fund of around 300 MNOK supports initiatives to reduce plastic-related environmental problems. NorgesGruppen contributed to establishing the fund, and our chains are also involved in this initiative. In November, Rasmus Hansson was appointed head of the fund, and in February 2019, the first millions from the sale of plastic bags were distributed.

### Cardboard replacing plastic

→ In 2017, NorgesGruppen decided to eliminate 400 tonnes of plastic packaging of fruit and vegetables. In 2018, the reduction was by no less than 89 per cent. This rapid development is to a great extent consumer-driven. We now, for example, sell avocado and strawberries in cardboard punnets instead of plastic punnets, and the plastic around Norwegian apples and Jacobs Selected almond potatoes has been replaced with cardboard bags. In addition, Bakehuset's new bread bags save 70 tonnes of plastic per year.

### New system to reduce food waste

→ In 2018, date alerts via a product ordering system were tested in 30 selected stores in NorgesGruppen's chains. Full deployment is planned in 2019. For many products, best-before dates will be added in the barcode. This will support even more precise best-before-date alerts for items for which consumers often pick out the longest shelf life, thereby helping to reduce the store's food waste.



# A diverse Norway

We aim to provide good workplaces in which people can thrive and develop. NorgesGruppen sees great value in offering job experience to people in need of an entry to the job market.

AREA	TARGET 2020	2017	2018	COMMENT	
APPRENTICES	500 Retail: 300 Wholesale: 100 Other: 100	376 Retail: 279 Wholesale: 89 Other: 8	437 Retail: 328 Wholesale: 97 Other: 12	The number of apprenticeships was increased in all companies.	😊
VOCATIONAL TRAINING POSITIONS	1100 Retail: 900 (50 per cent of the stores) Wholesale: 150 Other: 50	835 Retail: 731 Wholesale: 86 Other: 18	1081 Retail: 945 Wholesale: 105 Other: 31	There was a good increase in the number of vocational training positions in all business areas.	😊
GENDER BALANCE TOTAL	40%–60% (Not timed)		50.4% women 49.6% men		😊
Store managers			39.2% Women 60.8% Men	Overall, NorgesGruppen has a good gender balance, but there is excessive variation between different business areas.	😐
Executives and middle-level managers			26.0% Women 74.0% Men		😞



## The year in brief Greater diversity, more learning

### Results

NorgesGruppen works to ensure diversity in its activities, in order to gain the expertise we need to be able to operate sustainably. We employ around 41,000 people, of more than 70 nationalities.

In 2018, the chains were recognised for their dedicated efforts to achieve good apprenticeships, and recruit candidates for these. MENY did well at “NM i Yrkesfag” (the national trade championships), taking six out of six possible medals in the retail butcher and seafood retailer categories. No less than 60 people attended the KIWI college (“KIWiskolen”), and Bakehuset held meetings across its 11 bakeries throughout the year. ASKO held its annual apprentice day, at which all apprentices in the chain had a chance to meet each other. ASKO Nord was named as the year's apprenticeship company in Tromsø in 2018.

NorgesGruppen's chains have a great need

for manpower. By offering vocational traineeships to people outside the labour market, we can fill requirements and also contribute to integrating more people into the workplace community. Language skills are important to being able to take a job and contribute to Norwegian society. In 2018, several chains therefore focused on Norwegian lessons. ASKO Drammen commenced a language-in-practice programme to help refugees and migrants learn the language and the Norwegian company culture. They had two language-in-practice places in 2018, and four places are planned in 2019. KIWI also had a strong focus on language teaching in 2018 (see the case below).

Vocational training and apprenticeships were achieved through good cooperation with NAV (the Norwegian Labour and Welfare Administration) and colleges in different parts of Norway. During 2018, NorgesGruppen had 1,081 vocational training positions and 437 apprenticeships in our operations.

This was a good increase from 2017, and we expect to achieve both targets for 2020.

Since 2004, NorgesGruppen has been a proud collaborator with the Church City Mission (Kirkens Bymisjon). They offer people good meals and facilitate dialogue and fellowship. In 2018, we mobilised internally and externally to contribute to the TV fundraising campaign to support their work.

### The road ahead

NorgesGruppen's chains will continue the good work with apprentices, vocational training and skills development. The diversity leadership focus will continue. The improved gender balance target requires that, going forward, we spotlight diversity skills, and gender balance in particular, in recruitment and in our management training. Awareness and measurement in all areas of our activities will highlight and release the potential for value creation presented by optimum diversity.

## “I’m learning Norwegian – talk to me.”

→ Stores are fantastic arenas in which to learn Norwegian. Now, KIWI wishes to help practical trainees to receive additional language training.

In 2018, KIWI therefore launched a button displaying: “I’m learning Norwegian – talk to me.” The button was first created in collaboration between KIWI Reinsvoll, Skills Norway, the Directorate of Integration and Diversity, and adult vocational training at Vestre Toten. The experience gained was so positive that KIWI wanted to offer this in the rest of the country.

At KIWI Økernveien in Oslo, Khadija Mahmed (48), originally from Somalia, and Yosef Habte-

maria (25), originally from Eritrea, wear their buttons proudly.

“Feedback from customers has been entirely positive. The button makes it easier to have a chat, and both Khadija and Yosef find that customers now speak to them more slowly and clearly. They also find that it's ok to refer to the button if there is something that they don't understand,” says store manager Sigri Hylland. She has 24 employees with backgrounds from 13 different nations. Five of them were recruited via NAV.





# A thriving Norway

NorgesGruppen cooperates with retailers, agriculture and local food producers to achieve local value creation – throughout Norway.

AREA	TARGET 2020	2017	2018	COMMENT	
LOCALLY PRODUCED FOOD	The annual additional growth in locally produced food to be 2–5 percentage points higher than the overall growth in NorgesGruppen.	+3.9%	+2.2%	Sales of locally produced food increased by 5.2 per cent in 2018, while grocery sales in NorgesGruppen increased by 3.0 per cent.	😊
	Be the best for locally produced food among the grocery chains in Norway.*	First place: MENY Second place: SPAR	First place: MENY	NorgesGruppen retained its leading position for locally produced food among grocery chains in Norway.	😊
LOCAL COMMUNITIES	Maintain a strong local presence and be able to offer the market's best conditions for independent retailers and grocery stores in the districts.	No. of stores: 1,839	No. of stores: 1,834	The number of grocery stores has historically been 1,800–1,850, depending on the market situation and focus areas in each chain.  NorgesGruppen also has around 1,000 outlets within the retail convenience market. Approximately 90 per cent of these are run by independent retailers.	😊
		No. of independent retailers: 1,025  Coverage: 89% of Norway's municipalities.	No. of independent retailers: 1,009  Coverage: 89% of Norway's municipalities.		
NORWEGIAN AGRICULTURAL PRODUCE	Increased production and sales of Norwegian agricultural produce, especially fruit and vegetables and within product groups of which there is a shortfall today.	+7.8%	0%	There were good harvests and considerable sales of Norwegian fruit and berries, but production and sale of vegetables declined, due to the hot summer.	😐

\* Nielsen's report: Norwegian Grocery Chains 2018.



The year in brief

# Kept calm and carried on despite record-hot summer

### Results

At the end of 2018, NorgesGruppen had stores in 89 per cent of the country's municipalities. We offer our retailers strong chain concepts, competitive terms and a sound operating basis. In 2018, we saw a reduction in the number of stores and independent retailers, but we view this as a natural consequence of the market situation and focus areas in each chain.

We work closely with local food producers and Norwegian agriculture to contribute to local value creation, and to increase food diversity and the quality of Norwegian groceries. The Grofondet (Growth Fund) funding contributed to bringing Norwegian sweet potatoes and strawberries from northern Norway into some of our stores during 2018. The Growth Fund supports sustainable production of fruit and vegetables.

To support the district stores' role as a local meeting place and gathering point, in 2018 NorgesGruppen continued the "social meeting place" scheme, which finances contributions to social causes.

The chains continued to support food produced locally in Norway in 2018. Together with Kokkeløren, selected MENY stores launched their own food boxes with minimum one ingredient from a local food producer. SPAR and Himmelspannet developed their own cheese for the chain's 25th anniversary. NorgesGruppen considers 5.2 per cent sales growth for locally produced food to be good, especially when considering the low market growth and many years of strong growth for these products. ASKO Servering achieved growth of 12 per cent, while MENY's growth of 5.2 per cent meant that it is still the largest grocery chain for locally produced food.

Norwegian agriculture was affected by the drought during the summer. In overall terms, production and sales of Norwegian agricultural produce stagnated. There were good harvests and high sales of Norwegian fruit and berries, but potatoes and vegetables declined. We engaged in dialogue with producers at an early stage in order to take action. One measure was to reduce product

size and appearance requirements, in order to make use of a larger proportion of the harvest.

### The road ahead

Since 2017, the Joker stores have been subject to an upgrading programme. This is the store chain with the highest number of district stores, and the individual stores receive financial support for the upgrading from NorgesGruppen. The scheme will run until 2020. The focus on developing our food culture will continue. SPAR will further develop the "Quality and tradition" concept; ASKO Servering will continue to focus on locally produced food; and MENY will stay focused on a good selection by continuing the "Mat-skatter" (food heritage) activities.

The Gartner brand was established as a quality brand for Norwegian fruit, berries, vegetables, salad and potatoes in 2018. We will work to reinforce this in 2019, by disseminating information on the quality and areas of use of Norwegian fruit and vegetables.

## Helping his community thrive

→ Many residents of Finsdal in Sogndalen, Vest-Agder, commute past competing stores, yet most of them still shop at retailer Vidar Finsådal's Joker Finsland. This dedicated retailer has made the agreement with the village that if they manage to increase sales by 6 per cent, he will donate NOK 100,000 to good causes in the community. NOK 60,000 will be dedicated to new sports facilities. The list also includes an enlarged swimming area and a new park.

"I'm keen to see a thriving village. Without development, the village will die," says Vidar Finsådal.

Joker Finsland delivers open sandwiches to after-school schemes, fruit to schools, and food to the church community centre. In small towns with around 1,000 residents, the store is not just a place to shop, but also an important meeting place.





# A sustainable value chain

We want to ensure that our customers are offered products that are of the right quality, and are produced in ways that protect people, animals and the environment.

AREA	TARGET 2020	2017	2018	COMMENT	
<b>PRODUCT SAFETY</b> Execution of a red alert (possible health risk) within two hours.	100%	100%	91%	The decline from 2017 is due to the inclusion of additional internal units in the report in 2018. The reporting tool was also improved. All issues are handled in accordance with the authorities' requirements, but we must work even harder to comply with our internal deadline.	😊
<b>SUPPLIER MONITORING</b> The proportion of our main suppliers with systems to follow up on food safety, labour rights, the environment and animal welfare.	100%	96%	98%	All of our main suppliers are assessed to have adequate systems to handle risk in their value chains, or have a follow-up plan.	😊
<b>DEFORESTATION</b> Prevent deforestation, with particular focus on soya, palm oil, beef and paper.	100%	New target	80%	We assess our suppliers according to our expectations of how they work to ensure control of deforestation-free value chains. Measurement and reporting are under development, and the result stated is an estimate.	😊
<b>SUSTAINABLE CONSUMER OPTIONS</b> Increased sales of ethically and environmentally-certified products.	+15%	Nordic Ecolabelling: + 2.7% Fairtrade: + 1.5% Organic: + 8.4%	Nordic Ecolabelling: + 11.0% Fairtrade: + 8.1% Organic: + 3.0%	We deliver in line with market shares, but the 2020 target will not be achieved. The increase for Nordic Ecolabelling is due to new launches and high sales performance for babies' nappies. The increase in Fairtrade is driven by sales of flowers and ice cream. There is a decrease for organically-certified fruit and vegetables due to sales of other items.	😐
<b>FISHERIES AND AQUACULTURE</b>	In 2017, a new target was set to ensure sustainable taxation and responsible fishing and farming methods for all fish and seafood in our stores. The fish and seafood sold in our stores are mainly produced in accordance with the Norwegian authorities' requirements and management practice, and are considered to be responsibly managed and well-controlled. We are continuing to develop measurable sustainability criteria for individual species, but cannot refer to concrete measurements for 2018.				



The year in brief

# Global challenges affect our value chains

**Results**

NorgesGruppen has over 1,200 suppliers, with production in more than 40 countries, and works to fulfil sustainability requirements throughout the value chain. In 2018, we improved our product alert reporting tool, in order to receive more precise information. In addition, more of our companies were included. This explains the decline in the proportion of red alerts that were executed in accordance with our internal deadline of two hours.

We gave weight to further developing risk assessment of our suppliers in 2018. All of our main suppliers have systems to protect food safety and quality, labour rights, the environment and animal welfare. This enhances our opportunities to discover any deviations and ensure the value chain's sustainability, and we are working continuously to further develop these systems in collaboration with our suppliers.

NorgesGruppen is concerned that raw materials such as soya and palm oil threaten the world's rainforests and their populations. We do not wish to boycott these products, but rather to support sustainable production (see separate case below). The palm oil and soya used in our products are therefore certified at a very high level. In 2018, we signed the Cerrado Manifesto to ensure more sustainable soya production, and we contributed to a report on forced labour in the palm oil sector.

The work of developing measurable sustainability criteria for individual fish species is still ongoing. We believe that the fish and seafood sold through NorgesGruppen is sustainable to a great extent, and within Norwegian management practice. Still, we are aware of the ongoing debates concerning individual species, and acknowledge that there is still work to be done with tuna, scampi and individual smaller species.

NorgesGruppen will not achieve the target

to increase sales of certified products. This is because we already have good market coverage of the certified products, or we experience that there is no market demand for certain products. We do not find that sales are driven by certification schemes alone, but that the schemes are an important tool to ensure sustainable value chains. NorgesGruppen has therefore been involved in a steering group under Consumer Goods Forums, which launched global standards for certification schemes in 2018.

**The road ahead**

NorgesGruppen will continue to work to achieve the 2020 targets. In 2019, we will implement shared Group supply chain management guidelines, increase our efforts to identify food fraud, and ensure responsible use of chemicals in products. We will continue to work on the challenges regarding deforestation, fisheries and seafood, and assess how we can use various certification schemes more appropriately.

## We support the Brazilian soya producer Fazendas Bartira

→ Round Table on Responsible Soy (RTRS) is an organisation that offers soya certificates to support farming of sustainable, non-genetically-modified soya. To receive support through sale of RTRS certificates, the producer must comply with local legislation and RTRS' principles and criteria for sustainable production.

In 2018, NorgesGruppen's subsidiary, Unil, was one of the first two purchasers of certificates for non-genetically-modified soya.

Unil purchased 623 soya certificates to support the soya producer Fazendas Bartira in the vulnerable Cerrado in Brazil. The number of soya certificates purchased is based on a calculation of the number of tonnes of soya used in hard feed for meat imported by Unil in 2018.

The Norwegian animal feed industry mainly imports certified soya. We know less about soya use among our foreign suppliers, and view this scheme as a means to contribute to increased production of sustainable and traceable soya.

**Read more about the scheme here:**  
[www.responsiblesoy.org](http://www.responsiblesoy.org)



PHOTO: LANDON WRIGHT



## Competitiveness throughout the value chain

To us, competitiveness means meeting customers' needs with an efficient value chain, sales-optimised stores and value-adding collaborations.

# Efficient teamwork

**Sales-optimised stores make for better shopping experiences. Achieving this requires good cooperation across the value chain, and efficient distribution.**

→ 65 per cent of NorgesGruppen's stores are owned by retailers who have chosen to be part of our team. We strengthen the stores' competitiveness by enabling effective, predictable and environmentally-friendly distribution. Streamlining every little operation in the stores gives major savings for retailers. Through improvements in the value chain, we aim to make things better for customers, easier for employees, and less expensive for stores.

### Aiming for sales-optimised stores

Sales-optimised stores mean that our customers always encounter full shelves of products of good quality. They are tangible evidence that the value chain is functioning and delivering efficiently. Factors determining whether a store is sales-optimised include efficient distribution, precise orders, and products with a good shelf-life.

In 2018, ASKO Sentrallager Kjøl (central refrigerated warehouse) was put into full operation, contributing to improving the shelf life of refrigerated items in the stores by 0.5-1 day. ASKO also expanded the NG-Flyt automatic ordering system with a function that alerts employees when products are approaching their expiry date, so that they can be price-reduced or removed

from the shelves. NG-Flyt was expanded to include bread and baked goods in 2017, and new products were added in 2018. This has led the stores to spend less time on ordering. Including bread and dairy products in automatic ordering (NG-Flyt) has given annual savings in double-digit MNOK amounts, due to less waste and higher sales, since fewer products become sold out.

Optimising packaging has reduced the time spent on shelf filling. For each optimised pack, the time saving has been improved by almost half a minute. The packaging improvement measures are being continued in 2019.

In 2018, ASKO implemented a new control system to make better use of transport equipment and ensure even more stable deliveries.

### Cooperation

NorgesGruppen cooperates with operators in every link of the value chain, to offer the product selection desired by customers. Unil, Joh. Johansson Kaffe, Matbørsen and Bakehuset are key partners in the work on new concepts for customers in the grocery or catering market. The international procurement collaboration with United Nordic and European Marketing Distribution is

strengthening our expertise within certification schemes, and ecofriendly products and packaging.

We cooperate closely with Norwegian agriculture, and in the summer of 2018 together we managed to avoid any loss of income for producers, and prevent food waste, when many harvests were affected by record heat and drought (see page 39).

The focus on the Gartner labelling of Norwegian fruit and vegetables was strengthened in 2018. Around 1,150 skilled Norwegian producers all over the country delivered the season's best Gartner-labelled produce to our stores during the year, and this brand has become established as a quality label for Norwegian fruit, berries, vegetables, lettuce and potatoes.

### The catering market

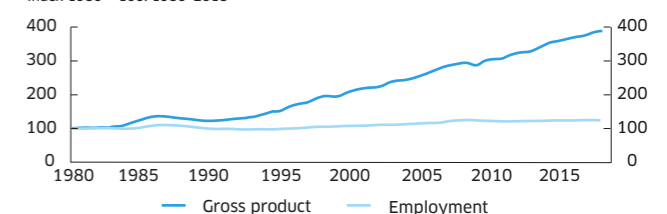
ASKO cooperates closely with suppliers and customers in the catering market. We have established meeting points where the entire value chain can exchange knowledge and experience and contribute to developing sustainable solutions. In 2018, ASKO held the Norwegian canteen championships, as a large number of courses for chefs and trainee waiters and waitresses.

## High productivity growth

→ As the graph shows, retail service has achieved significant productivity growth during the past ten years. This is also confirmed by senior adviser Ivar Pettersen of the Norwegian Institute of Bioeconomy Research (NIBIO), whose calculations show that grocery retailing has high productivity growth compared to other sectors in Norway.

(Source: Statistics Norway and Norges Bank, 2018)

**High productivity growth in the retail sector**  
Index 1980 = 100. 1980-2018



# Improved shelf life and a wider range

ASKO Sentrallager Kjøl in Vestby came into full operation in 2018 and has prolonged the shelf life of fresh refrigerated products by around 0.5-1 day.



→ The shelf life of products in the stores is inversely proportional to the time the same products spend in the warehouse. At ASKO Sentrallager Kjøl, products are on average rolled over in the course of 4-5 days. The very freshest high-volume products only spend a few hours in the facility. So far, the new warehouse has improved the shelf life of fresh refrigerated products by around 0.5-1 day, which is important to maintain the flow of items and avoid products being sold out in the stores. It also helps to reduce food waste, including for customers. The fully automated refrigerated warehouse enables ASKO to offer a wider range of refrigerated products on an efficient basis. It is part of Norway's largest logistics facility and handles 25

per cent of all refrigerated products sold in Norway. Most of the products pass through the warehouse without being touched by any human hands. Via algorithms and 13,000 sensors, food products are handled and packed across the warehouse.

To safeguard food quality, the refrigerated warehouse maintains a constant temperature between 0 and 4 C. This requires a lot of energy. The facility is therefore built to save, generate and recover energy. The solar panel installation at Vestby covers 20 per cent of the new refrigerated warehouse's energy requirement. The energy used for cooling is also recycled, among other things to heat the office building and the snow



NorgesGruppen cooperates with operators in every link of the value chain on preventing and reducing food waste.

melting plant in front of the loading ramps.

## New system for more stable deliveries

→ In 2018, ASKO implemented a new transport management system to make better use of the transport equipment through good planning, stable deliveries and good deviation alerts. The system is one of the most advanced of its type in Europe.

# Joint effort after record-hot summer

The record-high summer temperatures in 2018 challenged farmers, suppliers and stores. They joined forces to resolve this situation.



“MENY rescued 20,000 cauliflowers, promoted them in the stores, and reduced their price.”

→ “The fine summer weather caused a number of fruit and vegetables to ripen prematurely. This presented challenges for producers, who risked having to discard large parts of their harvest,” says Pål Westby, category manager, fruit and vegetables, in NorgesGruppen.

Farmer Heinrich Jung (photo), of Åsnes in Hedmark, is a good example of how many producers struggled with the warm and dry summer. He was to deliver 20,000 organic cauliflowers to Bama in the course of four weeks. The fine weather meant that the entire harvest was ready for delivery within a period of a few days, and tonnes of cauliflowers were at great risk of being discarded or used for pigfeed – until MENY came to the rescue. The chain purchased all of the cauliflowers for Jung, displayed them in its stores, and reduced the price to NOK 19.90 per cauliflower head.

Jung was not alone in taking on this challenge. Many crops to be delivered in the course of the late summer and autumn



were ready for delivery within a very short period. The prolonged drought also meant that many vegetable farmers found it difficult to achieve products of the customary size and quality. Some harvests of, for example, potatoes, leeks, carrots and onions, were far below normal levels. NorgesGruppen therefore relaxed the quality requirements for onions. This was necessary to ensure that producers' harvests were not wasted completely, and to prevent large quantities of onions being discarded.

The cooperation between farmers, Bama and NorgesGruppen was decisive to reducing producers' loss of income, preventing food waste and ensuring predictability in a critical situation.

# The Norwegian cheese adventure

Norway has become a cheese nation and a cheese destination. This may come as a surprise to many, but not to MENY, which has encouraged and promoted Norwegian cheese producers for a number of years – with a particularly intense effort with the 2018 World Cheese awards.



→ Norwegian cheese has developed rapidly in recent years, which culminated when the World Cheese Awards were held in Bergen in November 2018. A Norwegian cheese, Fana cheese from Ostegården, was named the world's best cheese. Two years before, in 2016, Kraftkar from Tingvollst won gold in the World Cheese Awards.

Close to 3,500 cheeses from all over the world were signed up for the 2018 World Cheese Awards. They included 175 cheeses from 58 different cheese factories in Norway. Cheeses from Norway headed the medal table.

Ten years previously, there were virtually no Norwegian craft cheeses in the market, and little customer interest in cheese. Today, MENY offers 100 unique

**“Norwegian cheese is of high quality because we have the world's best milk.”**

Siri Helen Hansen-Barry, World Cheese Awards judge and cheese manager (to the left in the photo).

cheeses from 70 different cheese producers, and Norwegian producers have a 25-30 per cent share of hand-cut cheeses. MENY saw 25 per cent growth in hand-cut Norwegian cheese in 2018.

Norway became a cheese nation through, from other things, the cooperation between MENY and the farm cheesemakers Hanen and TINE. Together they have given Norwegian craft cheese

a boost, raised quality, brought the products into cheese counters and also made a name for the cheeses outside Norway. For MENY, this focus was important in order to offer the best selection and create new trends. MENY was a key partner in the World Cheese Awards in Bergen, and four of the Norwegian judges work for MENY (photo).

## Successful speciality products

Norske Spisefakta 2018 (Ipsos) reports a great interest in selected Norwegian speciality products, particularly from high-income groups. The chains can note this interest and have never before worked more closely with local food suppliers to find new locally produced heritage foods and bring them into the stores.

Read more about locally produced foods on page 32.

# Our chains and concepts

Our store teams are always ready to make tomorrow's retailing less expensive and better, inspire good culinary experiences, and contribute to healthy, green choices.

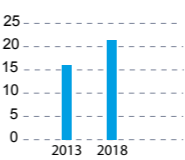


KIWI consolidated its position in the discount segment in 2018, with the highest comparable growth.

## The year in brief

- Reduced prices for e.g. breakfast cereals, Key-hole and diet soft drinks, followed up in 2019 with price reductions for fish, leading to good results.
- Led the field in the nomination of the strongest brand in YouGov's extensive BrandIndex, published in 2018.
- "Cheap dinner for one" was received well by the market, leading to a reduction of food waste.

## Market share %



KIWI's market share was 21.3 per cent in 2018, compared with 16 per cent five years ago.

Source: Nielsen

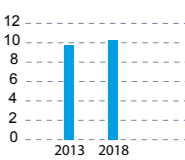


In 2018, Norway's largest range chain had more transactions per store, and customers purchased more items during every visit.

## The year in brief

- MENY scored high in reputation surveys (including RepTrak Norge).
- MENY now offers more dinner concepts that cover various customer requirements.
- In 2018, yesterday's bread, reshelfed fruit and vegetables, the Too-good-to-go app and donations to charitable organisations saved more than 500 tonnes of food ending up as store waste.

## Market share %



MENY's market share was 10.3 per cent in 2018, compared with 9.7 per cent five years ago.

Source: Nielsen

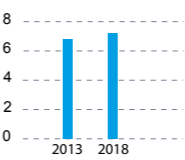


In 2018, the new SPAR Snarøya opened, with a CO<sub>2</sub> footprint reduction by more than 60 per cent.

## The year in brief

- In cooperation with Matbørsen and Bakehuset, the fresh products council developed new, seasonally-matched burgers that are sold hot from the fresh produce department. As a result, SPAR sold more than 1.5 million hamburgers.
- SPAR's online shopping outlet expanded considerably in 2018. The primary focus is Alesund and Bergen.
- In 2019, the SPAR Compact concept is to be established, as a full, locally adapted super-market covering only 300 m<sup>2</sup>.

## Market share %



SPAR's market share was 7.2 per cent in 2018, compared with 6.8 per cent five years ago.

Source: Nielsen

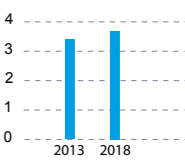


Gained more customers and sold more items in 2018.

## The year in brief

- Growth winner in the local store segment in 2018.
- Their annual customer survey gave a total score of 5.25 out of 6 possible in 2018.
- In the Joker-town ("Joker By") concept, selected stores tested express delivery of groceries via Foodora. The service was received well by customers, and Joker scored highest for customer satisfaction among the Foodora partners.

## Market share %



The market share of Joker and Nærbutikken was 3.7 per cent in 2018, compared with 3.4% five years ago.

Source: Nielsen

## ASKO

ASKO Sentrallager Kjøl had its first full year of operation in 2018, and the Tindafjellet and Skurvenuten wind farms are in operation.

## The year in brief

- For the first time, ASKO is producing renewable energy equivalent to more than 90 per cent of its total electricity consumption.
- In 2018, the shelf life of fresh refrigerated items in the stores improved by around 0.5-1 day, due to SL Kjøl.
- ASKO was named by InnoMag as Norway's eighth most innovative enterprise.

## ASKO distribution, sales



- Groceries
- The catering market

## ASKO number of customers, %



- Groceries
- ASKO Servering, Vinhuset, Storcash and Eureka

ASKO delivers to more than 14,000 customers in the grocery and catering market.



# UNIL

Unil offers unique products and concepts for NorgesGruppen's stores.

**The year in brief**

- During the year, "LilleGo" became well-established among families with young children.
- Jacobs Selected sauces and stocks were relaunched in 2018 and sales have exceeded expectations.
- Unil decided to replace all cans with cartons.



# Bakehuset

Bakehuset is NorgesGruppen's own local bakeries for fresh, frozen and bake-off bread and baked goods.

**The year in brief**

- Launched several new small loaves for KIWI in ecofriendly paper bags, including sourdough bread.
- Launched an improved small-item range for KIWI.
- The "Mjølmmums" wholegrain bread with larvae was developed for MENY.



# JOH. JOHANNSON

— kjent for god kaffe siden 1866

Joh. Johansson Kaffe's brands, Evergood and Ali, are among the strongest in Norway.

**The year in brief**

- The Ali campaign "Support group for nightowls" was launched and was very well-received by the market.
- The new coffee refining facility will be completed in 2019 and will contribute further competitiveness in terms of packaging, quality, efficiency and the environment. Work is continuing to achieve Evergood certification of an even larger proportion of raw materials.



Matbørsen is NorgesGruppen's own kitchen for meal solutions and specially-developed concepts.

**The year in brief**

- "GO" dinner in 1,2,3" for KIWI was the biggest new launch in 2018.
- Close cooperation with MENY in 2018 on the Week's Dinner, Heat & Eat and Take Away dinner concepts.



Since 2003, Deli de Luca has been contributing to better food and beverages on-the-go.

**The year in brief**

- The concept achieved total growth in towns and on the road of 2 per cent in 2018.
- Work on the development and relaunch of a new Deli de Luca town concept.
- 15th anniversary in 2018.



MIX transitioned from newsagents to diners.

**The year in brief**

- 20 stores converted in 2018 and another 30 to be converted in 2019.
- Overall growth of 4 per cent in 2018.
- The focus on ice cream, branded shakes, food and beverages will ensure sustained positive growth.



Jafs has shops offering "fabulous fast food".

**The year in brief**

- Total growth of 28.4 per cent.
- Project design of eight new Jafs stores.
- 57 profiled and 130 associated Jafs stores in 2018.



Storcash offers a broad, locally-focused range to the business market.

**The year in brief**

- Good operating year for Buskerud Storcash.
- "ALWAYS! More from Storcash" exceeded 2,500 members.
- 30 per cent lower energy consumption since 2010.



# Price leader

→ KIWI won most price surveys in 2018, and has won six of the seven last VG food price ratings. During the past 12 months KIWI reduced the prices of diet soft drinks, tacos, pizza, Keyhole items, Christmas items and fish, the latter is now a bonus for KIWI PLUS members. KIWI achieved the highest comparable growth in the market, at 4.1 per cent, in 2018.

# 1.2 million

The number of people shopping in our stores per day, which is around 150,000 more than five years ago.

# Government White Paper on the retail industry

→ The White Paper was published in November 2018. Special attention is paid to the grocery sector. The government wishes to facilitate a strong and competitive retail industry going forward. NorgesGruppen believes that there are three areas of society to which the sector should contribute: community integration, reduction of climate impacts and better public health.



# Slow market, but good growth in existing stores

→ The market growth for traditional grocery stores was 2.8 per cent in 2018 (Nielsen). The market is subject to lower growth, many price campaigns, more discount stores and a strong focus on food waste and reducing plastic. NorgesGruppen achieved growth of 3.3 per cent, of which 2.6 per cent (or 80 per cent of the growth) is comparable growth. This means that NorgesGruppen took market shares in 2018, with more transactions per day and larger shopping baskets.

# 1.1

# BnNOK

saved in Trumf bonus in 2018



# First year of self-produced hydrogen

→ Hydrogen is produced from e.g. energy from our own rooftop solar panels. ASKO wishes to use hydrogen in distribution over long distances.

# Start of the Norwegian Retailer's Environment Fund

→ The Norwegian Retailer's Environment Fund, with funds earmarked for good initiatives to reduce plastic waste, increase recycling of plastic and reduce use of plastic bags, started up in 2018. NorgesGruppen has been involved as an initiator, and our aim is to reduce plastic from our own products and in our own operations by 20 per cent before 2025.



**SPAR opens its first green store**

→ In 2018, SPAR opened its first eco-friendly store. The store is located in Bærum, and contributes to reducing the carbon footprint by around 60 per cent. The store has a sales area of 800 m² and was nominated for the “Timber Structure of the Year” award in 2018.

39.2%

Proportion of female store managers



**ASKO soon to be self-sufficient in renewable energy**

→ In December 2018, ASKO produced renewable energy equivalent to more than 90 per cent of its total electricity consumption. The energy sources are five wind turbines and solar panels covering around 90,000 m². The Tindafjellet windfarm was started up in Q1 2018, and the Skurvenuten windfarm in October 2018.

**NorgesGruppens launches Green Bonds**

→ NorgesGruppen established its first green framework for financing based on Green Bonds. Loans under the green framework will solely be used to finance, or refinance, investments in environmentally-friendly transport and buildings, and renewable energy. NorgesGruppen's green framework has been graded dark green by CICERO, an independent research foundation.

825

Number of NorgesGruppen shareholders, of whom several are retailers.



**Boosting Norwegian cheese**

→ MENY was a partner for the World Cheese Awards in Bergen in the autumn of 2018. Fana cheese from Ostegården in Hordaland was crowned as the world's best cheese, competing with 3,500 cheeses from all over the world.

**Licensed as a finance and payment institution**

→ Based on amendments to the Norwegian Financial Institutions Act, NorgesGruppen saw a need to establish a licence as a financial undertaking, due to our existing financing exposures with retailers and closely affiliated business partners. Furthermore, for several years we have been granted a dispensation concerning company cards used in our stores, and we therefore found it natural to also include payment company in the application.

**NorgesGruppen**  
Group Income Statement

(All amounts in TNOK)	Note	2018	2017
Revenue	4	84 649 792	82 308 168
Other Operating income	22	3 162 926	3 323 421
<b>Total Operating income</b>	4	<b>87 812 718</b>	<b>85 631 589</b>
Cost of Sales		(65 148 516)	(63 298 903)
Salary costs	5	(10 301 031)	(10 049 107)
Other operating expenses		(7 371 639)	(7 045 235)
Depreciation and impairments	6, 7	(2 151 414)	(2 116 473)
Share of profit from associated companies	10	300 218	(69 451)
<b>Total operating expenses</b>		<b>(84 672 382)</b>	<b>(82 579 168)</b>
<b>Operating profit/ (loss)</b>		<b>3 140 337</b>	<b>3 052 420</b>
Finance income	15	122 067	119 350
Finance costs	15	(205 496)	(393 844)
<b>Net financial items</b>		<b>(83 429)</b>	<b>(274 494)</b>
<b>Profit on ordinary activities before tax</b>		<b>3 056 908</b>	<b>2 777 927</b>
Tax on profit on ordinary activities	17	(646 605)	(688 190)
<b>NET PROFIT FOR THE YEAR</b>		<b>2 410 303</b>	<b>2 089 737</b>
Minority interest share of net profit		19 646	41 087
Majority interest share of net profit		2 390 656	2 048 650
Earnings per share / diluted earnings per share	19	61,14	52,33

**A note about notes:** A complete overview with all notes in Norwegian can be found online at [www.norgesgruppen.no/finans/arsregnskap-konsern/noter-til-arsregnskapet/](http://www.norgesgruppen.no/finans/arsregnskap-konsern/noter-til-arsregnskapet/)

# NorgesGruppen

## Group Statement of Comprehensive Income

(All amounts in TNOK)	Note	2018	2017
<b>NET PROFIT FOR THE YEAR</b>		<b>2 410 303</b>	<b>2 089 737</b>
<b>Comprehensive income</b>			
<i>Items that will not be reclassified to income statement</i>			
Actuarial gains and losses on pension schemes	11	(26 707)	(28 991)
Equity effect from associated companies		(33 111)	15 443
Other comprehensive income	24	107	6 566
Tax	17	6 118	5 259
<i>Items that may subsequently be reclassified to income statement</i>			
Gains/ (losses) on cash flow hedges	12	34 087	31 855
Currency translation differences		(3 391)	11 461
Tax on comprehensive income	17	(7 840)	(7 327)
<b>Total comprehensive income/(loss) for the year</b>		<b>(30 737)</b>	<b>34 266</b>
<b>Total net profit for the year</b>		<b>2 379 566</b>	<b>2 124 003</b>
Minority interest share of the profit		34 501	42 867
Majority interest share of the profit		2 345 065	2 081 136

# NorgesGruppen

## Group Balance Sheet per 31. December

(All amounts in TNOK)	Note	2018	2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	7	4 873 070	4 831 864
Deferred tax assets	17	376 482	340 651
Property, plant and equipment	6	16 249 146	15 404 511
Investment property	6	622 670	697 702
Investment in associated companies	10	3 435 617	3 042 306
Other financial assets	23	1 105 455	776 464
Other long-term receivables	16	96 525	97 708
<b>Total fixed assets</b>		<b>26 758 964</b>	<b>25 191 205</b>
<b>Current assets</b>			
Inventories		5 895 922	6 248 931
Accounts receivables and other receivables	23	4 717 653	5 124 947
Other financial assets	16	20 701	23 407
Cash and cash equivalents	16	1 778 162	1 089 616
<b>Total current assets</b>		<b>12 412 437</b>	<b>12 486 902</b>
<b>TOTAL ASSETS</b>		<b>39 171 402</b>	<b>37 678 107</b>

NorgesGruppen  
Group Balance Sheet per 31. December

(All amounts in TNOK)	Note	2018	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Called-up share capital	18	1 825 209	1 825 352
Retained earnings		17 757 787	16 049 217
Non-controlling interests		259 586	260 079
<b>Total equity</b>		<b>19 842 581</b>	<b>18 134 648</b>
<b>LONG-TERM DEBT</b>			
Long-term debt	17	921 450	905 373
Other financial liabilities	11	560 462	521 221
Pension liabilities	13	4 333 225	4 660 942
Deferred taxes	16	43 604	89 168
<b>Total long-term liabilities</b>		<b>5 858 740</b>	<b>6 176 704</b>
<b>Current liabilities</b>			
Account payables		5 438 069	6 094 734
Other short-term liabilities	14	7 384 513	6 567 540
Tax payable	17	647 497	704 482
<b>Total current liabilities</b>		<b>13 470 080</b>	<b>13 366 755</b>
<b>Total liabilities</b>		<b>19 328 820</b>	<b>19 543 459</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39 171 402</b>	<b>37 678 107</b>

Oslo March 21, 2018  
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  
Group statement of changes in equity

(All amounts in TNOK)		Paid-up capital			Retained earnings				Non-con-	
	Note	Share capital	Share premium	Shares	Other equ-ity	Currency transla-tion diffe-rences	Hedging reserve	Total	trolling interests	Total equity
<b>Equity 31.12.15</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>
Profit for the year		-	-	-	2 048 650	-	-	2 048 650	41 087	2 089 737
Other comprehensive income for the year	24	-	-	-	(3 502)	11 461	24 528	32 487	1 780	34 266
<i>Total profit for the year</i>		-	-	-	<i>2 045 147</i>	<i>11 461</i>	<i>24 528</i>	<i>2 081 137</i>	<i>42 867</i>	<i>2 124 004</i>
Changes in shares	18	-	-	(749)	(55 311)	-	-	(56 060)	-	(56 060)
Changes in capital		-	-	-	-	-	-	-	(13 702)	(13 702)
Dividends	18	-	-	-	(626 914)	-	-	(626 914)	(21 168)	(648 082)
<i>Transactions with owners</i>		-	-	<i>(749)</i>	<i>(682 225)</i>	-	-	<i>(682 974)</i>	<i>(34 870)</i>	<i>(717 843)</i>
<b>Equity 31.12.16</b>		<b>400 000</b>	<b>1 434 239</b>	<b>(8 887)</b>	<b>16 032 393</b>	<b>84 162</b>	<b>(67 339)</b>	<b>17 874 568</b>	<b>260 079</b>	<b>18 134 648</b>
Profit for the year		-	-	-	2 390 656	-	-	2 390 656	19 646	2 410 303
Other comprehensive income for the year	24	-	-	-	(68 448)	(3 391)	26 247	(45 592)	14 855	(30 737)
<i>Total profit for the year</i>		-	-	-	<i>2 322 208</i>	<i>(3 391)</i>	<i>26 247</i>	<i>2 345 065</i>	<i>34 501</i>	<i>2 379 566</i>
Changes in shares	18	-	-	(143)	(11 311)	-	-	(11 454)	-	(11 454)
Transactions with minorities		-	-	-	590	-	-	590	(7 770)	(7 180)
Dividends	18	-	-	-	(625 774)	-	-	(625 774)	(27 224)	(652 998)
<i>Transactions with owners</i>		-	-	<i>(143)</i>	<i>(636 495)</i>	-	-	<i>(636 638)</i>	<i>(34 994)</i>	<i>(671 632)</i>
<b>Equity 31.12.17</b>		<b>400 000</b>	<b>1 434 239</b>	<b>(9 030)</b>	<b>17 718 107</b>	<b>80 771</b>	<b>(41 092)</b>	<b>19 582 994</b>	<b>259 586</b>	<b>19 842 581</b>

NorgesGruppen
Group cash flow statement

(All amounts in TNOK)	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit on ordinary activities before tax		3 056 908	2 777 927
Taxes paid in the period	17	(707 471)	(683 859)
Depreciation	6, 7	2 023 736	1 928 485
Impairment	6, 7	127 678	187 987
Changes in financial instruments		599	5 682
Adjustment for non-cash element of pension charge	11	12 534	11 141
Gains/losses arising from sales of property, plant and equipment and financial assets		(44 541)	(71 620)
Income from investments in associated companies	10	(300 218)	69 451
Received dividends from associated companies	10	255 811	266 351
Changes in inventories		353 009	(149 448)
Changes in accounts receivables	23	346 920	(319 134)
Changes in account payables		(656 665)	551 883
Changes in other accruals		(219 700)	607 108
Net cash generated from operations		4 248 601	5 181 954
CASH FLOW FROM INVESTMENT ACTIVITIES:			
Proceeds from sale of property, plant and equipment and investment property		235 719	753 091
Purchase of property, plant and equipment and investment property	6	(3 053 350)	(2 891 596)
Purchase of intangible assets	7	(100 711)	(34 056)
Proceeds from sale of intangible assets		134 954	86 718
Purchase of financial assets		(525 983)	(608 278)
Changes in loans to associated companies	23	(370 153)	119 368
Changes in other long-term liabilities	23	41 162	67 688
Net cash used in investing activities		(3 638 363)	(2 507 065)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of long-term debt	13	4 341 783	4 996 288
Repayment of long-term debt	13	(4 280 363)	(6 332 234)
Change in short-term debt	14	681 341	(252 594)
Repurchase of shares	18	(11 454)	(56 060)
Dividends paid	18	(652 998)	(648 082)
Net cash used in financing activities		78 309	(2 292 682)
Net change in cash and cash equivalents		688 546	382 207
Cash and cash equivalents at beginning of the year.		1 089 616	707 409
Cash and cash equivalents at the end of the year		1 778 162	1 089 616

The Annual Report and Sustainability Report is published by NorgesGruppen ASA. Reservation is made for any errors.

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KIWI / pages 13, 16, 31
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SPAR / page 28
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Would you like to learn more about NorgesGruppen?  
Go to [www.norgesgruppen.no](http://www.norgesgruppen.no)



65 per cent of our stores and retail outlets are owned and operated by independent retailers, of whom many are NorgesGruppen shareholders.

