



**NorgesGruppen's Annual
and Sustainability Report**



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**We make your
everyday easier**



This is NorgesGruppen

NorgesGruppen is a grocery retail company serving the whole of Norway. Every day we work to offer our customers what they expect from us. We want to make tomorrow's retailing less expensive and better, inspire good culinary experiences, and contribute to healthy, green choices.

Our vision is to make your everyday easier while ensuring a sustainable future.

40,000
employees

1.2 million
customer visits every day

25,000
products in our range

850
directly owned grocery stores

950
grocery stores owned by retailers

900
outlets owned by retailers within the retail convenience market

→ An efficient nationwide value chain



From fjord and farm to fork

NorgesGruppen will celebrate its 20th year in business in 2020, but has 150 years of experience as a wholesaler and retailer. Our core business is now wholesale and retail operations in everyday consumer goods. All parts of the value chain - from purchasing and production, through distribution to shopping basket - work towards one and the same goal: to meet customer needs.

The products people want

→ NorgesGruppen has 1,200 partners, ranging from large brand suppliers to small producers of local food. The diversity of our suppliers means that we can offer something for everyone. Our own brands by UNIL, Joh. Johannson Kaffe, MatBørsen and Bakehuset make the product range in our stores unique.

Delivered efficiently to all parts of the country

→ The wholesaler ASKO ensures that customers can go to ready-to-sell stores offering a wide range of goods. Through a nationwide distribution network, ASKO serves all our stores, 14,000 customers in the catering market and a number of independent grocery operators. Efficient and frequent deliveries ensure that store shelves are full of products with a longer shelf life.

To stores where people live

→ NorgesGruppen has stores for every need, including discount prices, quality products, fast solutions or inspirational ideas for great culinary experiences. We have the discount chain KIWI, the supermarket chains MENY and SPAR as well as the local store chains Joker and Nærbutikken. More than half of the stores are owned by independent retailers, and we have stores in 88 per cent of the country's municipalities.

3.1%

growth in operating income in 2019

56%

increase in turnover in MENY's online trading in 2019



Better shopping experiences contribute to profitable customer growth, and we continue to invest in the future

Customer growth in stores, online retail and in the catering market

In a grocery market with increasing industry diversification and changing eating and shopping habits, customer growth in NorgesGruppen's chains is a clear statement of confidence for our entire business. Our comparable growth is 0.4 percentage points better than the overall growth in the grocery market, and MENY is the market's growth winner with 3.4 per cent.

MENY has improved the shopping experience online and in stores, launched new "Matskatter" (food heritage products) and improved customer service through all its grocery employees. KIWI is strengthening its market position in most of our grocery chains, both through comparable growth and new stores. Overall growth of 3.6 per cent means that KIWI has increased its market share by 0.5 percentage points and has strengthened its position as a price leader in the market. VAT-equivalent price reductions on fish products have had a very good effect on both public health and turnover. SPAR has also gained more customers and has increased its market share by 0.1 percentage points. Joker is maintaining its strong local profile and market position. Our online business has grown by 56 per cent in the consumer market, and for catering customers contributes to both customer growth and bigger shops.

The fast-food segment is growing and our retail convenience concepts MIX, Jafs and Deli de Luca are benefiting from this development.

For our companies outside Norway, Dagrofa in Denmark has grown since last year, and Eurocash in Sweden and Pisiffik in Greenland continue to develop positively.

Overall, this represents an increase in operat-

ing income in 2019 of 2.7 BnNOK, which corresponds to 3.1 per cent. We have exceeded 90 BnNOK in total operating income.

We have a leading position in the market, and we have taken several steps for better public health, the environment, and a more sustainable value chain for food

All seven areas of our health initiative showed development in 2019. This means better public health as a result of our customers choosing healthier eating options. We have removed significant amounts of unnecessary plastic, reduced energy consumption and produced more renewable energy. In 2019, ASKO produced more renewable energy than its own energy consumption. We are now using the world's first hydrogen-powered lorry for food deliveries, and we will soon be opening a new and environmentally-friendly wooden-built coffee refinery. We have made further reductions in food waste. A 24 per cent reduction since 2015 means that we are already halfway to achieving a 50 per cent reduction by 2025.

Our stringent animal welfare requirements were put to the test in 2019. This means stricter monitoring and documentation requirements throughout the food value chain. Confidence in safe food is a cornerstone for anyone making a living from producing and selling food.

In ten years, MENY has quadrupled its sales of locally produced food and has now exceeded the one BnNOK mark in sales of Norwegian locally produced and sustainable products. Growth is positive, and we are proud to have 600 small Norwegian, local suppliers on our team. This develops Norway as a food nation.

Significant operational investments

provide better and cheaper shopping experiences, ensure good profitability, and give us the opportunity to continue investing in the future

In 2019, we improved operating profit and continued to deliver stable profitability. Good cost control in all our businesses is crucial to continued profitable growth while competition in the food market remains fierce.

We are constantly working to improve the shopping experience, and the chains must continue to offer low food prices to their customers. This is only possible if ASKO and all other corporate entities continue to perform as well as they are doing currently.

An improved operating result increases our investments because we have long-term owners who make it possible to invest. Despite the fact that the food market is not the most prone to cyclical fluctuations, low price and volume growth in the market indicate that we must take new steps.

We make a difference for many people, and our dedicated employees make a difference for us

1.2 million customer visits every day make it possible for us to help our customers become healthier, and to create a healthier environment and an easier and better life with good food experiences at good prices. There are few if any that can make a difference for so many, and the dedication of each one makes the difference for us. Working with grocery has never been more exciting.

Everything we do is about creating better shopping experiences for our customers. We will make it easier to access good food at low prices across the country. We want to give our customers the opportunity to make healthier and greener choices.

"Dedicated employees help to ensure that shopping experiences are better and that customers are satisfied. This has resulted in customer growth and profitable operations, and the opportunity to continue investing in the future."

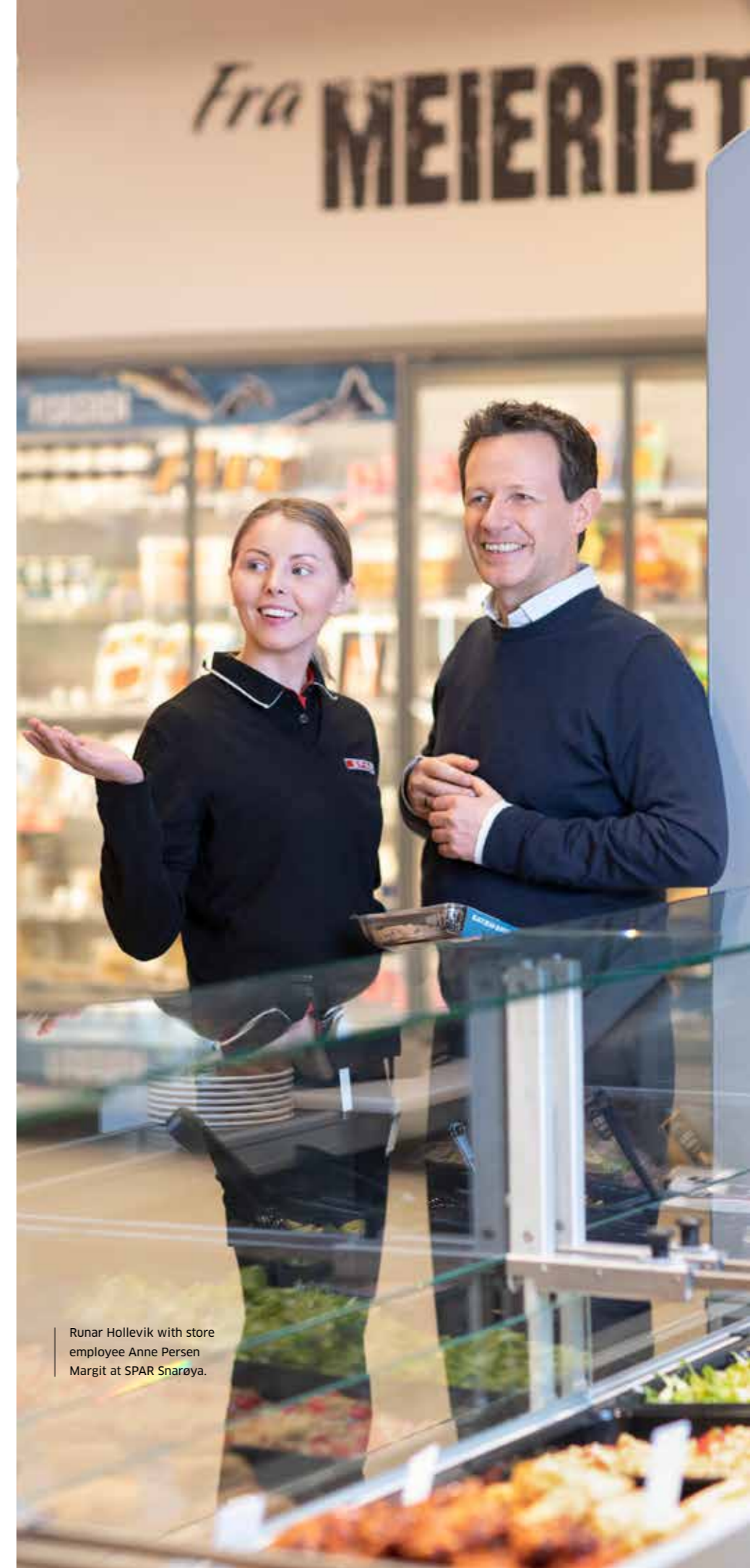
Runar Hollevik

This requires the best and most dedicated employees. Their dedication builds a sense of pride and a winning culture, and we will manage it with great humility. We have thousands of employees at ASKO, in our stores, in our manufacturing operations and in the underlying corporate and support functions. Making sure everyone does their best and support each other well makes all the difference for us. I would like to sum up 2019 with a big thank you to all our dedicated staff who have helped to improve shopping experiences for our customers.

In 2020, the whole world has been preoccupied with measures to contain the spread of the coronavirus. We are all having a very demanding year. The food industry has a socially critical function to ensure that people have food while reducing the risk of infection. I am proud of and impressed with the work our employees are doing to ensure that the whole country has access to vital goods.



Runar Hollevik / Group CEO, NorgesGruppen



Runar Hollevik with store employee Anne Persen Margit at SPAR Snarøya.

Market and trends

Major trends in society also affect our industry. Demographic changes, the impact of climate change on food production, increased digitalisation and significant industry fragmentation are some of the drivers. We are working to meet these challenges in the best possible way.



Industry diversification and increased competition

New operators and sales channels are changing the competitive environment for the grocery industry. Far more operators are selling groceries and food-on-the-go than was the case previously. In recent years, sales growth in the catering market, border shops, online stores and specialised stores has exceeded that of grocery stores. 5 in every 10 people say they shop for groceries in stores other than traditional grocery stores (Nielsen Shopper Trends). The grocery market is part of the overall food and beverage market, which accounts for around 300 BnNOK, including border trade. Traditional groceries account for 60.5 per cent of the food market and NorgesGruppen including grocery-owned operations had a 27.7 per cent share of this market. (Source: Andhøy/Virke)

How NorgesGruppen responds

- We offer customers an attractive and sustainable range, inspire good culinary experiences and help customers save time and money.
- See the section headed Customers (pages 20–27)

60.5%

Grocery's share of the food market.
Source: Andhøy/Virke



Changes in demographics

Population growth is flattening out in Norway, but not in urban areas. Young people are being drawn into the towns and cities, while the elderly remain in the districts. An aging population and increased differences between town and country mean that those operating in the industry must look at distribution and product range in a new light. Income differences are increasing.

Studies show that consumers shop for food a little less frequently than before (Nielsen Norske Dagligvarekjeder 2019), but we still shop for food more than three times a week. On average, Norwegians have 4.6 chains within shopping distance of where they live. This is an increase for the first time in five years. On average, Norwegians are still shopping in 3.5 different chains over the course of a month. The wholesale market is growing and accounts for almost 20 per cent of food expenditure (NorgesGruppen's Kjedetrapper [NorgesGruppen's Chain Tracker]).

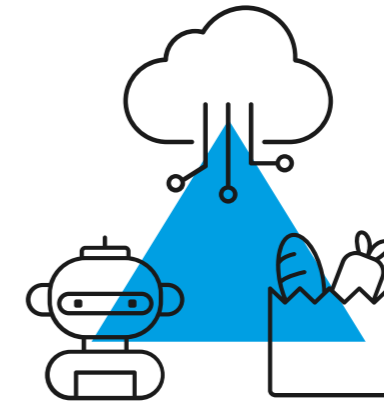
How NorgesGruppen responds

- We will ensure efficient and optimal distribution where population growth is greatest.
- We shall aim to offer our customers an attractive range, adapted to geographical and demographic differences.
- We offer the best prices every single day, for example through the discount chain KIWI

See the section headed Customers (pages 20–27)

Digitalisation

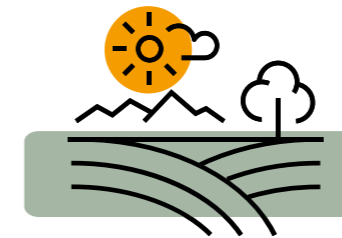
Development in technology and digitalisation open up new opportunities to further develop retail operations and increase productivity. Self-service stores, door-to-door delivery, increased automation and new models for online grocery stores and digital marketplaces. International operators are teaming up in procurement and technology – all these factors will change how we shop in the future.



How NorgesGruppen responds

- We are developing more seamless shopping experiences for our customers, including self-service and online shopping.
- We are improving productivity every year and are using simpler routines, such as best-before-date alerts, to make store operations increasingly efficient for retailers.

See the section headed Customers (pages 20–27)



Food production

The way we produce food will change in the coming years, especially due to climate change, population growth and changes in diet. Norwegian agriculture has entered into an agreement with the government to reduce greenhouse gas emissions, and investments are being made in new and exciting production methods.

How NorgesGruppen responds

- We will initiate the development of new, sustainable and effective products and solutions throughout the food value chain.

See section headed Collaboration (pages 28–33) and Society (pages 38–44)



Differentiation

Overall shopping experience, unique product categories and expertise are becoming increasingly important in the battle to win grocery customers. It is important that the chains offer and develop products that are in demand from their customers in order to stand out and sell more.

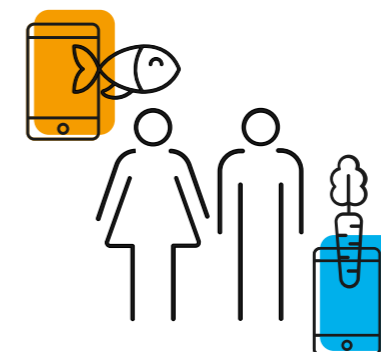
How NorgesGruppen responds

- We are constantly working with our partners on product development to offer unique and good culinary experiences based on customers' changing preferences. For example, the development of sustainable products is important for tomorrow's customers.

See the section headed Customers (pages 20–27)

Relevance

Tailoring and customising the product range to customers is more important than ever. Customers want relevant offers. We are seeing more personalisation, bespoke offers and personal assistants. More and more customers are showing interest and increasing willingness to pay for unique and sustainable products.



NorgesGruppen's strategy

- We are constantly working with our partners to offer good and unique culinary experiences.
- We are also offering customers tailor-made and digital offers based on each individual's shopping.

See the section headed Customers (pages 20–27)

Sound growth in a tough market

Our results in 2019 show that we gain the customer confidence to develop further. We are also working smarter and more efficiently. Operating profit has improved and profitability is stable.

Financial performance

Operating income in 2019* was 90,504 MNOK compared to 87,813 MNOK in 2018. The 3.1 per cent increase reflects good customer growth in our grocery chains despite strong competition from many different sales channels and operators. KIWI delivered good results and strengthened its market position, while MENY was the chain with the highest comparable growth in the market in 2019. Both are managing to find the right pricing and product range for their customer groups and offer good shopping experiences.

As of 1 January 2019, Dagligvaregruppen Tromsø became a subsidiary of NorgesGruppen and is therefore included in the accounts. This has also had a positive impact on turnover.

In Scandinavia, Dagrofa in Denmark performed better than before, with the MENY



Mette Lier
Group Director for Economics and Finance

stores showing good customer growth. In Greenland, Pisiffik performed well, and in Sweden Eurocash, which we own together with Axfood, did well in the market.

Operating profit (EBIT) was 3,650 MNOK in 2019, up 510 MNOK from the previous year. This resulted in an operating margin (EBIT) of 4.0 per cent, compared with 3.6 per cent in 2018.

Good cost development and more efficient operations have had a positive impact on earnings. Operating income per man-year has increased by an average of 4 per cent annually since 2012. At the same time, we are one of Norway's largest employers and have employed approximately 3,000 more people since 2014, a growth of 7.8 per cent.

Price increases for food and beverages in 2019 continued to be low at 1.0 per cent, while prices for goods and services in society in general rose by 2.2 per cent (SSB-Statistics Norway). Annual wage growth in the same period was 3.1 per cent. When we compare wage growth in the retail

trade over a ten-year period, we see that prices out of stores have increased by 21 per cent, while wage growth in the same period was 31.8 per cent (SSB, 2008-2018).

ASKO has improved productivity by more than 15.5 per cent in the last five years. In 2019, ASKO produced 4.1 per cent more packages per hour compared to 2018.

Profit before tax was 3,450 MNOK. This equates to a profit margin of 3.8 per cent in 2019, compared to 3.5 per cent in 2018. The annual profit was MNOK 2,746, which corresponds to a margin of 3.0 per cent of operating income.

NorgesGruppen made a write-down following the bankruptcy of Cosmetic Group in the autumn of 2019.

A solid Group

NorgesGruppen adjusts equity and the rest of its financing structure to the company's objective, strategy and risk profile. The Group's equity at 31.12.2019 amounted to 21,930 MNOK. This is equivalent to an equity ratio of 53.2 per cent. Net interest-bearing debt was 4,467 MNOK at 31.12.2019.

IFRS 16 – new accounting standard

NorgesGruppen has implemented a new accounting standard for leases (IFRS 16). IFRS 16 means that the balance sheet must reflect all leases including both liabilities and associated right-to-use assets. 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.

Rental costs are moved from other operating

costs and distributed between depreciation and interest costs. This means that EBITDA, in particular, but also operating profit EBIT, will be higher.

IFRS 16 positively affects EBITDA margin by 2.4 percentage points to 8.4 per cent and EBIT margin positively by 0.7 percentage point to 4.7 per cent.

In the first years of IFRS 16, the profit before tax is somewhat lower due to the effects of interest rate elements. Recognition of lease obligations and right-of-use results in an increase in total assets and liabilities. According to IFRS 16, the Group has an equity ratio of 36 per cent.

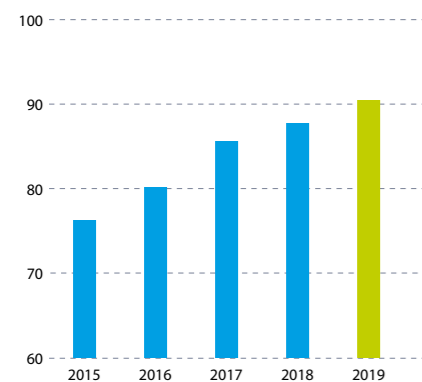
Investing with a long-term perspective

Net cash flow from investing activities was 3,760 MNOK. Every year, NorgesGruppen invests significant amounts in efficient oper-

* We have chosen to comment on economic performance excluding IFRS 16 because it gives a more accurate picture of performance compared to the previous year.

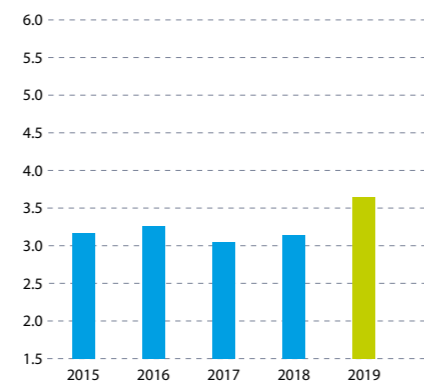
Operating revenues

Amounts in BNOK (excl. IFRS 16)



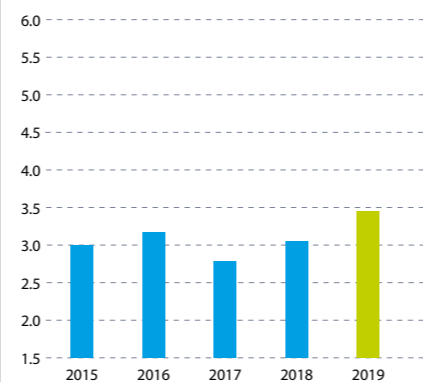
Operating profit (EBIT)

Amounts in BNOK (excl. IFRS 16)



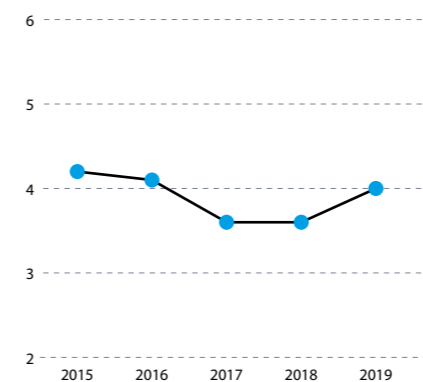
Profit before tax

Amounts in BNOK (excl. IFRS 16)



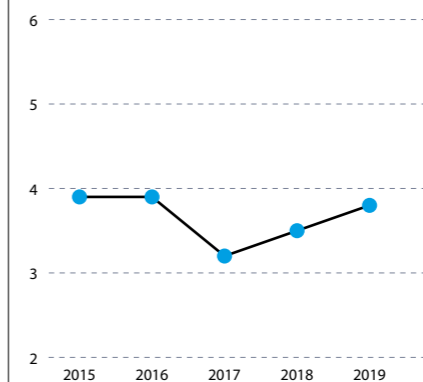
Operating margin EBIT

Per cent (excl. IFRS 16)



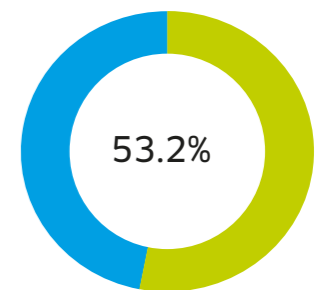
Profit margin

Per cent (excl. IFRS 16)



Equity ratio 2019

Per cent (excl. IFRS 16)



Financial highlights for the Group (excl. IFRS 16)

| Result | | 2019 excl. IFRS 16 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|-----------------------|--------|--------|--------|--------|
| Total operating income | MNOK | 90,504 | 87,813 | 85,632 | 80,162 | 76,224 |
| Simplified cash flow (EBITDA) ¹⁾ | MNOK | 5,325 | 4,992 | 5,238 | 4,846 | 4,729 |
| Operating profit (EBIT) | MNOK | 3,650 | 3,140 | 3,052 | 3,266 | 3,170 |
| Ordinary profit before tax | MNOK | 3,450 | 3,057 | 2,778 | 3,164 | 3,001 |
| Profit for the year | MNOK | 2,746 | 2,410 | 2,090 | 2,465 | 2,361 |
| Shares | | | | | | |
| Earnings per share ²⁾ | MNOK | 69.34 | 61.14 | 52.33 | 62.3 | 59.58 |
| 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 | 18.00 | 16.00 | 16.00 | 16.00 | 15.00 |
| Capital | | | | | | |
| Total capital | MNOK | 41,248 | 39,171 | 37,678 | 36,382 | 35,104 |
| Equity | MNOK | 21,930 | 19,843 | 18,135 | 16,728 | 14,820 |
| Equity ratio | % | 53.2 | 50.7 | 48.1 | 46.0 | 42.2 |
| Net interest-bearing debt | MNOK | 4,467 | 3,791 | 4,177 | 5,578 | 7,100 |
| Profitability | | | | | | |
| Operating margin, EBITDA ³⁾ | % | 5.9 | 5.7 | 6.1 | 6.0 | 6.2 |
| Operating margin ⁴⁾ | % | 4.0 | 3.6 | 3.6 | 4.1 | 4.2 |
| Profit margin ⁵⁾ | % | 3.8 | 3.5 | 3.2 | 3.9 | 3.9 |
| Return on capital employed ⁶⁾ | % | 14.6 | 13.7 | 13.7 | 14.8 | 15.0 |

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) EBIT/average equity + interest-bearing debt

→ ations, environmentally-friendly solutions, strong chain concepts, and expertise. In 2019, we invested 4,669 MNOK, i.e. 1.7 times more than our annual profit.

Return on capital employed was 14.6 per cent in the last rolling 12 months.

Some of the sustainability goals set in NorgesGruppen requires investments in environmentally-friendly solutions that trigger additional costs, for example in construction. Annual additional costs for environmental investments amount to approximately 300 MNOK on average. Although testing new low-emission solutions in the short term requires higher investments, we believe it is necessary to become climate-neutral in the future.

We now use hydrogen-powered lorries in central Norway, and we want to use rail instead of lorries where possible. ASKO has for a long time been working to find good solutions for deliveries to Nordland and Bodø to reduce both the environmental impact and transport costs. ASKO Mid-Norway's goods transportation from Trondheim to Bodø is now being moved from road to rail. This will result in 13,000 fewer lorries on the roads in Nordland annually. In 2020, Norway's largest wooden-built industrial building will also be completed. This is our new coffee refinery at Vestby, which is aiming to gain Breeam Excellent certification.

We have been in the bond and certificate market since 2004. It was natural for us to follow up with designated green funding for

investments in green buildings, renewable energy and clean transport. We issued our first green framework in January 2019. The first loan under this framework amounted to 400 MNOK and was issued in February 2019. There was a lot of interest and over-subscription. We listed the loan on the Oslo Stock Exchange's green list in June. Just before the turn of the year, we issued our second loan of 500 MNOK under the same framework. Our first investor reporting will take place in the spring of 2020 and will be based on our established integrated reporting.

We report on our sustainability goals in a systematic, open and honest way. This means that we have a coordinated and coherent approach to goal setting, budgeting, finance and sustainability reporting.

Key figures

| | Unit | 2019 | 2018 | 2017 |
|--|--------------------|-------|-------|-------|
| The customers' first choice | | | | |
| Saved Trumf bonus | MNOK | 1,225 | 1,081 | 1,005 |
| Number of Trumf members | Numbers (in mill.) | 2.39 | 2.21 | 2.06 |
| Customers per day | Numbers (in mill.) | 1.24 | 1.21 | 1.20 |
| Comparable growth, NorgesGruppen | % | 1.7 | 2.6 | 1.3 |
| The Apeland Reputation survey - NorgesGruppen | % | 72.8 | 70.6 | 68.6 |
| NorgesGruppen's market share of the grocery market | % | - | 27.7 | 27.7 |
| Competitiveness throughout the value chain | | | | |
| Annual productivity improvement in stock | % | 4.1 | 11.1 | 2.7 |
| Percentage of empty space shelves | % | 3.1 | 4.0 | 3.7 |
| Increased durability of fresh produce | Days | 0.8 | - | - |
| Operating income per man-year | MNOK | 6.1 | 6.0 | 5.8 |
| Investments as a percentage of annual profit | % | 171 | 131 | 140 |
| Sustainable and climate-neutral | | | | |
| Additional cost of environmental investments | MNOK | 240 | 312 | 324 |
| Production of renewable energy for own consumption | % | 9 | 4.5 | 0.6 |
| Reduction in food waste since 2015 | % | -24 | -21 | -19 |
| Fish and seafood sales (comparable development in volume per year) | % | +1.2 | -1.1 | -2.9 |
| Keyhole Products ('Nøkkelhull') | % | 20.1 | 19.7 | 19.1 |
| Apprentices (current) | Number | 473 | 437 | 376 |
| Growth in locally produced food compared to NorgesGruppen's overall growth | % | 2.5 | 2.2 | 3.9 |

Framework conditions

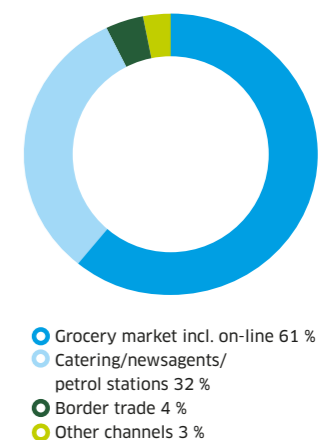
In the past year, the Norwegian Competition Authority has conducted surveys in the industry to investigate competitive conditions in the grocery market. The Competition Act is important to customers, and NorgesGruppen has been liaising closely with the Norwegian Competition Authority in regard to supplier terms and prices. We have endeavoured to contribute in a constructive and collaborative spirit. A parliamentary report on competition conditions in the grocery industry is expected to be published in 2020.

Business risk and opportunities

We are gearing up for a changing market with sustained low growth in traditional groceries. In an industry where large vol-

umes are crucial to ensuring profitability, we must continuously work with top-line growth while also finding smarter ways to work. Attractive promotions, products that meet customer needs, simpler shopping experiences and ready-to-sell stores are examples of measures that provide top-line growth. Over the past year, we have expanded the capacity of fresh refrigerated products, launched date alerts in stores, and worked systematically on food loss and waste reduction. Moreover, our automated supply solution now manages over 80 per cent of grocery stores and goods volume. These are measures that result in good cost development.

Total grocery market is 300 billion NOK



Source: SSB/Virke/Andhøy

Important events in 2019

MENY online retailing increased

→ MENY's online sales amounted to 328 MNOK in 2019. This is an increase of 56 MNOK since 2018. The goal for 2020 is to achieve a turnover of nearly half a billion kroner. About 65 per cent of Norway's population has access to MENY's online business. The number of customers increased by almost 60 per cent.



Fish consumption on the rise

→ Sales of fish and seafood increased in 2019, driven by KIWI's promotion and subsequent Trumf bonus in KIWI PLUSS. KIWI PLUSS members now have a 15 per cent Trumf bonus on all freshly-packed fish, in addition to all fresh fruit and vegetables, and membership is still increasing.

More customers in the supermarkets

→ MENY achieved 3.4 per cent comparable growth in 2019. The chains had good customer growth and the best comparable growth in the market. Norway's food and beverage market totals approximately 300 BnNOK, of which grocery stores account for about 60 per cent of the turnover (Source: Andhøy/Virke). The grocery stores still show low growth.

1,225
MNOK
saved as Trumf bonus in 2019



Customer growth

→ The number of Trumf members increased by 180,000 in 2019 and savings in Trumf bonuses increased by 144 MNOK. 1.24 million consumers visited our stores every day.

New environmental flagship

→ In 2019, KIWI Lerberg opened in Hokksund, where the KIWI adventure started 40 years ago. The new eco-store reduces CO₂ emissions by 60 per cent, halves power consumption and has bee boxes on the roof.



New payment solutions and in-store banking services

→ From the spring of 2020, in-store banking services will be available in over 1,400 KIWI and MENY stores, as well as SPAR and Joker stores across the country. NorgesGruppen's stores opened for contactless payment in January 2020.



Investing in start-up companies

→ NorgesGruppen buys up smaller companies to help them grow. NorgesGruppen has invested in Forte Digital, which has expertise in user-oriented solutions, and in N2 Applied, which has developed a technology for more environmentally-friendly practices in agriculture.



Commitment to locally-produced food

→ More than 450 small and medium-sized suppliers supplied over 2,500 different products to MENY in 2019. Sales of Food Heritage ("Matskatter") products from MENY increased by almost 6 per cent to 1 BnNOK from 2018 to 2019.

24%
reduction in food waste
in 2019

Improved climate-friendly distribution

→ ASKO launched the world's first hydrogen-powered distribution vehicles at the start of 2020. The distribution vehicles are electrically powered from fuel cells that use hydrogen as fuel. In addition, we are transferring goods transport in Nordland from road to train. In 2019, ASKO won a sustainability award from its customer Nordic Choice Hotels.

Renewed agreements with the Church City Mission (Kirkens Bymisjon) and MSF

→ NorgesGruppen has renewed its partnership agreements with the Church City Mission and MSFR (Médecins sans frontières [Doctors Without Borders]).

Sustainability across the board



The values we create at NorgesGruppen shall contribute to sustainable development for the society and for the company. We have set specific, ambitious targets and report openly and honestly on what we have achieved and what we need to do.

→ We are dedicated to reducing our climate and environmental footprint and contributing to better public health. We provide a diverse and inclusive work environment. We create jobs and values across the country, and work to ensure a sustainable value chain. We have clear ethical guidelines and demand honesty and integrity in all matters pertaining to our business operations.

Clear instructions, long-term commitment

Our five action areas are rooted in the steadfast determination and desire of the Board of Directors, owners and management. We will contribute where we have the greatest opportunity to make a positive difference and where we see business opportunities. Sustainability is an integrated part of everything we do. We report on sustainability in line with our other financial goals. Our goals and performance for the five areas are presented on pages 59 to 63.

New strategy period up to 2025

We are now entering a new strategy period up to 2025. Our ambition is to press ahead with sustainability and become climate-neutral in our operations. We will continue to work on all our goals, and will raise ambitions in many areas. We know that effective and sustainable solutions are urgent, especially when it comes to climate and the environment. We believe that we have

been at the forefront of this area for several years and promise to uphold our ambitions. We are working, for example, at develop-



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.

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

—
NorgesGruppen's definition of sustainability

ing fully electric transport chain. We were the first retail company to establish a green framework for bond loans in 2019, and we will take responsibility for creating sustainable collaboration throughout the food value chain in the years to come.

Key environmental investments

Some of NorgesGruppen's sustainability goals require investments in environmentally-friendly solutions that entail additional costs, for example in construction. Annual additional costs for environmental investments amount to approximately 300 MNOK. Although testing new low-emission solutions in the short term can be more expensive, we believe it will pay for us to make an early start.

We are experiencing increasing interest from financial stakeholders regarding ESG information, i.e. information on environmental, social and governance relating to our business. These areas are covered by our sustainability goals.

In the model on the next page, we have listed sustainability measures, including those we consider to be good business opportunities and those that ensure responsible operations.

| Business opportunities | | Responsible operations |
|---|---|---|
| <ul style="list-style-type: none"> New products for customers who want healthier solutions with less salt, sugar and saturated fat Inspiring customers to opt for good, nutritious culinary experiences <ul style="list-style-type: none"> Healthier choices through price reductions, product improvements and changes in terms of where goods are displayed in stores | <p>A healthier Norway</p> | <ul style="list-style-type: none"> Working with government and industry on joint commitments Contributing to the development of knowledge of what helps to improve diet |
| <ul style="list-style-type: none"> Environmentally-friendly options for customers Leading the way in terms of the provision of eco-friendly stores and renewable and efficient transport and distribution <ul style="list-style-type: none"> Reducing food waste Reducing plastic packaging | <p>An eco-friendly Norway</p> | <ul style="list-style-type: none"> Using renewables and phasing out fossil fuels Streamlining energy use and increasing the share of renewable energy Phasing out HFC gases Working with the circular economy and increasing the amount of waste recycling Reducing food waste Reducing plastic waste and improving plastic recycling |
| <ul style="list-style-type: none"> Creating a diverse working environment with dedicated employees Using expertise and diversity to develop value creation | <p>A diverse Norway</p> | <ul style="list-style-type: none"> Offering apprenticeship and vocational training positions Making a contribution to integration and language learning Achieving better gender balance in every part and every level of the business |
| <ul style="list-style-type: none"> Competitive stores throughout Norway Being the preferred partner for locally produced food and developing food culture Inspiring customers to opt for Norwegian agricultural produce | <p>A thriving Norway</p> | <ul style="list-style-type: none"> Offering food retailers good conditions Supporting the role that local stores play as places for people to meet Helping to increase diversity, raise quality and promote sustainability in Norwegian locally produced food and agricultural production |
| <ul style="list-style-type: none"> Showing that products come from a sustainable value chain Focusing on sustainability in our own food production Offering a rich selection of ethically and environmentally certified products | <p>A sustainable value chain</p> | <ul style="list-style-type: none"> Zero tolerance for corruption Ethical guidelines and good corporate management Ensuring that suppliers have systems in place to protect food safety, employee rights, the environment and animal welfare Helping to prevent deforestation Ensuring that fish and seafood are from sustainable stocks with responsible fishing and farming methods Preventing food waste Removing unwanted substances (from non-food) Ensuring good product safety management |

* The table is not exhaustive.

NorgesGuppen's initiatives to achieve the UN's Sustainable Development Goals

The UN Sustainable Development Goals are a common global roadmap to eradicate poverty, combat inequality and reduce climate change by 2030. Through increased focus on sustainability, NorgesGruppen is also contributing to the world community's achievement of these goals.

NorgesGruppen has defined five action areas for sustainability. Each of them corresponds to one or several of the UN Sustainable Development Goals, and below we explain how we contribute to achieving these. In the next sections of the report, we have included examples

of good sustainable practices, and shown how far we have come in reaching our own goals. We work to contribute to a sustainable global footprint - both today and in 2030.



HEALTH AND PUBLIC HEALTH: A healthier Norway

NorgesGruppen wants to make it easier to eat more healthily, and improve public health, for example by selling more fruit and vegetables, wholegrain products and fish, and reducing salt, sugar and saturated fat in our products. We must ensure safe food, and help to make it easier to live healthily, with consumption that is sustainable in the long run. We are also working with the rest of the food industry to further develop sustainable food production.



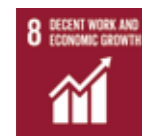
ENVIRONMENT AND CLIMATE: An eco-friendly Norway

NorgesGruppen aims to be a climate-neutral company, and to spearhead the development of eco-friendly products, renewable energy and climate-friendly transport. Climate measures throughout the value chain, with measures to reduce and make use of waste, are important for achieving more sustainable use of resources and consumption.



PEOPLE AND DIVERSITY: A diverse Norway

NorgesGruppen must safeguard the rights, health and safety of our employees, and the manpower included in our value chain. For example, this means equal pay for equal work, a good learning environment and effective integration. We are now doubling the number of apprentices and vocational training positions by 2020.



DISTRICTS: A thriving Norway

NorgesGruppen has stores and warehouses all over Norway, and therefore plays a big role in determining where people live and work. Promoting sustainable agriculture, and supporting and developing small and medium-sized locally-produced food suppliers, are examples of how we contribute to sustaining economic growth throughout Norway.



A sustainable value chain

By promoting sustainability in the value chain we are contributing to protecting employment rights, reducing impacts on climate, the environment and resources, and safeguarding the welfare of animals on land and at sea. We will contribute to more sustainable agriculture, and make production and consumption more sustainable overall.



Realising our ambitions



Our contribution

→ WE HAVE



Stores where people live

We have stores in 88 per cent of Norway's municipalities and we wish to maintain a strong local presence. This is important for settlements in rural areas.

Effective 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.

Strong expertise

For generations, more than 40,000 retailers and employees connected to NorgesGruppen have provided service and know-how in line with customers' needs and requirements. 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, have laid the foundation for investment in more environmentally-friendly distribution, technology, and strong chain concepts. Management and future values take precedence over short-term gains. We have 150 years of experience in the retail and wholesale business.

→ WE WILL

VISION

Our vision is to make your everyday easier.

VALUES

- Customer-focused
- Responsible
- Collaborative

AMBITIONS

Setting the course for the long term and setting guidelines for our priorities and goals.

→ The customer's first choice

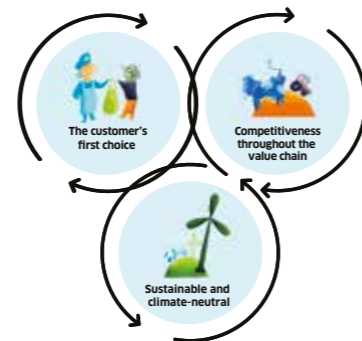
We will make tomorrow's shopping experience less expensive and better, inspire good culinary experiences, and contribute to healthier and greener choices.

→ 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.

→ 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.



MANAGEMENT MODEL

Ensuring implementation of our decisions so that we can achieve our vision, ambitions, goals and priorities.

- Independent business areas
- Decentralised decisions
- Economies of scale and effective value chain
- Internal competition requirements

– WE MAKE YOUR EVERYDAY EASIER

→ WE CONTRIBUTE

Customers

NorgesGruppen gives consumers options through supermarkets, 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 2019.



Retailers

Retailers choose to be part of NorgesGruppen because we guarantee them a strong operating base. 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.



Employees

We wish 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 their good work with apprentices, vocational training and skills development. As one of Norway's largest employers, we wish to offer work experience to people outside the labour market, as well as to those who are in their first job.



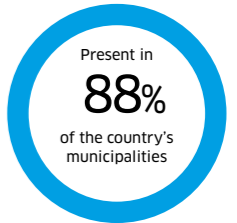
Suppliers

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.



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.



Owners

Our shareholders engage in the company's development and achieve competitive returns on their shares. NorgesGruppen has 796 shareholders, of whom many are retailers. To ensure long-term value creation, most of the company's profit is re-invested in the company.


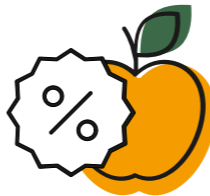



Customers

We live by our customers' trust. Every day, our employees are ready to offer the shopping experiences, prices and product range that our customers expect from us.



Market-driving forces

| Trends | Status | Opportunities | What we do |
|---|---|--|--|
| <p style="text-align: center;">↓</p> <p>Ready-meal solutions</p>  | <p style="text-align: center;">↓</p> <p>→ There is increasing demand for food-on-the-go and simple meal solutions in stores and retail outlets. Consumers eat more frequently and rely on snacks in their busy everyday lives. This reinforces the need for simple and fast meal solutions.</p> | <p style="text-align: center;">↓</p> <p>→ Grocery stores can offer ready lunches and simple dinner solutions. For retail outlets that attract a large number of people who are busy, food-on-the-go could be one of their most important product categories.</p> | <p style="text-align: center;">↓</p> <p>→ Both discount stores and supermarkets have adapted and changed their range to offer more easy meal solutions. MENY has taken a clear position with its dinner solutions. In 2019, MENY at Oslo City was re-opened targeting customers on the go with pizza, sushi and baked goods.</p> |
| <p>Discounts and offers</p>  | <p>→ Price is still the most important factor in determining in which store customers choose to shop, and studies indicate that this will continue. Regular price surveys in the media also help to raise price awareness among Norwegian consumers. In 2019, food and drink prices increased less than those for other goods and services in Norway (Source: SSB - Statistics Norway).</p> | <p>→ Discount stores have seen their strongest growth in recent years, and have an added advantage over consumers by being able to compete strongly on price. Consumers tend to think of supermarkets and district stores as being more expensive.</p> | <p>→ No other chains have won as many price surveys as KIWI. The chain has had uninterrupted growth for 40 years and continued profit growth in 2019, but MENY has improved its price positioning and been a growth winner throughout 2019. Norges-Gruppen negotiates with its suppliers and is improving productivity annually to be able to offer low food prices.</p> |
| <p>Increased awareness of sustainable choices</p>  | <p>→ Customers are becoming increasingly aware of where they shop and what they shop for. More than ever, people want to know how the food they buy is produced, whether provision has been made for good animal welfare and whether what they are buying is good for their health. Willingness to pay more is greater for something that is different, and there is a general preference to purchase goods that come from smaller or local producers than from large and global companies.</p> | <p>→ Ecology, health-related products and climate labeling are used to generate more sales and differentiation.</p> | <p>→ All the chains in Norges-Gruppen are working hard to increase sales of healthy products and reduce sales of unhealthy products. They are also focusing on offering a good product selection of alternative protein sources, as well as information and knowledge about how the products are produced and the requirements that are made.</p> |

Easier and better shopping experience on customers' terms

We are making significant investments every year to continuously improve our expertise, product selection, pricing and customer-related services. The retailers that attract grocery customers are those that are constantly striving to provide the best shopping experience.

180,000

Number of new Trumf members in 2019

→ It is about making grocery shopping as simple and flexible as possible for every customer and household. With the consent of our customers, we can use information about their purchase data to make their shopping experience as easy as possible.

The customer's shopping experience

Grocery stores are undergoing a process of modernisation where the customer's shopping experience is the focal point. This process began with digital discount coupons, based on the customer's product purchases and automatically generated shopping lists, to help develop online commerce and bring about the cashless shopping of the future. Self-service checkouts make the shopping experience more efficient for many customers, and from January 2020 customers have been able to pay contactless in store. Developments will continue at a rapid pace in 2020 and in the coming years.

NorgesGruppen is working hard to ensure that the customers' shopping experience is as simple and flexible as possible, and that they are able to pay in whatever way they want. Customers should also be able to decide how they want to use their Trumf bonus. For the past year, therefore, our stores have opened up for customers to pay with a Trumf bonus at the checkout or online. Use the bonus in store, use it for travelling, or simply transfer it to your bank account.

Trumf offers opportunities

Use of purchase history requires the customer to be a Trumf member. In 2019,



159,000 customers chose to become new Trumf members. We are very pleased with this. KIWI accounted for most of the growth, thanks largely to the fact that KIWI PLUSS was expanded to include fresh fish.

In 2020, we expect customers to save even more. In 2019, members received bonus savings on electricity and travel. The ViaTrumf concept has over 200 online stores and travel operators that offer high bonuses. There was almost 50 per cent growth in 2019. We believe it is possi-

ble for our members to save at least 100 MNOK or more by using ViaTrumf when travelling or shopping online.

Purchasing history from Trumf makes it possible to offer customers better information on purchases and diet. We find that this is what customers want, and we are therefore working on solutions that enable customers to compare their diet with the advice given by the authorities. They will also be able to see how their diet changes over time.

We are making significant investments in preparing for the shopping experience of the future. This in turn will strengthen our competitiveness. In 2019, NorgesGruppen invested in shares in Forte_Digital, which has the expertise to work with user-oriented solutions and a digital service platform. The collaboration helps us have an architecture that supports rapid digital development.

Popular price leader

In 2019, we did further work to promote public health and offer low prices. At the same time, KIWI is again delivering good results.

→ KIWI has long been the little challenger in the grocery market. The chain has grown every year thanks to satisfied customers and talented employees.

KIWI also comes out on top in a number of customer and reputation surveys: Sustainable Brand Index which identifies Norway's most sustainable brand, the YouGov Brand Index which shows which brand is most positively mentioned, and Apeland's annual reputation survey.



Reducing social differences

Price is an effective tool for moving customers gradually towards a healthier diet in line with government recommendations. KIWI's attitude is that choosing a healthy diet has to be worth it. Never before have KIWI's customers saved more bonuses than they did in 2019. Trumf savings increased by almost 15 per cent to 1.23 BnNOK, and KIWI accounted for most of this growth. This was due to both more members and the fact that freshly packed fish were included with a 15 per cent bonus in KIWI PLUSS along with fruit and vegetables. KIWI's focus on fresh fish contributed strongly to the increase in sales of fish and seafood in 2019, after several years of falling sales volumes. Sales of fresh fish increased by a full 23 per cent in one year.

According to surveys carried out by GreeNudge for NorgesGruppen, greater variety and better availability as well as low prices for fruits and vegetables have contributed to increased sales. The results came after the fruit and vegetable sections were moved as close as possible to the store entrance and were given more space. Overall, sales of fruits and vegetables increased by 15 per cent in NorgesGruppen's stores from 2015 to 2019. KIWI stores had the largest increase with a 34

per cent boost in sales of fruits and vegetables during the period.

Growth in fruit and vegetable sales was greatest in counties with the lowest level of education, where the population previously bought the least fruit and vegetables. While the increase in fruit and vegetable sales was 16 per cent in counties with a high level of education, the increase was as much as 254 per cent in the counties with a low level of education, measured in units sold. This means that people bought more than three times as much as they did previously.

Price and favourable purchases will continue to be important to customers in the years to come. The Norwegian population has more young people and more elderly people with limited spending power. KIWI promises its customers to look for the best prices every single day. This entails, for example, negotiating purchasing conditions for the benefit of the customers. Figures from SSB (Statistics Norway) show that food prices are increasing less than prices for other goods and services in the country over time. In 2019, food prices increased by 1.0 per cent, while the consumer price index increased by 2.2 per cent.

The supermarkets are attracting more customers

MENY has the best customer growth in 2019 with a comparable increase of 3.4 per cent. The supermarket chain SPAR also attracts more customers, and customers are shopping more.

→ MENU is the industry leader in terms of product selection, quality of fresh products and service (NG Kjedetracker [NG ChainTracker]). MENY now offers online shopping to an even larger proportion of the population. 9,000 products are now available to about 70 per cent of the population. Turnover in MENY online shopping was 328 MNOK net in 2019.

Concept development and local adaptation

Throughout 2019, MENY worked at tailoring its products and services based on the fact that the customer base and shopping habits differ in different parts of the country. The new MENY Oslo City, for example, is geared to customers on the go. Oslo City is a hub which many customers pass through. They are often short of time, they do not have a car and they eat on the go. The store was therefore the first in the Norwegian grocery market to launch a street food concept. The store is a pilot in the MENY chain that tests many new and more urban concepts. The streetfood department, which is located near the entrance to the store and a short distance from the payment area, consists of three varieties of take-away: sushi, taco and pizza.

The shop also has a small sandwich section with its own checkout and its own coffee shop at the checkouts inside the store. In addition, the store has wider shopping aisles, more self-service checkouts and offers short cuts through the store in order to make it easier for the thousands of customers who come here every day to do their shopping more quickly. 75 per cent of the population of Oslo live in 1-2 person households, and more and more of these

are opting for simpler meal solutions or eating out.

Ready meals and meal solutions are on the rise. Strategic collaboration throughout the NorgesGruppen value chain has made it possible for MENY to do a proper overhaul of its selection of dinners with five dinner concepts that meet different customer needs.

Differentiation

NorgesGruppen uses its own brands to create unique product ranges in the chains and give customers greater choice in certain categories. Jacobs Utvalgte has been a popular product line in our chains since 2009. This focus on quality products was first introduced at MENY, with 43 products in nine product categories. Jacobs Utvalgte currently comprises over 200 products in 27 categories, which together generated a turnover of about 550 MNOK in 2019. Several of the breads and sausages are favourites, and Belgian truffles are Norway's best-selling confectionery. Many people shop at MENY because the store has Jacobs Utvalgte, and the customers are very loyal to the products.

The "Sommervibber" (Summer Vibes) food concept played a key role in SPAR and Joker coming out top in the summer of 2019. The concept impacted positively on their profiles and led to good sales, good additional sales and reduced wastage. The concept was also deemed to be the best and most visible in the summer of 2019.

MENY's Angus initiative is another good example of product development. It puts the spotlight on quality and emphasises




the need to use the whole animal. Long-term strategic collaboration between Prima Jæren, MENY, Nortura and Norwegian farmers has enabled MENY to put meat quality on the map. They are now working with 357 farmers who have signed the Angus agreement. This ensures a quality of meat that customers demand. Customers are eating a little less meat than before, but are more demanding when it comes to quality.



65%
of the population
have access to 9,000 products through MENY's online store

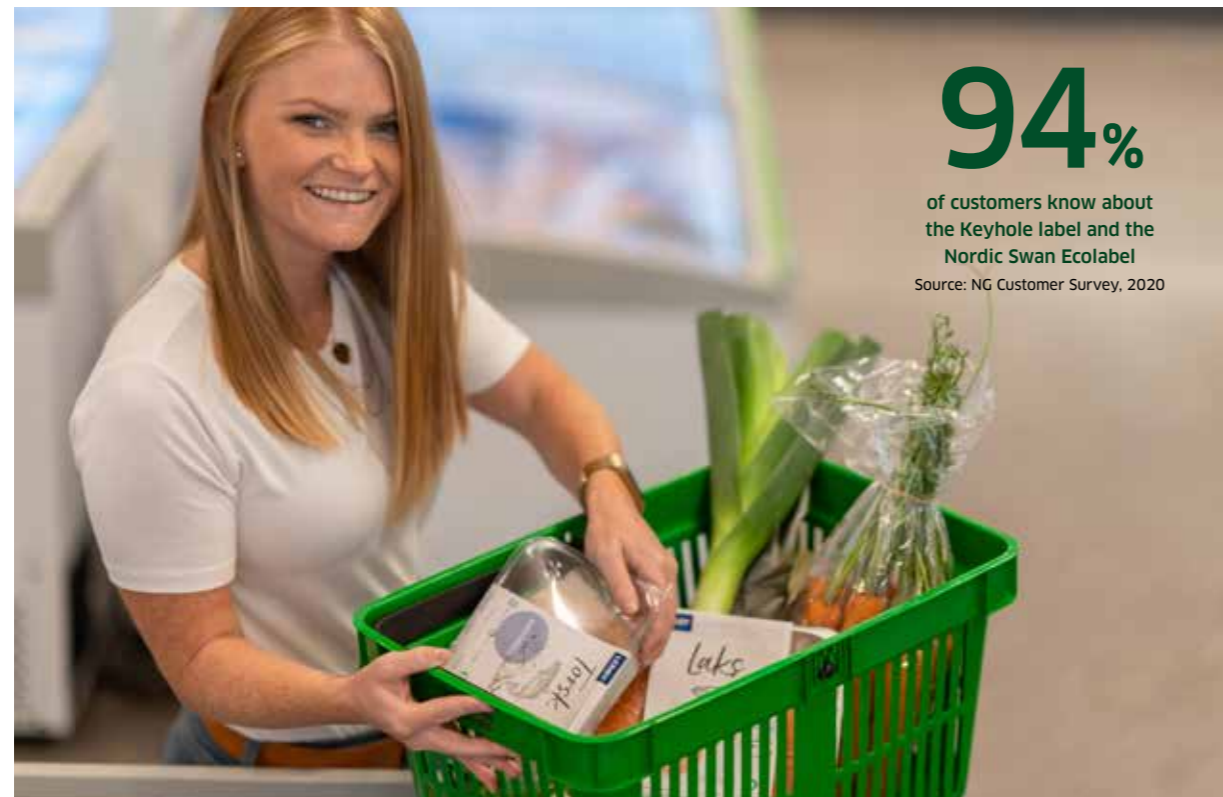
Customers are opting for healthier products

Shopping baskets are being filled with healthier foods than before. The customers in NorgesGruppen's stores buy more fish, fruit and vegetables and less sugar and saturated fat.



Breaded fish is the second favourite dish for Norwegian families, with pancakes coming in at pole position

Source: "Middagsdagboken 2019", Ipsos



→ "It is particularly gratifying that it seems that we have reversed the trend when it comes to customers' fish consumption," says Aina Marie Lien, Head of Health and Nutrition at NorgesGruppen. KIWI's price promotion in 2019, where prices were reduced by an amount equivalent to VAT, led to a spike in fish sales from 2018 to 2019.

All heading in the right direction
We see a positive trend for all the goals that NorgesGruppen have set for public health. In 2019, customers bought

more fruit and berries, fish, sugar-free drinks and Keyhole products and less saturated fat.

"We have set very ambitious goals. We are therefore pleased to see that we are in a good position to reach the targets for sugar, wholegrain bread and Keyhole products by 2020," says Lien.

New, healthy best-selling bread
In the autumn of 2019, Bakehuset launched a new bread in collaboration with the Norwegian fitness guru Funky-

gine. Sales of the nutritious fibre- and protein-rich bread have exceeded all expectations. 1 million loaves have already been sold, and it is now one of the best sellers in NorgesGruppen's stores. This is an example of how important it is to highlight healthy products in our promotions.

"1.2 million people visit our stores every day. That says something, and it makes a difference when we make it easy to go for green and healthy choices," says Lien.

Sustainability on the agenda more often

Personal commitment towards the environment is on the rise, and this commitment manifests itself in the grocery choices shoppers make.

42%
have tried one or more meat substitutes*

→ There is greater awareness of the climate, the environment and health among grocery customers when they shop. According to the Norske Spisefakta survey carried out by Ipsos in 2018, many shoppers say they want to buy sustainable products, and an increasing proportion do not want to buy products from manufacturers that pollute the environment.

"We also see similar patterns in our stores. How the food is produced, be it in terms of greenhouse gas emissions, use of resources or good animal welfare, matters. We see that this is an important factor when it comes to shopping, particularly among young people," says Bjart Pedersen, Head of Sustainable Trade at NorgesGruppen.

A lot going on

At NorgesGruppen, we are constantly developing, launching and improving our product range, also when it comes to health, the environment and ethics. In 2019, UNIL, which produces NorgesGruppen's own brands, made 132 changes to make existing and new products more sustainable. Healthier products, less plastic and changes in



production methods are examples of this.

"We also work closely with brand suppliers in the same areas. One example is the new bags for Sørlandschips and KIMS, which are fully recyclable," says Pedersen.

Young vegetarian trend

In recent years, the market for vegetarian products, which replace meat and other animal products such as milk and cheese, has really accelerated. Since 2017, NorgesGruppen's stores have seen a 44 per cent increase in this commodity category. Vegetarian products remain a



small part of total sales, but are growing rapidly. Younger people, in particular, are choosing vegetarian products. There is increasing demand for plant-based milk, cheese and yogurt, but deep-frozen vegetarian dishes such as pizza, vegetarian burgers and sausages are also popular.

There is demand for information about the products that are sustainably produced and those that are not. Nevertheless, the share of eco-labelled goods is relatively stable. We see that certified fish and seafood, in particular, are showing a good increase in turnover. The same applies to the Nordic Swan Ecolabel.

6 out of 10
Norwegians are trying to shop for products they consider sustainable*

7 out of 10
Norwegians think it is difficult to know whether products are sustainable

7 out of 10
think it is important to have information about recycling on the package*

*Source: The Orkla Sustainable Life Barometer | November 2019 | Ipsos

Cooperation

We have set high targets, but cannot achieve them by ourselves. We work with manufacturers, suppliers and retailers to find solutions that create better customer experiences and are in everyone's best interests.



Elvind Haalien from NorgesGruppen visiting Den Sorte Havre (a company that produces Norwegian Black Oats).

Less food waste is a win-win situation

Efforts to reduce food waste in NorgesGruppen have produced good results with a 24 per cent reduction since 2015. Price reduction on goods approaching the expiry date remains the best and most effective contributory measure.



Se Lukt Smak (Look Smell Taste) is another best-before-date label. The aim is to reduce unnecessary food waste.

SE LUKT SMAK

→ Order the bread you need and no more. This is one of several effective new measures from 2019 that have reduced food waste in KIWI, MENY, SPAR and Joker stores. Where in the past at least five loaves had to be ordered at a time, baked products can now be ordered one at a time. Among other things, this has reduced bread wastage in SPAR by 50 per cent and in Joker by 18 per cent from 2018 to 2019.

Discounting and donation

Discounting of products that are about to go out of date is the most effective tool. In recent years, KIWI has systematically reduced food waste, and both the discounting of products that are about to go out of date and working with the Church City Mission have contributed to the healthy reduction in food waste. Through its partner Too Good To Go, MENY also distributed 100,000 food portions in 2019.

The companies ASKO, MatBørsen and UNIL are among the largest suppliers of surplus food to Matsentralen Norge (a network of food banks in Norway). Matsentralen Oslo was originally established with the help of NorgesGruppen, and there are now seven food banks that distribute surplus food to those who need it most. In 2019, the food banks distributed just over 2,625 tonnes of food, which is equivalent to 5.25 million meals.

Although NorgesGruppen's goal is to reduce its waste, we also want to inspire customers to throw away less at home. We encourage people to use their senses through the "Look, smell, taste" sym-



bol, which is now on 100 products in NorgesGruppen's stores. In 2019, we also labelled meat products for the catering sector.

Installing date alerts in the barcodes of the goods is an essential tool to further reduce waste. NorgesGruppen is continuing this work in 2020.

Serious about our requirements for good animal welfare

Meat, milk and eggs in our stores should come from happy animals.

→ At NorgesGruppen, our goal is for customers to be confident that meat, milk or eggs used in products we sell in our stores come from animals that are treated well. We support Norwegian farmers who take animal welfare seriously, and we set clear requirements and expectations of good animal welfare for our suppliers.

Disturbing documentary

It was therefore surprising, disappointing and painful to see the documentary from NRK Brennpunkt, "Secrets of The Pig Industry", which was broadcast in the summer of 2019. Confidence in the animal welfare of Norwegian pig farmers was put to the test, and we immediately launched our own investigations. We wanted to get the facts out quickly as possible, and have conducted a detailed review with our pork suppliers, pig farmers, the Norwegian Food Safety Authority and industry experts. There is broad agreement that Norwegian animal welfare is good, but that there is a need for closer monitoring and rapid improvement of conditions that can be detrimental to animal welfare.

Closer monitoring and better documentation

The industry's own work on the new national animal welfare programme "Helsegris" was already well underway when the documentary was shown. At NorgesGruppen we have introduced a requirement for regular reporting on the status of all pig herds used by our pork suppliers. We have also attended producer conferences with hundreds of pig farmers to emphasise that the work farmers do every day to ensure the welfare of each herd matters to us and our customers. The 2019 report shows that a total of 1,951 herds delivered pigs for slaughter at our main suppliers. Efforts are now being made to ensure the animal welfare of these animals through Helsegris and monitoring by the suppliers.

"We are not on target, but we are confident that there is now closer monitoring and that measures will be put in place more quickly in the event of any disturbing findings. In 2020, we will expand the template for monitoring pork suppliers and their producers to other suppliers and animals," says Inge Erlend Næsset, Quality Director at NorgesGruppen.



Grostad Gris takes animal welfare seriously.



Overproduction causes trouble

→ Throughout the year, NorgesGruppen maintains regular contact with the meat industry, and especially the market regulator Nortura, in order to maintain as much balance in meat production as possible. The desire is to produce what the market demands, no more and no less. And not least - to ensure that we use the whole animal.

Sometimes there are particularly challenging "peaks", such as the surplus stock of frozen sheep meat last year, which NRK's "Mat-sjokket" (a Norwegian television programme) focused on in 2019. Demand for sheep meat increased sharply after the programme was broadcast. We sold ten times more sheep meat products than usual, and the stock of sheep was emptied in no time. We have also developed a broader range of sheep meat, in line with increased customer demand.

There is nothing new with such peaks. They come at regular intervals, which is when close cooperation throughout the value chain is so important. For 2020, for example, NorgesGruppen has long been working on solutions to meet a larger production volume of lamb than the market demands. Another part of this work is to ensure that the whole animal is used in production to avoid food waste. Sometimes there may be greater demand for minced meat than fillets, which makes it important to consider alternative uses for the remaining meat.

Local stores are keeping pace with market development

Across the country, local stores are being modernised by independent retailers who are investing in additional services, selection and efficiency improvements.

→ Grocery retailers and independent traders contribute to employment and alternative career paths for those lacking formal skills. Local stores offer sales of locally produced food from smaller producers and ensure that consumers have access to a good range of products throughout Norway. The shops play a key role in local communities and are often the most important institutions for small towns to have a school, nursery school and senior citizens' community centre.

60 per cent of NorgesGruppen's stores and retail outlets are operated by independent retailers, and together they account for approximately 30 per cent of NorgesGruppen's turnover. A number of retailers are also shareholders in NorgesGruppen, which is the largest local operator in the country with stores in 88 percent of all municipalities.

Keeping up with the competition

Retailer-owned Joker stores have a turnover of more than 6 BnNOK and account for 8 per cent of NorgesGruppen's share in the grocery market. The Joker stores have an average turnover of 14.2 MNOK. In comparison, discount stores have a turnover of around 60 MNOK.

Despite strong competition, district stores have relatively stable growth. A number of the stores are not just exposed to competition from the discount stores; many also notice trade leaking into Sweden, where there are shopping centres located near the border. In order to survive, they must be experts at operating profitably and



ready to offer something extra to their customers.

Modernisation

Retailers are investing in technology such as electronic shelf pricing and modern refrigeration systems. The stores are also connected to an automated shelf-filling system that handles product orders. The new date alert tool helps retailers avoid spending time finding goods to be discounted, but ensures that they are automatically notified instead. Retailers can therefore spend more time serving their customers.

Many of our independent retailers invest in their local communities and make a positive contribution. In 2019, retailers in SPAR and Joker invested approximately 200 MNOK in total. During the last three years, retailers in NorgesGruppen have all in all invested half a

Add-on services have a ripple effect

- Café
- Home delivery
- Catering services
- Property management
- Bank – deposits and withdrawals from 2020
- ASP (After School Program)
- Sponsor to local clubs and associations
- In-store post offices
- Games
- Fuel/petrol pumps

billion kroner in upgrading their stores.

NorgesGruppen is now working with Telenor to develop fibre networks anywhere in the country where we have stores. One result of the agreement is that local communities across the country will have the opportunity to connect on-line. This will provide many districts with the same Internet speed and stability as the major cities.

NorgesGruppen offers both financial support and freight equalisation to the district stores. It is important that all stores get profitable purchasing and distribution conditions regardless of their location. The district stores also receive support for operations and investment through the publicly funded Merkur programme.

One billion in locally produced food, many new entrepreneurs

NorgesGruppen has developed a wide range of locally produced food in its stores. In ten years, MENY has quadrupled its sales of locally produced food, and now sells Norwegian locally produced products for almost 1 BnNOK a year.

→ Over many years, NorgesGruppen has worked closely with 650 local food producers and Norwegian agriculture to contribute to local value creation, and to increase food diversity and the quality of Norwegian groceries. NorgesGruppen is helping to develop the food nation of Norway through traditions, new flavours, innovation, history and quality. In total, there was a 5 per cent increase in sales from 2018 to 2019 in this category.

Sustainability

"Locally produced food is part of our sustainability work, but also one of our competitive advantages. Local food heritage is popular among customers, both in the cities and in the districts," says Eivind Haalien, Director of Locally Produced Food and Specialties at NorgesGruppen.

Together with HANEN, MENY annually awards the Local Food Entrepreneur of the Year award to promote innovative operators in Norwegian locally produced food and drink. In 2019, Ostebygda – a joint venture between eight dairy and cheese producers in Hallingdal – won the award. Through good collaboration, Ostebygda has built up a very special network where sharing culture and progress are essential.

Promoting producers

Locally produced food helps make our stores more unique and exciting, and we see our customers becoming more and more concerned about where their food comes from. Local identity, unique stories and supporting local business have



ASK Gård, winner of the Food Heritage Award 2019

increasingly become an important part of the purchasing decision. Initiatives such as Jacobs Utvalgte and MENY's Food Heritage Award mean that NorgesGruppen's stores have been able to promote many Norwegian food producers. The winner of the Food Heritage Award 2019 ("Matskattstipend") was Ask Gård for

their organic everyday salami, a product we hope will be popular with customers.

We continue to work with local producers and promote locally produced food products on store shelves, and will work hard to ensure that the increase in sales can continue at the same pace.

650

local food producers
work with NorgesGruppen

Diversity and people

As one of the country's largest private employers, NorgesGruppen has an important role to play in the Norwegian employment market. It is a responsibility – and a pleasure – to be the employer of many people who are new to the job market. Employee engagement contributes to innovation, better shopping experiences and satisfied customers.



Ingvill Moen
Sporshheim and
Marita Storøy Skar
work at MENY
Fosnavåg.

Developing better shopping experiences

We are working more in multidisciplinary teams to develop and test services even faster than before. In this way, we are also better prepared for competition from new operators.

→ Every day, we are working to make tomorrow's retailing less expensive and better, while inspiring good culinary experiences and offering our customers green and healthy alternatives.

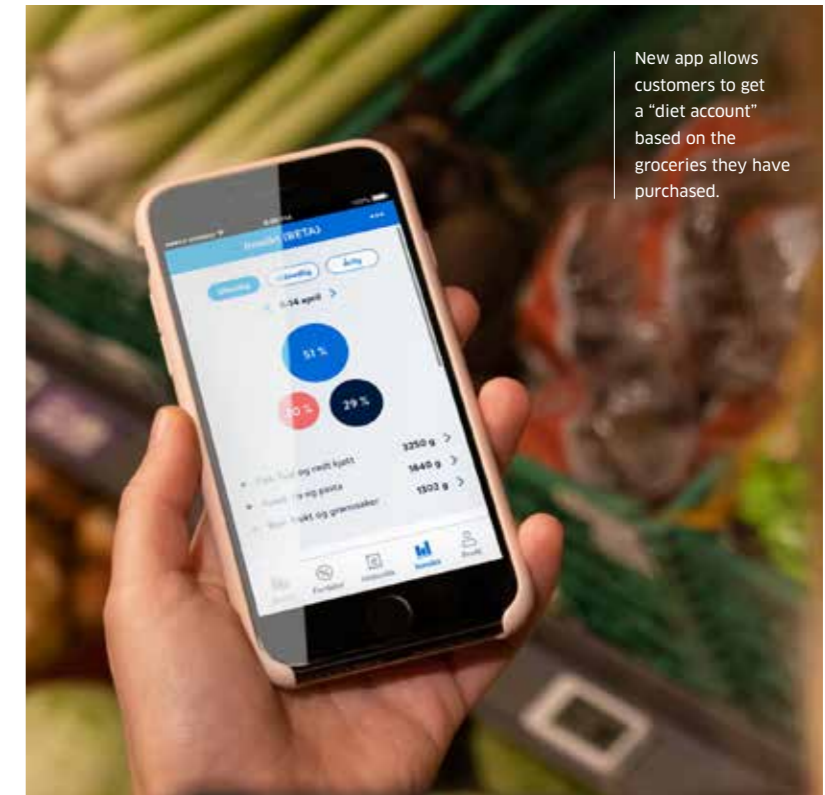
In terms of the way we operate, we are working less with project groups and hierarchical structures. Instead, employees work in dedicated and multidisciplinary teams. The effects are already seen by our ability to get things done faster and more accurately. The prototypes are tested along the way before being released to the market.

Testing, developing, launching

A team is working on ideas at an early stage. The purpose is to make it even easier to test out ideas that we do not already know are strong enough. This makes us more comfortable before we spend any more resources on developing and launching the ideas.

Like other retail trade, the grocery trade is facing changing customer requirements and expectations. Customer visits to stores and online platforms must be constantly improved in line with changing consumer demands and new technology. Operators must be constantly able to respond faster to win over customers. One consequence of the market growth is that we must do more testing and develop solutions quickly.

User involvement and customer dialogue are key to ensuring that we deliver services that create real value for customers. We use various methods to obtain qualitative and quantitative insights.



New app allows customers to get a "diet account" based on the groceries they have purchased.

We use service design, log customer visits and arrange Hackatons to gather expertise and develop ideas that can be tested early on.

Scenarios 2030

We use customer insight, analysis and testing to build relevant services for our customers. Our product and service development should be driven by satisfying insight and knowledge of customer behaviour. One of our goals is to offer more personalised communication with customers.

We are not talking about a revolution, but an evolution in the retail trade. There have been big changes in the past. The winner is not the smartest or the strongest, but the most adaptable.

NorgesGruppen has a future plan leading up to 2030. The customer experience of the future is now included as part of the Group strategy, and several different scenarios have been prepared. NorgesGruppen has also joined the government's call for businesses to increase expertise on artificial intelligence.

Work training is worth its weight in gold

NorgesGruppen is well on track to reach the target of creating 1,100 ongoing job training positions by 2020, and we have further strengthened our work on diversity. In 2019, NorgesGruppen provided job training for 1,008 people.

1 in 5

Every fifth person has been employed at NorgesGruppen after finishing work training or being an apprentice.



→ NorgesGruppen employs over 40,000 people. As one of Norway's largest employers, we wish to offer work experience and a working community to people outside the labour market. By offering good job training places where people can thrive and develop, we hope to integrate more people at risk of becoming socially excluded, into the community. We find good examples in all the business areas of NorgesGruppen.

MatBørsen wins Diversity Award
MatBørsen is NorgesGruppen's own kitchen for ready meals. The company has 230 employees from 26 different countries, and provides suitable language training and certification for its employees. The company also offers work training and

work placements. For this work MatBørsen was awarded the Diversity Award in 2019, the government's prize for companies that have made a positive contribution to integration and diversity.

Far behind in the queue

Store manager Sonja Helen Moen at KIWI Mindes Hus in Stjørdal is another example of how important it is to do something for those who are out of work. Sonja became a mother when she was 16 and had only primary school education. She ended up way back in the queue of job seekers, but was finally offered a part-time job at KIWI. Ten years later she became a store manager. Sonja decided that she wanted to help others who are in the same situation that she was once

in. The KIWI store in Stjørdal now has a staff of 14. Five of them have got permanent jobs after a period of work training.

Diversity is success

The MENY chain has invested heavily in apprenticeships and job training schemes. MENY Hovenga in Porsgrunn is one of the many stores that succeed in this area. The store has been highly praised by politicians for the way in which it has accommodated workforce diversity. Head of Dry Goods at Meny, Erlend Torp Helmersen, is one of those who was given a good opportunity and grabbed it. Erlend has Downs syndrome and has been working in the store for 18 years.

Customers demand specialist staff

In the last 15 years, the number of applicants for food courses and lorry driving positions have decreased significantly. There is a pressing need for a joint initiative to make young people see the opportunities in vocational subjects.

→ Too few young people study vocational subjects in Norway, despite the fact that there are sufficient apprenticeships and that in many professions, jobs are almost guaranteed after graduation. Without specialist staff, there are fewer people who have what it is needed to be food entrepreneurs, there will be fewer innovations from established producers and there will be a dearth of specialist staff in stores.



This is a major challenge for a supermarket chain like MENY and for industrial companies such as MatBørsen and Bakehuset. They need specialist staff and food expertise in stores to deliver the quality customers expect. In MENY alone, there are almost 1,000 people at any time qualified as chefs, butchers, pastry chefs or seafood vendors.

Food courses are important for product development, culinary experiences and the preservation of Norwegian food culture. Our in-store specialist staff are valued by the many customers who like good food. And the working days are varied.

The Green Gastronome

MENY has established specialist training courses in fruit and vegetables. Through the module programme "The Green Gastronome", staff at MENY will guide the customers to eat even better and greener diets. The academic content of the course focuses on the themes of seasons, sensory quality, producers and sustainability. The project is supported by Grofondet, established by NorgesGruppen, BAMA and Gartnerhallen. It will contribute to the green shift and increased

consumption of Norwegian fruits, berries, vegetables and potatoes.

Promoting expertise

In 2019, MENY has continued to invest in food science expertise, and the results of many years of work are now apparent: The Chain is a growth winner in the market. MENY is working actively to get young people to opt for food courses and to attract young people who are passionate about food courses to take up available apprenticeships. Over the past few years, MENY has trained hundreds of apprentices. MENY also organises the MENY Masters Norwegian in-store butchers' championships for apprentices.

ASKO Servering has also developed several initiatives to develop interest and expertise in food. They instigated the establishing of the Norwegian Foundation for Recruitment to Restaurant and Food Courses, which grants funding for initiatives that promote interest in the subject. The funds are granted, for example, to interest groups that focus on enrolling as many people as possible into food

courses. 2 MNOK have been handed out since 2016.

The KIT Academy is a centre of excellence that runs programs, training and provision of theory courses for unskilled chefs who want formal qualifications. The KIT Academy is approved as a test station by the Norwegian Ministry of Education in Oslo, and was one of the initiators of Norway's first Norwegian Championship for canteen and institutional chefs. One of the results is the establishment of a national team under the auspices of the Norwegian Chefs Association, which participated in the Stuttgart Culinary Olympics in the winter of 2020. ASKO Servering Norges-cup has also been established - Norway's largest competition for chef and waiter/waitress apprentices.

The driving profession, like the food professions, has seen reductions in the number of applicants in recent years. The ASKO school provides employees with good opportunities for personal development where health and exercise also figure prominently.

Society

Meeting the needs of today's consumers without depriving future generations is something that everyone in society must strive towards. We will be the instigator for new, sustainable and effective solutions in the food value chain.



Cristiano Aubert is the general manager of Matsentralen in Oslo.

Less plastic across the board

In 2019, we reduced the use of plastic on our products by over 620 tonnes – a new step towards NorgesGruppen's target of a 20 per cent reduction by 2025.

626

tonnes of plastic removed from selected products at NorgesGruppen in 2019

→ NorgesGruppen has worked with BAMA to remove 526 tonnes of plastic packaging in the fruit and vegetables category from 2018 to 2019. One example is Cevita blueberries. The new packaging for the berries has gone from being round and made of plastic to being square and made of cardboard. In addition to reducing the amount of plastic packaging, the new packaging is also more efficient for shipping. Blueberries packed in cardboard led to 50 fewer lorries on the road in 2019.

Our own brands are ahead

In our own brands we reduced plastic by about 100 tonnes in 2019. The packaging for Eldorado basmati rice and jasmine rice has now been switched to cardboard. Previously, rice was in a type of plastic packaging that was not suitable for recycling. The cleaning product range Unik RentHjem was launched in 2019. Both in terms of packaging and contents, the focus is on the environment. All bottles, for example, are made from recycled plastic. These are some examples of the work being done. Alternatives to plastic when packing fresh fish and meat are fast developing, and by 2020 we hope that more effective plastic-free innovations will be in store.



Plastic in the wrong places

→ It is when the plastic goes astray that it really becomes a major environmental problem. We have therefore made plastic-free alternatives, or degradable products, a priority within those categories that easily end up in the wild. One example is disposable items, such as cutlery, plates and glass. From June 2021, many disposable plastic items will be banned in Norway. At NorgesGruppen we are pleased that we already met this require-

ment in the autumn of 2019. MENY has replaced all disposable plastic in its stores, and Unik, NorgesGruppen's own brand, has replaced all plastic cutlery in grocery retail with wooden cutlery. These changes save many tons of plastic a year, every year, and are important contributions to overall reducing the amount of plastic ending up in the wild.

The grocery store of the future

In August 2019, Norway's greenest grocery store opened in Hokksund – where the KIWI adventure started 40 years ago. The environmental flagship KIWI Lerberg is the grocery store of the future, and a big milestone in our mission to become climate-neutral.



→ NorgesGruppen has for several years been working to make its property portfolio greener. The new environmental stores are packed with more climate-friendly measures. Some of the measures are not currently economically profitable, but are nevertheless being implemented in order for us to gain experience and gradually make existing and new stores more environmentally friendly. Several of the measures we tested first, such as LED lighting and doors for refrigerators, are now being introduced as standard features in several of NorgesGruppen's grocery chains.

The beginning

The original idea of an environmental store was to test various measures to

reduce power consumption. The best and most effective solutions were also deployed on the next eco-buildings, where sustainable building materials were also explored. We then started testing to see how surplus energy from a store could be used to supply energy to other buildings. When SPAR at Snarøya was built in 2018, we developed a new roof structure made of solid wood that did not require the use of pillars and also gave the store an open and attractive look.

We are constantly working to develop green solutions for our properties. Our latest environmental store is an environmental flagship that reduces emissions by around 60 per cent and uses 35 per

cent less power than standard grocery stores of the same size. The building has both wild flowers and hops growing on the roof. Any excess energy from refrigerators is used for heating.

Not just new buildings

For NorgesGruppen, having eco-friendly properties is not just about building new environmentally-friendly buildings. Putting in place effective environmental measures in existing stores is equally important. We are working on this every day.

State-of-the-art coffee refinery being funded with green bonds

Joh. Johannson Kaffe is producing a third of all the coffee that Norwegians drink. The company is now moving from its base in Filipstad.

→ From the autumn of 2020 all coffee from Joh. Johannson Kaffe will be produced in an ultra-modern facility in Vestby, south of Oslo. The facility will be one of the world's most environmentally-friendly coffee refineries and has already been awarded Norsk Energi's Energy and Environment Award for 2019.

The new facility is sustainable in various ways:

- Reduces current greenhouse gas emissions by 85 per cent
- Uses solid wood in the roof and supporting pillars
- Uses recycled steel
- The power supply comes from a combination of geothermal wells, solar cells and excess heat from the coffee processing
- Biogas replaces today's propane



Leading the way with green bonds

→ NorgesGruppen was the first retailer in Norway to draw up a green framework for bond loans in 2019. The two loans, with a total limit of 900 MNOK, were quickly fully subscribed.

"We make major environmental investments each year to reduce our climate footprint in society. Sustainable investments contribute to long-term profitability. It is also natural for us to enter the market with green bonds," says Mette Lier, Executive Vice President at NorgesGruppen.

The loans from 2019 have so far been used to finance investments in environmentally-friendly transport and buildings, and renewable energy. Joh. Johannson's new coffee refinery, wind turbines established by ASKO Fornybar (Renewable) and hydro-



This is Green Bonds

Bond investments in environmentally-friendly projects.

Independent certification, a green framework and reporting are required.

gen plants and associated hydrogen-powered lorries at ASKO Norge are projects at NorgesGruppen that have received funding through the green loans.

"We have many more green projects in the pipeline, so we think this will be an



important source of funding in the future," says Lier.

The green framework got the top ratings Dark Green and Governance Assessment Excellent by the independent research foundation CICERO.

Value chain improvements result in lower food prices

In a cost-intensive industry like ours, it is crucial to have high productivity throughout the value chain to ensure low food prices for customers.

→ Conditions negotiated by NorgesGruppen benefit consumers in the form of lower food prices. In an industry characterised by small margins, we are working continuously to keep other costs down.

More goods via ASKO mean that we manage to be even more efficient and that the retailers have an easier life. In practice, this means that ASKO delivers a wide range of products on one and the same transport vehicle. Customers only need to consider a single order point and one delivery, instead of ordering products from several suppliers and receiving just as many lorries.

Fewer empty shelves

Time spent on replenishing goods is further reduced by NorgesGruppen taking over responsibility for all in-store product replenishment from the suppliers, and ASKO and the stores collaborating through NGFLYT to adapt the deliveries according to how the goods are positioned in the store. This gives the goods the shortest possible route to the shelf and ensures more efficient product replenishment. The NGFLYT system helps the stores to place the right orders, and can reduce food waste. Fewer sold-out goods also contributes to the stores' profitability and increases customer satisfaction. The number of sold-out situations was almost one percentage point lower in 2019 than in 2018. The stores have recently received automatic date alerts which will make life easier for retailers and result in further cost savings.

In 2019, ASKO produced 4.1 per cent more packages per hour compared to 2018. The cost per package handled by ASKO remained stable from 2018 to 2019, after a decline of 19.6 per cent from 2017 to 2018. We calculate the cost per package by dividing ASKO's operating costs by the number of packages sold to ASKO's customers.

Efficient flow of goods

ASKO has improved operational productivity by more than 15.5 per cent in the last five years. In practice, this means that ASKO handles 15.5 per cent greater volume with the same use of resources as it did five years ago. The most important contribution to productivity improvement has been the distribution of more goods via ASKO. This in turn means better use of transport equipment and buildings; investments in new operational buildings; automated storage solutions, and efficient IT and operating systems.

Productivity improvements have been important to dampening the effects of the general increase in costs and to keeping prices for customers as low as possible. The efficiency growth that has taken place in distribution has helped to keep food prices down. Sentrallager Kjøl (central refrigerated warehouses) increases delivery capacity and ensures better shelf life for fresh products by more than one day.



A taste of honey

→ In 2019, NorgesGruppen improved the monitoring of risk and events in the market as part of our supplier follow-up. The suppliers generally have satisfactory control and honest intentions, but there are also conditions that we must monitor more closely.

One area we monitor closely is food fraud, i.e. products that contain something other than what they claim to contain. There are many ways in which to cheat. A raw material can be diluted, for example, if honey is added to sugar syrup, or less of the raw material is used than indicated by the list of ingredients, for example if less cocoa is used in a chocolate than what is stated on the packet.

For many years, NorgesGruppen has been carrying out product inspections of particularly vulnerable commodity groups.

In 2019, we looked specifically at authenticity in honey, quality level in olive oil and ingredients in poultry products. We see that our expectations raise awareness in the value chain.



When it comes to sustainability, what are customers most concerned about?

→ For several years we have been conducting a survey among our customers. In the survey, we ask customers what they consider to be the most important factors for a grocery retailer to act responsibly. There are small variations from year to year. Treating our employees fairly has topped the list in recent years. It is probably also closely related to the fact that it is an area for which customers believe we have a natural and direct responsibility as an employer.

Environmental challenges, such as throwing away less food and reducing and replacing unnecessary packaging on the products we sell, are also high on the list. Sustainable use of resources, such as sustainable fishing and good animal welfare, are other areas where we are expected to be aware of our responsibility, while working closely with the rest of the value chain.

The results of the customer survey reflect the goals we are working towards in our sustainability work. It is motivating to confirm that we are working with areas that our most important partner – the customer – also expects us to make a difference in.

| 2020 | 2019 | 2018 | |
|------|------|------|---|
| 1 | 1 | 1 | → Treating employees fairly |
| 2 | - | - | Reducing plastic packaging on products where plastic is not needed to maintain food quality (new) |
| 3 | 2 | 2 | → Reducing food waste |
| 4 | 4 | 3 | → Products at the right price |
| 5 | 3 | 5 | → Anti-corruption |
| 6 | 6 | 6 | → Ensuring good animal welfare |
| 7 | 5 | 4 | → Reducing the environmental impact of the production of products and packaging |
| 8 | 8 | 7 | → Ensuring sustainable fisheries and preventing over-fishing |
| 9 | 7 | 15 | → Fair trade |
| 10 | 9 | 9 | → Clear labelling of product content, such as sugar, salt and artificial additives |

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

Read more at www.norgesgruppen.no

Removing unwanted substances

→ In 2019, NorgesGruppen worked systematically with what we call unwanted substances. This is a generic term for chemicals that are not prohibited, but have properties that are problematic to health and the environment.

Analyses of a selection of products in the categories of washing, cleaning and personal care, and dialogue with 40 suppliers about their work, showed that this is an area that is developing well. Three products were changed during the review.

We have developed a model for the work of reducing, replacing or removing unwanted substances from non-food products. The reason we started with non-food products is that food and food products are already strictly regulated in Norway.

Perfluorinated substances (PFAS) in particular are identified as a challenge. Perfluorinated substances are a group of substances linked to health risk and environmental damage. NorgesGruppen aims to phase out all products containing perfluorinated substances over a given threshold.



Work will continue in 2020 within personal hygiene and care products.

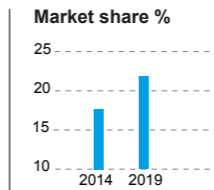
Our chains and concepts – the year in brief



Norway's largest discount chain, measured in the number of stores, with 682 stores and 12,500 employees around the country. No other chains won more price surveys in 2019 than KIWI.

The year in brief

- Opened the environmental store KIWI Lerberg in Hokksund, 40 years after the first KIWI store opened in the same area in 1979.
- Fresh fish at KIWI PLUS with a 15 per cent Trumf bonus.
- Renovated turbine that produces enough clean energy to supply 100 of our stores.



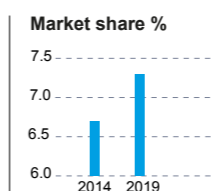
SPAR's market share was 21.8 per cent in 2019, compared with 17.7 per cent six years ago. Source: Nielsen



SPAR is the world's largest supermarket chain with more than 12,000 stores in over 40 countries. We have SPAR stores all over Norway. SPAR has 293 stores in Norway, of which 60 per cent are retailer-owned.

The year in brief

- Growth in the cheese category following the introduction of new labels and favourable promotions.
- The product concept "Sommervibber" produced positive growth during the summer.
- 12 new stores opened in 2019.



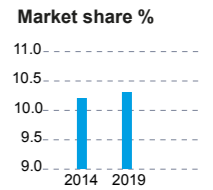
SPAR's market share was 7.3 per cent in 2019, compared with 6.7 per cent six years ago. Source: Nielsen



MENY has a large selection of food with an average of 9,000 items per store. Skilled employees provide good service based on solid product knowledge and know-how. MENY tops several customer satisfaction surveys and has 184 stores.

The year in brief

- Growth winner in 2019 with 3.4 per cent comparable growth.
- MENY's online sales amounted to 328 MNOK in 2019, an increase of 56 per cent.
- Reopening of MENY Oslo City and MENY CC-Vest.



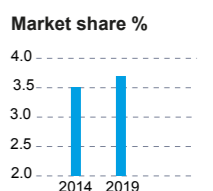
MENY's market share was 10.3 per cent in 2019, compared with 10.2 per cent six years ago. Source: Nielsen



Joker has 465 stores throughout Norway. We are the local store that meets your needs for daily consumables and locally sought-after services. Many of the Joker stores are open on Sundays, and more than 90 per cent of them are run by independent retailers.

The year in brief

- The Joker Glad customer concept increased membership by 15 per cent.
- "The Good Neighbour", a new slogan.
- The product concept "Sommervibber" produced positive growth during the summer.



Joker and Nærbutikken's market share was 3.7 per cent in 2019, compared with 3.5 per cent six years ago. Source: Nielsen

ASKO

ASKO is a nationwide wholesaler that delivers food and beverages to grocery stores and to the catering market.

The year in brief

- Expansion of the central refrigeration warehouse to ensure optimum functionality and future capacity.
- More than 80 per cent of grocery stores and volume of goods are now handled through the NGFLYT automated product supply solution.
- Date alert on items approaching their sell-by date.

ASKO distribution, sales



ASKO number of customers, %



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

UNIL

Unil is responsible for the development, procurement and marketing of products under NorgesGruppen's own brands, and has a portfolio of more than 3,000 products.

The year in brief

- Launched 134 new products in 2019, incl. Unik RentHjem and animal food (Fauna).
- Bought back Våler Distribusjonslager AS in 2019 and now owns its own infrastructure.
- 10 years of Jacobs Utvalgte.



Bakehuset

Bakehuset is Norway's largest baking house where craftsmanship and professional know-how count for a lot.

The year in brief

- Reduced plastic packaging throughout 2019.
- Further strengthening of specific product launches. Bakehuset launched 54 new products in 2019.
- Funkygine Fibre Bread has in a short time become the second best-selling bread at KIWI.



The Evergood and Ali brands have helped give Joh. Johansson Kaffe its reputation as a manufacturer of quality coffee in the Norwegian market.

The year in brief

- Evergood and Ali are still among Norway's strongest brands and with high consumer preferences.
- Evergood and Ali made their mark in 2019 by performing better than the overall market.
- Significant resources in the packaging, quality, efficiency and environmental work at the new coffee refinery, which will be completed in 2020.



MatBørsen is a craft company that produces tasty, high-quality ready-to-eat meal solutions for the grocery and catering market.

The year in brief

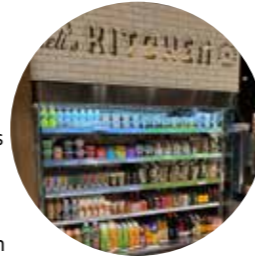
- Won the Diversity Award in 2019 during the Government's Integration Conference.
- Is working with Matsentralen to prevent food waste in production.
- Launched 34 new products in 2019.



Deli de Luca sells tasty food and beverage experiences to customers looking for service, quality and availability.

The year in brief

- New operating model at petrol stations with own operations and franchises.
- Growth in food and coffee in a competitive market.
- Nominated as the 2019 franchise chain of the year.



MIX is a diner serving milk shakes, food, ice cream and drinks.

The year in brief

- Newly developed directly owned store at Oslo bus terminal.
- Specialising in milk shakes.
- Boost for burgers and Angus burgers.



Jafs is a nationwide fast food chain with a common basic range of good-quality products.

The year in brief

- Ten new stores opened.
- Newly developed pizza and kebab concept.
- Launching of vegetarian burgers.



Storcash offers a broad, locally-focused range of products to businesses in the grocery, catering and catering sector and to organisations operating in the public sector.

The year in brief

- 24 per cent sales growth to loyalty customers in the customer club ALLTID.
- 98 per cent of customers recommend Storcash to others.
- Strengthened its position as a destination for mineral water with 13 per cent growth.



2019

Our results



Risk management

→ Risk management at NorgesGruppen is an integrated part of corporate management and is based on the COSO Enterprise Risk Management framework. The purpose of risk management is to increase the likelihood of strategic and operational goals being achieved through identifying, assessing, monitoring and managing risk factors. The Board and the CEO ensure that there is sound risk management in the Group as a whole, and consider that the Group as a whole has a moderate exposure to risk.

Key strategic and operational risk factors

Regulatory framework

Changes in regulatory framework conditions may affect the scope of our business. In 2019, the industry got its own law – the Norwegian Act on Good Commercial Practices in the Grocery Industry. In November 2019, the Norwegian Competition Authority initiated investigations at NorgesGruppen related to procurement agreements with two suppliers in the Norwegian market. NorgesGruppen has helped to facilitate the efficient conduct of the investigation. NorgesGruppen has a strict policy of complying with the Norwegian Competition Act at all times, and our chains have a mutual understanding when it comes to competition requirements. A parliamentary report on competitive conditions in the grocery industry is expected to be published in 2020. In 2019, the Norwegian Competition Authority also announced that they believe that NorgesGruppen breached the special disclosure requirement (to which grocery chains are subject) in a property transaction to which NorgesGruppen was a party.

Market growth

Market growth remains low and competition is coming from an increasing number of operators. Grocery stores account for about 60 per cent of the food market, and growth is highest outside traditional grocery stores. In such a scenario, there is a risk that cost growth will exceed revenue growth. NorgesGruppen is therefore working continuously to streamline the value chain and to develop strategies and plans to meet market devel-

opments. The Group is developing a strategy for the next five-year period.

The measures taken by the government to reduce the spread of the coronavirus will affect the entire business community. Increased costs and increased absenteeism mean that 2020 will also be a challenging year for the food industry. This is in spite of increased sales of goods in some stores. Lost sales mean that a number of our wholesale customers will experience a challenging period ahead.

Suppliers and food safety

NorgesGruppen is working continuously to ensure that our suppliers have adequate systems to protect food safety and quality, employee rights, the environment, and animal welfare in their value chains. Monitoring of market events, product readiness and supplier follow-up has been prioritised in 2019, along with increased efforts to detect food fraud.

Information security

ICT work will contribute to increased competitiveness by streamlining business processes and exploiting economies of scale and business opportunities. NorgesGruppen also uses ICT to develop and integrate new services and channels with customers and partners in mind. The information security measures we are taking follow changes in the types and levels of risks and threats. We are particularly vigilant when it comes to cyber security.

Privacy

NorgesGruppen processes personal data for a significant number of employees and members of the Trumf loyalty scheme. Technology and business developments require an increasing number of digital services to protect privacy. The companies are each responsible for complying with the legislation, while the Group is responsible for the governance model and monitors compliance. Privacy ombudsmen are appointed where this is required by the companies' activities.

Climate

Climate change and extreme weather affect food production in Norway and elsewhere. For NorgesGruppen, this entails a risk associated with access to raw materials, especially from the agricultural areas most vulnerable to changes in temperature, drought or large amounts of rainfall. NorgesGruppen is in the process of mapping the effects of climate change in the value chain to strengthen the management of risk associated with access to raw materials. Climate change also entails an increased risk of breaches in the value chain as a result of natural damage to buildings and infrastructure. At the same time, climate change is challenging us to develop more climate-friendly and sustainable products that appeal to growing awareness among customers.

Anti-corruption

Corruption undermines basic social mechanisms. NorgesGruppen has zero tolerance for corruption, and has established a framework to ensure that all employees, managers and partners adhere to this policy. The anti-corruption work is enshrined in the Group's general policies and ethical guidelines, ethical guidelines for suppliers and anti-corruption guidelines for companies in NorgesGruppen. All transactions at NorgesGruppen shall be contractual, legal and commercially justified. Employees or union representatives at NorgesGruppen shall never demand, receive, offer or give bribes, gifts, benefits, services or other advantages beyond this, nor contribute to such behaviour.

Food supply

We have contingency plans to ensure sufficient stock and efficient distribution of goods even in emergency situations. So far in 2020, we have managed to maintain good access to products, even in a challenging period of stockpiling and absenteeism due to the enforcement of risk measures. Cooperation with suppliers and Norwegian agriculture also plays an important role in this work, in addition to the interaction with the authorities.

Condensed consolidated income statement

| (MNOK) | 2019 excl. IFRS 16 | 2018 | 2019 incl. IFRS 16 | IFRS 16 effect |
|---|-----------------------|--------------|-----------------------|-------------------|
| Operating income | 90 504 | 87 813 | 90 326 | (178) |
| Operating expenses | (85 179) | (82 821) | (82 779) | 2 399 |
| Operating profit before depreciation and impairment (EBITDA) | 5 325 | 4 992 | 7 547 | 2 221 |
| Profit/(loss) from associated companies | 472 | 300 | 472 | - |
| Depreciation and impairments | (2 147) | (2 151) | (3 754) | (1 606) |
| Operating profit | 3 650 | 3 140 | 4 265 | 615 |
| Net financial items | (200) | (83) | (1 225) | (1 025) |
| Profit/(loss) before tax | 3 450 | 3 057 | 3 040 | -410 |
| Income tax expense | (704) | (647) | (614) | 90 |
| Net profit/(loss) for the year | 2 746 | 2 410 | 2 427 | (320) |
| Minority's share of profit/(loss) | 37 | (20) | 37 | - |
| Majority's share of profit/(loss) | 2 710 | 2 430 | 2 390 | (320) |
| Earnings per share / diluted earnings per share ¹⁾ | 69.34 | 61.14 | 61.16 | (8.18) |

¹⁾ Majority's share of earnings/average number of shares outstanding

Condensed consolidated statement of comprehensive income

| (MNOK) | 2019 excl. IFRS 16 | 2018 | 2019 incl. IFRS 16 | IFRS 16 effect |
|--|-----------------------|--------------|-----------------------|-------------------|
| Profit/(loss) for the year | 2 746 | 2 410 | 2 427 | (320) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | |
| Actuarial gains/(losses) | (29) | (27) | (29) | - |
| Share of other comprehensive income of associated companies | 43 | (33) | 43 | - |
| Other | 22 | - | 22 | - |
| Income tax related to items that will not be reclassified subsequently to profit or loss | 1 | 6 | 1 | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Cash flow hedges | (27) | 34 | (27) | - |
| Foreign exchanges differences on translation of foreign operations | (7) | (3) | (7) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss | 6 | (8) | 6 | - |
| Other comprehensive income for the year net of income tax | 9 | (31) | 9 | - |
| Total comprehensive income for the year | 2 756 | 2 380 | 2 436 | (320) |
| Minority's share of total comprehensive income | 39 | 35 | 39 | - |
| Majority's share of total comprehensive income | 2 717 | 2 345 | 2 397 | (320) |

Condensed consolidated statement of financial position

| (MNOK) | 2019 excl. IFRS 16 | 2018 | 2019 incl. IFRS 16 | IFRS 16 effect |
|---|-----------------------|---------------|-----------------------|-------------------|
| Property, plant and equipment and investment property | 18 642 | 16 872 | 18 642 | - |
| Goodwill and other intangible assets | 5 559 | 5 250 | 5 559 | - |
| Non-current financial assets | 4 217 | 4 638 | 5 312 | 1 096 |
| Right-of-use equipment | - | - | 17 443 | 17 443 |
| Non-current assets | 28 418 | 26 759 | 46 956 | 18 539 |
| Inventories | 6 292 | 5 896 | 6 292 | - |
| Trade and other receivables | 4 908 | 4 738 | 5 081 | 174 |
| Cash and cash equivalents | 1 631 | 1 778 | 1 631 | - |
| Total current assets | 12 830 | 12 412 | 13 004 | 174 |
| TOTAL ASSETS | 41 248 | 39 171 | 59 961 | 18 712 |
| Paid-in equity | 1 825 | 1 825 | 1 825 | - |
| Retained earnings | 19 830 | 17 758 | 19 510 | (320) |
| Non-controlling interests | 275 | 260 | 275 | - |
| Total equity | 21 930 | 19 843 | 21 610 | (320) |
| Non-current liabilities | 6 543 | 5 859 | 6 543 | - |
| Non-current lease liabilities (IFRS 16) | - | - | 16 578 | 16 578 |
| Current liabilities | 12 776 | 13 470 | 15 230 | 2 454 |
| Total liabilities | 19 319 | 19 329 | 38 351 | 19 032 |
| TOTAL EQUITY AND LIABILITIES | 41 248 | 39 171 | 59 961 | 18 712 |

Condensed consolidated statement of change in equity

| (MNOK) | Paid-in equity | Retained earnings | Total | Non-controlling interests | Total equity |
|---|----------------|-------------------|---------------|---------------------------|---------------|
| Equity 31.12.2017 | 1 825 | 16 049 | 17 875 | 260 | 18 135 |
| Profit/(loss) of the year | - | 2 391 | 2 391 | 20 | 2 410 |
| Other comprehensive income for the year | - | (46) | (46) | 15 | (31) |
| Changes in treasury shares | - | (11) | (11) | - | (11) |
| Transactions with non-controlling interests | - | 1 | 1 | (8) | (7) |
| Dividends | - | (626) | (626) | (27) | (653) |
| Equity 31.12.2018 | 1 825 | 17 758 | 19 583 | 260 | 19 843 |
| Profit/(loss) of the year* | - | 2 390 | 2 390 | 37 | 2 427 |
| Other comprehensive income for the year* | - | 7 | 7 | 2 | 9 |
| Changes in treasury shares | - | (18) | (18) | - | (18) |
| Transactions with non-controlling interests | - | (1) | (1) | - | (1) |
| Dividends | - | (626) | (626) | (23) | (649) |
| Equity 31.12.2019 | 1 825 | 19 510 | 21 335 | 275 | 21 610 |

* Incl IFRS 16

Condensed consolidated statement of cash flows

| (MNOK) | 2019 excl. IFRS 16 | 2018 | 2019 incl. IFRS 16 |
|---|-----------------------|----------------|-----------------------|
| Profit/(loss) before tax | 3 450 | 3 057 | 3 040 |
| Income tax paid | (647) | (707) | (647) |
| Depreciation and impairments | 2 149 | 2 151 | 3 754 |
| Other non-cash items | (409) | (296) | 630 |
| Changes in working capital | (1 101) | 43 | (1 101) |
| Net cash flows from operating activities | 3 442 | 4 249 | 5 677 |
| Proceed from sale of fixed assets | 321 | 371 | 321 |
| Purchase of fixed assets | (4 669) | (3 680) | (4 669) |
| Other investing activities | 588 | (329) | 588 |
| Net cash flows from investing activities | (3 760) | (3 638) | (3 760) |
| Proceeds from loans and borrowings | 7 589 | 4 342 | 7 589 |
| Repayments of loans and borrowings | (7 298) | (4 280) | (7 298) |
| Repurchase of treasury shares | (19) | (11) | (19) |
| Dividends paid | (653) | (653) | (653) |
| Other financing activities | 552 | 681 | (1 683) |
| Net cash flows from financing activities | 171 | 78 | (2 064) |
| Net changes in cash and cash equivalents | (147) | 689 | (147) |
| Cash and cash equivalents at 1 January | 1 778 | 1 090 | 1 778 |
| Cash and cash equivalents at 31 December | 1 631 | 1 778 | 1 631 |

Notes to the condensed consolidated financial statements

NOTE 1 • ACCOUNTING POLICIES

The condensed consolidated financial statements for 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed by the EU.

The accounting principles used in the financial statements are the same principles used in the 2018 financial statements, except

from the following new standards and interpretations adopted in the period:

The following new IFRS standards, changes in standards and interpretations have been adopted in the period:

| IFRS 16 | Leases | The standard is considered to have a material effect for NorgesGruppen's financial statements. See discussion below. |
|---|---|--|
| Amendments to IFRS 9 | Prepayment Features with negative compensations | The standard is considered not to have a material effect on NorgesGruppen's financial statements. |
| IFRIC 23 | Uncertainty over Income Tax Treatments | The changes in the standard are considered not to have an effect on NorgesGruppen's financial statements. |
| Amendments to IAS 28 | Long-term interests in Associates and Joint Ventures | The changes in the standard are considered not to have an effect on NorgesGruppen's financial statements. |
| Annual Improvements (several standards and interpretations) | Annual Improvements to IFRS Standards 2015-2017 | The changes in the standard are considered not to have an effect on NorgesGruppen's financial statements. |
| Amendments to IAS 19 | Employee Benefits Plan Amendment, Curtailment or Settlement | The changes in the standard are considered not to have an effect on NorgesGruppen's financial statements. |

Lease agreement

In 2016, the IASB issued a new standard for leasing, IFRS 16, with implementation from January 1st, 2019.

The main rule in the new standard is that the lessee shall recognise all lease agreements in the statement of financial position. The lessee shall recognise the lease liability and the corresponding right-of-use asset for the use of the underlying asset over the lease period. In the process of identifying whether a contract contains a lease, it is considered whether the contract transfers all financial benefits of its use during the lease period, the right to control its use and whether it is an identifiable asset that the lessor cannot replace. NorgesGruppen has a significant number of rental agreements in addition to leases related to cars and production facilities. When first-time adopting IFRS 16, the Group has used the modified retrospective method, which means that comparison figures have not been restated. The right-of-use asset is recognized at an amount equal to the lease liability, but due to prepayments, the lease liability will be slightly lower than the right-of-use asset at recognition. After implementation the income statement is affected by moving rental costs from other operating expenses to depreciation and financial expenses. EBITDA has increased significantly since the rental expense has been removed and replaced by the depreciation of the right-of-use asset and the interest expenses related to the lease liability presented in the financial items in the income statement. Operating profit has also increased, while profit before tax has a minor change. In the first years after implementation the profit before tax will be slightly lower than what would be without the IFRS 16 effects. The reason for this is that the interest rate element of the lease liability is higher in the beginning of the lease period. In later periods, interest expense decrease as the lease liability is decreasing. IFRS 16 also affects the statement of cash flows as rental payments representing the repayment of the principal are classified as cash flows from financing activities.

NorgesGruppen has chosen not to reassess whether an existing agreement contains a lease. This means that prior assessments under IAS 17 and IFRIC 4 is not changed, however that the accounting of these agreements is restated in according to IFRS 16.

The Group has elected to use the recognition exemptions for lease contracts, at the commencement date, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value. Assets with low value mainly relates to office equipment. Rental payments for such lease agreements are recognized on a straight-line basis over the rental period.

In the assessment of the rental period, the non-cancellable term of the lease is always included. In addition, an assessment is made to whether any options to extend the lease is reasonably certain to be exercised. NorgesGruppen considers whether the option(s) should be recognized based on an overall assessment, the guidance in the standard and previous experience exercising such options. The options, that are future rights, provide good business opportunities in the longer term.

The discount rate used in the calculation of the lease liability shall be the interest rate implicit in the lease or, if not readily determinable, the lessee's incremental borrowing rate for borrowings with corresponding risk. The interest rate implicit in the lease is mostly unavailable. NorgesGruppen has chosen to use the modified retrospective method, which means that the Group must use the incremental borrowing rate at the first-time recognition of the right-of-use asset and the lease liability. NorgesGruppen has decided that it will be sufficient to use intervals of the discount rates based on risk and materiality. Based on the lease agreements in the Group, the most appropriate intervals will be an interest rate reflecting a 2 to 4 years lease period, 5 to 9 years lease period and 10 to 20 years lease period. The corresponding interest rate is the 3, 5 and 10 year's discount rate. The discount rates are determined based on the Group's borrowing interest rates with an addition of 1 or 3 percentage points to take company/lease-specific risk into account. The addition of 3 percentage points applies only to property leases with non-central locations based on The Central Bureau of Statistics's (SSB) overview of municipalities that are not considered to be growth municipalities.

NorgesGruppen has to a certain extent rental business and subleases. The standard has no significant effect on the accounting of the rental business. For the subleases, a receivable has been recognized instead of a right-of-use asset, and other operating income has decreased, while financial income has increased.

The recognition of lease liabilities and right-of-use asset for the above-mentioned lease agreements has resulted in a significant increase in total assets and liabilities of approximately NOK 19 billion at the initial recognition as of January 1st, 2019.

See note 21 in the consolidated financial statements for 2018 for the previous accounting policies related to lease agreements in accordance with IAS 17. The difference between the future minimum payment stated in Note 21 and the estimated liability as of January 1st, 2019 can mainly be explained by the recognition of the options to extend the lease agreements.

This report has not been audited.

NOTE 2 • SEGMENT INFORMATION

(MNOK)

| 2019* | Wholesale | Retail | Brand | Real Estate | Other/ elimination* | Group* |
|---------------------------|---------------|---------------|--------------|-------------|------------------------|---------------|
| Total segment revenues | 69 925 | 54 438 | 11 499 | 498 | 2 779 | 139 140 |
| Revenues between segments | (36 751) | - | (10 523) | (327) | (1 214) | (48 814) |
| Operating income | 33 175 | 54 438 | 976 | 171 | 1 566 | 90 326 |
| Operating profit | 950 | 1 866 | 580 | 295 | 574 | 4 265 |
| 2018 | Engros | Detalj | Merkevare | Eiendom | Annet/ eliminerer | Konsern |
| Total segment revenues | 66 955 | 51 326 | 11 148 | 419 | 3 213 | 133 061 |
| Revenues between segments | (33 880) | - | (10 129) | (303) | (936) | (45 248) |
| Operating income | 33 076 | 51 326 | 1 019 | 116 | 2 277 | 87 813 |
| Operating profit | 930 | 1 485 | 521 | 183 | 20 | 3 140 |

* IFRS 16 effect is included in other/elimination column and in the group as of 2019.

NOTE 3 • DIVIDENDS AND TREASURY SHARES

In 2019, dividends for 2018 were paid amounting to 16.0 NOK per share to the parent company's shareholders. In 2019, 649 MNOK has been paid in dividends for 2018, including dividends to the Group's minority shareholders. 626 MNOK is paid in dividends to the parent company's shareholders. The proposed dividend for 2019 is NOK 18.0 per share, totaling 703 MNOK.

As of 31.12.2019, NorgesGruppen holds a total of 937 727 treasury shares, which constitutes 2.3% of the share capital. The number of treasury shares held at the end of 2018 was 903 001.

NOTE 4 • REPAYMENT AND ISSUANCE OF BONDS

In the period, NorgesGruppen ASA has repaid ISIN NO0010663651 of 500 MNOK. It was during 2019 issued 2 new green bonds in total of 900 MNOK, ISIN NO0010843121 and NO0010869670. Certificate loans of 3 560 MNOK was issued and of this, 2 500 MNOK was due during 2019. We refer to www.norgesgruppen.no for a complete overview of outstanding amounts of bonds and certificates.

NOTE 5 • SUBSEQUENT EVENTS

No events have occurred subsequent to the balance sheet date that would have a material effect on the financial statements. The measures taken by the Government to reduce the spread of the corona virus will have an effect on all businesses. The year 2020 will be a challenging year for the food industry, both due to increased costs and increased absence from workers. This despite of increased sales of goods in some stores. Several of our wholesale customers will experience a challenging period ahead due to lost sales.

Condensed financial statement for the parent company (NGAAP)

| Income Statement (MNOK) | 2019 | 2018 |
|---------------------------------------|--------------|--------------|
| Operating income | 479 | 280 |
| Operating expenses | (541) | (437) |
| EBITDA | (62) | (157) |
| Depreciations and impairments | (18) | (8) |
| Operating profit | (81) | (165) |
| Net financial items | 1 468 | 1 492 |
| Profit/(loss) before tax | 1 387 | 1 328 |
| Income tax expense | 4 | (243) |
| Net profit/(loss) for the year | 1 391 | 1 085 |

| Balance sheet (MNOK) | 31.12.2019 | 31.12.2018 |
|--------------------------------------|-------------------|-------------------|
| Goodwill and other intangible assets | 116 | 124 |
| Property, plant and equipment | 1 | 2 |
| Non-current financial assets | 28 343 | 27 173 |
| Sum anleggsmidler | 28 460 | 27 299 |
| Receivables | 1 910 | 1 885 |
| Cash and cash equivalents | 7 | 23 |
| Total current assets | 1 916 | 1 908 |
| TOTAL ASSETS | 30 376 | 29 207 |
| Paid-in equity | 1 825 | 1 825 |
| Retained earnings | 10 798 | 10 149 |
| Total equity | 12 623 | 11 974 |
| Provisions | 380 | 352 |
| Long-term liabilities | 5 115 | 4 321 |
| Short-term liabilities | 12 259 | 12 560 |
| Total liabilities | 17 754 | 17 233 |
| TOTAL EQUITY AND LIABILITIES | 30 376 | 29 207 |

| Cash flow statement (MNOK) | 2019 | 2018 |
|---|-------------|-------------|
| Cash and cash equivalents at opening balance | 23 | 658 |
| Cash flows from operating activities | (198) | 272 |
| Cash flows from investing activities | (1 170) | (4 102) |
| Cash flows from financing activities | 1 352 | 3 195 |
| Cash and cash equivalents at closing balance | 7 | 23 |

Alternative Performance Measures

In accordance with ESMA's guidelines regarding alternative performance measures ("APM"), APM is intended as a financial measure for historical or future financial performance, balance sheet or cash flows, unlike a financial measure defined or specified in the applied framework for financial reporting. NorgesGruppen uses performance measures in its market communications derived directly from the reported financial statements in accordance to IFRS. It is not considered appropriate to adjust the reported accounting figures in the calculation of performance measures (APMs). This is because NorgesGruppen believe the reported accounting figures present the underlying operations in a good and balanced way for the users of the financial information. As such, there are no reconciliation items between reported accounting figures and APMs. The overview below shows the APMs NorgesGruppen has used and the related definitions. The APMs are defined and calculated based on reported accounting figures that can be traced directly to the financial statements and accompanying disclosures. The APMs is used consistently over time.

NorgesGruppen uses the following APMs:

- EBITDA - Earnings before depreciation and impairments and Income from investments in associated companies
- Operating profit EBIT - profit before financial items, includes income from investments in associated companies
- Operating margin EBIT - EBIT / Total operating income
- Operating margin EBITDA - EBITDA / Total operating income
- Profit margin - Profit before tax / Total operating income
- Return on capital employed - EBIT / average equity and net interest-bearing debt
- Net interest-bearing debt - Interest-bearing debt less interest-bearing receivables and bank deposits/cash holdings

The performance measures used by NorgesGruppen in the market communications provides a good picture of the ongoing operations and financial performance of the Group. The performance measures above represent the most important financial performance measures used by management.

A sustainable value chain

| Area | Target 2020 | 2018 | 2019 | Comment | |
|--|-------------|--------------|-------|---|--|
| SUPPLIER MONITORING Percentage of purchases from risk-assessed and approved suppliers. | 100% | 98% | 99% | In 2019, we did a lot of work with our local food suppliers and monitoring in terms of our requirements and expectations. | |
| DEFORESTATION Percentage of suppliers* approved according to NorgesGruppen's policy. | 100% | 80% | 81% | The work we have been doing with our target of traceable and deforestation-free value chains is going well, but we will probably not reach the 2020 target and the pressure on rain forests continues to increase from other markets. | |
| SUSTAINABLE CONSUMER OPTIONS Increased sales of ethically and environmentally-certified products. | +15% | +7.7% | +3.6% | Decline in sales of fair trade products, especially ice cream and flowers. Stable performance for ecology and increase for the Nordic Swan Ecolabel and other certifications (FSC, ASC, MSC, UTZ). | |
| FISHING AND AQUACULTURE Proportion of turnover from sustainable stocks and responsible fishing and fish farming methods. | 100% | Not reported | 97% | 97 per cent come from value chains with good traceability and control. Uncertain status for 3 per cent of turnover. | |
| PRODUCT SAFETY MEASURES Implementation of RED alert (health risk) within two hours. | 100% | 91% | 95% | All cases are carried out in accordance with regulatory requirements and industry standards. Work on achieving our internal goals will continue in 2020. | |

* Only relevant suppliers of soy, palm oil and/or meat from rain forest areas.



Annual results for 2019

NorgesGruppen will be in the lead to ensure safe products of the right quality from sustainable value chains where people, animals and the environment are taken care of. In 2019, we have used even more data sources, increased the use of surveillance tests and expanded our monitoring of media and market events. Along with clearer priorities, this has made us better able to detect errors and potential problems.

The road ahead

The work on risk assessment, control and monitoring is ongoing and must be changed in line with the type and level of risk. In 2020, intensive work on supplier and product security will continue unabated with small and medium-sized suppliers. Furthermore, we will set clearer expectations for the major suppliers to take the lead in efforts to protect human rights and animal welfare as well as sustainable management of forests, marine resources and unwanted substances.



We report openly and honestly on the sustainability results of our work. The symbols in red, yellow and green show where we stand in terms of achieving the sustainability goals we have set for 2020. Each symbol must be viewed in the context of the explanation in the column, as each process is unique.

A healthier Norway

| Area | Target 2020 | 2018 | 2019 | Comment | |
|--|-------------------|-------|-------|--|----|
| FRUIT AND VEGETABLES | +22% (+4%/year) | -3% | +0.4% | Positive performance, but below target. The weather in the summer of 2018 also affected 2019, with a shortage of goods and poorer quality in both Norwegian and imported goods until April. In the second half of 2019, growth has been good. Growth in ready-to-eat salads, berries and lighter products makes it more challenging to reach the target volume. | ☹️ |
| FISH/ SEAFOOD | +16% (+3%/year) | -1.1% | +1.2% | Good volume growth for NorgesGruppen. Mainly driven by KIWI's major commitment to the "Fiskelykke" fish promotion. The effects of promotions and a fixed bonus in KIWI PLUS confirm that price is an important barrier to increase fish consumption. Recruiting new fish consumers is still challenging, but we see that those who eat fish are generally now exploring more fish species. | ☹️ |
| WHOLEGRAIN BREAD Weighted average | >52% | 49.2% | 52.0% | Strong improvement from 2018 and positive performance in all chains. The proportion of wholegrain/extra wholegrain bread in NorgesGruppen is 69.1 per cent. Successful launch of the extra wholegrain Funky-gine bread contributes to positive volume growth in fresh bread. The wholegrain percentage is already in line with the 2020 target. | 😊 |
| KEYHOLE PRODUCTS | >20% | 19.7% | 20.1% | Good progress and ahead of 2020 target. The number of Keyhole brands has increased from 1,470 in 2018 to 1,505 in 2019. Continued focus on new launches and low prices is driving the trend, and KIWI will increase its share to as much as 23.8 per cent in 2019. | 😊 |
| SALT | -20% (-3.7%/year) | -0.2% | -0.2% | Continued reduction is welcome news, but still well behind the 2020 target. Satisfactory work on recipes and products, but mix changes and growth in commodity groups containing a lot of salt (such as snacks) and underlying volume growth have "eaten up" the effect in our measurements. | ☹️ |
| SUGAR | -10% (-2%/year) | -2.7% | -1.1% | Sugar is ahead of the 2020 target, totalling 9.5 per cent by 2019. There is a shift towards sugar-free beverages that largely drives the trend. Sugar sales in chocolate and confectionery products have increased, driven by a new concept and more racks and displays selling pick-and-mix candy. | 😊 |
| SATURATED FAT | -5% (-1%/year) | -0.9% | -0.8% | Continued pleasing reduction in 2019. For 2019, the biggest reduction is in dairy products, where both the largest suppliers have now reduced fat content in skimmed milk. In addition, we still see a decline in milk consumption. In butter/margarine/fat, Bremyk Mykere is contributing to positive results and increased sales of liquid margarine. | ☹️ |



Annual results for 2019

The 2019 performance in the area of public health and well-being is positive for all areas, although it does not appear that we are achieving all the goals. We are particularly pleased to be on target for 2020 regarding Keyhole products and wholegrain bread. There has been positive growth for fish and seafood and fruits and vegetables, and the decline in sugar continues. The decline in salt and saturated fat also continues, although it is below target.

The road ahead

In particular, the most important priorities for 2020 is our work to get customers to buy more fish and seafood, and fruits and vegetables. With an offensive 2020, it should be possible to exceed 2020 targets for wholegrain bread, Keyhole products and sugar, deliver strongly on fruit and vegetables and show positive growth for fish/seafood, salt and saturated fat.

An eco-friendly Norway

| Area | Target 2020 | 2018 | 2019 | Comment | |
|--|----------------|---|--------------------------------|---|----|
| RENEWABLE FUELS in incoming and outgoing distribution | 100% | 34% | 39% | 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 fully achieved. | ☹️ |
| HFC GASES | -75% from 2010 | -68% | -73% | The emissions are reduced by phasing out HFCs and replacing facilities with a high probability of leaks. | 😊 |
| ENERGY EFFICIENCY | 18% from 2010 | 11% | 16%* | Increased refrigeration and freezing capacity dampens the effect of the measures. The 2020 target will likely not be fully achieved. | ☹️ |
| RENEWABLE ENERGY Self-generated or released renewable energy | 11% | 4.5% | 9% | ASKO achieved 100 per cent new self-generated renewable energy in 2019 through full production at the wind power plant in Rogaland and commenced production at the wind power plant at Lindesnes. | 😊 |
| FOOD WASTE FOR BIO-GAS OR ANIMAL FEED | 100% | 86% | 90% | The increase is due to stores in several areas of the country being able to deliver food waste for biogas production. | ☹️ |
| RECYCLING (WASTE SEPARATED AT SOURCE) | 85% | 81% | 81% | The target for 2020 will be challenging to achieve, and improvements are being made to the sorting system. | ☹️ |
| FOOD WASTE from own operations | -25% from 2015 | -21% | -24% | Discounting of food products has been introduced in a large proportion of our stores. This, plus a number of other smaller measures has contributed to the reduction in food waste. | 😊 |
| INCREASED FILLING RATIO (increasing the ratio of product versus air in packaging) | 5% | 0.5% | 0.5% | Optimised fill ratio in over 100 product lines has resulted in significant reduction, corresponding to more than 1,000 fewer lorry loads. The fact that some categories, e.g. toilet paper and beverages, account for a large proportion of the air is a challenge. It is therefore difficult to achieve the percentage target. | ☹️ |
| PLASTIC BAGS | -20% | | -8% | A strong focus on plastic pollution, increased prices and better provision of shopping bags and paper bags has led to the reduction. Further measures to reduce plastic bag consumption will be introduced in 2020. | ☹️ |
| PLASTIC | -20% | 356 tonnes (reduced plastic in fruit and vegetable packaging) | 626 tonnes (selected products) | Our target for reducing plastic is a 2025 target. In 2020, we will introduce a comprehensive system for measuring the results of our work on more sustainable and reduced use of plastic on products. | |

* The energy efficiency calculation method has been adjusted from 2018 to 2019 to include the effect of very energy-efficient stores.



Annual results for 2019

NorgesGruppen achieved good results in 2019. During the year, ASKO has become 100 per cent self-sufficient with new renewable energy and Joh. Johannson Kaffe opened a new 9,400 m² wooden-built low-emission coffee refinery in Vestby. KIWI also opened its most ambitious environmental store to date, KIWI Lerberg. A new date alert system to reduce food wastage was put to the test. Nonetheless, there are still areas that present challenges, and we will probably not achieve the targets in full for renewable fuel, improved energy efficiency, the separation of waste at source, or increased fill ratios.

The road ahead

NorgesGruppen will focus on producing more renewable energy, greener fuel, energy efficiency and reduced food waste and use of plastic. Important tasks are to further develop the data alert system for food and the handling of food waste. NorgesGruppen is working on climate accounting that will be verified by third parties, and will communicate this in the Annual and Sustainability Report for 2020.

A thriving Norway

| Area | Target 2020 | 2018 | 2019 | Comment | |
|---------------------------------------|---|--|--|--|---|
| LOCALLY PRODUCED FOOD | The annual additional growth in locally produced food must be 2–5 percentage points higher than the overall growth in NorgesGruppen. | +2.2% | +2.5% | Sales of locally produced food increased by 5 per cent in 2018, while grocery sales in NorgesGruppen increased by 2.5 per cent. | 😊 |
| | Be the best for locally produced food among the grocery chains in Norway. | First place: MENY Third place: SPAR | First place: MENY Fifth place: SPAR | MENY retained its leading position for locally produced food among grocery chains in Norway. Since 2018, SPAR has dropped from 3rd to 5th place out of a total of 17 chains. | 😊 |
| 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: 1,834 | No. of stores: 1,811 | 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: 1,009 | No. of independent retailers: 955 | | |
| NORWEGIAN AGRICULTURAL PRODUCE | Increased production and sales of Norwegian agricultural produce, especially within fruit and vegetables and product groups where there is currently a shortage of goods. | Coverage in Norway: 89% of the country's municipalities | Coverage in Norway: 88% of the country's municipalities | There were very high sales of Norwegian fruit and berries, but sales of vegetables declined in 2018 because production was down. | 😞 |
| | | | | | |



Annual results for 2019

As in previous years, MENY was ranked as the best chain for locally produced food in the report on Norwegian grocery chains. In 2019, MENY highlighted Norwegian Food Heritage in many of its promotions. This is one of several important reasons why MENY were growth winners in 2019. On Black Friday, all MENY stores had their own Food Heritage Day to show the diversity in Norwegian food production. SPAR promotes cheese labeling in its stores where Norwegian craft cheeses are especially important.

In terms of sales of Norwegian fruit, vegetables and berries, we have had one of the best years for Norwegian berries ever, with 14.3 per cent volume growth since 2018. For fruit, growth was 10.7 per cent in volume – plums had a record year and Norwegian apples had a good year too.

The poor harvest on 2018 also affected the turnover of vegetables in the first quarter of 2019, and because vegetables are such a large category, the total for Norwegian fruit and vegetables ended with zero growth.

The road ahead

Promotion of local food producers at MENY will continue in 2020, with increased marketing, participation in the "Matstreif" Food Festival and continuation of initiatives such as the Food Heritage Award and Local Food Entrepreneur of the Year. SPAR will continue to develop the "Quality and Tradition" concept. ASKO Servering will continue to focus on locally produced food in the regional and national product range.

NorgesGruppen will continue to work on strengthening the sales of Norwegian fruit and vegetables, among other things by increasing awareness of the Gartner brand. Furthermore, Grofondet (the Growth Fund), established by NorgesGruppen, BAMA and Gartnerhallen, is an important device for increasing turnover and quality in the fruit and vegetable sector.

A diverse Norway

| Area | Target 2020 | 2018 | 2019 | Comment | |
|---|---|--|---|---|---|
| APPRENTICES | 500 Retail: 300 Wholesale: 100 Other: 100 | 437 Retail: 328 Wholesale: 97 Other: 12 | 473 Retail: 354 Wholesale: 102 Other: 17 | The number of apprenticeships was increased in all companies. There is a focus on quality, follow-up and good apprenticeship conventions. | 😊 |
| VOCATIONAL TRAINING POSITIONS | 1,100 Retail: 900 (50 per cent of the stores) Wholesale: 150 Other: 50 | 1,081 Retail: 945 Wholesale: 105 Other: 31 | 1,008 Retail: 878 Wholesale: 121 Other: 9 | The number has gone down but will obviously vary. There is still a strong focus on good quality during the work training period. | 😊 |
| GENDER BALANCE TOTAL | 40–60% | 50.4% women 49.6% men | 49.8% women 50.2% men | Overall, NorgesGruppen has a good gender balance, but there is excessive variation between different parts of the business. | 😊 |
| STORE MANAGERS | | 39.2% women 60.8% men | 42% women 58% men | | 😊 |
| EXECUTIVES AND MIDDLE-LEVEL MANAGERS | | 26.0% Women 74.0% men | 26.2% women 73.8% men | | 😞 |



Annual results for 2019

The number of apprentices is increasing, but the main focus in 2019 has been quality in apprenticeship. A number of good apprenticeships have been arranged in various areas of the business. The gender balance among store managers is good, but we aim to increase the proportion of women among middle managers and senior managers.

The road ahead

NorgesGruppen will continue its work in diversity management in 2020, and especially in strategic recruitment and cooperation across the value chain. We are also working at boosting digital know-how. We will work to support all types of business processes that are digital and have become part of the #AIChallenge, the government's call to the business world to increase expertise in artificial intelligence.

Contribution to the Environmental Fund

➔ 2019 was a bumper year for NorgesGruppen's environmental fund. The 7.5 MNOK limit was already used up in March. The purpose of the fund, which was set up in 2013, is primarily to help NorgesGruppen employees to reduce their own private energy consumption by seeking support for investments such as housing insulation, heat pumps and solar energy. Many employees have applied for support to buy electric bicycles or electric

cars, and a large number are applying for support to choose public transport instead of driving their own car.

The environmental fund is a popular benefit not found in many other companies. It is gratifying that the number of employees applying for grants is increasing every year. In 2019, the uptake was significantly greater than in previous years. This shows that the shift we are

seeing in society towards a more environmentally-friendly way of life is also well underway at NorgesGruppen. "Helping employees who opt to use public transport instead of their cars to get to work, or who choose to use electric bicycles or electric cars instead of petrol or diesel cars, are relevant and simple contributions that make a difference," says Halvard Hauer, Head of Environment at NorgesGruppen.

Turnover at NorgesGruppen

NorgesGruppen is for many their first employer, and an important part of a life phase for those working part-time while completing their education and training. This is the main reason why NorgesGruppen as a whole, in recent years, has had a high but steady turnover. This is especially evident in the retail sector and, in particular, the stores in the retail convenience market. The stores have a steady and high flow of applications from people who want to work for a period or are seeking a permanent job.

The retail convenience market has been omitted from the total since Tiger AS stands for a disproportionately high value due to the transition to the franchise business and the fact that employees are leaving the NorgesGruppen-owned business.

| | 2017 | 2018 | 2019 |
|-------------------|-------|-------|-------|
| Total | 25.3% | 25.6% | 26.0% |
| ASKO | 9.6% | 7.9% | 7.6% |
| KIWI | 29.2% | 27.9% | 31.8% |
| Kjøpmannshuset | 32.1% | 27.2% | 28.6% |
| MENY | 29.3% | 30.2% | 32.2% |
| NG-owned industry | 7.7% | 7.8% | 6.9% |
| Other activities | 29.7% | 12.8% | 12.9% |

In total, turnover has a slight increase of 0.4 percentage points from 2018.

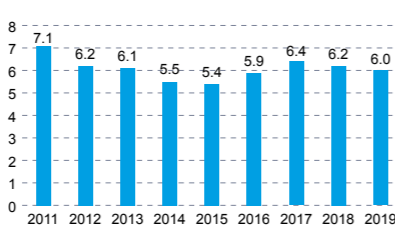
Drivers for change

Increase at KIWI, MENY and Kjøpmannshuset.

Absence due to illness 2019

Total absence due to illness for NorgesGruppen in 2019 was 6 per cent of total working time. This is a pleasing development driven by somewhat lower long-term absence. Emphasis is placed on well-being and management training in all the various companies in NorgesGruppen. Seeing individual staff is also important for ensuring reduced sick leave. Work has been done on training managers to develop a guiding leadership style with a focus on "good and effective conversation".

Absence due to illness 2019 NG-owned activity
Per cent



Drivers

Reducing long-term absence, particularly at KIWI and MENY.

70 + nationalities

NorgesGruppen also offers considerable diversity in terms of nationalities. There are 70 different nationalities in our workforce. The range of nationalities is particularly evident in our wholesale and industrial businesses and in our largest grocery stores. Systematic work with language proficiency, integration and well-being in the workplace has a positive impact and gives employees a sense of confidence and inclusion and a feeling of being able to handle the work.

Age distribution, in total and through new recruitment

55 per cent of our employees are under the age of 30. Approximately 15% of these employees are under the age of 20. Many people have their first ever job in one of NorgesGruppen's many businesses. This gives us a responsibility in which we take pride. For many, holding down a part-time job in one of our many stores is a decisive factor in meeting the need to combine education with the desire to earn some money and gain work experience. Early work training provides a perfect complement to school and education. There are good opportunities for young people to get a job at NorgesGruppe once they have completed their education.

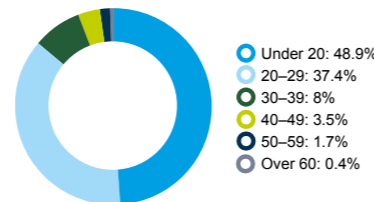
The increase is evenly distributed for 2019.

Total number of employees

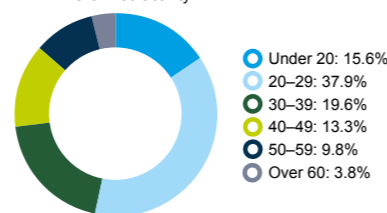
| | TOTAL |
|-------------------------------------|--------|
| Total incl. Retailer-owned business | 41,080 |
| NorgesGruppen-owned business | 27,564 |
| ASKO | 3,717 |
| KIWI | 9,746 |
| Kjøpmannshuset | 2,890 |
| MENY | 7,308 |
| Retail convenience | 1,360 |
| NG-owned industry | 1,302 |
| Other activities | 1,241 |

This is a decline of approximately 500 employees since 2018.

Age distribution, new employees 2019
NG-owned activity



Age distribution 2019
NG-owned activity



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Annual and Sustainability Report 2019
Norwegian and English editions



Annual Accounts 2019
Full accounts with notes, Annual Report
and presentation of the Board of Directors
(Norwegian only)



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