

Annual Report & Review 2017



Growing Good Business



Musgrave

“At every opportunity we aim to combine our deep local roots with brand and digital innovation to deliver a seamless shopping experience”

SuperValu

Centra

Daybreak

MACE

Dialprix

MUSGRAVE
MarketPlace

Dialsur
tu cash & carry

LA ROUSSE
FOODS


FRANK AND HONEST
GOURMET COFFEE COMPANY


CHIPMONGERS
FOR CHIP LOVERS

Musgrave

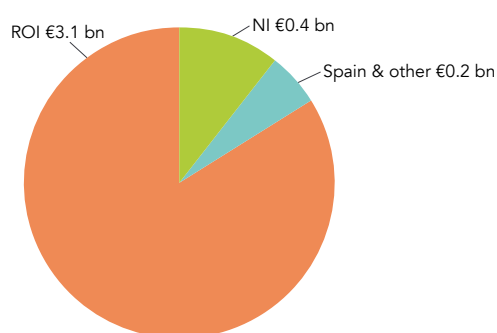
Contents

Musgrave at a glance	4-7
Statement from our Chairman	8-9
Message from our Group CEO	10-17
Growing good business – our brands	18-19
Stretching existing brands	20-23
Creating new brands	24-29
Taking care of our world	30-31
Inspiring healthier lives	32-33
Building sustainable communities	34-35
Sourcing responsibly	36-37
Caring for our world	38-39
Financial statements	41-46

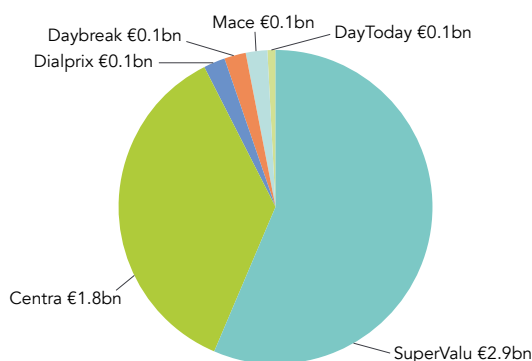
At a glance

2017 financial highlights

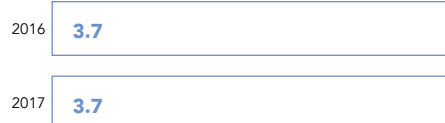
Musgrave sales €3.7 billion



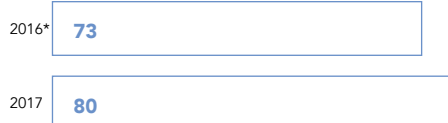
Retail sales €5.1 billion



Group turnover € billions

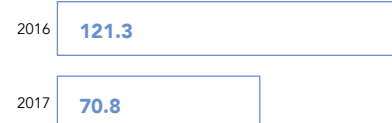


Profit before tax € millions



*Excluding pension gain

Net cash € millions



Number of stores as of 31 December 2017

	Republic of Ireland	Northern Ireland	Spain
SuperValu	217	36	–
Centra	447	83	–
Mace	–	105	–
DayToday	144	90	–
Daybreak	217	–	–
Dialprix	–	–	81

Stores of the year

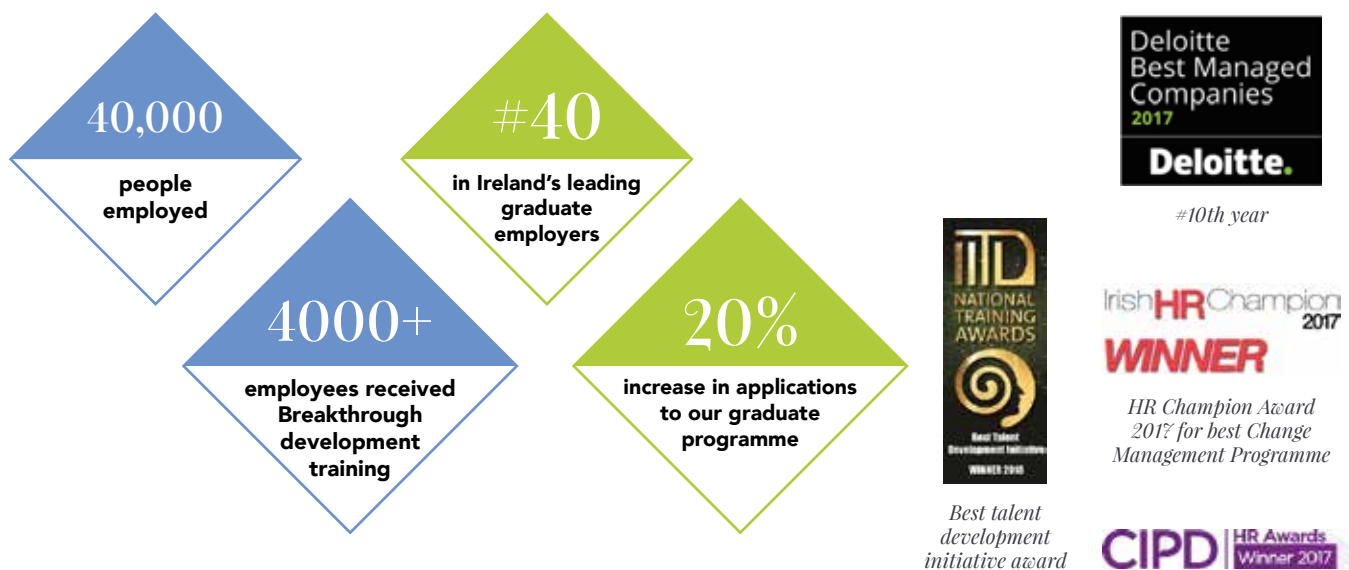
Republic of Ireland

- ◆ Nally's **SuperValu**, Trim
- ◆ Deegan's **Centra**, Urlingford, Co. Kilkenny
- ◆ **Daybreak** Dungarvan, Co. Waterford

Northern Ireland

- ◆ McCool's **SuperValu**, Ballymoney
- ◆ Lusty's **Centra**, Larne
- ◆ McCaughan's **Mace**, Armoy

Investing in people



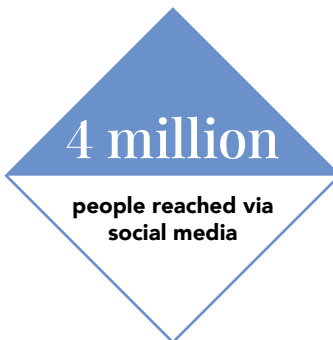
Investing in brands

FRANK AND HONEST
GOURMET COFFEE COMPANY

Ireland's biggest coffee brand



MUSGRAVE
MarketPlace



Giving Small Producers a Big Chance



Awards



Blas na hEireann awards for SuperValu, for its own brand and Food Academy products



Great Taste awards for own brand products across our retail brands



Voted best reward scheme in Ireland



Taking care of our world – our commitments



Inspiring healthier lives

We will improve the health of 2 million consumers across the island of Ireland.



Sourcing responsibly

We will be the most trusted food operator across the island of Ireland known for the integrity of our supply chain from farm to fork.



Building sustainable communities

We will make a positive impact on the planet by enabling our partners to make every local community in Ireland a sustainable community.



Caring for our world

We will minimise the impact of our operations on the world around us and use our network to influence others to do likewise.



2004 First Irish company to sign up to UN Global Compact

2014 First Irish Retailer to Achieve Business Working Responsibly Mark

2016 First verified Origin Green Retailer

Milestones

2005 Chambers Ireland President's Award for CSR

2006 Sustainable Energy Ireland Best Renewable Energy Project

2007 Chambers Ireland Presidents Award for CSR

2008 Repak Excellence Award

2009 Ryerson University placed Musgrave among the Global Top 15 Green Retailers

2010 Sustainable Energy Authority of Ireland SEAI Energy Manager of the Year

2011 Repak Best Member Award

2015 National Association of Convenience Stores European Sustainable Retailer of the Year

2018 Green Retailer of the Year Ulster Grocer Marketing Awards

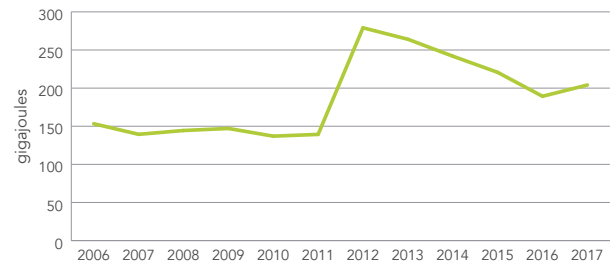
The UN Global Goals for Sustainable Development



Fleet emissions



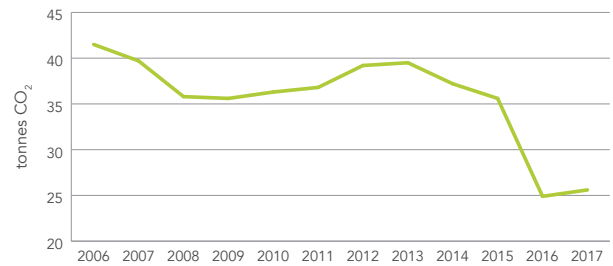
Building energy



Total waste generation



Carbon footprint



100%
green electricity
supplied to all our
facilities

€900,000
of donations made
to charitable
organisations



awarded by Business in the Community Ireland, independently audited by the National Standards Authority of Ireland

100%
recyclable, reusable
or compostable
packaging by
2025

2,800
hours of voluntary
time given



1st retailer to be verified as Origin Green

in our SuperValu and own brand products

115
tonnes fresh food
donated
= **250,000**
meals for charities
across Ireland





Nicky Hartery
Chairman, Musgrave

“As a family business, we have the unique ability to take the long term view, to live by our values and put purpose and principles ahead of short term gains”

Hard work, vision and growing *good* business

2017 was a good year for the business, building on the achievements of 2016, and putting us on track for sustainable future growth

2017 was the third consecutive year of improved profits, putting us on track for sustainable growth going forward.

The Irish grocery market remains highly competitive. Despite this, a solid financial performance has been delivered through a programme of sustained and focused investment aimed at getting the basics right, while strengthening and stretching our brands. At the same time, our wholesale and convenience food brands in Northern Ireland and Spain both delivered improved performances in 2017, with sales and profit growth.

Our shareholders have been integral to our ability to set the business on a solid path for the future, enabling us to invest in and strengthen our brands through the downturn and the years that followed. We are deeply appreciative of their continued loyalty. As a family business, we have the unique ability to take the long term view, to live by our values and put purpose and principles ahead of short term gains.

This is the heart of our purpose statement **Growing Good Business**, ensuring we grow the business sustainably for the benefit not just of our shareholders but for all our stakeholders and the wider economy. It's a purpose that has inspired our people and helped us to meet challenging commercial targets.

While Ireland continues to have one of the strongest economies in Europe, we are working to ensure that our business is prepared for sustainable growth into the future. The management team has embarked on significant work forging a vision for the business to 2025 and are preparing the business to deal with potential disruptions, significant amongst those is Brexit.

In 2017, each of our brands, our people and partners have worked tirelessly to evolve

stores, innovate in digital technology, improve service delivery and offer a different and better retail experience. We have used our deep knowledge of food retail and our expertise in building brands to set the agenda for feeding the island of Ireland. I have no doubt the passion and commitment of our people and our retail partners will continue this momentum into 2018 and beyond and on behalf of the Board I'd like to thank them all for their hard work and achievements in 2017.

I would like to extend a special note of thanks to my predecessor, Peter Lacy on his retirement. Peter has given great guidance, wise counsel and support to generations of shareholders and the Musgrave Board. Peter was a Non-Executive Director of Musgrave from September 2006 and Chairman from 2014. I wish him all the best for the future.

In 2017, we also welcomed two new colleagues to the Musgrave Board. David O'Flynn who replaced Tim Kenny as Chief Financial Officer and Chris Pilling, who replaced Brian Flanagan as Non-Executive Director and Family Director.

Also, an exceptional thank you to our retailers. Dedicated, community minded entrepreneurial retail partners are at the core of our business and enrich the local communities in which they operate.

Finally, I would like to extend my sincere thanks to Chris and the management team for their leadership, hard work and vision for our business and to the Family Board Directors and Non-Executive Board Directors for their advice and support. ♦

Nicky Hartery
Chairman

Driving growth through *innovation*

With 140 years of food and retail expertise and a passion for brand innovation, today our focus is growth in every area in which we operate

In a world where we are competing for market share and talent, nurturing a culture that thinks long term and has a robust purpose is important. Certainly, companies that operate with a clear and driving sense of purpose are more focused and cohesive than those that have profit as their sole measure of success.

We have set our purpose as **Growing Good Business** – growing sustainably for the benefit of partners, colleagues and the company. It's an inspiring commitment that underpins our business strategy as well as our day-to-day work, innovating through our brands and using our food expertise to deliver a different and better offer.

Growing Good Business provides a common direction for our people to drive and stretch our brands, while at the same time exploring growth opportunities in new markets. It's placed growth at the heart of what we do, but not at any price. It has to benefit not just Musgrave, but the ecosystem that supports our business.

As a family business with six generations of ownership, we look out further than the next set of quarterly results and are committed to sustainable growth. It's this ethos that's informing our business decisions, inspiring our people and transforming our culture.

This is opening new opportunities that enable us to continue to deliver growth, as long as we continue to innovate in what remain hugely competitive markets. At the same time, we must be mindful of short and medium term challenges.

Looking ahead, while Ireland continues to have one of the strongest economies in Europe, we recognise that there is short term uncertainty – primarily created by Brexit and its potential

to slow growth in the food and grocery sector and impact our business. No one can predict the outcome of Brexit. However, while the politicians work through the negotiations, we are working to ensure that our business is prepared for the post Brexit environment, and looking to minimise its impact on our shoppers.

2017 performance

I am pleased to report that the story of our 2017 performance is one of growth. For the third year in a row, the Group has reported increased profit, with all our brands performing well throughout the year. Group turnover amounted to €3.7 billion, up 0.3 per cent on 2016 when adjusted for the impact of currency.

Profit before tax was €80.0 million, which is €7.0 million higher than 2016 and up from €60 million in 2015. The Group's net assets were €330.4 million, an increase of €81.6 million on 2016. The Group ended the year with net cash of €70.8 million.

This growth is testament to the energy, dedication and hard work from colleagues and our retail partners over the last year. It is the result of the new tools and ways of working that have evolved through our ongoing programme of investment in people and talent development. And it is the outcome of our focus on brand innovation that is informed by more than 140 years of food retail expertise.

Feeding Ireland

With our Growing Good Business strategy delivering good results, the past year has been about driving consistency and improved delivery, stretching our brands through new offerings and innovations, and ramping up store improvement and development. At the

same time, we have been looking further ahead to build on the strong foundations provided by market-leading brands, and the deep local knowledge of our retail partners, to forge a wider longer term strategy to 'feed the island of Ireland'.

Feeding Ireland is about creating opportunities for our business at every eating occasion. At every opportunity we aim to combine our deep local roots with brand and digital innovation to deliver a seamless shopping experience that meets the needs of individuals, not demographics. Increasingly, this focus on flexibility and the integration of a growing diversity of delivery channels will come to describe the roadmap for our business going forward.

Let me give you a sense of some of what we believe food and food retail will look like in the near future. In 2025, Ireland will be a thriving, bustling and diverse place to live and work. The population will have grown to over 7 million people, with Dublin and Belfast home to more than 45% of the overall population.

“At every opportunity we aim to combine our deep local roots with brand and digital innovation to deliver a seamless shopping experience that meets the needs of individuals, not demographics”

There will be a dramatic shift in people's attitude to food. Consumers will seek out unique food experiences where eating less will be considered good for me, my health and the health of the planet. Veganism is likely to be mainstream and consumers will make more informed decisions about the health and nutritional benefits of what they buy coupled with growing concern for the environment and the sustainability of the food eco-system. People will demand total transparency about the impact of food on their health and on the planet.

The boundaries between eating at home and out of home will continue to dissolve and this



Chris Martin CEO,
Musgrave



Digital innovation in action: the Centra Beat the Queue online ordering app, now available to use in 19 stores and rolling out to dozens more throughout 2018

merged market will be worth in the region of €37 billion annually across the island of Ireland. In this growing market, consumers will demand a new level of convenience, speed and availability.

In this new world, rather than seeing the demise of the store, bricks and mortar will in fact be re-imagined as a destination, a social hub – the place where people will go not just to buy product but also for great food and dining experiences.

Bricks and mortar retail will be all about the experience, the integration of leisure, lifestyle and shopping. Consumers will increasingly expect to combine expert advice, with the ability to meet, work and connect, receive tailored offers and recipes, and maybe even visit the gym while their weekly shop is being prepared for them to collect in-store or delivered to their home.

At the same time, store innovation will be seamlessly integrated with technology that will enable shoppers to have what they want, where and when they want it – delivered to their home, eaten in-store or on the go.

By 2025 we see technology as fundamentally changing the relationship with the consumer. Data will become the glue that unifies the retail experience – enabling the offer to be tailored to individuals using their mobile devices. The future will allow shopping where the consumer is always connected, moving between the digital and physical world.

Unlike many in the retail sector, we see the rise of online and the growing digitisation of

the retail experience as a thrilling opportunity rather than a threat. This is because our business is all about creating outstanding brands that deliver exceptional value, quality food and services to shoppers. We believe that retailers who bring the human and digital food experiences together will thrive.

So, in being fit for the future we see that Musgrave has a huge advantage over the competition. This transformed retail environment will require outstanding local entrepreneurs who really understand the individuals and communities they serve. Precisely what we have in the retailers associated with our brands. It is what sets our brands apart. SuperValu, Centra and Daybreak stores are owned not by Musgrave, but by local families. They are nimble, devoted to their customers because they know them and daily meet the needs of everyone in their community.

To deliver on this vision as a business, we continue to evolve store design and invest still more in digital – both in the technology, and

“Consumers will increasingly expect to combine expert advice, with the ability to meet, work and connect, receive tailored offers and recipes, and maybe even visit the gym while their weekly shop is being prepared for them to collect in-store or delivered to their home”



Centra Parnell Street won Innovative Store of the Year at the international IGD Awards 2017 for its 'truly flexible format, appealing to many different shopper trends'

in expertise and skillsets. We are attracting the best and brightest Ireland has to offer. We are a data-driven business rewarding loyalty, anticipating demand while being better able to understand and meet the requirements of individual shoppers.

We strive to be responsive and ahead of consumers on issues like sustainability – for example, working hard to offer shoppers less packaging and an increasingly sustainable shopping experience.

At the same time, we are developing our international portfolio, because with the best and most trusted Irish brands, we have something unique to deliver to global markets. We look to work with overseas partners who will take our products and our brands and make them work in their local markets.

This is the future of our business and it has already begun.

Growth and leadership

So in 2017, with this vision in mind innovative thinking together with real leadership in

food, in-store and online have helped us to stay ahead of the consumer and ahead of our competitors. Over the past year we have introduced more own brand ranges, given more space to healthier products, nurtured more than 400 suppliers for retail and foodservice through Food Academy and Foodservice Academy, and provided €40 million in additional value for consumers.

In-store we have improved the shopping experience for consumers with more than 100 new and revamped stores and hundreds of in-store colleagues trained in customer service. We created a better online experience for retail shoppers and foodservice customers resulting in a 30% increase in online sales. The result has been that our brands – SuperValu, Centra, Daybreak and MarketPlace – continue to be market leaders.

Musgrave is first and foremost an innovative business that creates outstanding brands. We can do this because we have people who are committed, innovative, passionate and have flair. These people are our retailers and our colleagues.

Independent entrepreneurs like our retail partners are winning in tough markets. We are seeing this across Europe. They're winning through being nimble, devoted to their customers and truly rooted in their local communities, providing the community knowledge, social connection and the human



experience that informs brand development. Our retail partners do all this with flair and they give our brands their competitive edge – something our international competitors can't replicate.

At the same time, Musgrave continues to attract the best and the brightest people – not just in food and retail expertise, but increasingly we are investing in our skills base on the technology side, as well as in people development.

This investment in people over the past few years has transformed our culture and energised the business, helping to deliver the leadership our brands are enjoying today. I'd like to thank our shareholders for supporting us in this ongoing transformation. In particular, I'd like to call out the invaluable encouragement and guidance the leadership team had from our previous chairman, Peter Lacy. I wish him all the best in retirement, and look forward to continuing to work with and benefit from

the considerable experience of his successor, Nicky Hartery.

Brand innovation

Whether it is across retail, wholesale or foodservice, brand innovation and a passion for food sit at the heart of every one of our brands. We know food trends are continuously evolving, shoppers' demands are changing and expectations continue to grow in terms of the food shopping experience.

Our priority is to stay ahead of these trends and expectations, and to always surprise and delight our customers – whether that is through



encourage the nation to enjoy healthier and more active lives. We believe it is our responsibility, as a business that feeds one in three people on the island of Ireland, to ensure health is at the top of the agenda every day and ensure our offer aligns with these new priorities.

the food we offer, the service we provide, or the technology that enables our customers to shop quickly and conveniently. Our expertise is in seeing challenges as opportunities for our brands and being nimble enough to respond – innovating and pushing the boundaries to stay relevant every day.

A focus of healthy choices

For example, health is a major preoccupation for shoppers and this is an area where we continue to stay ahead. A few years ago, healthy living ranges were only a small part of our offering – today we have hundreds of lines in our health food ranges across our stores. The result is that SuperValu is now the leading

For example, we have already reduced salt and sugar in many of our own brand products by reformulating the recipes, and we continue to do this right across our range; we are incentivising and encouraging shoppers to choose different and more nutritious options by making these more enticing and value for money; and we are giving people the information they need to make their own informed choices about the products they buy.

Different and better brands

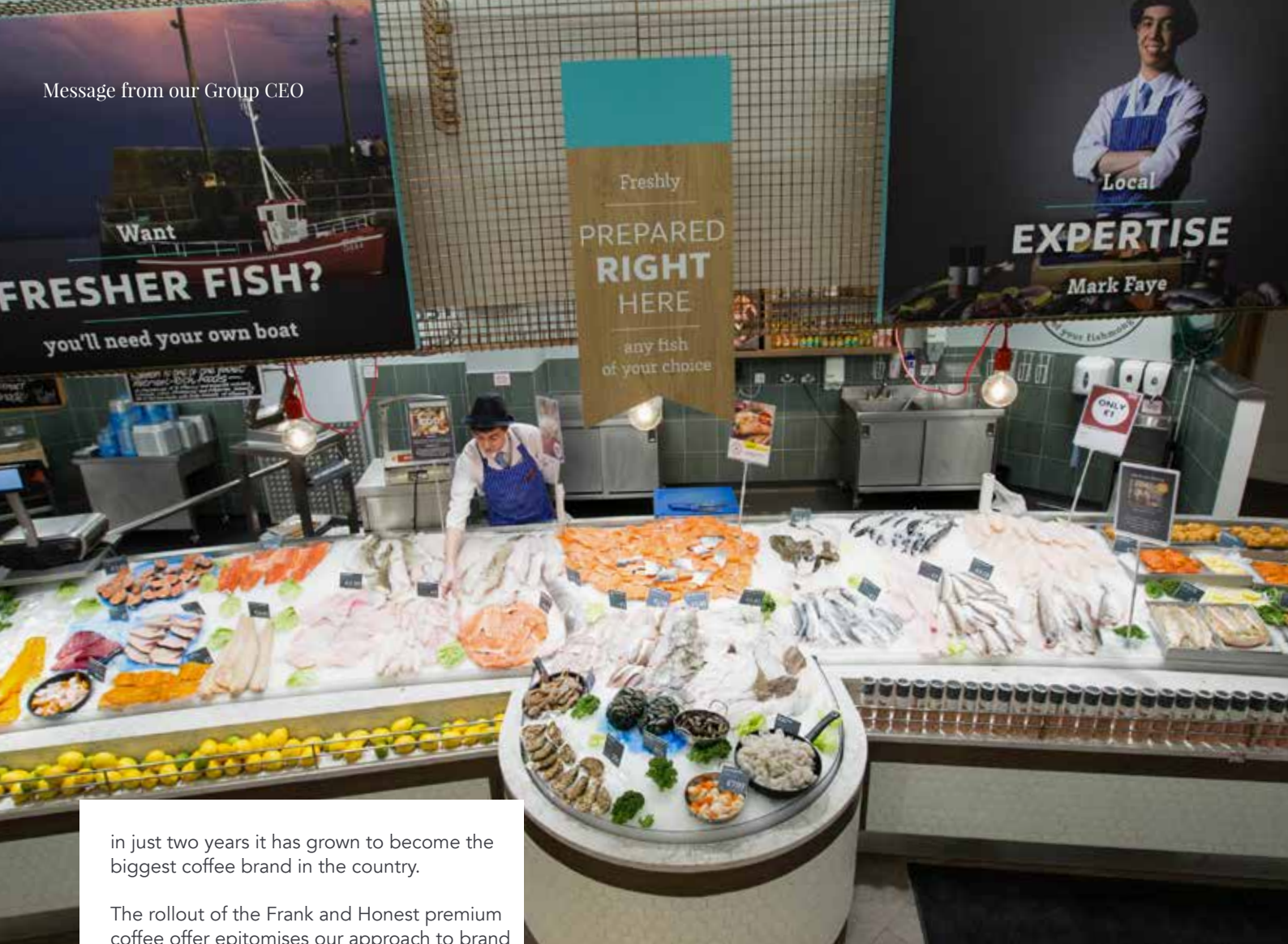
We see convenience shopping as a growing trend in its own right – even if shoppers aren't using a 'convenience' store. Whether for a weekly shop, or a quick sandwich, individuals and families want a fast and easy shopping experience, but we know they also want quality, choice, and, importantly, value for money. This constant challenge inspires us to develop and create new brands, new ranges and new digital offerings.

One of the key drivers of growth in SuperValu and Centra has been the rollout of our Frank and Honest coffee brand. This time last year I talked about the launch of Frank and Honest and our vision for it to become the biggest take-away coffee brand in Ireland. Just a year on and we have delivered on that vision. With Frank and Honest now in 630 Centra and SuperValu stores across the island of Ireland,

“We believe it is our responsibility, as a business that feeds one in three people on the island of Ireland, to ensure health is at the top of the agenda every day”

seller of health and wellbeing food products in Ireland and Centra is the only Irish convenience brand strongly associated with healthy living.

While healthy choices are a vital part of brand differentiation, and a key sales driver for retailers, health is also part of our wider sustainability strategy and commitment to



in just two years it has grown to become the biggest coffee brand in the country.

The rollout of the Frank and Honest premium coffee offer epitomises our approach to brand innovation and sustainable growth. Prior to Frank and Honest, machine take-away coffee prices in Ireland had become a race to the bottom. We saw this as an opportunity to offer something different and better to shoppers, while at the same time adding further differentiation for our brands.

In the same way, our new brand Moo'd ice-cream delivers a similar experience and opportunity for our retailers to maximise every eating occasion. It exemplifies what our retail brands stand for – a high quality, premium product made in Ireland with quality Irish produce.

A focus on in-store experience

To date we have invested heavily in store design to deliver a shopping experience the modern consumer demands – convenient, simple, friendly and enjoyable – and we continue to push the boundaries on store design and layout. In 2017 Centra Parnell Street was given the IGD's Innovative Store of the Year award, and our Daybreak brand launched its new Store of the Future identity.

Furthermore, we have invested in Northern Ireland, both in in-store revamps and food innovation, for example, we launched our new own brand Northern Irish label 'Fresh for You',

which underpins our commitment to the local food and drink industry.

Our innovation in design and store experience extends into our foodservice business. Our new Musgrave MarketPlace 'food emporium' format brings together the very best food, expertise and equipment for the foodservice industry under one roof and our Foodservice Academy, launched in 2017, has driven an increase in artisan, locally produced Irish products available in our MarketPlace stores, meeting customer demand for more produce with provenance.

In 2017 we acquired national foodservice brand La Rousse, which supplies to the high-end

“Looking ahead, we have a clear vision for our business that is explicitly focused on the seamless integration of digital with bricks and mortar retail to provide shoppers with the flexibility and personalisation they want and expect”

restaurant and hotel sector in Ireland. This has broadened and strengthened our foodservice offering, and we will look to acquire other foodservice brands to increase our reputation and reach in the hospitality market.

International export

Global demand for Irish produce continues to grow thanks to its outstanding quality and the dedicated efforts of the Irish food sector. At Musgrave, we see ourselves as curators of the very best Irish food and drink, supporting long standing producers and suppliers and enabling small brands to grow and access global markets. We want to give people around the world the opportunity to enjoy great Irish food and to put Ireland firmly on the culinary map worldwide.

At the beginning of 2017 our first SuperValu shopfront went live on Alibaba's Tmall Global ecommerce platform, delivering our Irish products to the Chinese market. And we have recently signed an export deal with Alosra, the Kingdom of Bahrain's leading high-end supermarket. We are supplying a selection of products from our Excellence Own Brand range, as well as a number of Irish brands.

We want to grow this success because we know we have the expertise in our respective markets to deliver, and we also know that we have outstanding Irish produce to export that is desirable to an international market.

We have a unique combination of scale and logistics expertise, coupled with our passion for quality local produce. With more than 1,800 Irish suppliers moving their products through our dedicated distribution centres on a weekly basis, we are increasingly attractive as a trading partner of choice in international markets.

Conclusion

What we have achieved with our brands over the past few years has been outstanding. We have steered them through the recession to now being market leading in highly competitive markets. We have achieved this through continuous innovation and by building on our legacy and experience in food retail and brand development.

Looking ahead, we have a clear vision for our business that is explicitly focused on the seamless integration of digital with bricks and mortar retail to provide shoppers with the flexibility and personalisation they want and expect. To deliver on this vision, we are investing heavily in technology, while working



Musgrave announced its export agreement with Alosra, Bahrain's leading premium supermarket. From left to right: Tara McCarthy, CEO, Bord Bia; Jaffar Al Asfoor, BMMI General Manager of Food Retailing and Production; and Chris Martin, Musgrave CEO

closely with our retail partners to evolve and improve the local, destination shopping that remains at the heart of our offer. At the same time, we continue to roll out our people development programme across the business, while investing more in training and recruitment to ensure we attract and retain the best and the brightest.

However, while it's true that data and technology will increasingly play major roles in the development of our business and the evolution of our brands, it will continue to be people who will provide the innovation and inspiration that will underpin our success.

On the frontline of bricks and mortar retail, we have a huge advantage over our competitors because food leadership requires outstanding local entrepreneurs who really understand the individuals and communities they serve. Precisely what we have in the retailers associated with our brands. As ever I would like to thank all our retail partners for their support and innovation.

Going forward we will continue to invest in the development of our people. I would like to thank our shareholders for their commitment to a long term vision for our business that places the development of skills and talent at the heart of our strategy. And I would especially like to thank our people for the commitment, innovation and hard work that is essential for the continuing success of our endeavour. ♦

Chris Martin
CEO, Musgrave

Growing *Good* Business – building *better* brands

Our market-leading brands have earned international recognition for innovation, sustainability and community focus

With more than 140 years of food and retail leadership behind us, today we're building and developing market-leading brands that will deliver a prosperous future for ourselves, our people and partners.

Musgrave brands lead through quality, value, consistency and innovation, but also because they resonate with the issues that people feel passionate about – physical and mental health, sustainability, and the economic health and vibrancy of local economies.

We currently own ten food brands on the island of Ireland and Spain, and export the very best of Irish produce through partnerships. Our brands are successful because they meet the changing needs of today's shoppers and because they are developed in collaboration with outstanding local entrepreneurs. Our retail partners bring the magic dust that hones the unique qualities of our brands to meet their local customer needs.

Our wholesale, retail and foodservice brands share a passion for food and outstanding service, the drive to evolve and develop a different and better offer, to meet consumers' needs today and into the future and to deliver a consistent and seamless shopping experience across multiple channels and technologies.



SuperValu

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CHIPMONGERS
FOR CHIP LOVERS

The future of our brands

Listening, learning, and continuous innovation are key to developing better brands and meeting the changing expectations of our customers



Our business is all about creating and developing great brands that really resonate with shoppers, based on more than 140 years of food retail experience. Our passion for continuous innovation is how we keep ahead of consumers, ensuring we're always there to meet and exceed expectations, delight and surprise at every encounter.

Right now, millennials are leading the charge in the transformation of the retail experience. Flexibility and convenience are key for these shoppers. They expect the very best technology to be applied to every aspect of their retail journey from researching the best offers and deals right the way through to purchase and delivery decisions.

And these are shoppers who increasingly judge a brand on every stage of that journey. This is why we are working hard to ensure all of our brands are able to deliver a fully integrated and seamless shopping experience across physical retail and e-commerce channels.

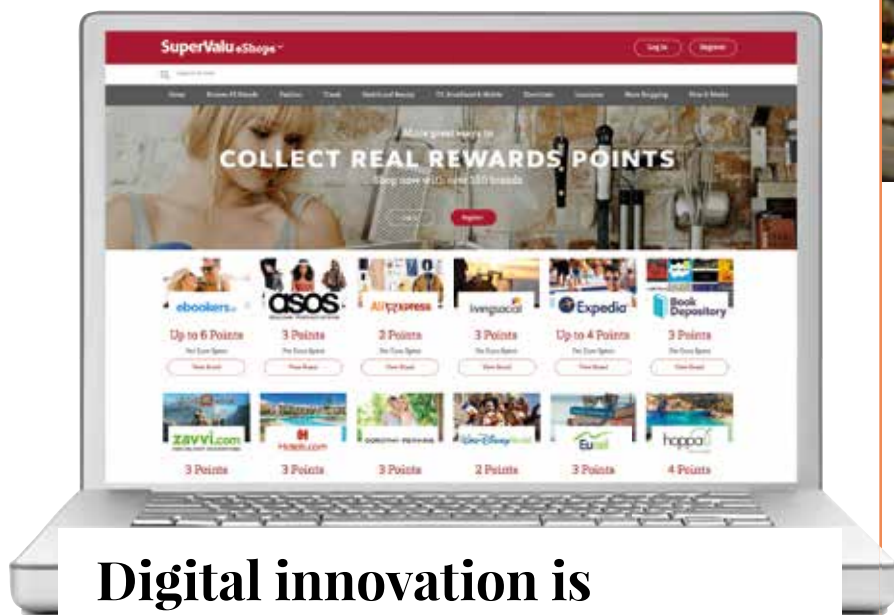
While digital and online continue to grow, the stores associated with our retail brands remain the core of our business – the focus of sustained investment, continuous development and innovation. Our vision is for bricks and mortar retail to be re-imagined as a social destination, a hub at the heart of communities, where our brands are brought to life through the expertise and local knowledge of our retail partners, who are the people who bring the human and digital food experiences together.

We're building local stores where families and individuals meet, relax, grab a coffee and a bite to eat, catch up on their emails or share their day, their purchases or a recipe on social media.

For 140 years we've been developing different and better brands through continuous innovation. Through listening and learning from our retail partners and the local communities they serve, our brands continue to exceed shoppers' expectations underpinned by quality and value.

Stretching our brands

In 2017 all our brands led the market through innovation and building on our legacy in food retail and brand development



Digital innovation is delivering sales and growth

Across our brands, technology is driving growth and digital innovation is conjuring new opportunities to surprise and delight shoppers. Technology enables us to deliver hyper-convenience to shoppers as a natural and seamless extension of the existing shopping experience and customer service.

For example, in 2017 we relaunched the Centra Beat the Queue app, now available to use in 19 stores with more being added throughout 2018. The app allows shoppers to order their freshly made sandwich or lunch item from their phone to be ready for collection at a particular time slot. When they arrive in-store, they can pick up their food and go – beating the queue during busy periods.

Meanwhile our online shopping experience with SuperValu has become quicker and easier with same-day delivery offering more flexibility and convenience for our shoppers.

The SuperValu eshop and eshop app have experienced significant growth. The eshop allows SuperValu shoppers to view their favourite brands easily through the portal and collect Real Reward points from purchases along the way.

Online digital innovations such as this are key drivers of growth for the business because they offer new and different shopping experiences to consumers, more value, and they complement our existing retail stores and brands.



New bakery offering brings back Irish tradition

As part of our commitment to promoting healthier eating, we have invested in creating a new convenience bakery range for Centra, stripping out artificial flavours and colours and taking bread back to its traditional roots. The new and improved bakery range uses wholesome Irish products wherever possible. For example, the new scones recipe is all about tradition, using store cupboard ingredients like real Irish butter and whole eggs. The bakery items are cooked fresh every day and are available to grab and go.



Musgrave España revamps wholesale stores

Musgrave España has made significant investment in the refurbishment of its cash and carry brand. Dialsur de Torrevieja opened its doors with a totally new look after €600,000 investment, creating larger and more modern facilities. The revamp included a new winery, showcasing wines and premium drinks, and a new display area for fresh produce, with equipment that improves the longevity of the produce. It is one of five revamps to the new brand identity out of 17 Dialsur stores in the region.



Leading the way with autism-friendly stores

Autism affects between 1-2% of the population and there are at least 50,000 families with an autistic child in Ireland. SuperValu is already leading the way when it comes to initiatives that support those families, partnering with AslAm founder Adam Harris to deliver over 2,500 autism-friendly shopping evenings hosted in 80 SuperValu stores around the country. And now we have launched autism-friendly SuperValu stores – the first undertaking of its kind within the food retail sector. The stores have been designed in conjunction with the Middletown Centre for Autism and include autism-friendly shopping times, de-sensitisation of store sounds at designated shopping times, with downloadable store sounds to assist in de-stressing the store visit and reduced beep sounds on tills. The initiative also includes staff awareness training and autism-friendly trolleys, which were developed by a SuperValu employee.



Food Academy proves shoppers want more local Irish produce

We know shoppers want more locally sourced, authentic Irish food products, because in 2017 retail sales from products in our Food Academy range rose to €35 million. Food Academy is a flagship programme that we run in collaboration with Bord Bia and the Local Enterprise Office, to support and nurture small Irish producers on their journey from start-up, through to being stocked on the shelves of SuperValu stores.

In 2017 over 350 producers were part of the Food Academy programme, from artisan chutney makers to traditional cake companies. These products have stories and real people behind them – having been made by passionate family-owned businesses across the island of Ireland. Being able to step into your local supermarket and buy products that have been produced a few miles away is important to shoppers, supports local economies and gives our stores a unique point of difference. We are delighted that Food Academy was honoured with a Ruban d’Honneur award for Innovation at the European Business Awards. The judging panel said Food Academy was ‘the most socially innovative initiative in the competition’ and presented ‘strong community benefits’.

Healthy body, healthy mind



As a food business that feeds 1 in 3 people in Ireland, we have real opportunity as well as responsibility to influence and encourage the nation to live healthier lives. Health and wellbeing is embedded in the Centra brand and the Live Every Day and Live Well campaigns have all focused on supporting shoppers to live healthier, happier and more active lives. In 2017 the campaign also focused on mental health, encouraging shoppers to take care of mind, body and soul and included a Restart 21-Day Mindfulness Challenge.

SuperValu and Centra sweep the board at 2017 “Best in Fresh” Awards



Our brands are recognised for their commitment to fresh, locally sourced produce as well as value for money, and every year we work to enhance and broaden our ranges. We were pleased to receive 13 awards at the 2017 Checkout ‘Best in Fresh’ Awards, including the prestigious ‘Best Group Retailer’ award. The annual awards recognise and promote excellence in fresh food retailing in Ireland in categories including fruit and veg offerings, fresh meat and fish and food-to-go.



Stores for the future

Keeping ahead of customer trends in shopping and expectations in store experience is central to developing and maintaining our brands. In 2017 we unveiled Daybreak's new 'Store of the Future' brand identity, a bold vision for how the brand will look and operate in the years ahead.

The focus of the new identity is the merging of foodservice and retail, offering customers a seamless experience between shopping for items to take away, and purchasing food to eat in-store or as they leave.

The first Daybreak store of the future pilot launched in August, at Scally's Service Station, Cork City. Along with refreshed external and internal branding, with the new green bird logo, the store layout has been altered radically. It includes several foodservice concessions including the exclusive Daybreak coffee brand 9 Grams, and a Chipmongers for hot food take-aways. At the same time, the new identity has a strong commitment to healthy options and fresh tasty convenience food, with a deli area serving salads, sandwiches and breakfast items and more 'smart snack' healthier options to grab as an alternative to crisps and chocolate.

The results from the pilot store so far show overall sales are up 48%, footfall has increased by 52% and participation in coffee and food to eat has gone up by 34%. The new identity will be rolled out from 2018 onwards.

**SuperValu
Real
Rewards**

Ireland's leading loyalty programme

SuperValu's Real Rewards has well over a million members and in 2017 it was voted Ireland's leading loyalty programme by the All Ireland Marketing Awards. In 2016 we had a bold vision and ambitious plan to make the programme the biggest in Ireland, working to grow membership and to increase partner organisations to offer our loyal shoppers even more value. In 2017 the membership base grew by 100,000 members, and €40 million in value has been delivered back to these shoppers.

Real Rewards members can earn points by shopping in SuperValu or using their card with a range of partner stores and organisations. The points are converted into money-off vouchers to be used in-store, or to get money off eir and Electric Ireland bills. In 2017 the new Real Rewards app attracted thousands of downloads, with the majority of users engaging with it on a regular basis, and a new online Real Rewards e-shop was launched, where shoppers can earn points by shopping online with our 170 partner brands, including Debenhams, River Island, Expedia and bookings.com.



Twitter tastings drive engagement

Musgrave MarketPlace was proud to scoop a Sockies social media award for its #MMPGin Twitter Tasting, which was the final instalment in a four-part series of virtual Twitter tastings. The gin tasting was held at the Musgrave MarketPlace Ballymun store in its newly revamped Gin Palace, with media and bloggers participating virtually from their homes and offices.

SuperValu – ‘Make it Fish Twice a Week’

Through talking to customers and tracking trends, we identified that many people were either ‘scared’ to cook fish or uncertain about what to do with it. Ireland has a plentiful source of top quality seafood, which is good for overall health and SuperValu stocks over 40 different types of fish in its 217 stores nationwide – with many stores home to dedicated fish counters and expert fishmongers. The SuperValu ‘Make it Fish Twice a Week’ campaign, was aimed at getting fish on to the nation’s tables more frequently and demystifying people’s ‘fear of fish’. It included showcasing fish recipes from Irish chefs and offering more advice and tips in store for how to cook fish at home.



The chefs behind the brand: Joseph Roche and Xavier Ortiz join Head Development Chef, Clement Pavie (centre), pictured in our Ballymun Food Theatre

Redefining wholesale on the island of Ireland

Our MarketPlace brand has undergone a sustained period of innovation and development over the last two years, with €10 million invested in a range of areas to meet the demands of our hospitality, retail and business customers.

2017 saw the unveiling of several upgraded Musgrave MarketPlace outlets into the new ‘Food Emporium’ format – including a €2.5 million upgrade of our Robinhood branch in Dublin. The revamped branches have been transformed, offering customers a more modern and interactive shopping experience. Each emporium offers speciality counters for meat, cheese and fish, catering supplies and equipment, as well as expert advice available in-store, chef demonstrations and an expanded product range to cater to the changing tastes of the nation.

Alongside the revamped branches, some €5 million has been invested into technology, the supply chain and marketing to enhance the overall customer experience and the Musgrave MarketPlace food brochure – ‘The Food People’ – was relaunched, offering customers even more choice. The brochure features 400 new products which have been carefully selected based on food trends from around the world, ensuring that customers have access to the widest range and quality of products.

MarketPlace has forged an exciting partnership with the *Chef Network*, Ireland’s professional chef organisation. The online community was created by chefs for chefs, allowing them to collaborate, share ideas and blog on topics that matter to the industry, and it puts our brand at the centre of Irish food trends. The partnership includes the launch of a new series of ‘Chef Skills Masterclasses’ aimed at providing affordable training and increased opportunities for chefs working in the Irish food industry.

All this reflects our ongoing commitment to supporting and assisting with the professional development of up-and-coming chefs and the future leaders of Ireland’s food industry. In addition to our partnership with Chef Network, we have committed €350,000 to supporting the DIT Culinary Arts School.

MUSGRAVE
MarketPlace

Brands to delight and surprise

Across retail, wholesale and foodservices, innovation and a passion for food sits at the heart of every one of our brands



The first national coffee brand to move to 100% compostable coffee cups

Frank and Honest is Ireland's top coffee brand

Our exclusive artisan coffee Frank and Honest is just two years old, but it is now Ireland's biggest and most popular coffee brand – overtaking all the high street coffee chains.

Ireland is in the midst of a coffee boom – it has become a massive part of Irish people's lives, with three quarters of people drinking coffee, and seven in 10 drinking more than one cup a day. Our barista-style machine coffee is the perfect grab-and-go offering, and it delivers on taste too – as our customers tell us time and again.

Frank and Honest uses 100% Arabica beans from South America and our state-of-the-art machines replicate as closely as possible the barista experience. And we are continuing to innovate within the brand, our flat white has less calories than most on the market, but the same great taste. Meanwhile, with plastic reduction at the top of our agenda, plans are underway to ensure all Frank and Honest coffee cups will be fully compostable from September 2018 with a discount for customers who use their own reusable cups.

It's time to be more 'frank and honest' campaign

In 2017 Frank and Honest launched a viral internet and social media campaign called **#BeMoreFrankandHonest** encouraging the nation to sit down with a cup of coffee, blow off some steam and have a proper, honest chat. The campaign enlisted comedian Joanne McNally and Snapchat sensation James Kavanagh who took to the streets making short videos to share via Instagram, Snapchat and Facebook to encourage people to open up about funny little secrets, white lies and confessions – to see just how frank and honest people could get. The campaign was a big success creating positive news coverage and engagement on social media, particularly with millennials.



Rolling out an authentic family chip shop experience to communities in Ireland

Chipmongers is our unique brand of authentic, community-based fish and chip shops, building on our expertise partnering with family-run businesses and developing food brands that appeal to the nation. Chipmongers offers standard chip shop menu items – albeit delivered to gourmet standard – but it also has ‘lighter bites’, burgers and on-trend dishes like sweet potato fries and chip toppers. The brand has a commitment to using sustainably-sourced fish and quality ingredients, cooking fresh to order and delivering excellent customer service.

Whilst Chipmongers are community-based eateries with family appeal, we are all too aware that consumers have come to expect immediacy when it comes to take-away items. People are in a rush, and when they want food on the go, they want it to be quick, easy and convenient, so a Chipmongers app was developed to allow customers to find their local store, order in advance and pick up the food fresh on arrival.

Since its launch in 2016 we have opened 10 Chipmongers, eight in the Republic of Ireland and two in Northern Ireland. In 2017 the first Chipmongers concession store opened in a Cork Daybreak, which is piloting the new Store of the Future identity. As the new identity and store layout is rolled out, more Chipmongers concessions will be installed in Daybreaks across Ireland.



Chipmongers wins award for branding

As part of our strategy of brand innovation and our work building better brands, we have seen an increasing role for design, branding, identity, online marketing and social media to enable our brands to grow and penetrate the market. We make significant investment in the identity and marketing of each of our brands, and so we were pleased to win an award from the Institute of Creative Advertising and Design for the identity and branding of Chipmongers.



A new Northern Irish own brand with real provenance

As a business with a deep-rooted passion for locally-sourced produce, we saw a gap in the market for a strong Northern Irish own brand that is committed to quality ingredients and regional producers. To date we have invested £17 million in developing the Fresh for You range, which is being sold in SuperValu, Centra and Mace stores in Northern Ireland.

The entire range, comprising over 100 individual products, is made by local producers from right across the province that are as passionate about quality local food and drink as we are. Through this range we're able to make a positive impact on the economy too by supporting jobs across the food and agri sectors, particularly in the farming community.

The packaging for this brand will call out the local supplier's name, where they're from and will tell customers more about them. Customers are telling us this is what they want – provenance and supporting local is important to them. Some of the suppliers include Willowbrook Foods from County Down, Strathroy Dairy from County Tyrone, Linden Foods from County Tyrone and Gilfresh Produce from County Armagh, who each appear in a series of specially filmed videos for the Centra and SuperValu Northern Ireland Facebook pages.

Milk from Strathroy Dairy, part of a strong Northern Irish own brand offering



Expansion in own brand ranges with 100s of new products

Our own brand ranges allow us to offer our shoppers great value as well as quality, taste and more choice. Our SuperValu Signature Tastes range has been extended to meet the rising demand for high-end quality produce, like extra virgin olive oil and aged beef. Over 50 new products have been added to the range and 300 lines have been improved for better taste and nutritional content. Meanwhile the success of our Food Academy has led to a growing range of independent brand products that are exclusive to us. For example, the Happy Pear is one of Ireland's trendiest food brands and is exclusive to SuperValu. In 2017 we launched new ranges of Happy Pear pre-made soups, ready meals, granola, pesto and hummus in-store.





Moo'd ice-cream brand rolled out across Ireland

We know our customers are looking for new and unique food brands that tap into their lifestyle, tastes and trends. Ice-cream is one area where over recent years consumers have developed a real taste for this quality treat and demand a greater range of flavours and styles.

Moo'd is our new exclusive ice-cream brand, and it exemplifies our brand strategy – that is to see an opportunity and develop it to its full potential. Moo'd isn't simply an ice-cream take-away station, it is a new and modern Irish brand that delivers on taste, quality and excitement. The brand is now in over 66 Centra and SuperValu stores across Ireland, with most having full ice-cream concessions where shoppers can buy cones, tubs, 'whirlies', sundaes and milkshakes with a range of toppings.

We use Irish milk and cream from more than 2,000 dairy farmers in Ireland, coupled with Italian ingredients to create an Italian style gelato that is bursting with the best ingredients the island has to offer. There are no vegetable or palm oils in the recipe, and where possible we use natural flavours, because while consumers want a treat, they also want to be assured it's as natural as possible. The feedback from customers has been very positive and we anticipate having Moo'd in around 200 stores in the very near future.



Launch of new gluten-free range in foodservice

Musgrave MarketPlace launched 260 new 'free from' products which feature in its gluten free section. Our teams are consistently tracking and monitoring trends in food to ensure we have products available to our clients, before they even ask for them. Sales of 'free-from' products have grown by over 80% in the last three years and it is anticipated that this figure will increase further as more restaurants, hotels and shops begin to offer gluten and lactose-free alternatives to their customers as their demand for health and wellness products grows.



International recognition and global opportunities

Our brands receive considerable international recognition for their innovative work. For example, in 2017 Centra Parnell Street won IGD's Innovative Store of the Year award. IGD analysts visited over 700 stores across 50 countries, including Ireland, the UK and the US, to shortlist just seven stores for their commitment to innovation, with Centra Parnell Street scooping the overall prize. Centra scored the highest marks on key criteria including shopper benefits, uniqueness, and the implementation of new thinking in retail brand strategy.

Likewise, our Food Academy programme has won global awards for its positive impact on local communities and economies. Frank and Honest has taken on and out-performed international coffee brand chains and our award winning own brand continues to lead in quality and value.

We are leveraging this success to forge new brand opportunities outside of Ireland, working with overseas partners to make our products and brands work in their local market. Recently we announced our latest export deal, worth €5 million, with Alosra Supermarkets, the grocery retail subsidiary of BMMI Group, a long-established Bahraini retail, distribution and hospitality group.



Green Kitchen delivers fresh grab and go food experience for health-conscious shoppers

To meet the growing demand for healthy, quality convenience food and tasty nutritious lunches, in 2017 we created a standalone served-salad brand called Green Kitchen. A selection of the best, fresh ingredients are chopped and dressed freshly in front of shoppers to create a range of delicious salad boxes.

The range has nine different menu options, plus a 'create your own' option to offer the best possible choice and flexibility to shoppers. Green Kitchen is currently in 27 Centra and SuperValu stores, and will be rolled out across the store network during 2018. It is giving shoppers another new reason to visit our retail stores and encouraging them to choose healthy grab-and-go snacks and drinks.



LA ROUSSE
FOODS



A fine foods brand that's a perfect fit for our business

In 2017 we completed the acquisition of La Rousse Foods, one of the leading operators in the foodservice sector, specialising in the supply of fine foods to premium hospitality establishments for over 25 years. With offices in Dublin and Belfast, the company serves more than 1,500 customers and offers a wide range of fresh, seasonal and innovative produce from a network of local and international producers. Our intention is that La Rousse Foods will continue to operate as a standalone brand for a period of time. It is an excellent strategic fit for our business, strengthening and complementing our market-leading wholesale and foodservice business, particularly within the high-end restaurant and hotel sector. Furthermore, we believe La Rousse will benefit from the support of the Musgrave team in terms of logistics and infrastructure, as well as increased product range.



Wholesale offering expands

In its second year, our Foodservice Academy delivered more innovative and locally produced brands into our wholesale offering. Run by Bord Bia and Musgrave MarketPlace, the programme aims to help participants grow sales within the foodservice, or out-of-home food, market. The initiative also offers the opportunity to achieve growth within Musgrave MarketPlace's foodservice business, supplying over 6,000 customers each week. New brands include the Fresh Soup Company, Natasha's Living Food, a vegan snack range and Popsy Daisy, a gourmet popcorn range.

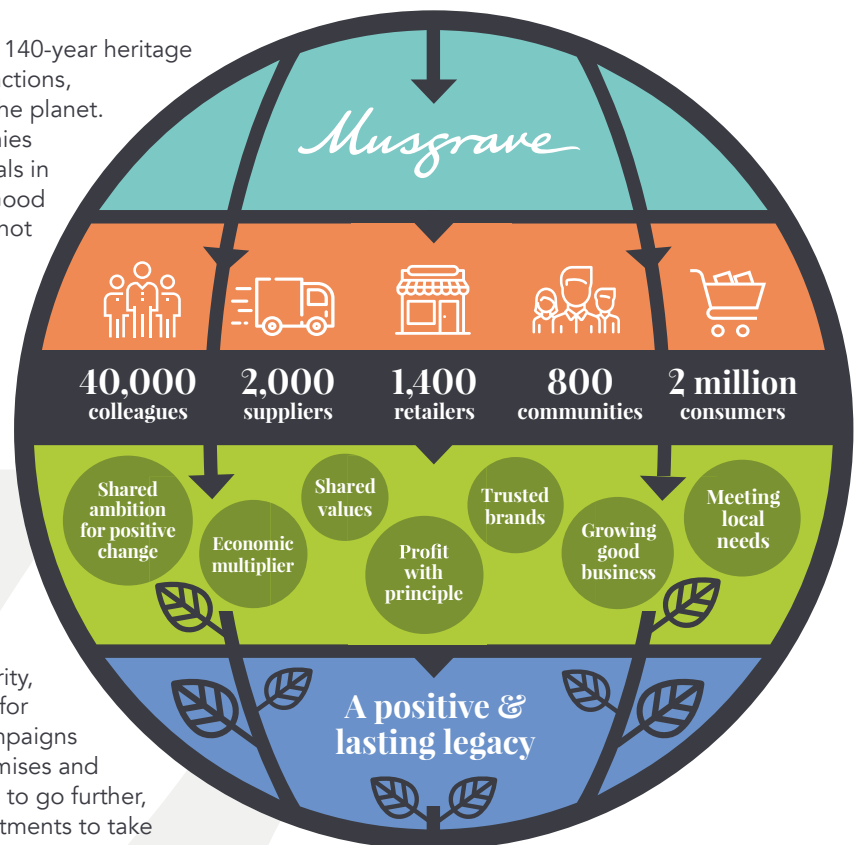
Taking care of our world

Our world is changing. Today, more than ever we are acutely aware of the enormous challenges facing our fragile planet – from climate change, population growth, resource depletion, water scarcity, over-use of plastics and loss of biodiversity to human rights, poverty and health.

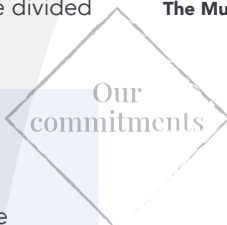
As a sixth-generation family business with a 140-year heritage and a strong set of values that guide our actions, Musgrave genuinely cares for people and for the planet. This is why we became one of the first companies worldwide to embed the UN Sustainability Goals in our strategy. It's why our purpose is Growing Good Business – because we believe growth should not come at the expense of doing the right thing.

In 2017 we set about exploring this purpose further, to see if we could challenge our business to implement more stretching targets that would have national and even global impacts. Sustainability has been a core part of our business strategy for more than 15 years and we have been actively delivering and reporting on our community work, our leadership in health, our sourcing policies and how we are reducing our impact on the environment during that time.

For example, we have donated millions to charity, devoted thousands of hours of volunteer time for community projects, created healthy living campaigns for our brands, and powered our business premises and stores with green energy. However, we wanted to go further, and so we put together a framework of commitments to take us into the next decade and beyond – pledges and targets for the business to work towards that were stretching and impactful. We divided these commitments into four areas of focus:



The Musgrave effect



- 1 Inspiring healthier lives.** We will improve the health of 2 million consumers across the island of Ireland.
- 2 Building sustainable communities.** We will make a positive impact on the planet by enabling our partners to make every local community in Ireland a sustainable community.
- 3 Sourcing responsibly.** We will be the most trusted food operator across the island of Ireland, known for the integrity of our supply chain from farm to fork.
- 4 Caring for our world.** We will minimise the impact of our operations on the world around us and use our network to influence others to do likewise.



“Our overarching ambition is to be the most trusted and most sustainable brand in Ireland”



A network of positive change

Our overarching ambition is to be the most trusted and most sustainable brand in Ireland; making a real difference to people's lives and creating a positive impact on the planet by working with our partners to make every community a sustainable community. Building on our bold and ambitious sustainability agenda, we have started mobilising our network to bring about positive change. Musgrave has a unique network of retailers and suppliers – local entrepreneurs who are passionate about their communities and being part of a better more sustainable Ireland. Together with these partners, we can work to achieve our targets, whether that is inspiring people to make healthier food choices or supporting local initiatives to enrich communities. We believe that, by leveraging this network, we can help make every Irish community a sustainable community.

Waging a war on waste

As a responsible business we want to ensure the safety, quality and freshness of food from when it is produced until it is consumed. We also want to prevent food waste, which is why we use packaging. Plastics are an invaluable component of packaging in the modern supply chain, however, their resilience also makes them persistent pollutants when disposed of or littered in the environment, particularly in the marine environment where they damage marine fauna.

Packaging is a very complex issue, however, we are working hard to re-evaluate our use of plastics and proactively eliminate, reduce or replace them wherever possible.

In addition to operating a zero tolerance policy on food waste to landfill for the past 10 years, through our brands we are playing our part in seeking to eliminate, reduce and replace plastics wherever possible. For example, SuperValu is the first retailer in Ireland to



introduce fully compostable and biodegradable produce bags for use by customers. The compostable produce bags are designed to replace the use of plastic bags within the fruit and veg section, with customers using the bags to purchase loose produce.

This is part of a broader strategy to reduce packaging and make 100% of SuperValu's own brand and fresh produce packaging become recyclable, reusable or compostable by 2025. We also recognise that progress will only be meaningful through collaboration. This is why we are also committed to working in partnership with our retail partners to raise awareness amongst colleagues and consumers of how to shop our stores in more sustainable ways. 🍌

Every child deserves to grow up in a world that is vibrant, healthy, abundant and prosperous

Inspiring healthier lives



As a food business, we understand that nutrition fuels healthy lives and recognise our responsibility to lead the promotion of health and wellbeing with colleagues, customers, partners and shoppers. This means working with suppliers on new, healthier products, as well as reformulating existing ones; educating and supporting colleagues on healthier food and active lifestyles; and inspiring shoppers to make their own changes, by providing a healthier, more nutritious and affordable food offer.

And we want to do more. Working with partners, using technology and through our network of local stores and organisations, we want to improve the health and wellbeing of more than 2 million people across the island of Ireland.

With our stores at the heart of towns and cities across Ireland, we feed many thousands of people every day. This gives us a unique opportunity to influence shopper habits, encourage healthier food choices, and educate consumers on food and nutrition to give them the knowledge to make informed decisions on their own diet. We understand that we have a wider role to play and take our responsibilities seriously. From individuals making decisions about the food they feed their family, to organisations creating healthier working environments, to chefs developing menus for people in their care, we want people to make better choices, to cook from scratch at home, and enjoy using fresh, seasonal produce.

The decisions we make about the suppliers we use, the products we promote and the messages we share with our customers; all have a role in driving this positive change.

Centra encourages people to get fit and healthy – both mentally and physically

We recognise that health and wellbeing is as much about being mentally and physically well, as it is about eating the right foods. That's why, following on from the Centra Live Well initiative, in 2017 we launched several campaigns aimed at encouraging shoppers to get fit and healthy, and to try 'mindfulness' practices to help with mental health, and ease every day stresses and strains.

In 2018 Centra Northern Ireland introduced the 10-Week Wellness Plan including fitness challenges, supported by nutritious meal plans, recipes and mindfulness tips and a

10-Day Live Well Guide packed with suggestions of small changes that can make a big difference to your health plus two 30-day Live Well challenges designed to improve your fitness and wellbeing. All designed to help inspire the people of Northern Ireland to 'Live Well'.





Driving change

Government legislation is driving change with the introduction of new legislation like the Public Health Alcohol Bill, the Code of Practice on marketing foods that are high in fat, salt and sugar and the sugar tax which took effect 1st May 2018. These initiatives reflect significant societal changes and we will continue to actively work with government to help improve the nation's health, as well as making sure our brands do the right thing.

We believe it is our responsibility, as a business that feeds one in three people on the island of Ireland, to ensure health is at the top of the agenda and that our offer aligns with these new priorities. This journey has already started – for example, with Centra removing almost 200 million calories from shoppers' baskets by reducing shelf space for carbonates in favour of promoting healthier alternatives. And working with suppliers such as Greencore to reformulate products to reduce salt.

Our commitments

Our commitments to inspiring healthier lives

- ◆ By 2020 we will grow our sales of healthier products in SuperValu and Centra by 25%
- ◆ By 2020 we will support colleagues to make Musgrave one of the healthiest workplaces in Ireland
- ◆ By 2020, 40% of food promotions in SuperValu and Centra will be on healthier products
- ◆ By 2020 we will reduce fat, salt and sugar in our own brand products by 10%
- ◆ By 2020 we will increase our healthy own brand ranges by 20%
- ◆ By 2020 we will support over 2,000 foodservice customers to create healthier menus
- ◆ By 2020 we will support over 300 symbol operators to create a healthier food offer

SuperValu backs WellFood



More than 5,000 people descended on Herbert Park in Dublin in early May for WellFest 2017. Bringing together some of the biggest names in nutrition, fitness and mental health, WellFest is Ireland's only health and wellbeing festival. As part of its commitment to health and wellness, at this year's festival SuperValu sponsored WellFood, an on-site area dedicated to wholesome food and live cooking demonstrations. Over the weekend, leading nutritionists and popular foodies such as Deliciously Ella, Rhiannon Lambert, The Doctor's Kitchen, Happy Pear and Roz Purcell led cooking demonstrations and workshops, sharing their nutrition knowledge and food hacks along the way.

Building sustainable communities



In an era of unprecedented social and cultural change, communities today need to constantly shift and change to survive. We know that despite the changes communities need to make, Ireland has an enduring passion for local life and that our retail partners play a big part in bringing people together.

To create vibrant communities with a sense of social cohesion, we need to consider their social, environmental and economic need. We are a family business with family values, the same values that bind communities and cement relations, and this is what drives our business every day. As a single force for good, each store supports the livelihoods of many other local families through sustainable, local employment. Together with our retail partners we employ almost 40,000 people across the island of Ireland. If we multiply this by the thousands of people across our broader network – from producer to consumer – we can start to see the vast resource we have. People who can help us to prevent social isolation, build local economies and protect the environment, wherever they may live.

Every year our retail partners seek out and support hundreds of local sporting, social, cultural and charitable causes. This support comes in many guises from cash and product donations, to providing space and time in-store to the hundreds of hours of volunteer time. Sometimes it's just about doing a good turn for a neighbour.

We can harness the unique position of our independent retail partners and their understanding of their communities, to deliver initiatives that actively improve the everyday lives of people in villages, towns and cities across Ireland.

SuperValu and Centra continue support for GAA

2017 saw two major projects launched by our leading brands in support of the GAA. Supporting our national sports is important to Musgrave, as it not only encourages health and fitness but it brings communities together and provides wholesome activities for children. SuperValu is a long-standing sponsor of the GAA All Ireland Football Championships. The 2017 #BehindtheBall campaign was a nine-week summer programme which saw individual retailers donate 55,000 GAA 'First Touch' footballs to clubs across the country – an ambitious initiative designed to get children as young as six playing football and exercising more regularly. SuperValu also delivered a number of GAA events throughout the summer, encouraging parents to volunteer at their local club.

Meanwhile Centra launched their #WeAreHurling team into the champion hurling community, aimed at amplifying the nations' love of the sport. The 15-strong team was a mix of players, partners, family members, super fans and volunteers. As well as the main campaign, which included a TV advert, on a local level, through the network of retailer partners, Centra stores held over 70 local events, such as medal presentations, community awards, family fun days, and jersey donations.



“We will foster inclusive, diverse and healthy workplaces that encourage, challenge, support and respect colleagues; helping them to grow and develop”



Award-winning people

When we say we have an award-winning Graduate Programme, we really mean it. Building on our success at the 2017 gradireland Graduate Recruitment Awards where we achieved the bronze award for Best Training & Development Programme – Business/Management, Ross Kerrigan, currently in his second year of the Programme, was the winner of the Graduate Employee of the Year award at the 2018 award ceremony. Ross won from a field of 13 shortlisted graduates and the judging panel commended his “... drive, tenacity and innovative mindset...” In addition our Programme was awarded the Best Talent Development Initiative at the IITD National Training Awards (Irish Institute of Training & Development) 2018 against a competitive field of early talent and management development initiatives across a range of industries.

Our commitments to building sustainable communities

- ◆ Working with our retail partners, we will improve the prosperity and vibrancy of communities across the island of Ireland
- ◆ By 2020 we will increase our support for local suppliers by 25%
- ◆ By 2020 we will expand the award-winning Tidy Towns programme to encompass 25% more communities, enhancing local and built environments across Ireland
- ◆ We will foster inclusive, diverse and healthy workplaces that encourage, challenge, support and respect colleagues; helping them to grow and develop
- ◆ By 2020 we will support Musgrave colleagues to complete 10,000 hours of community volunteering annually
- ◆ We will work with Business in the Community to embed sustainable business practices in Irish SMEs

Our Musgrave community

At Musgrave building vibrant communities is at the heart of our vision and every year our colleagues support a wide variety of local sporting, social, cultural and charitable causes contributing cash, product, time and expertise to support their community. The annual Musgrave Triathlon is a feature on our employee calendar and, thanks to enthusiastic participants and supporters, raised a total of €205,000 for charities with the team donating a cheque for €35,000 to food charity Cork Penny Dinners, €35,000 to children’s ambulance service Bumbleance, €35,000 to Pieta House and €100,000 to Breakthrough Cancer in 2017. Musgrave Marketplace’s charity of the year for 2017 was Pieta House with a total of €50,250 being raised by a variety of activities undertaken with enthusiasm by our colleagues. At Musgrave we work hard to nurture a diverse, vibrant employee community who derive satisfaction from their commitment to us. We are delighted to be alongside them as they support their communities. For us, it’s all a part of Growing Good Business.



Sourcing responsibly

As an Irish family business in its sixth generation, we have built our reputation and that of our brands on the strong, long term relationships we have with our supplier partners.

As populations grow, we need to produce more food. On our small island, the same land space must continue to feed ever more people – and, over recent years, satisfy more demand for greater variety and quality of food.

As a leading food business, we are aware of the need to retain the trust shoppers have that the food we sell is of the highest quality and has been produced and sourced to strict ethical, animal welfare and food safety standards. We are working to increase the transparency of the supply chain and to constantly improve sustainability standards, making it easier for consumers to trust the provenance and the quality of their food.

We only work with suppliers who take due care of their people and the environment in which they operate. Through our sourcing policies and supplier partnerships we deliver inspiring and innovative ranges to Irish consumers and support a thriving network of local producers and food businesses that are the bedrock of local economies.

We seek out and promote Irish suppliers, but we need all producers to commit to continually raising their environmental, ethical and animal welfare standards to meet the expectations of today's shoppers. Their commitment to building a thriving ecosystem that is sustainable for the long term will benefit businesses and consumers alike for generations to come.

However, this hard work will be wasted if we do not drive home the message to shoppers and create consumer demand for locally produced, high quality food. Our retail stores play a pivotal role in supporting shoppers to make informed choices by showcasing the best of Irish produce on their shelves. Meanwhile employees and communities can play their part by choosing products that support independent food producers in Ireland.

We will continue to support enterprise and innovation. Year on year, we commit to increasing the number of micro suppliers we support in our retail and foodservice businesses.

Safety assured

We know our customers care about the safety and quality of their food and its origins. Clear labelling, on all our products including ingredients, origin, storage, cooking instructions, and allergens ensures consumers can make informed choices every time they shop. Product traceability gives confidence on the origin of food which our Foodtrace and DNA TraceBack systems provide.



We have strong relationships with the finest suppliers both in Ireland and overseas to ensure the best quality products. For example all our fresh produce suppliers hold GlobalGAP certification which ensures our consumers can trust the origin, safety and quality of all our produce. Site inspections of our suppliers by our expert teams provide continuous oversight of the management of food safety and quality standards.



Our commitments

Our commitments to sourcing responsibly

- ◆ We will set leading standards for sourcing; continuously raising the bar on transparency across our entire supply chain
- ◆ We will collaborate with government agencies, Bord Bia and Origin Green to ensure that 100% of our Irish meat, dairy and eggs are always in compliance with the highest standards of animal welfare
- ◆ By 2020, 100% of our Irish meat and fresh produce will be certified Origin Green
- ◆ By 2018, we will establish a system to audit and validate that the human and labour rights of all workers in our fresh and own brand supply chains are fully respected
- ◆ By 2020 we will increase by 25% the number of small suppliers we support in our retail and foodservice businesses through our Food Academy and our Foodservice Academy Programmes
- ◆ We will continuously improve the sustainability standards of our meat, fish and produce, taking account of environmental, biodiversity and livelihood factors



Safe from field to fork

Our retail and wholesale distribution businesses are 24 hour operations. A product can be of perfect quality when manufactured or picked, however, careful storage and distribution is integral to ensuring it arrives in perfect condition on-shelf. Musgrave has dedicated chill, ambient and frozen facilities as well as a large temperature-controlled fleet. Our distribution centres hold numerous food safety accreditations including the Q Mark and ISO 22000.

SuperValu forges partnership with global animal welfare and autism expert

We know that consumers are becoming more aware and more interested in the welfare standards of their meat – placing greater emphasis of sourcing, welfare and treatment of animals. This is why SuperValu teamed up with animal behaviour specialist and autism spokesperson, Dr. Temple Grandin, who is a designer of livestock handling facilities and a Professor of Animal Science at Colorado State University. Whilst in Ireland in 2017 she came to advise SuperValu and its beef suppliers on current best practice in animal welfare. During her visits to farms in Co. Cork and Co. Tipperary to better understand current farm practices, Dr. Grandin also provided insights on improvements to procedures and processes in both of our suppliers' factories.



Animal behaviour specialist Dr. Temple Grandin (centre)

Caring for our world



Our world faces a range of environmental challenges driven by a combination of factors that includes population growth, increased demand for natural resources, greater intensification of agriculture, rapid industrial development and expansion of transport systems. These factors result in higher emissions of greenhouse gases (GHGs) linked to climate change and other pollutants that impact air quality and human health.

At Musgrave, our strategies are designed to minimise the environmental and climate change impacts of our operations. We set ambitious annual energy and waste reduction targets and use renewable and alternative energy to cut our emissions of greenhouse gases and other pollutants.

For more than 10 years we have operated an energy monitoring and targeting system across our building estate and have supplied our facilities with 100% green electricity. We have also extended the supply agreement to make green power available to our retail partners across Ireland, reducing GHG emissions.

We focus on preventing waste at source and on maximising recycling by sending zero recoverable waste to landfill. We also leverage our expertise to help our retail partners and their customers to minimise their waste too.

Collaborating with suppliers, farmers and growers, we are working hard to reduce the water footprint of our supply chain.

Reducing food waste



Reducing and diverting food waste is a key priority for Musgrave, as well as encouraging our shoppers to do the same in their own home. We have operated a zero tolerance on food waste to landfill for the past 10 years. By quantifying our waste and identifying the root causes of surpluses, we have been able to develop standard operating procedures that focus, first, on prevention, then re-distribution to charitable causes and, thereafter, on using the remainder in the manufacture of petfood or as feedstock in composting systems.

We are ensuring that surplus food fit for human consumption is used to alleviate food poverty, which is why, during 2017, our donations to FoodCloud amounted to almost 133 tonnes; contributing to over 292,000 meals.

We are also impacting on food waste by designing our own brand packaging to prevent product damage or loss and extend shelf life. We work with suppliers to optimise our own brand packaging so that it is fit-for-purpose, but minimal from a materials and energy-inputs perspective. We are also making sure that we harmonise the date labels we place on own brand and fresh produce, in line with international best practice, to avoid confusing consumers and creating more food waste.

The causes of food surplus are complex and we know that we still have more to do to reduce it further and to ensure that no food that is fit for human consumption is wasted. However, we are committed to working towards halving our food surplus by 2030 in line with UN Sustainable Development Goal 12.3.

Our commitments

Our commitments to caring for our world

- ◆ By 2020 we will ensure that no food that is fit for human consumption is wasted, but is used to alleviate food poverty through our support for food re distribution charities
- ◆ By 2020 all of our retail and foodservice operations will have access to food re distribution charities
- ◆ By 2030 we will halve our food surplus in line with UN Sustainable Development Goal 12.3
- ◆ Through product and packaging initiatives, we will help consumers to reduce food waste in the home
- ◆ By 2020 we will implement three major collaboration projects with suppliers aimed at enhancing bio-diversity
- ◆ By 2025 we will reduce the carbon intensity of our operations across the island of Ireland by 70%*
- ◆ By 2025 we will reduce the climate impacts of our refrigeration systems by 80%

*from our 2006 baseline



100% packaging reduction by 2025 for own brand and fresh

As part of our pledge to make 100% of SuperValu own brand and fresh produce packaging recyclable, reusable or compostable by 2025, SuperValu has become the first retailer in Ireland to introduce fully compostable and biodegradable produce bags for use by customers in initially 70 of its stores.

At the same time, Frank and Honest has become the first national coffee brand in Ireland to eliminate non-recyclable single-use cups. All Frank and Honest coffee cups will be fully compostable by the end of September 2018.

No food fit for human consumption should be wasted

We were delighted to be an early signatory of the Irish government's Food Waste Charter, which is focused on a common approach to the issue of food waste across the retail sector. We will continue to engage with the government on this and future initiatives to ensure that no food that is fit for human consumption is wasted, but is instead used to alleviate food poverty.

At the same time, we are sharing food waste reduction guidelines with the more than 1,400 independent retail partners that operate our SuperValu, Centra and Daybreak brands in Ireland, Northern Ireland and Spain. And in-store we continue to provide consumers with information on how to reduce food waste in their homes, including recipe cards and a food waste prevention app.



The award-winning SuperValu TidyTowns programme has been at the heart of Irish communities for 60 years. Thank you to all the 860 committees across Ireland for making your town Super.



Summary financial statements

Consolidated profit & loss account

	Notes	2017 Total €m	2016 Total €m
Group turnover		3,713.2	3,731.3
Cost of sales		(3,066.8)	(3,094.3)
Gross profit		646.4	637.0
Distribution costs		(437.6)	(420.3)
Administration expenses		(133.7)	(134.2)
Other operating income		12.6	12.6
Group operating profit	2	87.7	95.1
Analysed as:			
Group operating profit before exceptional items		87.7	79.6
Pension gains – net	3	–	15.5
Group operating profit		87.7	95.1
Net interest payable		(7.7)	(6.6)
Profit on ordinary activities before taxation*		80.0	88.5
Tax charge on profit on ordinary activities		(8.3)	(8.8)
Profit for the financial year		71.7	79.7

* 2016 profit before taxation of €73.0 million before exceptional non-cash pension gains

Consolidated balance sheet

	2017 €m	2016 €m
Fixed assets		
Intangible assets	55.6	60.7
Investment properties	37.4	36.6
Tangible assets	366.2	340.3
	459.2	437.6
Current assets		
Stocks	144.0	137.1
Debtors – amounts falling due within one year	478.3	436.4
Debtors – amounts falling due after more than one year	28.2	20.2
Cash at bank and in hand	145.7	203.3
	796.2	797.0
Bank overdrafts and loans – amounts falling due within one year	(74.8)	(7.1)
Other creditors – amounts falling due within one year	(673.3)	(671.5)
	(748.1)	(678.6)
Net current assets	48.1	118.4
Total assets less current liabilities	507.3	556.0
Bank, other loans and other creditors – amounts falling due after more than one year	(7.3)	(87.7)
Provisions for liabilities	(48.6)	(54.5)
Pension liability	(121.0)	(165.0)
Net assets	330.4	248.8
Capital and reserves		
Share capital, share premium and capital reserves	34.0	34.0
Revaluation and other reserves	25.7	26.7
Profit and loss account	270.7	188.1
Equity shareholders' funds	330.4	248.8

On behalf of the Board

Chris Martin
Group Chief Executive Officer

David O'Flynn
Chief Financial Officer

Consolidated cash flow statement

	Notes	2017 €m	2016 €m
Cash flows from operations	5	77.0	193.8
Corporation tax paid		(6.4)	(9.4)
Net cash generated from operating activities		70.6	184.4
Cash flows from investing activities			
Purchase of tangible assets		(96.2)	(62.1)
Disposal of tangible assets		4.5	6.3
Purchase of subsidiaries		–	(4.0)
Disposal of subsidiaries		(0.2)	(2.6)
Interest received		1.2	2.4
Net cash used in investing activities		(90.7)	(60.0)
Cash flows from financing activities			
Dividends paid		(17.0)	(15.4)
Interest paid		(5.2)	(5.6)
Payments to acquire own shares		(7.1)	(3.1)
Other cash flows		(1.1)	(2.4)
Net cash used in financing activities		(30.4)	(26.5)
Net (decrease)/increase in net cash		(50.5)	97.9
Opening net cash		121.3	23.4
Closing net cash		70.8	121.3



FRESHER FISH?

you'll need your own boat

Freshly
**PREPARED
RIGHT
HERE**

any fish
of your choice

Local
EXPERTISE

Edward

SOURCING

FISH SOURCE

**Nally's SuperValu in Trim –
SuperValu Store of the Year**

1 Statement of compliance

The Group's reporting period ends on the Saturday closest to 31 December, being 30 December 2017 for the current year and 31 December 2016 for the prior year. There are 364 days in both years.

The financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"). They are presented in the currency units of the Republic of Ireland, the euro (€).

2 Group operating profit

	2017	2016
	€m	€m
Group operating profit has been arrived at after charging/(crediting):		
Staff costs	303.4	277.4
Amortisation of intangible assets	7.5	6.7
Depreciation and impairment of tangible assets	39.2	41.3
Operating lease expense	29.8	33.0
Operating lease income	(7.2)	(8.5)
Surplus on revaluation of investment properties	(0.8)	(2.0)

3 Exceptional items

Exceptional items shown on the face of the profit and loss account in the prior year are analysed as follows:

	2017	2016
	€m	€m
Pension gains – net		
Curtailment gains – defined benefit schemes	–	22.1
Settlement gains – defined benefit schemes	–	3.0
Employer special contribution – defined contribution schemes	–	(8.7)
Administration costs associated with pension change	–	(0.9)
	–	15.5

4 Dividends

	2017 €m	2016 €m
Dividends paid on ordinary shares:		
Ordinary dividends of 29.9 cent (2016: 27.5 cent) per share	17.0	15.4

5 Cash flows from operations

	€m	€m
Group operating profit	87.7	95.1
Depreciation and impairment of tangible assets	39.2	41.3
Amortisation of intangible assets	7.5	6.7
(Profit)/loss arising on disposal of tangible assets and subsidiaries – net	(3.3)	0.4
Surplus on the revaluation of investment properties	(0.8)	(2.0)
Share-based payments charge	4.0	4.6
Net movement in working capital	(57.2)	46.3
Currency translation adjustment	(0.1)	1.4
	77.0	193.8

The adverse movement in working capital in 2017 is due in part to the one day movement in the year end date from 31 December in the prior year to 30 December in the current year.

*“Feeding Ireland is about
creating opportunities
for our business at every
eating occasion”*

Our values

Long term
stable
relationships

Working
hard

Not being
greedy

Achievement

Honesty

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