



Annual Report 2017

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All sections marked B and F in the table of contents have been audited. Sections marked S refer to ICA Gruppen AB's Sustainability Report, which is also the statutory sustainability report of ICA Gruppen AB (publ). The Sustainability Report has been reviewed by the Company's auditors.

B Board of Directors' report
S Sustainability Report
F Financial statements

This is a translation of ICA Gruppen's Swedish Annual Report 2017, which is the original.



ICA Gruppen's vision

We make every day

a little easier

A focus on food and health

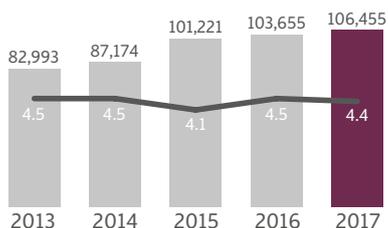
ICA Gruppen AB is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which are primarily grocery retail operations, Apotek Hjärtat, which conducts pharmacy operations, ICA Real Estate, which owns and manages properties, and ICA Bank, which offers financial services. The Group also includes the home furnishing chain Hemtex. ICA Gruppen has around 22,000 employees.

The shared vision for all operations within ICA Gruppen is to make every day a little easier. Working in cooperation and making good use of economies of scale benefits ICA Gruppen's customers, the individual businesses and ICA Gruppen as a whole.

ICA Gruppen's shares are listed on Nasdaq Stockholm, Large Cap segment. The largest shareholder at year-end 2017 was ICA-handlarnas Förbund (the Association of ICA Retailers).

Performance 2013–2017

Net sales, SEK m and operating margin*, %



The 3.1% like-for-like increase in sales for the year was mainly price-driven, but within ICA Sweden, Apotek Hjärtat and ICA Bank volumes also developed well. The operating margin was somewhat lower, mainly due to a lower profit share from ICA stores and the divestment of ICA Eiendom in Norway.

Sales 2017

SEK 106.5 bn

Operating profit* 2017

SEK 4.6 bn

Operating margin* 2017

4.4%

* Excluding items affecting comparability.

2017 in brief

Q1

Divestment of ICA Eiendom Norge completed

In January ICA Real Estate completed the divestment of ICA Eiendom Norge AS. The purchase price was SEK 1.9 billion with a capital gain of around SEK 400 million. Altogether the sale involved a property portfolio of 58 properties as well as the existing organisation.

Expansion of insurance offering

In February ICA Insurance expanded its offering to include dog and cat insurance. This gives pet owners more options in a market with few actors. There are also bonus points to earn and discounts on pet products in ICA stores and within Apotek Hjärtat.

Construction begins on Rimi Baltic's new central warehouse and head office

In March construction began on Rimi Baltic's new, expanded central warehouse and head office in Riga. When the central warehouse is expanded, warehousing operations in Latvia will be consolidated to the facility in Riga, and the central warehousing department for the Baltic countries will be expanded. The total investment is EUR 75 million.

Q2

Divestment of properties to Secore Fastigheter

In May ICA Real Estate divested twelve store properties to Secore Fastigheter, which is owned jointly by Första AP-fonden and ICA Real Estate. The underlying property value was SEK 1,047 million. The net capital gain for the full divested building stock amounted to around SEK 150 million.

Initiative to reduce the number of plastic bags used

In May Apotek Hjärtat became the first pharmacy chain in Sweden to start charging for plastic bags. At the same time the crude oil based bags being used were replaced with plastic bags made from renewable materials. By the end of 2017 the use of plastic bags had gone down by 44%.

Presentation of ICA Gruppen's forward-looking report

As part of ICA's 100th anniversary ICA published a forward-looking report in the second quarter called 100 years and onwards. The report, which is based on interviews with trend experts and future consumers, presented five possible future scenarios for the year 2040, and their consequences for society and for food production.

Q3

Launch of ICAX

In August the innovation hub, ICAX, was launched to improve ICA Gruppen's ability to use digital technology to enhance the customer offerings in and among the Group's various companies. The objective is to be able to more quickly develop digital services within ICA Gruppen.

Reinforcement in IT and digitalisation expertise in the Management Team

In August a decision was made to appoint a Chief Information Officer (CIO) to the Management Team.

New portal increases locally produced range of products in ICA stores

To increase the locally produced range of products and increase sales of Swedish food, ICA Sweden launched a new ordering portal during the quarter to enable ICA stores to work directly with local suppliers. The portal is available to independent ICA retailers and suppliers throughout the country.

100 years and onwards

In 2017 it was 100 years since the ICA Idea was created. The ICA Idea, which is based on cooperation between independent retailers, is one of ICA Gruppen's main success factors and is still the foundation for ICA Gruppen's business model. The 100th anniversary was celebrated and recognised in a variety of ways in 2017. Under the vignette ICA 100 years and onwards a number of initiatives in health, integration and sustainability have been implemented. There is a strong focus on looking to the future and recognising the opportunities and challenges that exist in a world that is changing at an ever increasing pace.

 [Read more on page 6](#)

Q4 Acquisition of IKI approved – subject to certain conditions

In October the Lithuanian competition authority approved Rimi Lithuania's acquisition of UAB Palink which operates the IKI grocery retail chain. The transaction was approved subject to the divestment of 17 designated stores prior its completion.

Taking over properties

In December ICA Real Estate acquired eight store properties for an underlying property value of SEK 234 million and Secore Fastigheter acquired 15 store properties for an underlying property value of SEK 291 million. The properties have ICA stores as their main tenants and possession was transferred on 1 February 2018.

Events after year-end

In the beginning of 2018, a decision was taken to establish a central warehouse for online grocery sales in Stockholm at the latest by the third quarter of 2018. The warehouse will speed up the process for home delivery customers and will improve service to ICA stores. Once fully staffed, the warehouse will be able to deliver to most of the Mälardalen area.

Financial key ratios

For further information and definitions, see page 76.

Group, SEK m	2017	2016	2015
Net sales	106,455	103,655	101,221
Operating profit before depreciation/amortisation (EBITDA)	6,756	6,238	6,191
Operating profit (EBIT) excluding items affecting comparability	4,642	4,669	4,138
Operating profit (EBIT)	5,220	4,518	4,594
Profit before tax	4,853	4,154	4,225
Profit from continuing operations	4,145	3,397	3,721
Profit for the year	4,145	3,418	4,913
Cash flow from remaining operating activities	4,601	5,422	5,723
Cash flow from operating activities	4,601	5,422	5,845
Operating margin excl. items affecting comparability, %	4.4	4.5	4.1
Operating margin, %	4.9	4.4	4.5
Return on capital employed, %	12.3	10.5	9.8
Return on equity, %	13.4	11.9	16.6
Earnings per share, SEK	20.53	16.97	24.14
Earnings per share, continuing operations, SEK	20.53	16.87	18.21
Dividend per share, SEK*	11.00	10.50	10.00

*Board's proposal.

Key sustainability indicators

Group	2017	2016	2015
ICA Gruppen's operations will be climate-neutral by 2020			
Reduction in emissions compared with 2006, %	-52	-33	-22
Socially audited corporate brand suppliers (in high-risk countries), %	98	98	98
Quality certified corporate brand suppliers, %	88	87	87

In accordance with Chapter 6 Section 11 of the Annual Accounts Act, ICA Gruppen AB (publ) has chosen to prepare the Statutory Sustainability Report as a separate document to the Annual Report. The Sustainability Report, the content of which is indicated in the table of contents, can be found on pages (23–41, 53–57, 63, 120–133) of this document.

Strengthening our leading position

2017 was another good year for ICA Gruppen – a year in which we continued to strengthen our positions in both the grocery retail and pharmacy markets in Sweden. In our Baltic operations, a strong offering and the closure of unprofitable stores were factors in the positive development of profits and margins. We also saw a strong increase in sales in our online channels, and by creating ICAX we took another important step forward on our digitalisation journey.

Financially, our performance in 2017 was largely in line with our targets. Underlying sales growth was strong and profit growth was stable. Net sales, adjusted for divestments, increased by 3.1% to over SEK 106 billion. Operating profit excluding items affecting comparability amounted to SEK 4.6 billion, corresponding to an operating margin of 4.4%.

Adjusted for the divestment of ICA Eiendom, operating profit increased in all segments.

A changing world

2017 marked 100 years since the ICA Idea was created. The anniversary was celebrated in a variety of ways during the year, but the focus was on the future and making this the starting point for the next 100 years. They will undoubtedly be exciting years. The retail sector is in a period of rapid and powerful transition. New technology, fast digitalisation, new consumption patterns, changed demographics and extensive blurring of industry lines are changing the game for us and many others. These developments are influencing our offering, how we interact with our customers and how we organise and manage our operations. This brings challenges as well as important opportunities. Our ambition is to continue to be the driving force we have been ever since our start 100 years ago. We are in a stable position and we have a clear vision for how we want to develop our business going forward.

New structure in place

In addition to the 100th anniversary of the ICA Idea, ICA Gruppen is also celebrating five years as a group. In a short period of time we have established a new structure with the overall aim of creating a stable foundation for continued

long-term and sustainable growth in a market in great transition. Alongside making operational improvements, we have also made a great many structural changes, including seven divestments and three acquisitions. This has been a success and the results are reflected in our numbers. The structural changes and operational improvements over these past five years have increased our operating margin from 2.7% to 4.4%.

A clear and shared vision

ICA Gruppen is united by a shared vision of helping to make every day a little easier for our customers. When taking advantage of synergies, the main focus up to now has been on the cost side. We are now taking the next step. Increased cooperation within the Group and making clear links between physical and digital channels will provide entirely new opportunities to create even more attractive customer offerings – to benefit the customers, the individual operations and ICA Gruppen as a whole.

The potential is significant and we are in a strong starting position. Several development projects are currently under way in a number of areas. Among the most exciting are a number of initiatives to create so-called ecosystems based on specific customer needs. In 2017, for example, ICA Sweden, Apotek Hjärtat and ICA Insurance worked together on an offering aimed specifically at pet owners. We will see more examples of this in the future.

Strong online growth

Digitalisation is one of the trends that is affecting us the most. Its development is opening up new opportunities for all of our businesses and in essentially all areas as well – from sourcing,

logistics and administration to marketing, sales and training. In 2017 we started seeing the results of initiatives and investments that have been made in recent years. The growth in sales through our online channel is one of the more concrete results. All in all the ICA stores' online grocery sales grew by 50%, which was more than double the growth in the market as a whole. Apotek Hjärtat's online sales grew during the year by 85%; this too was significantly higher than the market.

50%

ICA stores, online sales of groceries grew by 50% in 2017.

ICAX – our own innovation hub

In 2017, to support the use of new technology within ICA Gruppen, we launched an innovation hub we call ICAX. Here we will work on our own digital development projects, strategic cooperation and potential acquisitions. With this investment we will combine the stability, resources and customer base of a big company with the agility of the start-up world. The objective is to accelerate the development of digital services for ICA Gruppen's various companies and thus strengthen ICA Gruppen's digital offerings.



Leading the way in sustainability and health

For ICA Gruppen, a commitment to corporate responsibility and strong community engagement go hand in hand with long-term profitability. This has been the case ever since ICA was formed in 1917. Right from the start the retailers understood the importance of their responsibility, taking a long-term approach and giving back to their local communities.

Our aim is to excel in corporate responsibility. We want to achieve this in part because our size means we have a responsibility to our community, but also because it drives growth, contributes to long-term profitability and strengthens our brand. Our customers are increasingly demanding sustainable and healthy products. Our partners and suppliers want to work with companies that take a long-term approach, and future employees want to work for responsible companies.

For several years now we have been working actively and in a structured way on continuous improvement in all stages of the value chain. We are doing this within our own organisation, but also in cooperation with other actors – both nationally and internationally. We have been a signatory to the UN Global Compact since 2004.

To address the environmental impact generated by our own operations, we have adopted an ambitious climate goal: ICA Gruppen's operations will be climate-neutral by 2020.

”Increased cooperation within the Group and making clear links between physical and digital channels will provide entirely new opportunities to create even more attractive customer offerings.”

We pushed ahead at full speed towards this goal in 2017 and I am proud to announce that, on an annual basis, our emissions were more than halved compared to the base year, 2006.

Outlook

In 2018 we will continue to base our work on our strategic priorities and focus areas. In general this means increasing our market shares and strengthening our positions, where a sustained and substantial investment in digitalisation is an important component. Within ICA Bank and Hemtex it is important for us to build on the positive earnings trend we experienced in 2017.

In the Baltic countries, the integration of 230 IKI stores and the ongoing expansion of the central warehouse and head office in Riga will have an impact not only in 2018 but in 2019 as well. Over the long term we believe there are good opportunities to continue to grow and further improve our earnings.

Right from the start, the ICA Idea – with its focus on cooperation between independent retailers – has been the basis of our business model. By focusing even more on taking advantage of our size and of the synergies that exist between our operations, we will continue to strengthen both the Group as a whole and the individual businesses. This will also enable us to continue to generate value for the shareholders, independent ICA retailers, employees, customers and society in general.

Stockholm, February 2018

Per Strömberg
CEO ICA Gruppen

ICA 100 år och framåt!

In 2017 it was 100 years since the ICA Idea was born. The idea was to let independent retailers join forces, and through joint sourcing and other forms of cooperation, achieve the same economies of scale as regular grocery chains. Retaining their freedom as independent business owners meant also retaining their knowledge about – and commitment to – the local market and their communities.

Although a lot has happened since the start in 1917, the ICA Idea lives on in full force. It is still the foundation of ICA's business and is one of the single most important success factors behind the strong growth.

The 100th anniversary has been celebrated in a variety of ways – internally as well as with customers and partners. While celebrating ICA's history and the ICA Idea, the focus was also on the future and making the anniversary a starting point for the next 100 years.



Everyone can do something.
This is what we do.

Today there are close to 1,300 ICA stores in Sweden. And at each location ICA is much more than just a grocery store. Proximity to the customers and commitment to the local community are fundamental aspects of ICA's business. One of the most important parts of ICA's centennial celebration was the launch of numerous local initiatives in areas such as health, integration and sustainability. In all of the 285 municipalities in Sweden where ICA has a presence, individual retailers have launched initiatives that are making a difference.



From farm to table. To increase awareness about the everyday lives of local producers, ICA Kvantum's Flygfyr is taking customers to visit local suppliers.



In the children's garden at a preschool in Karlstad children are learning about where food comes from, why it looks the way it does and how they can plant and harvest food themselves. Maxi ICA Stormarknad is behind the initiative.



Food and the future

What will the next century look like? What will be required of us? And how can ICA help shape a good tomorrow? Some input, ideas and conclusions are presented in the report 100 years and onwards. The report is in two parts. The first part looks at attitudes and opinions of post-millennials – the future consumers and decision-makers. The second part is based on interviews with around 30 researchers and experts from NASA, the Swedish University of Agricultural Sciences and the University of Oxford about their vision for the future. Exciting reading is promised!

Celebration with a cake!

No party is complete without a cake. On 23 September ICA celebrated its 100th anniversary by offering cake to customers in all ICA stores. Nearly 900,000 slices were shared with customers during the day.



Future Days

Future Days (Framtidsdagarna) was one of the ways ICA celebrated 100 years in business. 250 employees in three locations created initiatives to make ICA a better future employer and to promote the best job in the world. During Future Days the participants were asked to vote for the ten initiatives they think have the best potential to make ICA an employer of the future. From the ten they voted for, a jury consisting of members of the ICA Gruppen Management Team and selected key persons chose three to be developed further.



Grand opening of Hakon Swensons allé

On 22 November 2017 a road was named after ICA's founder, Hakon Swenson. Hakon Swensons allé at Fiskartorget square in Västerås is close to Hamngatan 16 where the first head office of AB Hakon Swenson, generally known as Hakon-bolaget, was located.



Strategy for sustainable value creation

Vision

We make every day a little easier

[Read more on page 21](#)

Long-term targets and a clear strategy

Financial targets provide a framework

The Group's financial targets exist to ensure that ICA Gruppen creates shareholder value over the long term and to reflect the Group's focus on grocery retail sales.

[Read more on page 22](#)



Business environment

Rapid changes

- Rapid digitalisation
- Changed consumption patterns
- Focus on food and wellbeing
- Major demographic changes
- Sustainability and responsibility
- Reduced predictability

[Read more on page 16](#)

Ambitious and inspiring sustainability targets

ICA Gruppen's sustainability work will lead to measurable results and ensure a sustainable value chain – from production to stores and pharmacies. The Group's sustainability targets are ambitious in order to drive the work forward.

[Read more on page 23](#)

A clear strategy

ICA Gruppen's vision sets out the aim of the strategy. The strategy is based on the Group's common strengths and understanding of both the business environment and the market. Five long-term, common strategic themes provide a framework and set the course for all operations within ICA Gruppen. They make it easier to set priorities from a holistic perspective.

[Read more on page 24](#)

Simplicity, entrepreneurship and commitment

ICA Gruppen's operations are based on Group-wide values. A common approach and shared values help customers better understand ICA Gruppen and make the company more attractive to both current and future employees. It also facilitates decision-making, thereby improving internal efficiency.

Stable platform for profitable and sustainable growth

Since ICA Gruppen was formed in 2013, the business has been refined. Profitable operations have been developed further and non-core operations have been divested. Acquisitions have been made that complement the business. These moves were based on a clear Group strategy and have resulted in a stable platform for profitable and sustainable growth.

[Read more on page 10](#)

A strong business model



ICA Gruppen's business model is based on extensive consumer and market insight combined with economies of scale – resulting in synergies, strong customer offerings and high customer loyalty, efficient processes, the right channel mix and physical store networks as well as low financial transaction costs. Together this generates good sales and income growth as well as stable cash flow for ICA Gruppen.

 Read more on page 14

Adding value for ICA Gruppen's stakeholders



ICA Gruppen's overall aim is to ensure continued stable value creation that is sustainable in the long term. From its strong position in grocery retail, ICA Gruppen's operations will help generate value for customers, shareholders, independent ICA retailers, suppliers and employees – but also for society in general.

 Read more on page 12

A stable platform



A clear strategy

ICA Gruppen's vision is to make every day a little easier. The Group provides a broad offering of everyday products and services within grocery retail, pharmacy, banking and insurance. Coordination and collaboration make for economies of scale, an attractive customer offering and a stable market position – and make every day a little easier for the customers.

Focus on food and health

ICA Gruppen has a strong focus on food and health. Grocery retail is the Group's core business, around which supporting operations have been built up, where particularly Apotek Hjärtat creates opportunities for a broader positioning within health. The ambition is to continue to grow and strengthen the position further.

Leading positions, strong brands

Today ICA Gruppen has leading positions and strong brands in all its geographical markets. ICA is the market leader in grocery retail in Sweden. Rimi Baltic is a strong brand in Estonia, Latvia and Lithuania. Apotek Hjärtat is Sweden's largest privately-owned pharmacy chain and ICA Real Estate is one of Sweden's largest retail real estate companies.

Good opportunities for synergies

The size and breadth of ICA Gruppen's operations provide great opportunities for internal synergies and a stronger customer offering. Main areas for synergies include sourcing, opening new stores, branding, marketing and coordinated offerings. Digitalisation and changed customer behaviour are driving development.



Attractive markets

ICA Gruppen has operations in Sweden, Estonia, Latvia and Lithuania as well as in Finland through Hemtex' stores. In Sweden the Group is active within grocery retail, pharmacy, banking, real estate and home furnishings. In the Baltic countries the focus is on the grocery trade. This mix of segments and having a presence both in mature and stable markets and in more growth-oriented markets provides room for continued profitable growth.

Leading the way in sustainability

ICA Gruppen's breadth and size brings with it both opportunities and a responsibility to contribute to more sustainable development. The overall ambition is to lead the way in sustainability – including the concept For A Good Tomorrow, which focuses on health and climate.

An agile organisation

New technology, new consumption patterns, rapid digitalisation and demographic changes are affecting conditions in the sectors in which ICA Gruppen operates. ICA Gruppen's strengths include processes and structures that support and drive innovation, agility and a readiness to change. Entrepreneurship and a desire to evolve remain key parts of the culture.

Strong cash flow

ICA Gruppen is in a strong financial position, has a healthy capital structure and has operations that generate strong cash flows. Overall this allows not only continued investment in the business, but also a good and stable return for shareholders.

Responsible value creation

As a leading player in the grocery and pharmacy markets, ICA Gruppen has a significant responsibility to various stakeholders. This responsibility encompasses financial aspects as well as environmental and social aspects.

ICA Gruppen's overall aim is to ensure that the right conditions exist for continued stable value creation that is sustainable in the long term. From a strong market position, ICA Gruppen's operations are to help generate value for customers, shareholders, independent ICA retailers, suppliers and employees – but also for society in general.

Key success factors

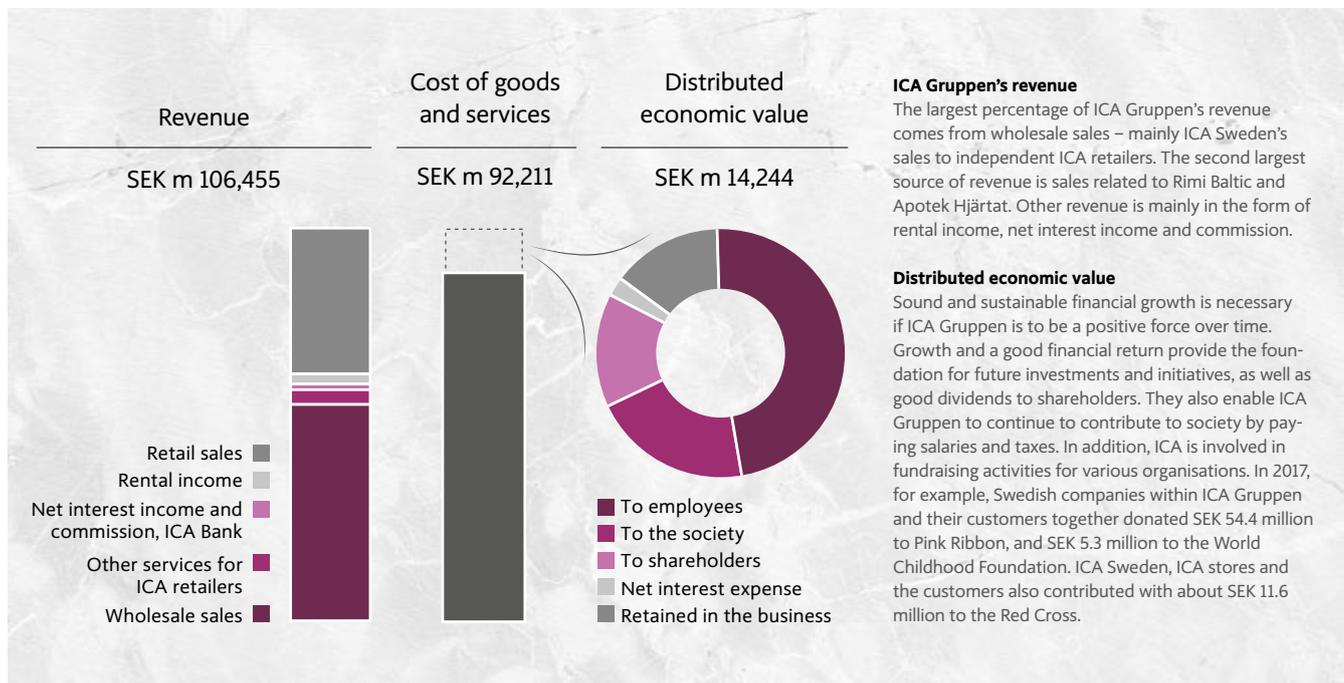
Year 2017 was the 100th anniversary of the creation of the ICA Idea. A lot has happened since the business started back in 1917. Operations have been broadened and developed, but entrepreneurship, seeing things from the local

retailer's perspective, a long-term approach and community engagement remain central pillars of ICA Gruppen's operations. They are also among the most important success factors by far in the Group's strong performance.

Extensive community engagement

The size and closeness to the end consumer gives ICA Gruppen resources and a real opportunity to have an influence. ICA Gruppen seeks to be a positive force and to contribute to more sustainable development – for society in general and at a local level, but also for the individual. One of the cornerstones of ICA Gruppen's approach is that good profitability goes hand in

hand with active community engagement and with taking responsibility. Acting responsibly today safeguards the ability to do good business tomorrow. ICA Gruppen therefore sees community engagement as encompassing a broad spectrum of areas: not just minimising the negative impact of the operations on climate and the environment, but also running the business in a way that creates jobs, generates tax revenues and contributes to positive local development. At the consumer level it means supporting and enabling choices so that people can live healthily and within their means, and that are also beneficial for society as a whole. From an employer perspective, it means providing jobs



that develop and motivate. This includes utilising skills and creating jobs for young people and other groups who for various reasons are finding it difficult to break into the job market.

Financial sustainability

ICA Gruppen's operations must be run in a way that is financially sustainable in the long term, paving the way for continual investment alongside dividends to shareholders.

The grocery retail market is in a period of rapid and substantial change. New consumption patterns, demographic changes, extensive blurring of industry lines, rapid digitalisation and new technology are changing the conditions – both for ICA Gruppen and for grocery retail in general. Altogether, this has considerably increased the need for us to be innovative, agile and willing to change. In concrete terms it brings a need for continued investment in offerings, organisation and IT, in store and pharmacy networks and in logistics.

These investments are in turn necessary to continue to ensure a strong customer offering and a good financial return for ICA Gruppen's shareholders. The aim is to create value for shareholders partly through positive development of the share price and partly through dividends. The targets established by the Board of Directors include an annual, long-term dividend to shareholders of at least 50% of profit for the year.

A stable basis for continued profitable growth

ICA Gruppen has established a stable platform that provides a good basis for sustainable profitable growth. The aim going forward is to develop each of the operations based on its specific circumstances, and also to make greater use of economies of scale, synergies and the opportunities for cooperation that exist between the various operations.

Creating value for ICA Gruppen's stakeholders



Shareholders

In 2017 the total return (share price development and reinvested dividend) on ICA Gruppen shares was 11%. Over a five-year period ICA Gruppen has generated a total return of 209% to shareholders, resulting in an average annual total return of 25%.



Customers

During the year, work has continued to strengthen, improve and further develop both the customer offering and the interface with customers – in physical stores and pharmacies as well as online. Major events in 2017 included continued online shopping initiatives, expansion of the sustainable product range and the launch of a large number of new private label products.



Employees

ICA Gruppen's employees are paid at competitive levels in the form of salary, pension contributions and other benefits. In addition, they are able to develop professionally on a continual basis. In 2017 salaries amounted to SEK 6,349 million (6,199) in total, and pension costs amounted to SEK 453 million (435).



Suppliers

ICA Gruppen works to maintain long-term relationships with selected suppliers that generate value for both sides. ICA Gruppen provides suppliers with the opportunity for high-volume sales in Sweden, Estonia, Latvia and Lithuania. In 2017 the cost of sourcing products and services amounted to SEK 92,211 million (89,687). Sourcing is therefore ICA Gruppen's largest single cost item, representing 87% (87) of sales.



Society

ICA Gruppen creates jobs and contributes to tax revenues in the local economies where the Group operates. In 2017 tax expense amounted to SEK 708 million (757). In addition, social security expenses amounted to SEK 2,189 million (2,091). In terms of the environment, various initiatives during the year resulted in further reductions in greenhouse gas emissions. Compared with the base year of 2006, emissions were 52% lower.

A strong business model

ICA Gruppen's business model is based on extensive consumer and market insight combined with economies of scale – resulting in synergies, strong customer offerings, high customer loyalty, efficient processes, correct channel mix and physical store networks as well as low financial transaction costs. Together this contributes to good sales and income growth as well as stable cash flow for ICA Gruppen.

At the heart of ICA Gruppen's operations is grocery retail, where the hub consists of some 1,550 grocery stores in Sweden, Estonia, Latvia and Lithuania. Around these a number of operations have been built up which, individually or in combination, help maintain the Group's strong market position.

In Sweden grocery retail is operated in cooperation with independent ICA retailers, who own their stores. Among other things, ICA Sweden is responsible for coordinated sourcing, logistics, central marketing communication and overall development of the store network. In Estonia, Latvia and Lithuania all stores are owned and operated by the wholly owned subsidiary Rimi Baltic.

Apotek Hjärtat, which has around 390 pharmacies in Sweden, is playing an important role in ICA Gruppen's efforts to achieve a leading position in health. Sourcing, customer offering, organisational matters and loyalty programmes are coordinated with ICA Sweden. ICA Bank fulfils a number of important functions within ICA Gruppen. In addition to providing a growing range of user-friendly banking services, ICA Bank helps strengthen loyalty to the ICA stores while also reducing the costs of the financial flows in the ICA system. Commission, net interest and other income contribute to ICA Gruppen's earnings, and the use of ICA Bank's own bank cards reduces the fees payable to other card issuers.

ICA Real Estate is one of the largest retail real estate firms in the Nordic region. Its overall mission is to meet ICA Gruppen's long-term need for appropriate properties in the right locations. This is achieved by a combination of owning, leasing and developing marketplaces. The property portfolio is actively managed and fully developed properties are sold on an ongoing basis.

The Group also includes the home furnishing chain Hemtex. Extensive changes have been made since Hemtex became a wholly owned subsidiary of ICA Gruppen at the end of 2015, among other things resulting in greater collaboration with ICA Sweden.

Coordinated value creation...

-  Development of concepts, channels and product range
-  Sourcing, logistics and IT
-  Property development, property management and store network
-  Financial services



...provides clear benefits and strengths...

- A strong customer offering
- Efficient processes
- The right properties in the right locations – today and tomorrow
- High customer loyalty and low transaction costs

...and results in stable cash flows for ICA Gruppen and makes every day a little easier for our customers





ICA Sweden's business and earnings model

In Sweden ICA Gruppen's business within grocery retail is largely based on the so-called ICA Idea, which combines the local retailer's commitment, market knowledge and entrepreneurship with the central economies of scale and efficiency provided by ICA Sweden. In brief, the idea is that ICA Sweden owns the rights to the store location and the brand, while the retailer owns and operates the store.

Clear division of responsibility

The relationship between ICA Sweden and the individual ICA retailers is regulated by an agreement, which details – among other things – how the store network is to be run and how the establishment of new stores is to be financed. Key elements of the agreement include the overall division of responsibility between ICA Sweden and the retailer, the

principles governing the rights to the ICA brand as well as ICA Sweden's right to compensation in the form of royalties and, in some cases, profit sharing. It also contains a pre-emption clause in the event that the ICA retailers want to sell their company or its operations.

In addition to the agreements between ICA Sweden and the individual retailers, there is also an overarching agreement between ICA Sweden and ICA-handlarnas Förbund regulating how goods and services from ICA Sweden to the stores are to be priced and how the joint operations are to be financed. The retailers are not obliged to purchase goods or services from ICA Sweden. ICA-handlarnas Förbund is a non-profit association and members' organisation for Sweden's ICA retailers, and is also the principal shareholder in ICA Gruppen.

From centralised establishment to retailer-owned stores

The decision to establish a new store is taken by ICA Sweden, which is also responsible for recruiting retailers for new or vacant store locations. New stores are usually established through a company that is majority-owned by ICA Sweden, with ICA Sweden providing the initial financing. Once the store has repaid the investment and the cost of opening the store by generating its own profits, the retailer can buy and then own the business. On average, this takes place after around five years. Thereafter the retailer holds 99% of the shares in the company that operates the store. ICA Sweden remains a minority shareholder with 1% of the shares.

ICA Sweden

- A strong offering
- Efficient processes
- The right properties in the right locations – today and tomorrow
- High customer loyalty, low transaction costs



Independent retailers working together

Retailers own and run their own stores, set prices and decide on the product range based on the local market conditions and competition.

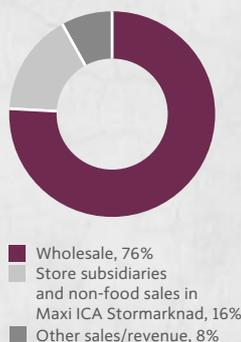


A strong, locally customised customer offering

ICA Sweden's revenue

- Wholesale sales of external and private label products within food and non-food (incl. fees for logistics and infrastructure)
- Sales in store subsidiaries
- Wholly owned non-food sales in Maxi ICA Stormarknad
- Additional services to ICA retailers at market prices in areas such as accounting and advertising
- Fees from ICA retailers to finance the joint organisation (also known as ICA Subscription)
- Royalties based on sales at the store concerned
- Profit sharing based on results, for larger stores – mainly Maxi ICA Stormarknad

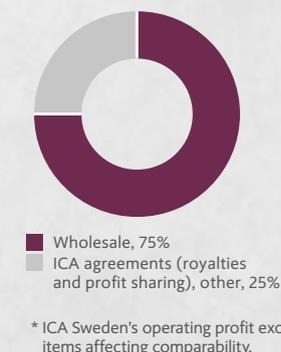
Distribution of revenue



Factors influencing ICA Sweden's results

ICA Sweden's revenues come largely from wholesale sales of products to the stores. The mark-up percentage is set out in agreements with ICA-handlarnas Förbund and varies depending on the type of goods. Other remuneration with a direct impact on results includes royalties and profit sharing from the stores. In addition, results from the non food business and store subsidiaries affect total results.

Distribution of profits*



A rapidly changing world

Some major trends are impacting ICA Gruppen's operations. Among the main ones are extensive and rapid digitalisation, a distinct increased interest in health and wellbeing, and an ever growing focus on environmental, social and financial responsibility.

Understanding the business environment and how it is changing and impacting ICA Gruppen is critical to the Group's ability to meet the needs and demands of tomorrow. Through close dialogue with consumers and customers while also further developing the business, ICA Gruppen can leverage the drivers that create long-term and sustainable growth.

Digital and transparent

One of the main driving forces affecting ICA Gruppen is the wave of digitalisation. Rapid technology development in all areas of society is having a major impact on both consumers and businesses. In retail, every part of the value chain is affected – from product development, sourcing, logistics and product supply to prod-

uct offerings, marketing and interactions with customers. Mobile devices, constant connection and faster processes are completely changing the climate in which ICA Gruppen operates, and this is presenting opportunities as well as challenges. Digitalisation is also driving changes in purchasing behaviour and allowing new players with new business models to emerge.

ICA Gruppen's response to changes in the market



Digital and transparent

- Continued digitalisation of the customer offering including online shopping
- Using data for customised marketing
- Sweden's biggest food website – ica.se
- Joint loyalty programmes
- Digital banking services
- Same-day home delivery of medicines



Health and wellbeing

- Expansion of organic, healthy and locally produced product ranges
- A wider range of private label products
- Environmental and health labelling of products
- Advice on health and medicines in pharmacies
- Minute clinics, Minutkliniken, connected to stores and pharmacies



Blurring of industry lines and changed consumption patterns

- Better availability through digital channels
- Complete meal solutions
- Pre-packed grocery bags
- Maintaining the right price perception among consumers

Health and wellbeing increasingly important

Among the most obvious trends in society is an increased focus on physical and mental health. The health aspects span a broad spectrum of areas where diet, exercise and finding a balance in life are increasingly important lifestyle issues. Interest in food ingredients and production methods has grown significantly in recent years. But our experience with food should not be complicated or bland; today's consumers demand food that is both healthy and tasty. What we eat and consume – both products and services – must reinforce a desired image, lifestyle and identity.

Changed consumption patterns

Competition in grocery retail is fierce and has ramped up in recent years. The main reasons include the growth of discount chains, online sales, an increase in cross-industry offerings and greater competition from other channels – not least, restaurants and cafés. In metropolitan areas people are less likely to do a “weekly

shopping”. Instead more grocery shopping takes place on the way to or from work and people are less likely to decide what to buy until they are in the store. Although many would like to cook from scratch, there is not always enough time and this is driving demand for high-quality ready meal solutions.

Demographic changes

From a demographic perspective, ICA Gruppen's markets are affected by ongoing urbanisation, immigration and changes in age demographics. Meanwhile, the percentage of single-person households continues to grow. All of these trends are having a major effect on what people consume as well as where and how.

Sustainability and responsibility

Responsibility, environmental impact, business ethics and control of both a company's own organisation and its external supply chain, are increasingly important factors. Environmental,

social and financial sustainability have become “hygiene factors” and are also driving growth. Consumers are demanding more sustainable products and services, and suppliers want to work with innovative, long-term and stable customers. Being perceived as a responsible employer is also an important competitive advantage in the fight for tomorrow's talent.

Reduced predictability

Rapid technical development and major changes in consumption patterns are resulting in a less predictable climate, making long-term planning more difficult. Agility is therefore increasingly important, especially for large companies. The changes taking place require leadership adjustments and the ability to secure the right talent.



Demographic changes

- New stores in metropolitan areas
- Ongoing development and adaptation of the product range and offering to match changes in demand

Sustainability and responsibility

- Integrated sustainability perspective
- Environmentally and quality-certified stores, sourcing and logistics processes
- Social audits to assure and improve working conditions in high-risk countries
- Labelling in stores to guide customers to sustainable and ethical choices
- Efforts to reduce food waste in stores and at home

Reduced predictability

- Increased focus on innovation and agility
- Leadership adjustments
- Securing the right talent – short term and long term
- More competitive through diversity

ICA Gruppen's markets

ICA Gruppen has operations in Sweden, Estonia, Latvia and Lithuania as well as in Finland through Hemtex' stores. In Sweden the Group is active within grocery retail, pharmacy, banking, real estate and home furnishing. In Estonia, Latvia and Lithuania the focus is on the grocery trade. All of the markets and segments are characterised by a fast pace of change and fierce competition.

The grocery retail market in Sweden, Estonia, Latvia and Lithuania

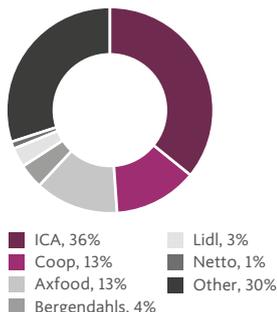
In terms of structure and consumption patterns, the grocery retail markets in the four countries have both similarities and differences. In all the countries a limited number of traditional operators have a high total market share, but competition for customers is tough. In the three Baltic countries in particular, the expansion rate in recent years has been very high – especially in the discount segment. Price and price perception have also historically been a stronger competitive factor here than in Sweden. All the markets are characterised by a noticeable blurring of the lines between sectors, with increasingly tough competition from restaurants, cafés and purely online operators.

Demographic changes, inflation and added value
Sales of food and other groceries largely track changes in the population. In general terms, the

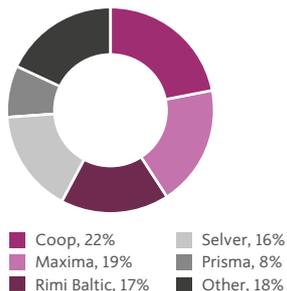


Market share, groceries

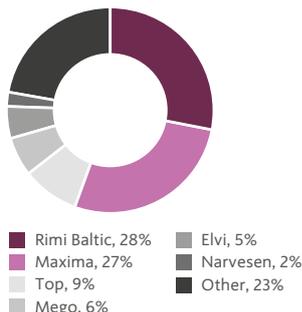
Sweden*



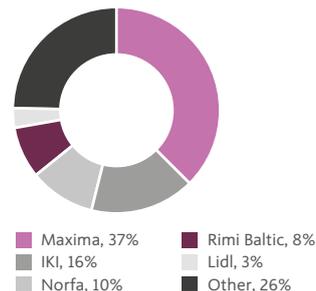
Estonia**



Latvia**



Lithuania**



*Statistics Sweden, HUI and the companies' annual reports 2016. Share of total grocery consumption. **2016 Government statistics, the companies' annual reports and Rimi Baltic analysis.

growth rate can be described as moderate but stable. Grocery retail is less sensitive to economic fluctuations than other retail segments. The factors that drive sales revenue are primarily inflation and an ever increasing share of value-added products, including complete meal solutions. A greater proportion of organic and locally produced products also makes a positive contribution.

Growing online sales

Variation in the grocery retail market's share of total disposable income is relatively large. In Sweden the average household spends around 12% of disposable income on food and groceries. In the Baltic countries the figure is around 18–22%. There are also substantial differences in demographics. The population of Sweden is growing, while there have been significant decreases in the populations of Estonia, Latvia and Lithuania in recent years.

In all of the countries a growing proportion of retail sales take place in metropolitan areas; either in the city centre or in shopping centres just outside. All of the countries, but particularly Sweden, have also seen growth – albeit from a low starting point – in online grocery sales and menu baskets for home delivery.

Calculating market share is complex

The market for groceries, food and meals is changing. There is a noticeable blurring of the lines between sectors, with more and more overlap between different operators' offerings. In parallel, consumption patterns are changing fast in terms of what, when and where consumption takes place. Today, for example, restaurants and cafés account for a third of food and meal consumption in Sweden. Calculating different operators' market shares is therefore complex. The total size of the market depends on which segments and operators are included. It also depends on whether you choose to look at actual consumption by consumers irrespective of where it takes place, or whether you select and compare a number of operators.

In 2016, according to Statistics Sweden, total consumption of groceries in Sweden amounted

to SEK 335.7 billion, with ICA's market share at around 36%. In the Baltic countries the market is estimated to have had sales of EUR 9.4 billion in 2017 (9.0). Rimi Baltic's market share in the Baltic countries was around 16%.

The pharmacy market is growing

Since the 2009 regulatory reform of the Swedish pharmacy market the total number of pharmacies has grown by 50%, while opening hours per pharmacy and week have increased from 45 to 55 hours on average. The total turnover has increased from SEK 33.6 billion in 2012 to SEK 41.4 billion in 2017, representing annual growth of around 4.3% with commercial goods and services growing at 9.5%.

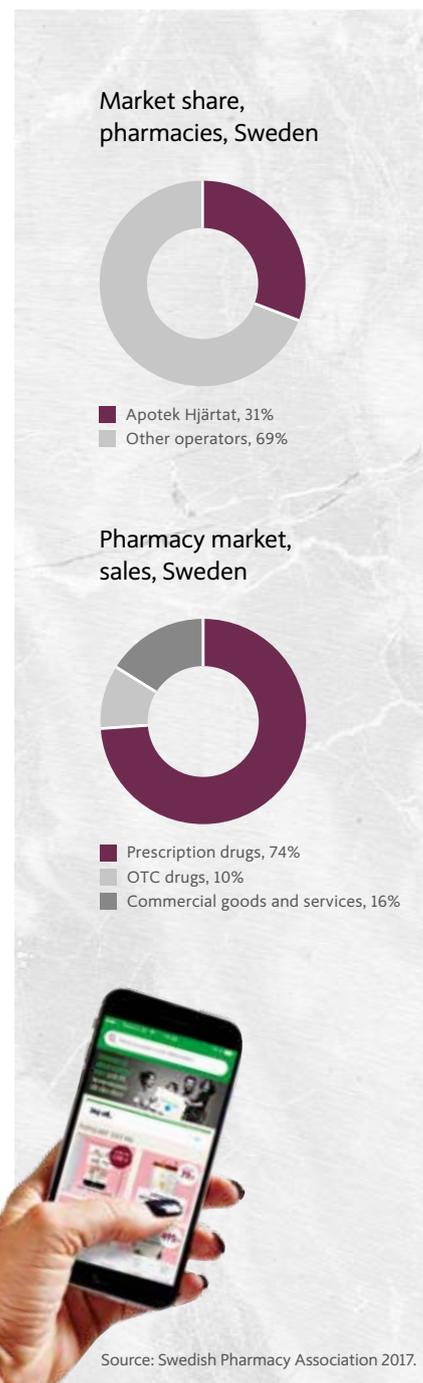
Regulated buying and selling prices

Around 74% of total market sales in 2017 related to prescription drugs, 10% were for over-the-counter (OTC) drugs and just over 16% related to commercial goods and services. Both purchase prices and retail prices of prescription drugs are set according to a price model and regulations established by the government through the Dental and Pharmaceutical Benefits Agency (TLV). The difference between the purchase price and retail price is the pharmacy's trade margin. This consists of a fixed amount and a percentage supplement based on the purchase price.

As a result of economic conditions, pharmacies have generally broadened and intensified their offering of OTC drugs and of other commercial goods and services. These conditions have also provided greater incentive to seek out economies of scale; in recent years this has led to consolidation in the market.

E-commerce channels increasingly important

Online sales by pharmacies still account for only a small proportion of total sales. However, sales growth is strong and fast. In 2017 total online sales increased by 58%. For online sales too, the largest product category in terms of sales is prescription drugs.



New Pharmacy Market Commission

In 2015 the government commissioned the New Pharmacy Market Commission to carry out a review of the pharmacy market. Its final report will be issued in June 2018, but during the year two interim reports were presented. Among other things, these proposed more stringent qualification requirements for the prescription dispensing process, shifting the main responsibility for drugs being available to the customer within 24 hours from the pharmacy to the distributors, and imposing restrictions on the free pricing of prescription drugs that are not included in pharmaceutical benefits.

Enhanced market share

Like grocery retail, the pharmacy market is characterised by extensive blurring of sector lines and fierce competition – not least from purely online operators. In 2017 Apotek Hjärtat’s market share was 31%.

The Swedish banking market

Through ICA Bank, ICA Gruppen is active in the Swedish banking market. The business consists of a wide range of everyday financial services in the areas of lending, saving, payments and insurance.

The Swedish banking market is still dominated by a few large full-service banks. In addition, there are many smaller banks and credit providers. New customer demand, changed consumption patterns and new digital solutions combined with an increased number of operators have led to more and more banking customers choosing multiple suppliers for their financial needs.

Low interest rates

Low levels of interest rates have severely squeezed net interest income for many banks – which in turn has resulted in a need to review and develop business and revenue models. At the end of 2017 Riksbanken, Sweden’s central bank, estimated that the negative repo rate is likely to remain for part of 2018.

Real estate market in Sweden

With an estimated property value of SEK 12.6 billion in wholly owned properties and an additional SEK 10.6 billion in partly owned properties, ICA Real Estate is one of Sweden’s largest property companies in the retail sector. Its operations involve property development, adding value and property management of whole areas as well as individual properties.

In recent years the Swedish property market has been characterised by low interest rates, a large inflow of national and international capital, and reduced yield requirements. The good conditions in the market have resulted in high transaction volumes, ever lower yield requirements and generally rising property prices. Among the most liquid assets are lower risk properties in metropolitan areas. These include commercial properties with strong, sound tenants. Within retail, grocery retailers – not least ICA – are sought-after tenants.

Performance in 2017

Grocery retail market Sweden

Sales of groceries in Sweden (DHI excluding alcohol) grew, in current prices, by 2.3% (2.5) in 2017, according to preliminary statistics from Statistics Sweden and HUI. Adjusted for price and calendar effects, the volume increased by 0.6% (0.9). Sales of groceries for 2017 are estimated at around SEK 296.7 billion (289.9).

Competition continued to increase over the past year, mainly due to the expansion of discount chains but also as a result of the continued blurring of sector lines and intensified competition from other channels such as restaurants, cafés and online sales, all of which are growing faster than traditional grocery retail.

Estonia, Latvia and Lithuania

The total market for the three Baltic countries grew in 2017 by 5.2%. The increase was mainly price-driven and the underlying increase in volume weakened except for Latvia. The rate of inflation increased to around 5.1%. In total, sales in the Baltic grocery retail market were approximately EUR 9.4 billion in 2017, with Lithuania accounting for around 45%, Latvia for around 29% and Estonia for around 26%.

A rapid rate of expansion, not least by discount chains, and increasing sales areas have

brought about fiercer competition in recent years. Direct competition varies between the three countries. In Estonia the primary competitors are Maxima, Selver, ETK (Coop), Prisma and Grossi. In Latvia it is Maxima, Mego, Prisma, Elvi and Top. In Lithuania the main competitors are Maxima, Norfa and Prisma.

The pharmacy market in Sweden

At year-end 2017 the number of pharmacies in Sweden was nearly 1,400. Sales in the Swedish outpatient pharmacy segment amounted to around SEK 41.4 billion during the year, representing an increase of 3.2% compared to 2016. The main driving forces included substantial growth in online sales. Overall, online pharmacy represented 6.5% of sales, compared to just below 4% during 2016.

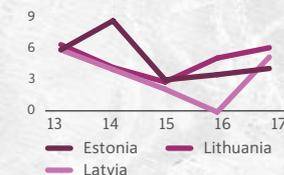
* 2017 data is preliminary.

Development of the grocery retail market in Sweden*, %



Source: SCB, HUI

Development of the grocery retail market in the Baltics, %



Source: Government statistics

Growth of the pharmacy market in Sweden 2013–2017, %

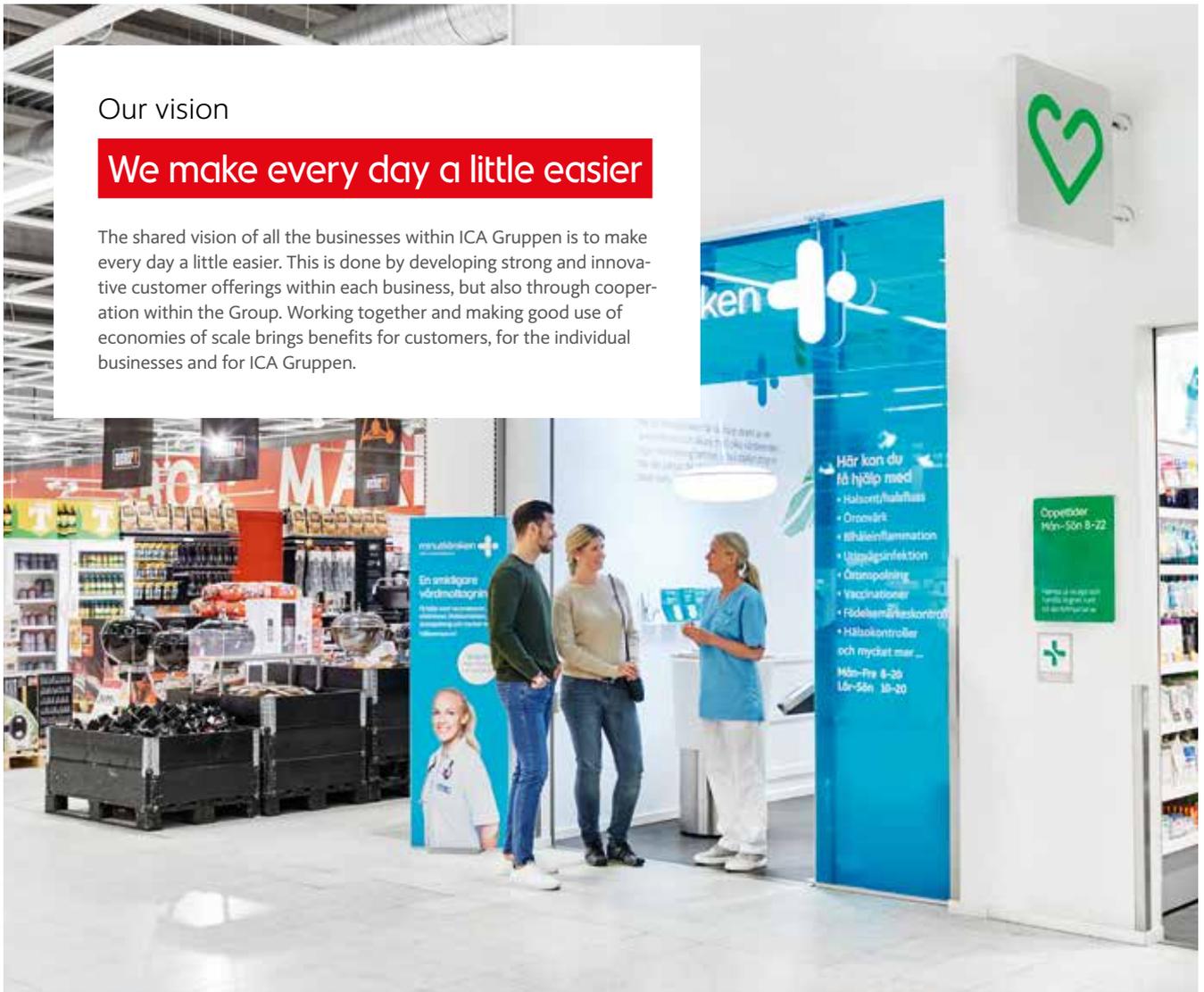


Source: Swedish Pharmacy Association

Our vision

We make every day a little easier

The shared vision of all the businesses within ICA Gruppen is to make every day a little easier. This is done by developing strong and innovative customer offerings within each business, but also through cooperation within the Group. Working together and making good use of economies of scale brings benefits for customers, for the individual businesses and for ICA Gruppen.



A supermarket, pharmacy and Minutkliniken – all in one place

Being able to do a supermarket shop, go to the pharmacy and deal with simple healthcare matters under one roof makes life easier for many customers. Apotek Hjärtat's collaboration with ICA is a clear example of how the efforts to make every day a little easier are bringing gains for all involved. Since ICA Gruppen acquired Apotek Hjärtat in the beginning of 2015 its collaboration with ICA has gradually been expanded. A number of the new pharmacies opened in recent years are located close to or directly connected to an ICA store. In a number of locations in Stockholm and Gothenburg there are also minute clinics, Minutkliniken, for simple health services, including tests and vaccinations. Locating these services together enhances the local marketplace as a whole.



Seamless offerings for customers with pets

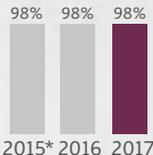
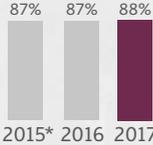
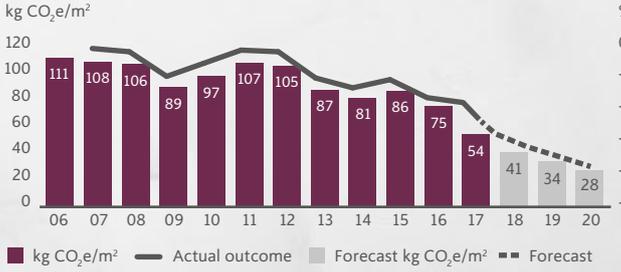
Close collaboration between various operations within ICA Gruppen has made every day a little easier for pet owners. Customers who have bought pet food have received targeted offers for pet insurance from ICA Insurance, for pet products from ICA and for veterinary products from Apotek Hjärtat – and ica.se provides tips on pet food.



Targets and outcomes

Financial targets	Description	Outcome								
Grow faster than the market	Good sales development and a strong market position are important factors in achieving and retaining strong profitability and value growth.	In 2017 growth in the Swedish ICA stores was slightly higher than the preliminary data for market growth, mainly due to strong performance in the second half of the year. Apotek Hjärtat's sales, adjusted for pharmacies divested in 2016, were in line with market growth while Rimi Baltic's sales, among other things impacted by store conversions in Estonia, increased at a slower pace than the market.								
Achieve an operating margin excluding items affecting comparability of 4.5%	The target level provides room for investments in the business and return on invested capital, and is at a good level for the sector. The target is measured excluding items affecting comparability.	The operating margin was somewhat lower in 2017 than in the previous year. The main reasons for this were the sale of ICA Eiendom in Norway (ICA Real Estate) and a lower profit share from the Swedish ICA stores (ICA Sweden). In other segments the operating margin improved. <table border="1"> <caption>Operating margin</caption> <thead> <tr> <th>Year</th> <th>Operating margin</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.1%</td> </tr> <tr> <td>2016</td> <td>4.5%</td> </tr> <tr> <td>2017</td> <td>4.4%</td> </tr> </tbody> </table>	Year	Operating margin	2015	4.1%	2016	4.5%	2017	4.4%
Year	Operating margin									
2015	4.1%									
2016	4.5%									
2017	4.4%									
Achieve a return on capital employed of 10%	The target level indicates that the Group is using capital effectively. ICA Bank is not included in the calculation because banking legislation stipulates that its assets and liabilities are not available to the Group. ICA Bank instead has a target for return on equity which is a relevant target for banking operations.	The return on capital employed increased in 2017 as a result of underlying earnings improvement, including capital gains from property divestments, and a decrease in average capital employed by SEK 1,112 million. The decrease is attributable to amortisation of loans that was made possible by improved cash flow from operating activities and completed property divestments. <table border="1"> <caption>Return on capital employed</caption> <thead> <tr> <th>Year</th> <th>Return on capital employed</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>9.8%</td> </tr> <tr> <td>2016</td> <td>10.5%</td> </tr> <tr> <td>2017</td> <td>12.3%</td> </tr> </tbody> </table>	Year	Return on capital employed	2015	9.8%	2016	10.5%	2017	12.3%
Year	Return on capital employed									
2015	9.8%									
2016	10.5%									
2017	12.3%									
Dividend of at least 50% of profit for the year	The intention is to provide shareholders with a good dividend while also being able to implement value-adding operational investments.	The Board of Directors proposes a dividend of SEK 11.00. This is an increase of SEK 0.50 or 5%, making the dividend percentage 53%. The dividend percentage is lower than in the previous year due to this year's results being positively affected by capital gains on relatively significant real estate divestments that took place during the year in Norway and Sweden. <table border="1"> <caption>Dividend percentage</caption> <thead> <tr> <th>Year</th> <th>Dividend percentage</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>41%</td> </tr> <tr> <td>2016</td> <td>62%</td> </tr> <tr> <td>2017</td> <td>53%</td> </tr> </tbody> </table>	Year	Dividend percentage	2015	41%	2016	62%	2017	53%
Year	Dividend percentage									
2015	41%									
2016	62%									
2017	53%									
Net debt/EBITDA <2	A good balance between earnings and borrowing gives the company the freedom and ability to act, even in times of recession.	The improvement is mainly due to positive cash flow from operating activities driven by an underlying profit increase, the divestment of ICA Eiendom in Norway and the sale of properties to Secore Fastigheter. This reduced net debt by SEK 4.2 billion, which overall reduced the ratio from 1.6 to 0.8. <table border="1"> <caption>Net debt/EBITDA ratio</caption> <thead> <tr> <th>Year</th> <th>Net debt/EBITDA ratio</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1.9</td> </tr> <tr> <td>2016</td> <td>1.6</td> </tr> <tr> <td>2017</td> <td>0.8</td> </tr> </tbody> </table>	Year	Net debt/EBITDA ratio	2015	1.9	2016	1.6	2017	0.8
Year	Net debt/EBITDA ratio									
2015	1.9									
2016	1.6									
2017	0.8									

Sustainability targets

	Description	Outcome																																																
<p>100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited</p>	<p>To ensure that ICA Gruppen's corporate brand products are produced in an acceptable way with respect to human rights, social audits are performed on site for suppliers in high-risk countries. The audits are to be performed according to a model approved by the Group or using ICA Gruppen's own social audit tool.</p>	<p>The focus in 2017 has been on ensuring that a social audit is carried out for new production units as well as current units that have not undergone a social audit. The outcome for 2017 is in level with the preceding year. Read more on pages 40 and 122</p>  <table border="1"> <caption>Social Audit Outcome</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015*</td> <td>98%</td> </tr> <tr> <td>2016</td> <td>98%</td> </tr> <tr> <td>2017</td> <td>98%</td> </tr> </tbody> </table>	Year	Percentage	2015*	98%	2016	98%	2017	98%																																								
Year	Percentage																																																	
2015*	98%																																																	
2016	98%																																																	
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<p>80% of ICA Gruppen's corporate brand suppliers will be quality certified</p>	<p>Customers should feel safe shopping with ICA Gruppen. The quality work is based on ensuring that suppliers have safe production processes. This is done by requiring that suppliers of corporate brand products are certified to a standard accepted by ICA Gruppen before being approved for contracts.</p>	<p>Effective internal routines and an ongoing quality certificate follow-up process are factors in the outcome exceeding the target. 100% of ICA Gruppen's corporate brand food suppliers are to be quality certified, but to allow for a wider range within the category non-food and to enable there to be small local food suppliers as well, the overall target is 80%. Read more on pages 40 and 122</p>  <table border="1"> <caption>Quality Certification Outcome</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2015*</td> <td>87%</td> </tr> <tr> <td>2016</td> <td>87%</td> </tr> <tr> <td>2017</td> <td>88%</td> </tr> </tbody> </table>	Year	Percentage	2015*	87%	2016	87%	2017	88%																																								
Year	Percentage																																																	
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2017	88%																																																	
<p>By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly help them make healthy choices</p>	<p>Helping customers to feel good and guiding them to make healthy choices is a priority for ICA Gruppen, partly because customers call for it, partly because the Group as a major player, has a great opportunity to have a positive impact on people's health. Therefore a new health target was established in 2017. The target is followed up through customer surveys within ICA Sweden. Work is under way to follow up the target in Rimi Baltic and Apotek Hjärtat.</p>	<p>During the year ICA Sweden continued its efforts to inspire the customers to have a healthy lifestyle. Examples of this are a special Halloween range to encourage young people to eat more vegetables and fruit, more vegetarian recipes on ica.se as well as health campaigns and the ICA classic sporting challenge. In the Customer Satisfaction Index for 2017, ICA Sweden came in second place (total of 62 points) after Coop (total of 63 points) when respondents answered the question Who inspire me to eat healthily. Read more on page 36</p>																																																
<p>ICA Gruppen's operations will be climate-neutral by 2020</p>	<p>Climate change affects everyone. To contribute to the UN goal of limiting global warming, ICA Gruppen has set an ambitious climate target. The target places high demands on equipment maintenance, operation, contracts and knowledge. The climate impact that cannot be eliminated from operations by 2020 will be offset.</p>	<p>In 2017 ICA Gruppen's direct emissions of greenhouse gases decreased by 52% compared with the base year of 2006. This is thanks to long-term efforts in the areas of energy, refrigerants and transport. The main reasons for the reduction in 2017 are the switch to renewable energy in the Baltic stores and the increased percentage of renewable fuels in the Swedish logistics operations. The percentage of ICA stores that have switched to refrigerants with a lower climate impact increased, also contributing to the reduction. Read more on pages 29, 35 and 124</p> <p>Emissions kg CO₂ e/m² 2006–2017 and forecast for 2020</p>  <table border="1"> <caption>Greenhouse Gas Emissions (kg CO₂ e/m²)</caption> <thead> <tr> <th>Year</th> <th>Actual Outcome</th> <th>Forecast</th> </tr> </thead> <tbody> <tr><td>06</td><td>111</td><td>-</td></tr> <tr><td>07</td><td>108</td><td>-</td></tr> <tr><td>08</td><td>106</td><td>-</td></tr> <tr><td>09</td><td>89</td><td>-</td></tr> <tr><td>10</td><td>97</td><td>-</td></tr> <tr><td>11</td><td>107</td><td>-</td></tr> <tr><td>12</td><td>105</td><td>-</td></tr> <tr><td>13</td><td>87</td><td>-</td></tr> <tr><td>14</td><td>81</td><td>-</td></tr> <tr><td>15</td><td>86</td><td>-</td></tr> <tr><td>16</td><td>75</td><td>-</td></tr> <tr><td>17</td><td>54</td><td>-</td></tr> <tr><td>18</td><td>-</td><td>41</td></tr> <tr><td>19</td><td>-</td><td>34</td></tr> <tr><td>20</td><td>-</td><td>28</td></tr> </tbody> </table>	Year	Actual Outcome	Forecast	06	111	-	07	108	-	08	106	-	09	89	-	10	97	-	11	107	-	12	105	-	13	87	-	14	81	-	15	86	-	16	75	-	17	54	-	18	-	41	19	-	34	20	-	28
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*Hemtex and Apotek Hjärtat are not included in the outcome.

Strategic themes and priorities

ICA Gruppen's strategy is based on the Group's common strengths and a comprehensive understanding of both the community and the market. It consists of five long-term strategic themes that set the course for all operations within ICA Gruppen. Having shared overall strategic themes makes it easier to set priorities from a comprehensive perspective.

Create growth

A key aspect of the strategy focuses on the customer experience and developing brand loyalty – the areas that contribute the most to generating and driving growth. For ICA Gruppen, this is about delivering an attractive and affordable offering, a strong store network, an individual omni-channel experience and strong customer relations.

Enable growth

Other parts of the strategy focus on factors that drive growth. These include internal processes to ensure efficiency, agility and commitment. The foundations for this include an integrated, ambitious focus on sustainability that encompasses both the Group's own climate impact and that of its customers.



Strategic themes

Provide a great offering, value for money, a strong store network and a personal, omni-channel experience

Strengthen customer relationships through leading brands, loyalty programs and CRM

Drive efficiency throughout the value chain

Engage and develop our people in a fast-moving and diverse organisation

Create customer engagement and responsible, climate-neutral operations



Priorities 2017

- Ensure competitive pricing and fair price perception ✓
- Implement new strategies with strengthened customer offerings for Non Food, Hemtex and ICA Bank ✓
- Build a leading omni-channel offering across businesses and platforms
- Strengthen store network and concepts with focus on urban areas, convenience and health ✓
- Ensure a successful integration planning and closing of the IKI acquisition

- Develop leading CRM and leverage the common Swedish loyalty program ✓

- Drive reliability and efficiency throughout the value chain with focus on logistics and store operations ✓
- Improve speed and project delivery through new ways of working ✓

- Improve performance management process and change ability ✓

- Drive sustainable customer choices and climate-smart operations ✓

Priorities 2018

✓ Target for the year reached
 MOD Modified prioritisation 2018

- Ensure competitive pricing and fair price perception
- Implement strengthened customer offerings for Non Food, Hemtex and ICA Bank MOD
- Build leading omni-channel and last mile offerings across businesses and platforms MOD
- Strengthen store network and concepts with focus on urban areas and convenience MOD
- Successfully close and integrate the IKI acquisition MOD

- Strengthen the common loyalty program with a leading, more personalized CRM and new digital services in the ecosystem MOD

- Drive reliability and efficiency throughout the value chain with focus on logistics and store competitiveness MOD
- Improve development pace and efficiency through new ways of working and automation MOD

- Improve performance management, competence development and change ability MOD

- Drive For a good tomorrow with focus on health and climate MOD

Focus on innovation and agility

The increasing pace of development around us requires us to be highly innovative, agile and willing to change. New technology and new patterns of consumption combined with the extensive blurring of industry lines, rapid digitalisation and demographic changes are presenting challenges as well as great opportunities for ICA Gruppen.



What distinguishes the current development phase from past ones is its speed and scope. Technical development is creating opportunities for new business models. At the same time demographic changes are taking place with migration, an ageing population and urbanisation leading to new consumption patterns and changes in demand. Development brings with it challenges, but also opportunities for actors with the capacity to drive development and quickly adjust based on new needs and possibilities.

Group-wide people strategy

The fast changes around us affect ICA Gruppen in multiple ways. They affect the relationship with the communities and the customers, as well as the internal work and decision processes. To create better conditions in which to drive innovation and to speed up decision processes, ICA Gruppen has been working since 2016 according to a Group-wide people strategy. Key aspects of the strategy are strong leadership and collegiality, an increased emphasis on learning and better use of the benefits that exist in a diverse organisation.

Advanced leadership and collegiality

Development affects all parts of ICA Gruppen in a variety of ways and to differing degrees. The ways in which to operate, develop and lead therefore need to be adapted to a greater extent than in the past, based on the range of operations within the Group and their specific success factors and targets. Both leadership and collegiality are affected. Leadership is being shifted closer and closer to the employees – in terms of power of initiative, responsibility and authority to make decisions. Employees are expected to take charge and be



responsible for more aspects of their performance, cooperation and learning. Managers need to enable employees to develop and being developed – and thereby contribute to ICA Gruppen's continued success.

This subsequently increases the importance of having a clear and common vision for overall goals. A strong, shared culture based on shared values and a common vision of the overall goals are decisive factors in ensuring agility and staying on the right track in the decision-making.

Greater focus on learning

The fast pace of technical advances is increasing the importance of continual development and learning. Both ICA Gruppen as a whole and the individual employees need to develop continually and to improve skills in existing and new areas.

ICA Gruppen has a long tradition of learning and in all parts of the organisation there are joint programmes to support and facilitate continuous learning in the day-to-day work.

In recent years several initiatives – primarily digital ones – have been launched, all aimed at integrating learning into work processes and facilitating just-in-time learning.

Increased competitiveness through diversity

As demographic changes take place, internal diversity is becoming an increasingly important competitive advantage. ICA Gruppen is proactive in making the most of the creativity and added value that differences and diverse interactions provide, thereby creating a dynamic organisation that can offer high quality products and services. The aim is for the organisation to reflect society. The main principle is that everyone should have the same chance of being recruited and of developing in their role at work.

One important aspect of the emphasis on diversity is to continue to focus on equality. In recruitment, consideration is given not just to the right skills but also to maintaining gender balance in the team. The goal for managerial positions is an even gender distribution and ICA Gruppen has essentially achieved this.

Initiatives for increased innovative capacity and agility

Leadership and collegiality

- Expanded programme and target group for senior managers
- New framework for senior managers' management processes
- Expansion of ICA's talent programme
- New management programme in Sweden
- Leadership handbooks for store managers in the Baltic countries

Learning

- Created a strong knowledge base about future learning
- Started a forum that promotes learning throughout the organisation
- Increased the emphasis on learning in performance reviews
- Implemented a new Learning management system
- Increased understanding of how managers and employees learn in their day-to-day work

Diversity

- Launch of ICA 50/50
- Continued participation in the 100 Club, an initiative by the Swedish Government aimed at helping newcomers to Sweden to get a job
- Apotek Hjärtat is offering assistant positions and internships to pharmacists educated in other countries, including those who are not yet registered to practise in Sweden
- Activities aimed at young people who find themselves far outside the job market through the ICA 2020 initiative
- More job opportunities in ICA stores for people with disabilities through the We can do more initiative

ICA 50♂/50♀

The ICA 50/50 initiative was launched in 2017 to increase the number of female leaders in management and senior positions. The initiative consists of two networks: one for senior female leaders, launched in 2017, and one for women with the potential to take on a more senior role, to be launched in 2018.



Read more on page 39

40%
women in leadership positions within ICA Gruppen.*

*According to the LEAD Gender Diversity Scorecard 2017.

Leading in sustainability

ICA Gruppen aims to be a positive force and an active player in the long-term sustainable development of society. The Group's ambition to be a leader in sustainability is based in part on the great responsibility that ICA Gruppen has as a major player and in part on the role that sustainability plays in driving long-term growth.

One of ICA Gruppen's business linchpins is that profitability goes hand in hand with responsible behaviour. By acting in a responsible way today, ICA Gruppen safeguards the ability to do good business tomorrow

Sustainability work is an integral part of all the Group's operations. Maintaining a global, national and local perspective simultaneously allows adjustments to be made in the different markets combined with joint solutions at Group level. While ICA Gruppen's responsibility extends beyond its own operations, the Group is not able to influence every part of the value chain to an equal degree. One way to increase the Group's ability to have an influence is to set standards for suppliers and work together with customers. ICA Gruppen works with industry organisations, suppliers, local, national and international organisations and others in the society to achieve synergies in the area of sustainability.

ICA Gruppen works actively to bring about improvements at every step in the value chain, by making demands of suppliers, using certification and audits, and by developing new

sustainable products. Sales of eco-labelled, organic and ethically labelled products are continuing to increase, demonstrating the customers' interest in sustainability. ICA Gruppen supports customers' sustainable choices by offering products and services that both reduce the customers' environmental impact and have a positive impact on their health.

An important part of the sustainability work is reducing the Group's own environmental impact, for example by switching to refrigerants with a lower climate impact, through more efficient transport and by optimising energy usage – all in order to achieve the Group's goal of being climate-neutral by 2020.

Ethics and anti-corruption work are of the utmost importance for building trust and strengthening ICA Gruppen's relations with the world around it. Read more on page 63.

In addition to what is presented in this report, extensive and important work on sustainability and social responsibility is being done by the approximately 1,300 Swedish ICA stores.

ICA Gruppen is a constituent of the FTSE-4Good Index Series, which measures the performance of companies' Environmental, Social and Governance (ESG) work, and also participates in the RobecoSAM Corporate Sustainability Assessment.



FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that ICA Gruppen AB has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.*

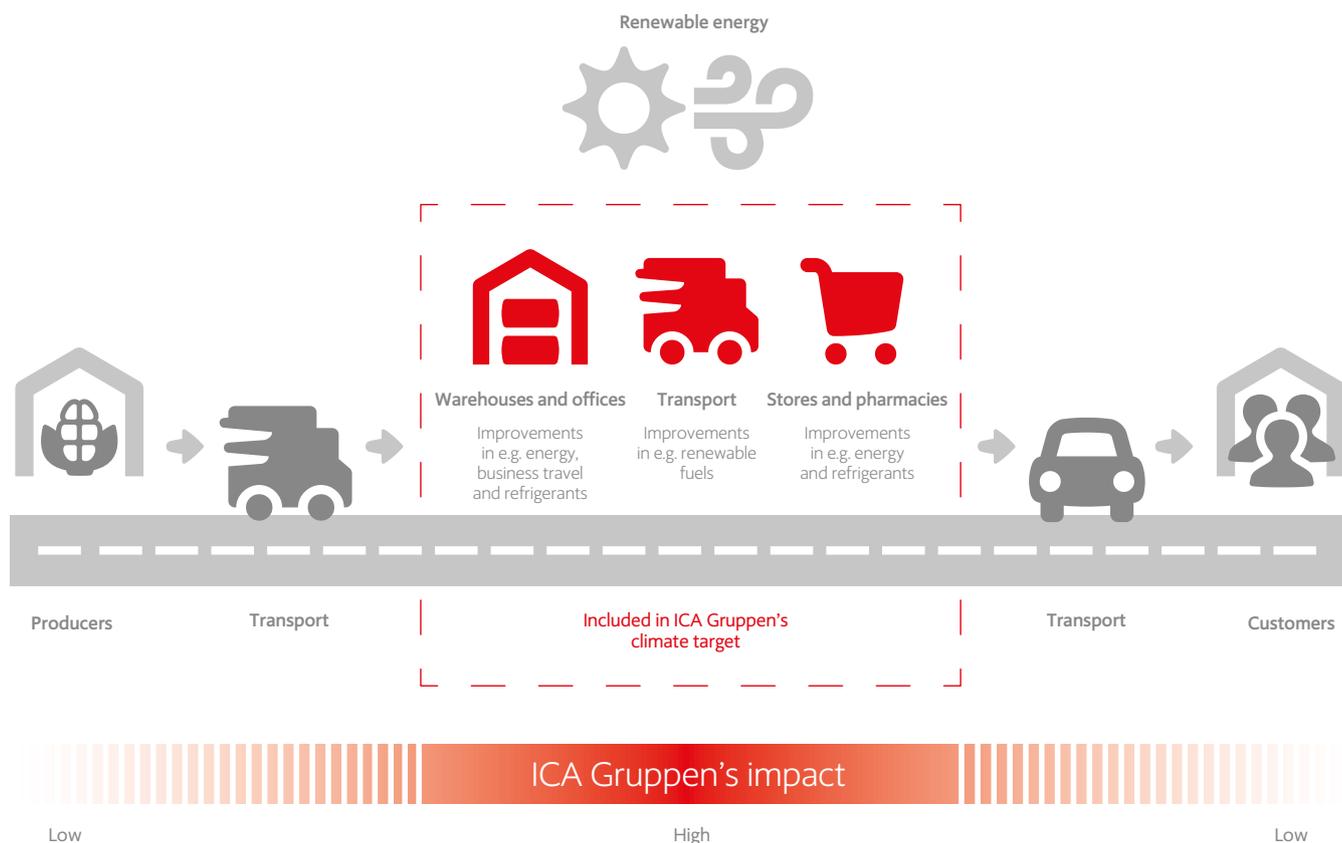
**ICA Gruppen aspires to be
a positive force in society**



* Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

ICA Gruppen to be climate-neutral by 2020

A target based on a scientific method developed by the UN Global Compact, WWF, CDP (the Carbon Disclosure Project) and the World Resources Institute.



Towards climate-neutral operations

To contribute to the UN's goal to limit global temperature rise, ICA Gruppen has adopted an ambitious climate target – that its operations will be climate-neutral by 2020. This target will be reached by reviewing equipment maintenance, operations, contracts and knowledge to improve resource efficiency and drastically reduce the climate impact, but also by offset-

ting the climate impact that cannot be completely eliminated by 2020. While ICA Gruppen's responsibility extends beyond its own operations, the Group is not able to influence every part of the value chain to an equal degree. However, ICA Gruppen requires its suppliers to comply with environmental standards, and along with producers,

is driving the development of a more sustainable product range. An important part of this work involves helping customers to reduce their climate impact, for example by providing climate-smart recipes and a wide range of sustainable products.

[Read more on pages 34, 121 and 124](#)

FOR A GOOD TOMORROW

ICA Gruppen has set a high bar for its extensive sustainability work, which involves a variety of activities. For structured communication about this work, this year saw the launch of “För en god morgondag” (For A Good Tomorrow), which will help provide a clearer picture of the work being carried out and the most pressing issues. This is broken down into five defined areas: local, environment, health, diversity and quality. These are presented on the following pages.



SUSTAINABLE DEVELOPMENT GOALS

FOR A GOOD TOMORROW

Local Environment Health Diversity Quality



In recent years ICA Gruppen's sustainability work has been developed according to the UN Sustainable Development Goals, with the focus primarily on goals 3, 5, 8, 12 and 13. This, combined with ICA Gruppen's policies, forms the basis of the Group's sustainability work.

To contribute to and work towards global responsibility within sustainability, ICA Gruppen signed up to the UN Global

Compact in 2004 and has committed to its ten principles covering human rights, labour conditions, the environment and anti-corruption.

Each year ICA Gruppen performs a materiality analysis, which together with dialogue with stakeholders also helps to define the issues on which sustainability work will focus. Read more about the materiality analysis on page 120.

 Read more on the following pages

A force for good in local communities



“We will actively contribute to the local communities where we operate

Examples of activities

- Offer locally produced products
- Facilitate small local suppliers
- Work in cooperation with the Federation of Swedish Farmers (LRF)
- Contribute to local associations
- Develop marketplaces that contribute local services, jobs and vibrancy

The ICA Idea is central to ICA Gruppen's operations and is based on cooperation combined with local adaptation. This includes a commitment to local matters and needs in the places where the Group operates, in order to be as close to customers as possible, and creating positive development in the communities where ICA Gruppen is active.

In both Sweden and the Baltic countries there is substantial and growing demand for locally produced food. ICA Sweden and Rimi Baltic are working in various ways to increase the amount of locally produced food in the product range, as well as to support rural areas and contribute to keeping communities alive.

ICA Sweden is working actively to develop its product range so as to promote the use of Swedish produce. Among other things, adjustments have been made for some time to ICA's own dairy range in order to increase the proportion of Swedish produce in all private label dairy products as well as to increase milk sales for dairy farmers in Sweden.

To create business relationships between local suppliers and ICA stores, ICA Sweden has also launched a digital platform for retailers and suppliers. This enables ICA stores to find local producers.

Pharmacies providing services for the community

Apotek Hjärtat runs a number of “Minutkliniker” (Minute Clinics), which act as a small health-care centre next to the pharmacy. The Minute Clinics offer treatment for common illnesses and health problems, as well as health checks and vaccinations. All the Minute Clinics are directly adjacent to an Apotek Hjärtat pharmacy or Maxi ICA Stormarknad, making life easier for customers and relieving the pressure on traditional health centres.

Using Swedish milk in private label dairy products

In 2016 ICA Sweden began restructuring its dairy range with a view to increasing the percentage of Swedish produce used in all its private label dairy products. In 2017 a new hard cheese called Folke was launched. Made purely with Swedish milk, it is another way to develop the range of Swedish dairy products. Today more than 80% of ICA Sweden's dairy products are made using Swedish milk.





Working together for more Swedish products

Since 2014 ICA Sweden has been working with the Federation of Swedish Farmers with the aim of expanding its offering of Swedish products in stores and supporting development and growth in Sweden's rural areas. This has included working actively on the product range, so that today 85% of ICA Sweden's beef and nearly 90% of the deli products sold by ICA Sweden as private label products contain Swedish meat. The partnership has also focused on fruit and vegetables. Among other things, in consultation with ICA Sweden, growers have invested in growing and storage so as to extend the season for Swedish root vegetables by two months – from eight months to ten. This will also enable a greater proportion of Swedish-grown root vegetables to be included in ICA Sweden's product range. There are also projects to extend the Swedish apple season and to increase the percentage of Swedish-grown apples.

Fruit becomes juice in acclaimed project

Two years ago ICA Sweden began working with Rescued Fruits, at the time a new start-up in Sweden, which makes juice out of surplus fruit from ICA Sweden's warehouses and stores. The juice is then sold under the ICA brand Räddad frukt. "We've been working with a group of real powerhouses at ICA Sweden who were very understanding of the fact that we were new to the market and did not have the same infrastructure and routines as other suppliers. Since ICA Sweden saw this as a sustainability project, the focus was also on environmental benefits rather than maximising profit margins. I think that partnerships like this will be increasingly important for innovation and sustainable development in the future," says Cecilia Larsson, former CEO and founder of Rescued Fruits. In 2017 the collaboration between ICA Sweden and Rescued Fruits was one of the finalists for the Nordic Council Environment Prize.

Developing marketplaces and areas

As well as securing the supply of store premises and other facilities for the Group's operations, ICA Real Estate works to develop the shopping areas and create meeting places where people can shop, meet up and enjoy themselves. One of the ways this is being done is through the "Goda Grannar" (Good Neighbours) concept. Centred on the ICA store, added value is created for visitors and tenants benefit from each others' footfall. Through its active role in local development ICA Real Estate helps create places that meet extra service needs among customers, thereby developing the local area.

Ambitious work to reduce climate impact



Environment

“We will minimise our environmental impact, create climate-neutral operations and help our customers make more sustainable choices

Examples of activities

- Initiatives within energy, refrigerants and transport
- Guide customers to sustainable choices
- Offer sustainable products
- Environmentally certified stores, processes and buildings

Environmental issues are integrated into day-to-day work in stores, pharmacies, logistics and offices, including environmental certification of sourcing, real estate and logistics operations. The goal is for the Group’s operations to be climate-neutral by 2020. Since 2006 ICA Gruppen’s direct greenhouse gas emissions have decreased by 52% (33). The reduction is largely thanks to long-term efforts within the areas of energy, refrigerants and transport.

In 2017 work began on energy mapping of large parts of the operations in order to identify further energy saving and efficiency measures. The mapping will continue until 2019 and includes offices, warehouses, subsidiaries’ stores, pharmacies and the non-food departments of ICA Maxi stores.

Activities to reduce food waste

Food accounts for nearly a quarter of man’s climate impact, but roughly a quarter of all food bought is thrown away rather than being consumed. ICA Gruppen runs a number of initiatives to help reduce avoidable food waste.

One example is the new skin packaging that ICA Sweden introduced during the year for large parts of its meat range. The vacuum packing extends the shelf life of the meat to nearly twice that of traditional packaging. It also holds less air, allowing transport to be further optimised. The packaging also contributes to a natural tenderising process that improves the flavour of the meat. A number of ICA Sweden’s frozen fish products also has this new smart packaging.

Food waste in Sweden*



Examples of ICA Sweden’s work to reduce avoidable food waste

<p>Primary production</p> <ul style="list-style-type: none"> • Anatomical responsibility, i.e. buying for example the whole animal and the whole of milk production 	<p>Food production</p> <ul style="list-style-type: none"> • Improved packaging for private label products to extend shelf life • Circular partnerships, e.g. with Rescued Fruits and Nutrient 	<p>Warehouses and stores</p> <ul style="list-style-type: none"> • Efficient sourcing routines • Partnerships e.g. with Food2change and Karma to make use of short-dated food 	<p>Households</p> <ul style="list-style-type: none"> • Recipes for cooking with leftovers on ica.se and grocery bags designed to minimise waste • Launch of “Matlådans dag” (Lunchbox day), to encourage people to use leftovers for their lunchboxes • Information to consumers to increase knowledge concerning the shelf life of food and food handling
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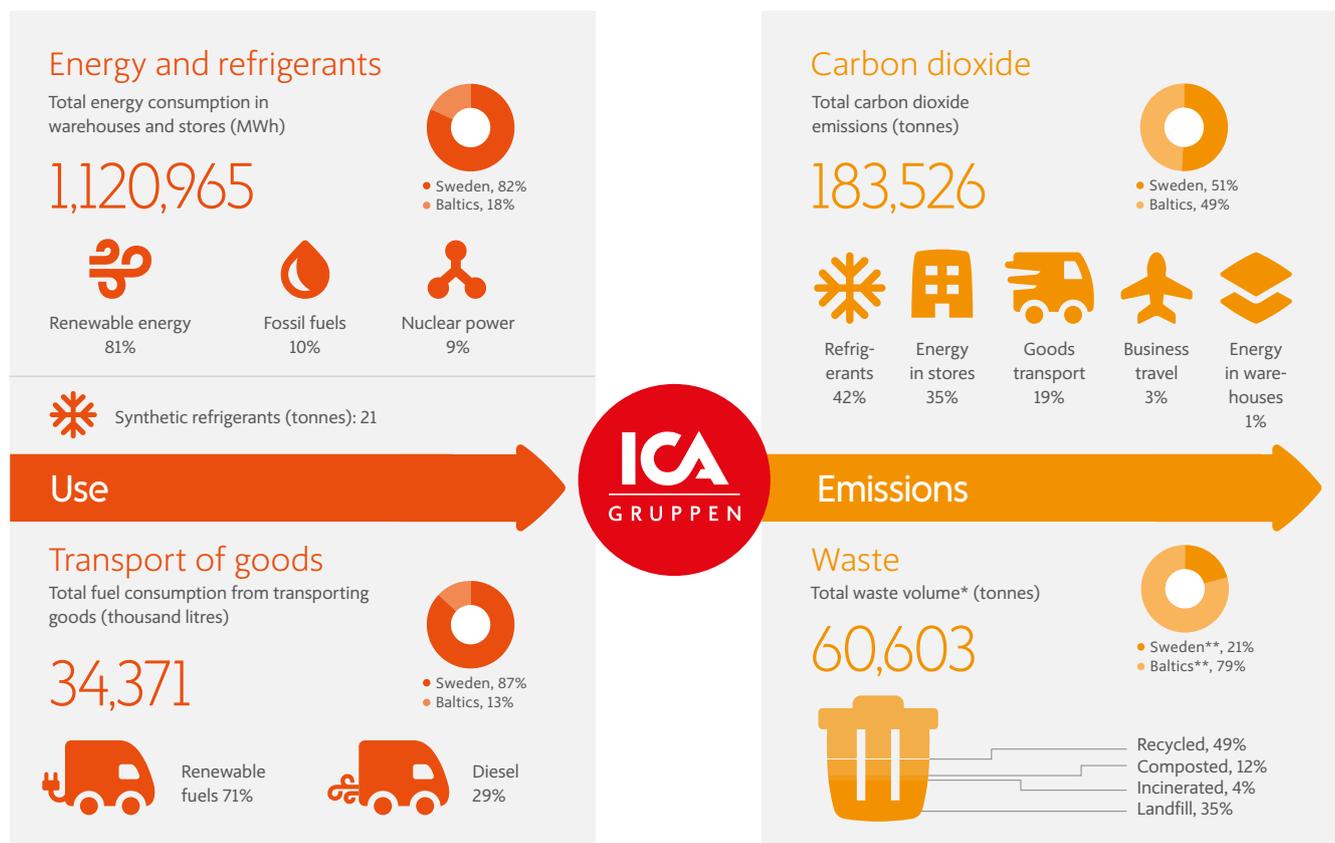
Food waste = all food waste that arises, including unavoidable waste such as skin, bones etc.

Avoidable food waste = unnecessary food waste.

*Source: Swedish Environmental Protection Agency report “Matavfall i Sverige” (Food Waste in Sweden)

ICA Gruppen's use of resources

The figure below illustrates ICA Gruppen's energy and material overview, i.e. the resources consumed by operations and what is left behind, and includes all ICA Gruppen companies.



* Comprises waste from logistics in Sweden and waste from logistics and stores in the Baltics.

** 99% of waste in Sweden and 56% of waste in the Baltics was recycled (comprises recycled, composted and incinerated).

Labelling guides customers

To help its customers make sustainable choices, ICA Gruppen uses various types of labelling. Hemtex, for example, uses the "Den hållbara tråden" (the Sustainable thread) label for products that give the greatest consideration to man and the environment. Similarly, ICA Sweden uses the "Välj miljösamt" (Smart green choices) label on products.

During the year Apotek Hjärtat introduced the "Välj med Hjärtat" (Choose with Hjärtat) label with environmental and sustainability criteria, initially for OTC medicines. The aim is that this initiative will lead to suppliers switching to a more sustainable pharmaceutical production.

Reducing the use of plastic bags

In May Apotek Hjärtat became the first pharmacy chain in Sweden to charge for plastic bags in order to reduce consumption. A proportion of the proceeds is being donated to the Swedish Society for Nature Conservation to finance work on environmental impact and medicines. At the same time, the existing bags made from crude oil were replaced with new, more eco-friendly plastic bags made from sugar cane – a renewable material. Since this started, the use of plastic bags at Apotek Hjärtat has decreased by 44%. During the year Hemtex also began charging for its plastic bags with the intention of reducing consumption.

Inspiring healthy living



“We will actively contribute to improved public health by utilising the strength of our organisation

Examples of activities

- Various kinds of healthy offers
- Guiding customers by means of labelling, healthy recipes and campaigns
- Health and exercise initiatives for children

Helping customers to feel good and inspiring them to adopt a healthy lifestyle are important roles played by ICA Gruppen. With food stores, pharmacies and Minute Clinics, ICA Gruppen is active throughout the area of health – from prevention, care and remedies to guidance and inspiration for healthy living. Through products that address issues concerning additives, allergies, trends and lifestyles, ICA Gruppen can spread information and inspire customers to make conscious choices on a daily basis. This work is always based on official Nordic dietary guidelines and nutritional recommendations.

One of the ways in which ICA Gruppen works to contribute to healthy lifestyles is by motivating its customers to exercise more, for example by sponsoring various activities. One example is the ICA Classic, which was inspired by the Swedish Classic sporting challenge and involves participating in four disciplines: cycling, swimming, running and cross-country skiing. The difference is that in the ICA Classic, participants have more time and can complete the stages on their own terms. All the disciplines also have options for disabled competitors. The ICA Classic has developed into a major health initiative in Sweden and last year attracted more than 39,000 participants throughout the country.

ICA Sweden's health initiative Buddy with your Body has been running for 16 years. To date, around 940,000 school children have completed the course, in which children learn more about healthy eating with a focus on fruit and vegetables. This year the course material also has a new section on avoidable food waste and how to make more climate-smart eating choices.

ICA Sweden is also working in partnership with Generation Pep (GEN-PEP) to help create a popular movement to promote good health among children and young people. GEN-PEP is a non-profit organisation that works to spread

knowledge and engage both people and organisations in the area of children's and young people's health. It was initiated by the Swedish Crown Princess Couple.

Campaigns to combat cancer

ICA Sweden and Apotek Hjärtat were two of the principal sponsors of Pink Ribbon and during the autumn collected money for cancer research by selling pink products as well as Pink Ribbons. A new partnership with the Lidingöloppet race created a further arena for collecting donations when the Pink Ribbon Race took place in September. Not only were runners signing up for the Pink Ribbon Race able to contribute to cancer research through their registration fee, visitors could also donate money in other ways. ICA Bank also collected money, and in total ICA Gruppen and its customers contributed SEK 54 million for cancer research.





Free online health checks

To get more people to reflect on their lifestyle Apotek Hjärtat has launched “Hälsokvittot” (Health receipt) – a comprehensive online health check. This free health check is based on the National Board of Health and Welfare’s guidelines and was produced by researchers at Linköping University. The tests are easy to carry out and provide valuable recommendations that may be of great importance for the individual concerned.

Health initiatives in the Baltic countries

There is great interest in health and wellbeing in Estonia, Latvia and Lithuania, and as a leading player in grocery retail, Rimi Baltic wants to contribute to healthy lifestyles in various ways involving both food and drink and regular exercise. During the year a large number of health-related activities and initiatives were carried out, including in particular the introduction of Choose Healthier labelling – based on the Keyhole criteria – for a large number of more healthy products. In addition, Rimi Baltic has supported a number of sports and exercise initiatives, including the Lattelecom Riga Marathon.

Pharmacists slay myths about medication

When it comes to advice on drugs and self-care, it is important to be able to rely on the information given. Apotek Hjärtat therefore investigated some of the internet’s most mind-blowing myths about medication, and in a series of videos under the title Pharmacists react to a number of pharmacists were given an opportunity to express their views on what advice is actually correct.

Apotek Hjärtat also has a podcast, “Hjärtats gäster” (Hjärtat’s Guests), in which head pharmacist Annika Svedberg invites various experts to talk about interesting topics related to health and wellbeing.

Difference adds value



Diversity

“We will enhance our competitiveness by increasing diversity in our operations and making the most of differences

Examples of activities

- Projects to increase equality and diversity
- Initiatives to increase employment for people far from the job market
- Partnerships at local, national and global level

ICA Gruppen's emphasis on diversity involves utilising the creativity and added value that comes from the interplay between differences in order to create a dynamic business that offers high quality products and services. Diversity is part of ICA Gruppen's people strategy and the Group conducts various initiatives to increase its diversity, for example by creating jobs for young people and people with disabilities and by helping newcomers become settled in Sweden.

Since 2009 ICA Sweden's project We can do more has aimed to increase interest in and opportunities for additional employment in ICA's operations among people with disabilities. To facilitate this effort, ICA has a central collaboration with Arbetsförmedlingen (Sweden's public employment agency) and with the state-owned company Samhall, where they interact directly with ICA stores.

ICA Sweden is also principal partner of the Special Olympics Classic for people with intellectual disabilities, which is made up of skiing, cycling, swimming and running. In addition, there are various activities associated with food and health. Competitors enter as part of a group and the disciplines can be completed in any number of stages over the course of a year. The aim is to inspire children and adults with intellectual disabilities to live an active, healthy life.

**Diversity is part
of ICA Gruppen's
people strategy**

Major focus on equality

ICA Gruppen is working to achieve an even gender balance. When recruiting, consideration is given not just to the right skills but also to maintaining gender balance in the team. The target for managerial positions is to have an even gender distribution.

ICA Gruppen top-ranked for women leaders

The LEAD Gender Diversity Scorecard is the first survey to chart equality in major European companies in the retail and consumer goods sectors. ICA Gruppen was ranked at the top, with 40% women in senior positions compared with an average of 26%.





Initiatives for young people in the job market

In 2014 ICA Sweden began the ICA 2020 initiative, which aims to utilise and develop opportunities for more young people to work within ICA. The initiative is aimed at people 25 years of age or younger who are far from the job market. ICA 2020 also aims to make the most of the innovative energy found among young people who already work for ICA, for example through ICA's young network, which focus on matters relating to the future. Every year 20 young employees from stores, warehouses, offices and pharmacies are given the opportunity to take part in a development programme lasting a few days. In 2017 six students from the Center for Retailing at Stockholm School of Economics also took part. The theme was developing concepts for the retail store of the future. The results of the work were presented to representatives of ICA Sweden's management.

Improving terms and opportunities

ICA Gruppen is taking part in Global Deal, a global initiative for social dialogue and better terms in the labour market that was initiated by Sweden's Prime Minister. The aim is to improve the dialogue between the parties in the labour market and countries' governments in order to improve terms of employment and productivity.

ICA 50[♂]/50[♀]

New initiative to increase equality

One element of increasing diversity is to increase equality among senior managers. ICA Gruppen has a high proportion of women overall, including at middle management level. However, the percentage of women in key senior positions remains relatively low. To effect change and get more women into senior positions, 2017 saw the start of the ICA 50/50 initiative. This consists of two networks – one for senior women managers, launched in 2017, and one for women with the potential for more senior roles, to be launched in 2018.

Employment for newcomers

ICA Gruppen is taking part in the 100 Club, the Swedish Government's initiative aimed at providing more jobs for people coming to Sweden. The aim is to tailor a package of measures based on individual companies' needs that creates new opportunities for the companies to take on at least 100 newcomers over three years. As part of this initiative, Apotek Hjärtat has an extensive intern scheme in partnership with Arbetsförmedlingen to support pharmacists arriving in Sweden to become qualified here.

Apotek Hjärtat also offers positions as assistants and interns at Apotek Hjärtat to trained pharmacists from other countries even before they become registered to practise in Sweden.

Focus on labelling and traceability



Quality

“ We will ensure that quality and social responsibility is always guiding our operations and business relationships

Examples of activities

- Quality certified stores, processes and suppliers
- Action plan for food fraud, traceability tests
- Ensure high standards of animal welfare
- Social audits for suppliers

Every product that ICA Gruppen sells must meet the quality standards set by the Group and the world around us. Obviously, the products ICA Gruppen sells must comply with laws regulating, for example, labelling and ingredients.

ICA Gruppen's work on product safety is based on ensuring that all its suppliers have good, safe production processes. This is achieved by suppliers to ICA Gruppen being required to sign the Group's sourcing agreement, which has a sustainability annex to ensure that the sustainability policy and its guidelines are complied with.

ICA Gruppen requires suppliers of the Group's corporate brand products to be certified to a standard accepted by the Group and checks that this is the case. All corporate brand products are also examined and approved to ensure that they

comply with ICA Gruppen's policies and internal guidelines. Packaging information is also checked and approved. After launch, follow-up checks are carried out on the supplier's premises and on the product to ensure that it continues to meet ICA Gruppen's expectations of a good quality, safe product. During the year 2,800 product tests were carried out.

The issue of country-of-origin labelling for food has continued to grow in significance. More and more customers want clear information on both where the products come from and how they were produced. Country-of-origin labelling and traceability are important parameters in ICA Gruppen's quality work.

ICA Gruppen also performs systematic quality assurance in its logistics operations as well as in stores and pharmacies.

ICA Gruppen's world of suppliers

ICA Gruppen does business all over the world, which means taking responsibility across borders. Continuous monitoring and dialogue ensure that suppliers comply with both social and environmental requirements. Below is a list of where in the world ICA Gruppen is active in the sourcing and production of its corporate brands.



Approximate number of production sites around the world for ICA Gruppen's corporate brand products. The number of production units is not static; it depends on the product range in the stores and on seasonal variations.

Standards and certification ensure quality at pharmacies

The quality system at pharmacies, known as the self-monitoring programme, is regulated by legislation from the Swedish Medical Products Agency (MPA). All pharmacies must have a pharmaceutical manager who is responsible for ensuring compliance with the requirements and who also reports to the MPA if there are serious deficiencies in the operations. In addition, every year an inspection is carried out by the pharmaceutical manager at the pharmacy. Apotek Hjärtat has quality assurance specialists who conduct regular internal inspections to ensure that its pharmacies maintain a high level of quality and follow the self-monitoring programme. In 2017, 104 (142) internal inspections were conducted.

Countering food fraud

ICA Gruppen is working on several fronts to prevent food fraud, including through quality certificates, analyses and unannounced audits as well as collaboration with others in the industry. The Group is also engaged in a continuous dialogue with the food industry and relevant authorities, and monitors the work of the Global Food Safety Initiative (GFSI) in this area. An internal vulnerability analysis in accordance with GFSI requirements has been performed, and the Group has its own action plan to counter food fraud. During the year ICA Sweden conducted 102 analyses focusing on food fraud, mainly relating to the origin of meat. The analyses showed no signs of deliberate fraud.

New method of labelling

During the year ICA Sweden implemented a new method of labelling fruit and vegetables. Instead of stickers, trays and cellophane around the fruit, the products are labelled directly on the skin using a laser. This method is more sustainable and provides better traceability. The laser labelling changes the pigment of the skin so that the name, country of origin and PLU code can be seen clearly. With this method, the information remains securely with the fruit throughout the chain. Moreover, environmental impact is reduced because there is no need for plastic packaging or stickers.



Ethical peas have developed farming in Guatemala

Starting in 2015, in the village of Xetnamit in Guatemala ICA Sweden ran a project jointly with the Dutch aid organisation IDH and the supplier Nature's Pride aimed at developing farming and giving people a better future. ICA Sweden donated money to the project for each pack of ICA's ethically produced peas sold. The project was completed in October this year, with good results. Among other things, production increased as a result of efforts to develop irrigation systems, expand cultivation areas and improve organisation. A number of activities targeted equality. For example, funds were created for microloans to the women of the village. To improve health, some of the investments were aimed at air and water quality: cooking stoves were installed which channel smoke out of the homes and water filters were installed to improve the water quality.



High standards of animal welfare

Animal welfare is an important issue for ICA Gruppen. Animals must be treated well, protected from unnecessary suffering and kept in an environment that promotes their health and natural behaviours. ICA Sweden sets standards for both Swedish meat and imported meat, for both its private label products and products from other suppliers. All fresh and frozen meat in ICA Sweden's main product range has been approved following an audit of animal welfare at the respective supplier's facilities. Animal welfare audits are carried out for both abattoirs and farms, and there are requirements concerning transport of the animals and how they are handled during slaughter. The audits are carried out either by ICA Sweden's own quality specialists or by third parties. During the year three audits were performed.

Group performance in 2017

Increased volumes for ICA Sweden, Rimi Baltic and Apotek Hjärtat contributed to increased net sales during the year, but divestment of the Norwegian real estate operations, lower profit distribution from ICA stores and higher Group-wide costs resulted in a somewhat lower operating profit than last year.



Net sales and profit

Consolidated net sales in 2017 amounted to SEK 106,455 million (103,655), equivalent to an increase of 2.7% compared with 2016. In local currencies the increase was 2.5%. Adjusted for the divestment of inkClub and ICA Eiendom in Norway, the increase was 3.1%.

Operating profit excluding items affecting comparability amounted to SEK 4,642 million (4,669). The somewhat lower profit level is mainly due to the divestment of the Norwegian real estate operations, lower profit distribution from ICA stores and higher Group-wide costs, mainly associated with initiatives and activities linked to ICA's 100th anniversary celebrations in 2017.

Adjusted for the divestment of ICA Eiendom, operating profit was higher for all segments.

The operating profit includes costs relating to the planned integration of IKI in Lithuania of SEK 54 million, of which SEK 40 million relates to Rimi Baltic. The operating margin excluding items affecting comparability was 4.4% (4.5). Profit for the year amounted to SEK 4,145 million (3,418). This includes profits from divestments as well impairment losses for a combined SEK 578 million (-151). This affected earnings per share, which were significantly higher than in the same period the previous year at SEK 20.53 (16.97).

Net financial items and tax

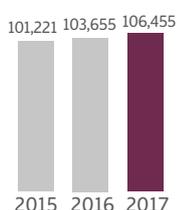
The Group had net financial expense of SEK -367 million (-364). Financial income fell during the year as a result of the conversion of a previous shareholder loan in Ancore and Secure to equity in 2016. This also impacted financial expense as the same change took place in Långeberga, where the holding is 50% but which is consolidated in ICA Gruppen. Other than this, financial expense increased by SEK -30 million due to an impairment loss on a financial asset. Interest expense was, however, around SEK 30 million lower than the previous year, mainly due to lower net debt.

The tax expense for the year was SEK -708 million (-757), representing a tax rate of 14.6% (18.2). Paid tax totalled SEK -856 million (-728). The lower tax expense is due to higher tax-free capital gains from property sales in 2017 and a change, from 1 January 2018, in the corporate tax rate in Latvia, which involved a reversal of a deferred tax liability.

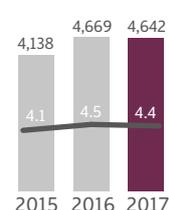
Financial position

The Group's net debt (excluding ICA Bank and pension liabilities) at the end of the year amounted to SEK 5.6 billion (9.8). The lower net debt is mainly due to positive cash flow and lower net investments due to the property divestments that were implemented. As of 31

Net sales, SEK m



Operating profit, SEK m
and operating margin, %



December 2017, the net debt/EBITDA ratio was 0.8 (1.6), which is in line with the Group's long-term target of <2.0.

Cash flow

Cash flow from operating activities (excluding ICA Bank) amounted to SEK 5,816 million (5,684). Higher paid tax and lower dividends from joint ventures were compensated for by a reduction in working capital.

Cash flow from investment activities showed a significant improvement for the full year. This was mainly attributable to the divestment of ICA's properties in Norway, which resulted in a positive cash flow effect of around SEK 1.9 billion, and the divestment of properties to Secore for around SEK 1 billion. The investment level was also lower than the previous year.

Investments

Investments (excluding company acquisitions) amounted to SEK 2,230 million (2,502), of which SEK 937 million (1,212) was attribut-

able to ICA Real Estate. Large investment projects during the year included the acquisition of future store locations, IT investments and new stores. The somewhat lower investment level is due to the fact that a few property projects were postponed until 2018.

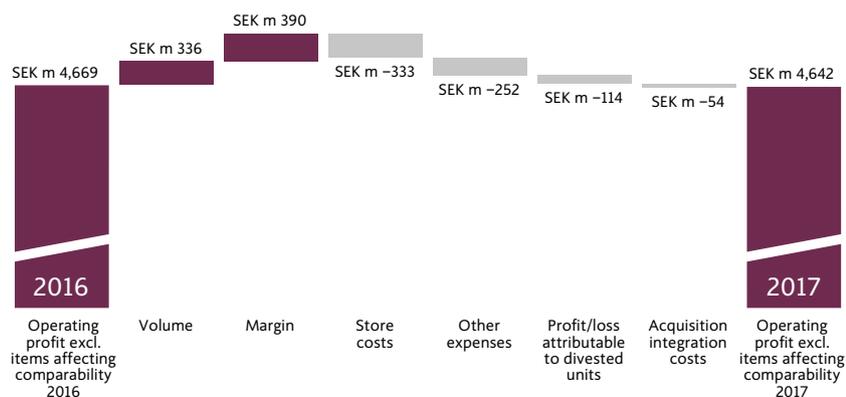
Parent Company

The Parent Company's net sales were SEK 838 million (794). Profit after financial items amounted to SEK 5,428 million (2,575). Dividends received from subsidiaries were SEK 3,082 million higher than the previous year. Profit for the year amounted to SEK 5,879 million (2,803). Investments in property, plant and equipment and intangible assets amounted to SEK 111 million (60).

Seasonal variations

Grocery retail sales are affected by national holidays and when these occur. Christmas and Easter in particular are key holidays. For a large part of the retail sector the fourth quarter is seasonally the strongest quarter.

Operating profit development



Adjusted for divested units, the operating profit increased in 2017. The improvement was driven by positive volume effects for ICA Sweden, ICA Bank and Apotek Hjärtat, and higher gross margins for Rimi Baltic and Apotek Hjärtat. Significant cost savings resulted in improved operating profit for Hemtex. This trend was offset by higher costs

incurred in 2017 for initiatives and activities relating to the celebration of ICA's 100th anniversary. Investments were also made in future initiatives, particularly in the area of digitalisation in which numerous projects are under way in different parts of the Group. The share of profits from ICA stores was also lower.

Net sales per segment

SEK m	2017	2016	2015
ICA Sweden	76,400	74,050	72,624
Rimi Baltic	14,008	13,571	12,632
Apotek Hjärtat	12,876	12,531	12,290
ICA Real Estate	2,468	2,372	2,382
ICA Bank	965	863	859
Hemtex*	1,078	1,316	1,800
Other	909	863	932
Intra-Group sales	-2,249	-1,911	-2,298
Net sales	106,455	103,655	101,221

* 2015 and the first half of 2016 divested companies are included.

Operating profit/loss excluding items affecting comparability

SEK m	2017	2016	2015
ICA Sweden	3,507	3,504	3,366
Rimi Baltic	557	526	415
Apotek Hjärtat	461	436	209*
ICA Real Estate	429	493	456
ICA Bank	71	51	110
Hemtex***	31	24	-32
Other	-414	-365	-386

Operating profit excl. items affecting comparability	2017	2016	2015
	4,642**	4,669	4,138

* Includes acquisition and integration-related costs of SEK -208 million.

** The cost of the planned integration of IKI are included in the amount of SEK -54 million, of which SEK -40 million is for Rimi Baltic and SEK -14 million for Other.

*** 2015 and the first half of 2016 divested companies are included.

Cash flow statement, Group excluding ICA Bank

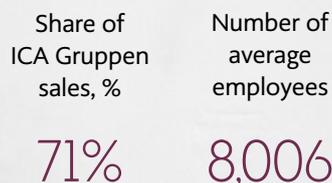
SEK m	2017	2016	2015
Cash flow			
From operating activities before change in working capital	5,275	5,361	4,788
Change in working capital	541	323	-242
From operating activities	5,816	5,684	4,546
Investment activities, net	647	-1,649	-1,739
Before financing activities	6,463	4,035	2,807

ICA Gruppen's segments

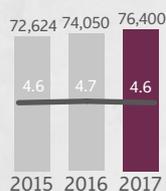
ICA Gruppen's operations are divided into six segments: ICA Sweden, Rimi Baltic, Apotek Hjärtat, ICA Real Estate, ICA Bank and Hemtex. The core business is grocery retail. The intention is for other operations to support the core business, but they may also be further developed for new business opportunities and themselves contribute to profitability and further growth.

ICA Sweden

With 1,287 stores and a market share* of around 36%, ICA Sweden is the leading grocery retailer in the country. The independent ICA retailers own and operate their own stores, but have agreements with ICA Sweden in areas such as coordinated sourcing, logistics, market communication and store development.



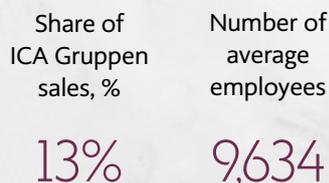
Net sales, SEK m and operating margin, %



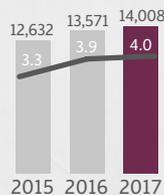
* For definition of market share, see page 19

Rimi Baltic

Rimi Baltic is a grocery retailer operating 259 wholly owned stores in Estonia, Latvia and Lithuania. The properties owned by the Group in the Baltic region are also part of Rimi Baltic. At the end of the year Rimi Baltic had 82 stores in Estonia, 121 in Latvia and 56 in Lithuania, providing a market share* of 16% in the region.



Net sales, SEK m and operating margin, %

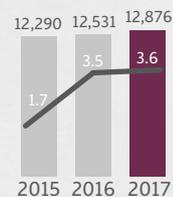


Apotek Hjärtat

With 386 pharmacies and a market share* of just over 31%, Apotek Hjärtat is the second largest company in the Swedish pharmacy market. Pharmacy operations play an important role in ICA Gruppen's efforts to achieve a leading position in health.



Net sales, SEK m and operating margin, %





ICA Real Estate

ICA Real Estate has a large and actively managed property portfolio within the retail segment. The overall mission is to meet ICA Gruppen's long-term need for appropriate properties in the right locations. The business concept is to acquire, develop and manage marketplaces adjacent to existing or planned ICA stores, and to sell fully developed properties on an ongoing basis.

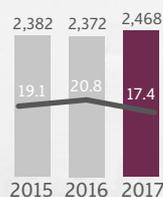
Share of
ICA Gruppen
sales, %

2%

Number of
average
employees

90

Net sales, SEK m
and operating margin, %



ICA Fastigheter

ICA Bank

ICA Bank provides a growing range of practical banking and insurance services to private and business customers. In addition, ICA Bank helps strengthen customer loyalty to ICA stores, while also reducing transaction costs for both the stores and ICA Gruppen.

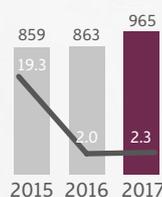
Share of
ICA Gruppen
sales, %

1%

Number of
average
employees

368

Net sales, SEK m
and return on equity, %



ICA Banken

Hemtex

With a total of 153 stores in Sweden, Finland and Estonia, Hemtex is one of the leading home furnishings chains in the Nordic region. Extensive changes are currently being implemented with the overall aim of laying the foundations for long-term sustainable profitability.

Share of
ICA Gruppen
sales, %

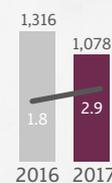
1%

Number of
average
employees

547

Net sales, SEK m
and operating margin, %*

*InkClub is included in the first half year of 2016.



HEMTEX

Good sales growth and high level of activity

For ICA Sweden, 2017 was a year of continued good sales growth, a high pace of development and stable profitability – but also one in which competition remained tough.

The focus areas for the year included increasing sales, continuing to develop concepts aimed at the meal market, maintaining the right price perception and continuing to develop the digital offering. Good results were achieved during the year in most of these areas and this helped to strengthen the offering and maintained the independent ICA retailers' strong position with higher market shares.

Work on developing the physical store network continued during the year. A total of 14 new stores were opened and 23 were closed. The net increase in store space was 14,000 m² or 0.9%.

A key factor in strengthening and broadening the customer offering was the expansion of ICA Gruppen's private label products. Some 560 new products were launched in 2017. Private label products as a percentage of total sales amounted to 24.7%, an increase of 0.7 percentage points compared to the previous year.

The rollout of ICA Sweden's online platform continued in 2017 and at year-end more than 200 stores were connected. Online sales as a percentage of these stores' total sales amounted

to an average of 2.3% at the end of the year. Including pre-packed grocery bags, sales growth in the online channel was around 50% compared to the previous year. Market growth for the same period was 19%.

High demand for organic, locally produced food and meal solutions

One of the most obvious long-term trends in the Swedish grocery retail market is an increase in demand for sustainable, locally produced and healthy food. During 2017, organic products from ICA Sweden's central range accounted for 6% of ICA stores' total sales. Following several strong years, sales growth in 2017 slowed to 2% compared with 2016.

To expand the offering of Swedish products in stores and to contribute to the development and growth of rural Sweden, ICA Sweden has cooperated with the Federation of Swedish Farmers (LRF) since 2014. This collaboration has so far resulted in, among other things, a higher share of Swedish meat, deli and dairy products in stores. A number of joint projects were implemented during the year. The larger

ones included initiatives focusing on Swedish apples and root vegetables. The range of meal solutions increased by 230 products, and sales in this category increased in 2017 by 5.7%.

ICA stores' sales

Sales at the Swedish ICA stores increased by 3.1% in 2017, with a 2.4% rise for like-for-like units. The sales increase was mainly driven by higher average purchases, but was also impacted by an increase in the number of customers.

Maxi ICA Stormarknad stores demonstrated the highest growth in like-for-like sales and ICA Kvantum in overall sales. Growth for the grocery retail market as a whole in Sweden was 2.3% according to preliminary figures from HUI.

Future focus

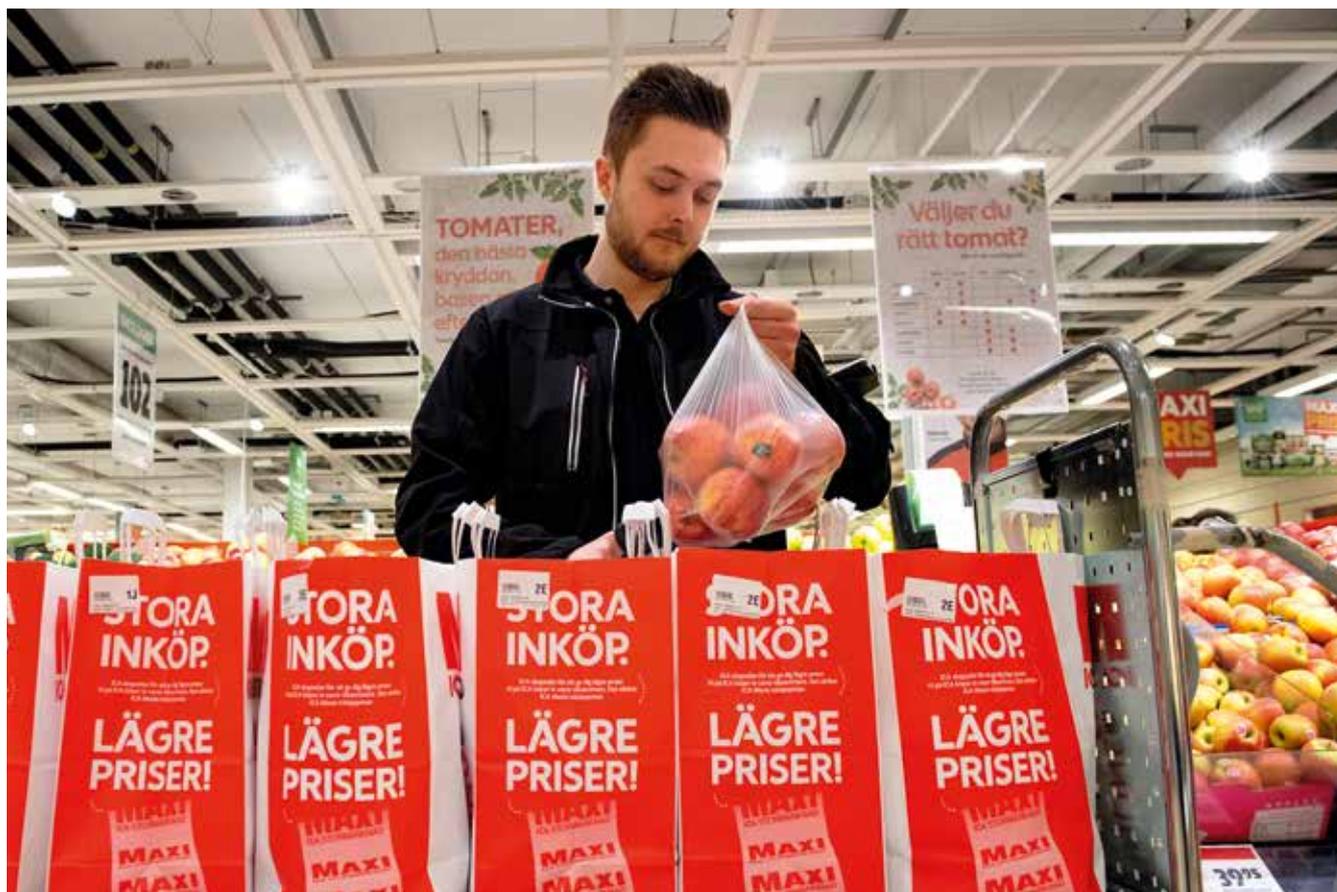
The overall aim going forward is to maintain strong sales growth and further improve on ICA Sweden's strong position in the grocery retail market. Strong focus areas in 2018 will be to continue to invest in the store network, grow the product range and improve the customer offering to increase customer loyalty.

Key ratios

	2017	2016	2015
Net sales, SEK m	76,400	74,050	72,624
Operating profit before depreciation and amortisation (EBITDA), SEK m	3,939	3,941	3,784
Operating profit excl. items affecting comparability, SEK m	3,507	3,504	3,366
Operating margin excl. items affecting comparability, %	4.6	4.7	4.6
Investments, SEK m	660	640	780
Depreciation and amortisation, SEK m	434	438	418
Number of average employees	8,006	7,622	8,242
Private label share of store sales, %	24.7	24.0	23.3

Financial performance

Net sales in 2017 increased by 3.2%. Both prices and volumes contributed to the increase. Operating profit excluding items affecting comparability was at the same level as in 2016. Good volume development was offset by a lower share of profits from ICA stores, weaker non-food profits and lower gains from fuel hedges, which altogether resulted in a lower operating margin.



Ensuring the right price experience and continuing to develop the digital customer offering will remain priorities going forward. The online offering will be enhanced further, with an emphasis on improvement in metropolitan areas where competition is the toughest. A central warehouse for online grocery sales will be established in Stockholm at the latest by the

third quarter of 2018. Once fully staffed, the warehouse will be able to serve most of the Mälardalen area.

Product range and concept development aimed at the meal market will have a high priority, as will expanding the range of private label products. Also, efforts to develop the organisation and work routines will continue,

with the goal of increasing both internal efficiency and the services offered to the independent retailers.

The number of new store launches is expected to be somewhat lower than in 2017. A total of 10–14 new stores are planned for 2018. The rate of renewals in the existing store network will remain high, involving more than 200 stores.

Sales growth and number of stores including retailer-owned stores

Profile	Store sales (excluding VAT)			Number of stores in Sweden				
	2017, SEK m	Change, all stores %	Change, like-for-like %	Dec. 2016	New	Converted	Closed	Dec. 2017
Maxi ICA Stormarknad	34,897	3.2	3.0	81	1	0	0	82
ICA Kvantum	27,866	4.1	2.1	125	3	-1	0	127
ICA Supermarket	34,520	2.5	2.1	432	4	-1	-6	429
ICA Nära	17,051	2.1	2.3	658	6	2	-17	649
Total	114,334	3.1	2.4	1,296	14	0	-23	1,287

RIMI BALTIC

Good results and completion of store conversions

For Rimi Baltic, 2017 was a year of several large projects involving more store conversions, planning of the acquisition of IKI and preparations for the expansion of the central warehouse and head office.

One of the main strategic priorities for 2017 was further strengthening the Rimi brand. A key aspect of this was the completion during the year of the divestment of the Säästumarkeet discount brand in Estonia. Most of the stores have now been converted into Rimi stores.

In all three countries there was a continued focus on product range development and price perception, especially for private labels and non-food products. Sales of private label products continued to grow during the year. All in all, private labels accounted for 24.1% of total sales during the year, an increase of 1 percentage point compared to the previous year.

Initiatives to improve internal efficiency continued through, among other things, a sustained focus on increasing joint sourcing volumes for the three markets.

Acquisition of IKI

During the year the Lithuanian competition authority approved the acquisition of the IKI grocery store chain, on condition that 17 specific stores be sold.

Once the acquisition is complete, Rimi Baltic will advance from being the fourth largest player to the second largest player in the Lithuanian grocery retail market. Acquisition-related integration costs during 2018–2020 are estimated at around EUR 40 million and investments at around EUR 25 million. Annual cost synergies are expected to amount to around EUR 15 million when fully realised in 2021. The synergies arise mainly from larger purchasing volumes, more efficient logistics and coordination within marketing.

Future focus

The overall goal going forward is to continue to grow faster than the market and at the same time continue to improve profitability.

In 2018 the integration of IKI, an extension of the central warehouse and head office in Riga and the implementation of various activities to further improve internal efficiency will be prioritised. The investments in both new and existing stores will continue. There will also be a greater focus on digital channels and more targeted offerings. The focus on private label products is continuing, aimed at achieving good volume growth while at least maintaining margins. Six to eight new stores are planned in 2018.



Key ratios

	2017	2016	2015
Net sales, SEK m	14,008	13,571	12,632
Operating profit before depreciation and amortisation (EBITDA), SEK m	893	838	807
Operating profit excl. items affecting comparability, SEK m	557	526	415
Operating margin excl. items affecting comparability, %	4.0	3.9	3.3
Investments, SEK m	358	372	384
Depreciation and amortisation, SEK m	321	306	290
Number of average employees	9,634	9,679	9,562
Private label share of store sales, %	24.1	22.4	21.3
EUR exchange rate, average	9.6431	9.4718	9.3528

Financial performance

Net sales in the local currency increased in 2017 by 1.4%. The increase was mainly price-driven. Operating profit excluding items affecting comparability rose in the local currency by 4%. The profit improvement was driven by price and mix effects, closure of unprofitable stores, higher gross margins for converted stores and for private label products, and increased cost efficiency. The improvement was offset by costs for store conversions in Estonia as well as the cost of the planned integration of IKI.

Sales growth and number of stores

Country	Store sales (excluding VAT)			Number of stores			
	2017, EUR m	Change, all stores %	Change, like-for-like %	Dec. 2016	New	Closed	Dec. 2017
Estonia	377.6	-2.9	1.5	88	2	-8	82
Latvia	753.0	4.3	4.6	119	2	0	121
Lithuania	313.2	-0.1	-0.6	57	2	-3	56
Total	1,443.8	1.4	2.7	264	6	-11	259

APOTEK HJÄRTAT

Improved operating profit and strong growth in online sales

For Apotek Hjärtat, 2017 was characterised by increased sales and strong growth within online sales. This was driven by successful investment in private label products, the fast pace of updating existing pharmacies and continued optimisation of the digital channel, among other things.

During the year extensive efforts were put into continuing to develop the customer offering, store network and online sales. Overall this helped to increase sales, raise margins and achieve a stronger market position in general.

Continued expansion of new store concept

In 2017 eleven new pharmacies were opened and ten were closed. The new pharmacies follow Apotek Hjärtat's new store concept, which aims to combine traditional pharmacy services with a broad offering within health and wellbeing, including simple health services.

The six Minute Clinics, Minutkliniken, continued to develop well during the year, with an increased number of customer visits, tests and vaccinations.

Strong growth online

Strengthening the online channel was a high priority during the year. Online sales increased in 2017 by 85%, compared to market growth of 58%.

Better service and efficiency

During the year a substantial investment was made in inventory management automation at the distribution warehouse outside Norrköping. Automation will help improve inventory management efficiency, which in turn will improve the quality and service provided to the pharmacies and end customers.

Sustainability-labelling of OTC drugs

To guide customers to make sustainable choices in their OTC drug purchases, a label called Choose with Hjärtat was introduced in 2017. In order to have this label, suppliers must meet Apotek Hjärtat's sustainability criteria. These include sustainability reporting according to the Global Reporting Initiative guidelines. Apotek Hjärtat is the only pharmacy chain in Sweden to have introduced sustainability labelling for OTC drugs.

Future focus

The focus in 2018 will be on further strengthening the position as one of the leading players in the Swedish pharmacy market. A strong priority will be to continue to develop the online channel and connect it further to the physical pharmacies. Ten to twelve new pharmacies will be opened in 2018 and the pace of renewal of existing ones will increase. The expansion of the private label product range and efforts to streamline logistics flows will continue.

The focus on health services will be further intensified and this will include further developing and expanding of the Minutkliniken concept.



Key ratios

	2017	2016	2015
Net sales, SEK m	12,876	12,531	12,290
Of which:			
Prescription drugs, SEK m	9,503	9,251	9,193
OTC drugs, SEK m	1,408	1,415	1,345
Other products and services, SEK m	1,965	1,865	1,752
Operating profit before depreciation and amortisation (EBITDA), SEK m	604	594	354
Operating profit excl. items affecting comparability, SEK m	461	436	209
Operating margin excl. items affecting comparability, %	3.6	3.5	1.7
Investments, SEK m	128	168	95
Depreciation and amortisation, SEK m	143	136	155
Number of average employees	3,083	3,234	3,113
Private labels shares of other products, %	18.5	17.6	14.2

Number of pharmacies

	Dec. 2016	New	Closed	Dec. 2017
Apotek Hjärtat	385	11	-10	386

Financial performance

Apotek Hjärtat's net sales in 2017 increased by 3.4%, adjusted for the pharmacy divestments implemented in 2016. The operating profit excluding items affecting comparability was 5.7% higher than the previous year. The operating margin also increased. Good volume growth and improved gross margins were partially offset by the cost of the ongoing investments in the online channel and in newly opened pharmacies.

ICA REAL ESTATE

Focus on attractive and sustainable meeting locations

For ICA Real Estate 2017 was a year of continued growth and planning of sites in locations close to cities in line with the strategy established. Work also continued on ensuring that the properties are being managed in a sustainable, customer-focused way in order to support and develop ICA's store network in Sweden.

The overall goals for ICA Real Estate include meeting ICA Gruppen's long-term need for appropriate properties in the right locations, with a particular focus on metropolitan regions. For ICA Real Estate this means working with municipalities and other players to create development plans and build marketplaces in attractive locations. In addition to grocery retail, the projects include other retail units, residential properties, offices, restaurants and community services.

The projects completed during the year include Hammarö marketplace outside Karlstad

and 3D properties in Huskvarna and at Telefonplan in Stockholm. The projects that were started include Skurup marketplace and the sustainable future city district of Brunnsög outside Lund. Development continued during the year with a number of larger projects in locations such as Bromma, Täby and Årsta.

Divestment of ICA Eiendom Norge completed

In 2017 the sale of ICA Gruppen's properties in Norway was completed. The sale included a real estate portfolio of 58 properties as well as the existing organisation. The underlying property value was SEK 2.2 billion, with a cash flow effect for the Group of SEK 1.9 billion and a capital gain of around SEK 400 million.

Sale of properties to Secore Fastigheter

During the year twelve store properties were sold to Secore Fastigheter – a company that is owned jointly by Första AP-fonden and ICA Real Estate. The net capital gain amounted to around SEK 150 million. The sale is in line with the strategy to retain influence over the marketplaces while also releasing capital for future investments. In December it was announced that ICA Real Estate and Secore Fastigheter acquired eight and 15 properties respectively from KPA Pension with possession transferred in February 2018.

Market valuation

The market value of the wholly owned Swedish properties was assessed at SEK 12.6 billion (book value SEK 9.9 billion). The market value of the three jointly owned companies, Secore Fastigheter AB, Ancore Fastigheter AB and Långeberga Logistik AB, was assessed at year end at a total of SEK 10.6 billion, compared with the book value of SEK 8.6 billion. ICA Real Estate owns 50% of all three companies.

Future focus

In 2018 ICA Real Estate plans to continue to develop attractive and sustainable locations in vicinity to ICA stores and Apotek Hjärtat pharmacies. There will be a particular emphasis on implementing activities and projects based on the company's urban development strategy.

A significant investment will be made in digitalisation during the year. More and more properties will be linked to systems that will make it possible to send and receive information in real time. This technology not only enables energy consumption to be optimised and reduced, but will result in brand new types of services being developed. There will also be greater focus on sustainability work, prioritising the environment, local sites and diversity.

Key ratios

	2017	2016	2015
Net sales, SEK m	2,468	2,372	2,382
Of which rental income from owned properties, SEK m	975	1,117	1,187
Operating profit before depreciation and amortisation (EBITDA), SEK m	1,490	1,032	1,145
Operating profit excl. items affecting comparability, SEK m	429	493	456
Operating margin excl. items affecting comparability, %	17.4	20.8	19.1
Investments, SEK m	937	1,212	924
Divestments, SEK m	2,927	404	1,178
Depreciation and amortisation, SEK m	483	467	524
Direct yield, %	6.5	7.1	7.4
Occupancy rate, %	99.4	98.6	98.3
Number of average employees	90	87	86

Financial performance

Property sales in Norway and Sweden affected net sales in 2017 by approx. SEK 230 million and operating profit excl. items affecting comparability by SEK -108 million. The underlying earnings trend was positive. In addition, the operating margin was affected by a new routine for internal property service, which increased sales with no effect on operating profit.

Other key ratios

	Consolidated operations, Sweden		
	Fully owned	Partly owned Långeberga*	Joint ventures according to the equity method*
Book value of owned properties, SEK bn	9.9	1.5	7.1
Estimated market value, SEK bn	12.6	1.9	8.7
No. of properties owned	102	2	59
No. of square metres owned, thousands	596	104	332
Occupancy rate, %	99.4	100	99
Share of rents from non-ICA operations, %	18.4		
Investments, SEK m	937		
Divestments, SEK m	2,927		

* Table shows 100% out of which ICA Gruppen owns 50%.

ICA BANK

Further breadth and depth and continued digitalisation

For ICA Bank 2017 was a year with a focus on further breadth and depth and on continued digitalisation. Revenues increased and, in the second half, operating profit also improved.

A negative repo rate and major regulatory changes relating to card charges have had a significantly negative impact on ICA Bank's revenue in recent years. 2017 was characterised by continued efforts to develop and adapt the business based on these conditions. The main priorities included continuing to develop the customer offering and intensifying relationships with existing customers.

All in all this resulted in more customers, an increased business volume and higher revenues. The number of bank customers at the end of the year amounted to just over 760,000, representing an increase of around 6.6 percent compared to the previous year. Business volumes increased by around 27%, largely as a result of higher lending volumes. Operating profit excluding items affecting comparability improved sharply due to higher lending volumes, higher card fees and improved earnings in the insurance business.

Rollout of ICA Bank Corporate continues

The rollout of ICA Bank Corporate continued during the year. This is an offering tailored for ICA retailers and ICA stores. It includes financial services such as payment solutions, company bank cards, investments, liquidity management and various financing solutions. Demand for services was strong and at the end of the year about one third of the ICA retailers were customers.

Sweden's fastest growing insurance company

The launch of ICA Insurance continued during the year entirely according to plan. The insurance business strengthens and broadens ICA Bank's customer offering, and also helps improve customer loyalty to the grocery stores.

Several new insurance categories were launched during the year, including pet, boat and health insurance. The number of insurance customers was around 101,000, making ICA Insurance Sweden's fastest growing insurance company.

Future focus

The overall goal going forward is to continue to increase revenues and improve profits. This will be done partly by expanding the offering to existing and new private clients, and partly through the investments made in the insurance company and corporate business. The development of new, innovative, primarily digital, services which contribute to simplify people's lives and personal finances will continue. The business model will become driven even more by customer intelligence, with a major focus on digital marketing, targeted offerings and increased cooperation with other businesses within ICA Gruppen.

Key ratios

	2017	2016	2015
Revenues, SEK m	965	863	859
Of which net interest income, SEK m	409	385	395
Operating profit before depreciation and amortisation (EBITDA), SEK m	103	74	406
Operating profit excl. items affecting comparability, SEK m	71	51	110
Cost/income ratio, %	86.4	89.2	84.0
Return on equity, %	2.3	2.0	19.3
Credit loss ratio, %	-0.7	-0.6	1.9
Common equity Tier 1 ratio, %	16.9	17.1	18.0
Business volume, SEK m	40,866	32,288	28,859
Number of average employees	368	356	338

Financial performance

ICA Bank's revenue rose in 2017 by 12% and operating profit excluding items affecting comparability improved significantly. The profit improvement is due to higher loan volumes, increased card fees and improved profit for ICA Insurance. This was offset by a reduction in margins for deposits due to a lower repo rate, higher costs for reinforcement of support and sales resources, and an increase in credit losses during the year.



HEMTEX

Improved operating profit and substantial change programme

The changes made in recent years are beginning to yield results. Net sales increased slightly in 2017 and operating profit improved. The main drivers included higher online sales, increased wholesale sales and positive effects from the ongoing cost-cutting programme.

Hemtex is one of the Nordic region's leading home furnishing chains. At year-end 2017 there were 153 stores in total, of which 134 were in Sweden, 14 in Finland and 5 in Estonia. Of the stores, 138 are owned by Hemtex and 15 are franchises.

Overhaul continued

Once Hemtex became a wholly-owned subsidiary of ICA Gruppen at the end of 2015 extensive changes were made with the overall goal of

reaching long-term and sustainable profitability. The whole business has been overhauled and significant cost savings have been made. Greater efficiency and a stronger customer offering were of particular importance. Efficiency improvements have also been made in distribution, and cooperation with ICA Sweden has been intensified – including in the form of the joint customer offering, ICA Home by Hemtex. This is a way of broadening the sales channels and thereby reaching new customer groups.

New store concept

As a result of the focus on renewal, a new store concept was launched involving an overhaul of the stores and communication channels. The fashion content of the product range has been raised and the customer offering has been expanded to include many more homeware items. The online offering has also been enhanced and upgraded.

Key ratios

	2017	2016*
Net sales, SEK m	1,078	1,316
Operating profit before depreciation and amortisation (EBITDA), SEK m	54	21
Operating profit excl. items affecting comparability, SEK m	31	24
Operating margin excl. items affecting comparability, %	2.9	1.8
Investments, SEK m	19	13
Depreciation and amortisation, SEK m	23	28
Number of average employees	547	607

*The first half of 2016 includes inkClub.

Sales growth and number of stores

	Store sales (excluding VAT)			Number of stores incl. franchise stores			
	2017 SEK m	Change, all stores %	Change, like-for-like %	Dec. 2016	New	Closed	Dec. 2017
Hemtex	1,099	-2.1	-2.5	158	0	-5	153

Financial performance

Hemtex's net sales in 2017 amounted to SEK 1,078 million (1,074) and operating profit excluding items affecting comparability rose from SEK 5 million in 2016 to SEK 31 million. The previous year inkClub was included in net sales in the amount of SEK 242 million and in operating profit in the amount of SEK 19 million. The gross profit improved due to a lower share of sales taking place at discount prices, although this was offset by unfavourable USD development. However, a comprehensive cost cutting programme improved both operating profits and margins overall.



Risks and risk management

Risks and risk taking are a natural part of ICA Gruppen's operations. A good understanding of the risks and continuous monitoring of changes in the risk profile provide good conditions for risk to be considered in a relevant way in decision-making, increasing the ability to achieve the Group's strategic objectives. An important aspect of corporate governance therefore involves continuous analysis as well as appropriate and effective management of the risks that may have a significant negative impact on ICA Gruppen's achievement of its objectives.

Risk management strategy

As one of leading players in grocery retail, real estate, banking and the pharmacy business, it is very important to be able to live up to the expectations of customers and stakeholders. For ICA Gruppen this means preventing undesirable events that can be expected to weaken trust in the Company. Should an undesirable event nonetheless occur, damage limitation measures must be in place. By identifying risks at an early stage and efficiently managing business-related risks, ICA Gruppen can create the necessary conditions for long-term, competitive operations and be a safe and reliable choice for customers, employees and partners.

During the year the framework and control model for risk management, introduced in 2016, were developed further, and system support was introduced. The framework establishes the level of risk that is acceptable to the Group and provides instructions for the reporting and management of risks that exceed these levels.

Risk management process

To ensure a good overview of the risks that the business is exposed to, ICA Gruppen has structured procedures for identifying, analysing, evaluating and managing risk in the form of an established Enterprise Risk Management (ERM) process. The ERM process is an integrated part of the Group's strategy and business planning process. The process involves regularly identifying, analysing and monitoring the Group's main risks. In addition, risk analyses are performed on an ongoing basis in connection with large projects and significant changes in operations, before significant investments are made and as an integrated aspect of the Group's sustainability work. An overview of the Group's main risks as well as measures to manage them are reported every six months to the Management Team and ICA Gruppen's Board of Directors.

ICA Gruppen's Risk Management Committee monitors the efficiency of the risk management process. The Risk Management Commit-

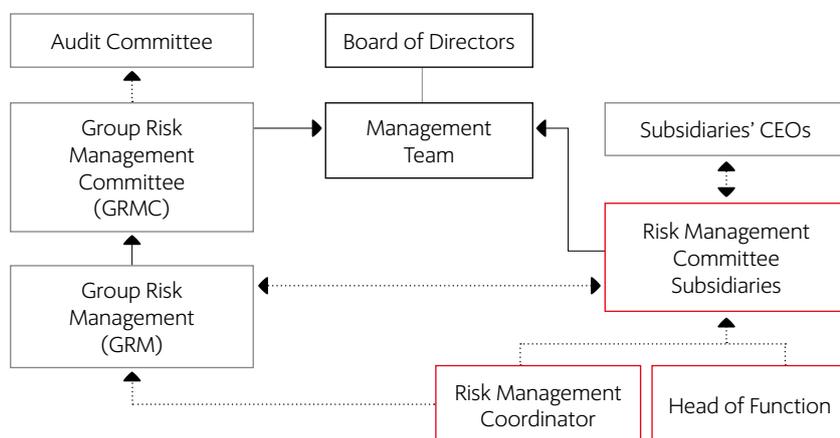
tee, headed by ICA Gruppen's CFO, has overall responsibility for maintaining an overview of the Group's risk exposure by providing guidance and governance, and for reporting on significant changes in the risk profile. Together with appointed risk management coordinators, similar committees in the subsidiaries ensure that risk management work is conducted in a coordinated and effective way within each business.

In addition there is a Group Risk Management (GRM) department, which coordinates the Group's risk work and monitors compliance with the framework, and which supports the subsidiaries and strengthens the Group's risk management work through training, by developing tools and by carrying out risk analyses for specific risk areas.

Through regular meetings between GRM and the Internal Control and Internal Audit departments, any shortcomings found during scrutiny are shared. Thereby, efficiency is improved in actions aimed at improving risk awareness in the identified risk areas. For further information on internal control over financial reporting, see the Corporate Governance Report on pages 70–71.

Among the changes that affected ICA Gruppen's risk profile during 2017 were the planned acquisition of the IKI retail chain in Lithuania and the ongoing expansion of the central warehouse and head office for Rimi Baltic.

Some of the risk areas that have been identified within the framework of ICA Gruppen's risk management process are presented on the following pages, along with a brief description of the opportunities associated with each risk area and the measures being taken to manage these risks.



Risk areas

IT-related risk

Risk description

ICA Gruppen's operations are highly dependent on having an efficient IT platform. Any inability to ensure that the Group has a modern IT platform that is adapted to ICA Gruppen's operations could have a significant negative impact on the Group's operations and earnings. In addition, any violations of the IT platform or shortcomings in the management of customer, employee or business-critical data that is processed on the IT platform could reduce trust in ICA Gruppen and have a negative impact on the Group's earnings.

Opportunities

At a time of rapid changes in customer behaviour, business models and the competitive situation, as well as increased digitalisation and very high requirements of communication, a flexible, robust and modern IT platform provides good opportunities to meet customer demand and needs with respect to both products and services. In addition, new technical solutions often make it possible to achieve a higher level of automation and improve the efficiency of processes. New technology also allows information to be protected more appropriately and more effectively, and

increases opportunities to make security solutions even more customer-friendly and effective.

Management

In 2017 the digitalisation continued and the IT infrastructure was refreshed within relevant areas. Project work and the development and introduction of new infrastructure and systems follow established processes that also include carrying out regular risk analyses. At the Group level and within the subsidiaries structured work is continually under way to enhance the Group's IT and data security.

Distribution risk

Risk description

Access to efficient distribution in all of the markets where the Group operates is essential if the Group is to achieve its objectives. In the event that a significant supplier, carrier, warehouse partner or other party in the supply chain should strike, go bankrupt or otherwise fail to meet its obligations, this could have a negative impact on ICA Gruppen and could make it difficult to deliver products for a period of time. The same applies if a longer interruption should occur as a result of disruption at or damage to any of the facilities.

Opportunities

The efficiency of logistics management is regularly enhanced by increasing the level of automation and renovating logistics units, thereby improving ICA Gruppen's delivery reliability and competitiveness.

Management

Before major changes to distribution, such as the renovation of the central warehouse for Rimi Baltic that is currently in progress, risks are analysed and measures are identified to help prepare for any distribution disruptions. There is also an ongoing process to help ensure a high level of safety in the facilities, for example through ongoing plant maintenance, training

of employees and the monitoring of routines via self-assessment and risk inspections to ensure good order is maintained.

In summer 2017 there was some disruption to deliveries of products to ICA stores, mainly due to a shortage of drivers. A number of measures were taken to prevent future disruption.

During the year new instructions were introduced and support for business continuity planning methods was improved. In addition, the introduction of a new loss prevention standard for warehouses and distribution has meant that loss prevention is being conducted in a more structured way than previously, reducing the risk of disruption.

Personnel risk

Risk description

ICA Gruppen's ability to attract talented and dedicated employees is crucial if the Group is to develop in line with the strategic plans and achieve the established targets. If ICA Gruppen does not have access to employees with the right skills at the right time, the Group's operations and earnings could be negatively impacted.

The fast pace of change within the sectors in which ICA Gruppen operates and the current

extensive focus on change in the Group's operations could affect the employees as well as the capacity to attract and/or retain expertise.

Opportunities

Having talented and dedicated employees is a competitive advantage. Internal mobility is encouraged as it creates opportunities for employees to grow, which makes ICA Gruppen more attractive as an employer and helps ensure access to the right talent and expertise.

Management

During the year ICA Gruppen continued its structured work aimed at continuous skills enhancement and increased opportunities for continued development within the Group. There was a particular focus on increasing the ability to drive and implement effective changes since the sectors in which ICA Gruppen operates are characterised by ever greater pressure to change. Work is in progress to chart and reduce dependence on key individuals and to ensure succession planning for critical roles.

Brand risk

Risk description

A good reputation is a key factor in ICA Gruppen's success. A product that is harmful to health or otherwise inferior that is supplied by ICA Gruppen or sold through stores, pharmacies or the bank could have a negative impact on ICA Gruppen's reputation. The same applies if ICA Gruppen, any of the Group's suppliers, distributors, other partners or any of the ICA retailers act in a way that conflicts with the values that ICA Gruppen represents or violate internal or external rules on the processing of personal data.

Opportunities

Strong brands provide great opportunities for ICA Gruppen. Through an extensive and

well-structured focus on quality as well as far-reaching sustainability work, ICA Gruppen can ensure it has a high level of expertise which can be used, for example, to develop new products. Private labels are a focus area since they increase value for the customers and contribute to an advanced range of products, while also helping to improve profitability, price perception and customer loyalty. ICA Gruppen also has greater opportunity to monitor and ensure sustainable production of its private label products.

Management

ICA Gruppen's framework includes various policies and guidelines to support the Group in its interactions with customers, colleagues and

suppliers. In 2017 significant resources were devoted to measures aimed at strengthening the processing of personal data. Since ICA Gruppen's operations in Sweden consist of independent retailers who to varying extents also purchase products from suppliers other than ICA Sweden, the Group's ability to ensure adherence to ICA Gruppen's policies and guidelines can sometimes be limited. The continuous dialogue conducted between ICA Gruppen and ICA-handlarnas Förbund and the ongoing training offered to ICA retailers in this area are resulting in increased understanding of and compliance with the values that ICA stands for.

Real estate-related risk

Risk description

To ensure access to attractive and appropriate retail locations, ICA Gruppen is engaged in both property development and property management. Shortcomings in property development or insufficient maintenance could lead to violation of regulations and standards which may result in harm to people and/or buildings, increase costs and reduce the value of the properties.

Other factors that could have a negative impact on the Group's earnings are failure by tenants to meet their financial obligations and significant changes in consumption patterns.

Opportunities

Maintenance and development help ensure that the properties are more energy-efficient and cost-effective. Modern, well-developed properties also enhance the customer offering.

Through a profitable combination of different properties in strategic locations, ICA Gruppen can to a large extent influence the development of the store locations and create the conditions for good marketplaces.

Management

During the year ICA Real Estate continued working on large projects in which store locations are secured by taking a greater responsibility for developing the location, not just the store.

ICA Real Estate is also engaged in a constant dialogue with the tenants, and conducts regular inspections and invests significant amounts to ensure that existing properties are well maintained and developed. Before decisions are made on major new construction or renovations, ICA Gruppen conducts risk analysis to identify and reduce risks associated with property development, such as environmental impact.

A long-term plan to ensure access to strategic locations and that properties have a mix of tenants also helps to maintain high occupancy rates and keeps rent levels in line with market norms.

Market risk

Risk description

ICA Gruppen's operations and products are affected to a large extent by the general economic situation, and by fluctuation in commodity prices and distribution costs. Significant changes in consumption patterns, such as increased online sales or actions by competitors, could reduce market share and margins or increase price pressure. There is also a risk of political instability or uncertainty in the markets where ICA Gruppen operates or sources goods.

Opportunities

New behaviours and new markets also provide opportunities for ICA Gruppen. The business can be developed through a constant focus on innovation and developing technical solutions that make every day a little easier for the customers. There are also opportunities to broaden the business by establishing new types of operations.

Management

In 2017 ICA Gruppen continued developing online solutions within ICA Sweden, Apotek Hjärtat, ICA Banken and Hemtex.

ICA's range of private label products has also been developed according to plan, helping to strengthen ICA Gruppen's offering to customers in areas such as organic and health products.

Constant adjustment of prices, the product range, quality and services in line with customer demand is a priority and is achieved through constant dialogue with customers and by ensuring that sufficient resources are available for future investments.

Regulatory risk

Risk description

ICA Gruppen's grocery retail, pharmacy, insurance and financial operations require special permits and are subject to ongoing scrutiny from various supervisory authorities. Generally speaking, the rules have been tightened up in recent years – making it more important to ensure that resources and controls are in place to implement and comply with laws and regulations. An inability to comply with laws or regulations, or changes in the application or interpretation of existing ones, could require ICA Gruppen to change its business methods or could result in the loss of permits to operate or

have unforeseen costs, and could affect the Group's good reputation among customers and shareholders.

Opportunities

New regulations can lead to better and safer processes. New technology and new business methods also create opportunities in the form of more efficient and secure operations. Structured improvement work and an appropriate organisation to monitor compliance also help improve the ability to adapt operations in line with regulatory changes.

Management

Adapting operations to changes in laws and regulations is an ongoing process and is achieved by monitoring relevant regulatory changes, through analysis and training, and by updating policy documents. ICA Gruppen also maintains a dialogue with the supervisory authorities to keep them informed about the Group's operations and to ensure compliance with laws and regulations. In 2017 significant resources were devoted to measures aimed at ensuring that ICA Gruppen meets the requirements of the General Data Protection Regulation that enters into force in May 2018.

Risk related to acquisitions

Risk description

As part of realising ICA Gruppen's strategic objectives, operations are acquired and divested. If the status of the acquired operations were to differ significantly from what was known before the acquisition, or if the integration of the acquired operations were to fail, this could limit ICA Gruppen's ability to realise anticipated synergies and could negatively impact the brand and earnings.

Opportunities

Through acquisitions ICA Gruppen improves its ability to provide its consumers with the best and broadest offering in the market in relevant areas, such as health. Successful integration of the new operations can provide new opportunities to realise synergies with ICA Gruppen's other operations in areas such as logistics, sourcing, organisational structures and loyalty programmes.

Management

Work to complete the planned acquisition of the Lithuanian retail chain IKI continued during the year, in dialogue with the Lithuanian competition authority.

Risk relating to agreements with ICA retailers

Risk description

The relationship between ICA Gruppen and the Swedish ICA retailers originates from the ICA Idea and is regulated by a number of agreements. These agreements have been developed over the years and involve various levels of revenue for ICA Sweden. The agreements also give the Swedish ICA retailers the freedom to choose their suppliers of products. An inability to offer competitive products or a

lower renewal rate for the agreements could impact the Group's operations and earnings.

Opportunities

The ICA Idea is at the heart of ICA Gruppen's operations and has been the basis for successful operations for 100 years. The ICA Idea combines the local retailer's commitment and knowledge of the local market with ICA Gruppen's ability to provide economies of

scale, efficiency and diversity, all which help make the stores more competitive.

Management

ICA Gruppen and ICA retailers are engaged in ongoing dialogue to ensure that products are competitive, that good experiences are communicated and that agreements are in line with today's conditions.

Financial risk

Risk description

ICA Gruppen's objective is to provide a strong and stable return over time. The ability to secure financing for the Group and to control financial exposure in line with policies and guidelines is essential if ICA Gruppen is to reach its targets.

Opportunities

Successful financing and risk management create the necessary conditions for stability and predictability, which helps ICA Gruppen to reach its financial targets.

Management

Financial risk such as interest rate risk, refinancing risk, liquidity risk, foreign currency risk, credit risk and commodity price risk are managed centrally by the Group's Treasury & Tax department in accordance with the policy set annually by the Board of Directors. For a more detailed description of established risk levels and how adherence to these is ensured, see Note 20.

Sustainability risk

Risk description

ICA Gruppen is expected to have a responsible and highly transparent value chain. Increased customer awareness about product origins, ethical positions, health issues, antibiotic resistance and environmental considerations impacts purchasing behaviours.

If trust in ICA Gruppen's sustainability work were to decline due to shortcomings in product labelling, handling of products in stores, an inability to properly address food safety warnings, dubious supplier working conditions or an inability to avoid substances that pose a health risk, trust in ICA Gruppen as well as the Group's earnings and attractiveness as an employer could be negatively affected.

Opportunities

Global agreements – for example, on climate measures – work in favour of companies that take a responsible and proactive approach to sustainability. As a major player, ICA Gruppen has an opportunity to support customers in

making conscious choices that promote sustainability, for example by highlighting more organic, climate-smart, locally produced and healthy options. This in turn helps make ICA Gruppen more attractive, boosts profitability and increases sales.

If ICA Gruppen can meet customer demand for transparency, food safety, country-of-origin labelling, human rights, and green and healthy products to a greater extent than its competitors, then trust in ICA Gruppen may increase among customers and in the society at large. Having well-developed sustainability work also makes ICA Gruppen more attractive to new and existing employees.

Management

Sustainability is a core aspect of ICA Gruppen's operations. The sustainability policy and its guidelines provide a framework, and overall sustainability targets for the environment, quality, health and social responsibility are monitored and the results published in quar-

terly sustainability reports. A key aspect of the focus on sustainability is to work according to relevant standards and certifications for quality and the environment.

ICA Gruppen is working to prevent future food fraud by increasing country-of-origin labelling on its private label products, through constant dialogue with food industry players and relevant authorities, and by monitoring developments in the Global Food Safety Initiative (GFSI). ICA Sweden has also carried out an internal vulnerability analysis in accordance with GFSI requirements and has its own action plan to counter food fraud.

ICA stores in Sweden apply the Swedish standard for food handling in stores. Rimi Baltic uses its own standard for food handling, which is based on the Swedish standard and is applied in all stores. ICA Gruppen also works in cooperation with other players such as the Federation of Swedish Farmers (LRF) and can therefore meet increased demand for Swedish food while helping to promote Swedish agriculture.

Risk related to climate change

Risk description

Society's growing awareness of climate change is very likely to result in new laws and regulations, which in turn will affect ICA Gruppen's operations. Restrictions on climate-impacting emissions and changes to the tax code or new taxes on energy production or fuels are examples of likely changes.

Climate change may also result in raised temperatures, drought, floods etc. which could change access to and the cost of various crops, while some areas of land could become unusable for agriculture. Goods transport may be affected if extreme weather conditions affect accessibility. Decisions to open new stores could also be affected – for example, when the flood risk of certain locations has to be taken into account. Reduced access to fossil fuels is also a potential risk if ICA Gruppen's operations are not able to be converted and adapted for renewable fuels.

Customers' consumption patterns could alter due to growing awareness of climate change.

Opportunities

New customer requirements stimulate innovation and the development of the product range, so that it always remains current while also taking into account the climate and environmental impact.

Being able to meet future changes in legislation better than competitors presents an opportunity to be a step ahead. Switching to renewable energy sources at an early stage allows ICA Gruppen to ensure that its operations are competitive even if fossil fuels become radically more expensive or the supply is reduced. The focus on food waste and its significance for the climate is encouraging an emphasis on waste reduction. Reducing energy usage and waste is also a way of cutting costs.

Increasing demand from customers for climate-friendly and green products also provides new business opportunities. This could involve developing new products or services, or finding new locations to establish stores that are within walking or cycling distance of residential areas.

Management

ICA Gruppen has an ambitious target for its climate work and is implementing targeted measures in areas such as energy saving, switching to renewable electricity, replacing refrigerants in stores and warehouses and reducing transport emissions.

In both Sweden and in the Baltic countries there have been substantial efforts in the stores to replace lighting and refrigerants with alternatives that have a lower climate impact. During the year Rimi Baltic's operations switched to renewable electricity where possible. ICA Sweden is focusing on raising the percentage of renewable fuels used in transportation of goods for ICA.

ICA Sweden has performed an analysis of potential climate-related risks associated with sourcing, to identify how access to various food ingredients may be affected. The results are being used to increase awareness about and commitment to the climate issue internally and to review the need for long-term changes in sourcing processes. There is regular dialogue with suppliers with a view to managing future risks.

Corporate Governance Report 2017

Good corporate governance – the basis of continued long-term profitable growth

The rapid changes in the market and in the world around us have very much shaped the work of the Board over the past year. Recurring areas naturally included monitoring the Group-wide targets and strategic priorities decided on previously.



ICA Gruppen operates in a market characterised by great pressure to change – with rapid digitalisation, changes in consumer behaviour and extensive blurring of industry lines being some of the main elements. The pace has been fast for many years, but has increased further in the past year.

For a large organisation such as ICA Gruppen, such significant and rapid changes in the world around us bring both challenges and opportunities. This calls for agility, a readiness to change and courage to continue developing. The changes are influencing our offering and our interactions with customers. They are also affecting internal processes, leadership and how we organise ourselves. The situation is complex – challenging, but also incredibly stimulating. We find ourselves continuing to plough, sow and harvest, all while simultaneously changing over to a different cultivation process.

The Board's task in this situation is to mark out our direction and create the conditions for continued positive development – despite the fact that we do not know exactly what tomorrow will look like. To succeed, we need to look beyond short-term trends. We are not the kind of organisation to run with the crowd. When

we make decisions concerning targets, strategies and specific initiatives, we always do so from a long-term perspective and with a clear agenda.

Constructive discussions

One of the Board's most important tasks is to apply well-adapted corporate governance processes to create the right climate for a corporate culture that can help the Group and the business develop in the best possible way. To facilitate this we have well thought-out routines and stable systems in place, enabling us to continually follow up on targets, internal control and risk management. In terms of actual Board work, I can state that the Board members have maintained their high level of commitment. Discussions have been constructive and characterised by an ambition to dare to think along new lines.

The Board has performed its duties during the year through formal Board meetings and in various committees. The fact that each Board member serves on at least one committee allows participation and continuity to be maintained between the formal meetings.

In a fast-changing world it is of great importance to constantly evaluate the Board's composition and combined expertise. We review our composition continually and in recent years have reinforced our expertise in important areas. In my opinion, the mix of skills on the current Board corresponds well to developments in the world around us.

100 years and going forward

2017 was the 100th anniversary of the birth of the ICA Idea. Entrepreneurship, a desire to evolve and seeing things from the retailer's perspective have been key parts of our DNA right from the start – and they continue to be

important pieces of the puzzle as we look ahead. We have no intention of standing still, but instead will continue to develop ICA Gruppen. We are in a strong starting position. As a result of the structural changes that we have made in recent years, we now have a stable platform and a financial position that provide good conditions for continued profitable growth, investment drives and a stable return for shareholders.

Commitment and drive

One of the Board's tasks is to support the ICA Gruppen Management Team (IMT) and critically evaluate its work. To succeed in this, there has to be an open and constructive dialogue between the Board and the IMT. From the Board's perspective, our experience is that this is indeed the case. I would also like to take this opportunity to express the Board's appreciation of the commitment seen throughout the organisation. It is impressive and inspiring to hear ideas and see the drive that permeates all our work. With this as a starting point we move into our next year of business.

Stockholm, February 2018

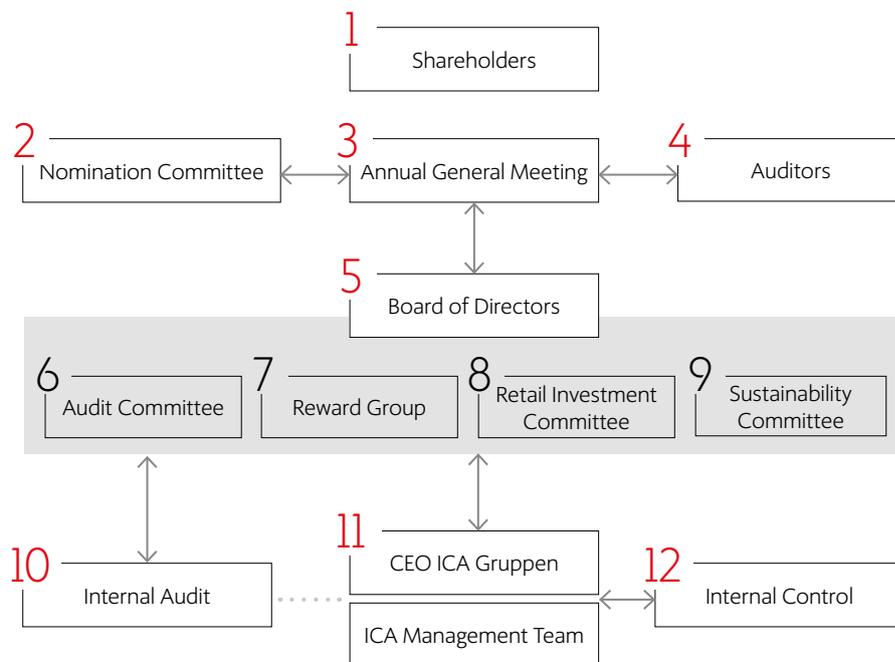
Claes-Göran Sylvén
Chairman of the Board

Further information

- Swedish Companies Act, www.government.se
- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.corporategovernanceboard.se
- ICA Gruppen's Articles of Association, www.icagruppen.se/en

Governance for value creation

Good corporate governance is about ensuring, on behalf of all shareholders, that ICA Gruppen AB (ICA Gruppen or the Company) is managed in a sustainable and responsible way and as efficiently as possible. The overall goal is to increase shareholder value and in so doing, meet the requirements owners have with respect to their invested capital. The main external and internal control instruments for ICA Gruppen are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), the Articles of Association adopted by the Annual General Meeting, the rules of procedure for the Board of Directors, the instructions for the Board committees, the instructions for the CEO, including instructions on financial reporting, and the policies established by the Board. ICA Gruppen's Board of Directors is responsible for the Company's organisational structure and the administration of the Company's affairs. The CEO is responsible for ensuring that the day-to-day administration of the Company is carried out in accordance with the Board's guidelines and instructions. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is otherwise responsible for providing the meetings with information documents and materials for use as a basis for decisions.

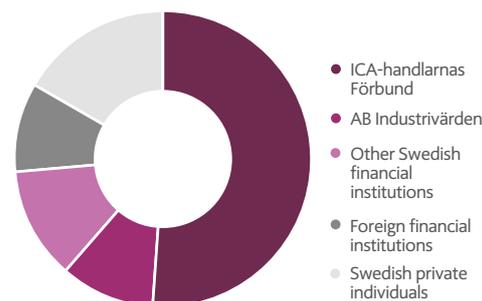


Shareholders

1 ICA Gruppen has been listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 51.3%. The second largest shareholder, AB Industrivärden, owns 10.3% of the shares. As of 31 December 2017 the remaining shares were owned by 50,083 natural and legal persons. As of that date, none of these shareholders held more than 10% of the shares in the Company, either directly or indirectly. The Company has one class of shares with equal voting rights and

dividend entitlement. In voting at general meetings each share carries entitlement to one vote and each person may vote for the full number of shares he/she represents. As of 31 December 2017 the Board of Directors had no outstanding authorisations from the Annual General Meeting for the Board to issue new shares or acquire treasury shares. More information on ICA Gruppen's shares and shareholders can be found in the section "Shares and shareholders" on pages 72–73 and on the Company's website, www.icagruppen.se/en.

Shareholders



Nomination Committee

2 The rules for ICA Gruppen's Nomination Committee were adopted at the 2017 Annual General Meeting. The Nomination Committee is to consist of four members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee. Two of the members are nominated by the largest shareholder and two by the next two largest shareholders. The largest shareholders in terms of votes are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August. If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Committee are no longer among the three largest shareholders, the members appointed by such shareholders are to vacate their positions and the shareholder or shareholders now among the three largest shareholders are to appoint members. The Nomination Committee will present proposals regarding the following matters prior to the 2018 Annual General Meeting:

- (i) proposal for a chairman for the general meeting;
- (ii) proposal for number of board members;
- (iii) proposal for members of the Board of Directors;
- (iv) proposal for Chairman of the Board;
- (v) proposal for Board fees, broken down into amounts for the Chairman of the Board and other Board members and as remuneration for committee work;
- (vi) proposal for number of auditors;
- (vii) proposal for auditor or auditors, and proposal

for fees to be paid to the Company's auditor or auditors; and
(viii) proposed principles for the Nomination Committee.

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 14 September 2017. It consists of representatives from the three largest shareholders: Claes Ottosson and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Annika Lundius representing Industrivärden and Hans Ek representing SEB Investment Management. No compensation is paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have concluded that there are no conflicts of interest that would affect their assignment. The Chairman of ICA Gruppen's Board, Claes-Göran Sylvé, was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvé, provided information on ICA Gruppen's operations, Board work and future focus areas. The Nomination Committee was also presented with the results of the 2017 evaluation of the Board. The chairman of the Audit Committee, Cecilia Daun Wennborg, informed the Nomination Committee about the work of the Audit Committee and cooperation with ICA Gruppen's Accounting department, and the evaluation of the audit work carried out by the Audit Committee in 2017.

In preparing its proposal for the Board of Directors, the Nomination Committee applied rule 4.1 of the Code as a diversity policy, through which the Nomination Committee has considered that the Board of Directors shall, taking into account the nature of the Company's business, its stage of development and circumstances in general, have an appropriate composition characterised by diversity and breadth with respect to the expertise, experience and backgrounds of the members elected by the general meeting. The Nomination Committee also focuses on meeting the goal of having a gender balance on the Board. Based on the information received by the nomination committee regarding the work of the Board of Directors and the Audit Committee, as described above, the Nomination Committee has obtained a sound basis for assessing whether the composition of the Board is satisfactory, whether the Board has satisfactory expertise, breadth and experience, and for making a proposal for the election of an auditor. Shareholders have been given the opportunity to submit suggestions and points of view on the work of the Nomination Committee prior to the 2018 Annual General Meeting. The Nomination Committee's proposals for the 2018 Annual General Meeting are presented in the notice of the meeting and on the Company's website, www.icagruppen.se/en. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2018 Annual General Meeting.

Annual General Meeting

3 The general meeting of shareholders is ICA Gruppen's highest decision-making body. The general meeting that is held within six months of the end of the financial year and that presents the income statement and balance sheet is known as the Annual General Meeting (AGM). ICA Gruppen's Annual General Meeting is normally held in the Stockholm area. In addition to decisions on the adoption of the income statement and balance sheet, the Annual General Meeting also decides on, among other things, the appropriation of earnings, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are convened by being advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette) and by posting the notice of the meeting on the Company's website,

www.icagruppen.se/en. When a general meeting is convened this information is advertised in Svenska Dagbladet, Dagens Nyheter and Dagens Industri. Shareholders who are registered in the share register five working days prior to a general meeting and who have duly notified ICA Gruppen of their intention to attend are entitled to participate in the general meeting, in person or by proxy, to vote at the meeting for or against the proposals presented and to pose questions to the Board of Directors and the CEO. Decisions at a general meeting are normally taken by simple majority. However, certain decisions, such as on amendments to the Articles of Association, must be approved by a qualified majority.

2017 Annual General Meeting

The 2017 Annual General Meeting was held on Wednesday 7 April 2017 at Stockholm Water-

front. In addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors, Management Team, employees, media representatives and a number of invited guests. The minutes from the Annual General Meeting and related documents are available on ICA Gruppen's website, www.icagruppen.se/en.

2018 Annual General Meeting

The 2018 Annual General Meeting will be held on Thursday 12 April 2018 at Quality Hotel Friends in Solna. Shareholders who, no later than Friday 6 April 2018, are registered in the share register (maintained by Euroclear Sweden AB) and have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

Auditor

4 According to the Articles of Association, the Annual General Meeting is to appoint a minimum of one and a maximum of two auditors, or one or two registered public accounting firms. The accounting firm KPMG AB was elected as auditor at the 2017 Annual General Meeting for a term of one year. KPMG AB has therefore audited the Company's accounts for 2017, and the authorised public accountant Thomas Forslund was the auditor in charge. The auditors attended one Board meeting to present KPMG AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without the presence of the ICA Management Team. In addition, the auditors attended all of the meetings of the Board's Audit Committee.

The Board of Directors

5 The Board of Directors is responsible for establishing the Company's overall goals and strategy. The duties of the Board include, among other things:

- appointing, evaluating and, if needed, dismissing the CEO and approving assignments which the CEO has outside the Company;
- establishing the requisite guidelines for how the Company is to behave in the community to ensure its ability to create long-term value;
- ensuring that there are appropriate monitoring and control systems in place for the Company's operations and for the risks the Company faces in connection with its operations;
- ensuring that there is satisfactory control of the Company's compliance with laws and other regulations that apply to the Company's operations, and ensuring the Company's compliance with internal rules; and

- ensuring that the Company's information procedures are correct, relevant, reliable and transparent.

According to the Articles of Association, ICA Gruppen's Board of Directors is to consist of between five and ten members elected by the Annual General Meeting. There are no other rules in the Articles of Association concerning the appointment or dismissal of Board members. The present Board has ten AGM-elected members, four of whom are women. The CEO makes presentations at Board meetings and the Company's General Counsel is the secretary to the Board. In addition to the AGM-elected members, the Board has two employee representatives, each with a deputy. The Board is made up of individuals with extensive and solid expertise in ICA's affairs and in retail, business development, IT, corporate finance, corporate governance, sustainability and industry.

Board committees

ICA Gruppen's Board has four regular committees: the Audit Committee, the Reward Group, the Retail Investment Committee and the Sustainability Committee. The committees report to the Board on an ongoing basis on their work. The committees are to be regarded as the Board's working committees and do not assume the responsibility that is incumbent upon the Board as a whole.

6 **Audit Committee**
The audit committee is to supervise the Company's accounting and financial reporting and to monitor the effectiveness of the Company's internal control, internal audit, risk management and compliance with rules and regulations. The Audit Committee is also to keep itself informed concerning the audit of ICA Gruppen and to review and monitor the impartiality and independence of the audit. The Audit Committee assists with the preparation of proposals to the Annual General Meeting concerning the election of auditors. In 2017 the Audit Committee conducted an evalu-

ation of the auditing of the Company. The Audit Committee consists of Cecilia Daun Wennborg (chairman), Bengt Kjell, Göran Blomberg and Anette Wiotti. The Company's CFO is responsible for presenting information.

7 **Reward Group**
The Reward Group is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the ICA Management Team (IMT), including pay structures, pension plans, incentive programmes and other terms of employment. The Reward Group also monitors and evaluates remuneration programmes for the IMT, both those that are ongoing and those that were concluded during the year, and monitors and assesses the implementation of guidelines for remuneration to senior executives as well as remuneration structures and levels within the Company. The Reward Group consists of Claes-Göran Sylvén (chairman), Andrea Gisle Joosen and Fredrik Hägglund.

8 **Retail Investment Committee**
The Retail Investment Committee is responsible for the review and quality assurance of the documentary basis for decisions on acquisitions and divestments, including necessary risk analysis. In addition, the Retail Investment Committee has an investment and divestment mandate as set out in the Company's Bill of Authority. The Retail Investment Committee consists of Claes-Göran Sylvén (chairman), Jan Olofsson, Jeanette Jäger and Magnus Moberg.

9 **Sustainability Committee**
The Sustainability Committee's mandate is based on the Code's rules on the responsibility of the Board of Directors to establish guidelines for how the Company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability, as well as sustainability reporting (annual and quarterly reports) and monitoring of business ethics and sustainability. The Sustainability Committee consists of Cecilia Daun Wennborg (chairman), Andrea Gisle Joosen and Fredrik Hägglund.

Independence of Board members

Four of the Board's members – Cecilia Daun Wennborg, Jan Olofsson, Jeanette Jäger and Andrea Gisle Joosen – are independent in relation to ICA Gruppen, its management and the principal shareholders. Bengt Kjell is independent in relation to ICA Gruppen and its management, but not in relation to the Company's principal shareholders as he is a member of the board of AB Industrivärden. Fredrik Hägglund and Göran Blomberg are independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholders since they are employed by ICA-handlarnas Förbund. Anette Wiotti and Magnus Moberg are ICA retailers and members of the board of ICA-handlarnas Förbund and are considered to be independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholder ICA-handlarnas Förbund. Claes-Göran Sylvén was CEO of the Company up until 20 May 2013. Accordingly, under the Code he is not considered independent in relation to the Company and its management. In his capacity as an ICA retailer and member of ICA-handlarnas Förbund, he is not regarded as independent in relation to ICA-handlarnas Förbund either.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategy. The key issues for the Board to address are strategy work, monitoring and control of the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. The processes for monitoring and control of the Company's risk are described in more detail in the section "Risks and risk management" on pages 53–57. One of the ways that the Board monitors the Company's compliance with internal and external rules and regulations is through the risk-based audits performed by the Internal Audit department; see the section "Internal Audit" below. The Board is guided in its work by the Chairman of the Board. The Board's work is regulated in the rules of procedure established by the Board each year, and by applicable laws and regulations. Every year the Board decides on instructions for the CEO and for the working committees, as well as other policy documents that provide guidance for ICA Gruppen's employees. The rules of procedure and instructions now in place were addressed and formally adopted at the Board meeting on 30 May 2017. The Board of Directors met 14 times in 2017.

Conflicts of interest

ICA Gruppen's Board of Directors has decided that Board members and the CEO must not deal with matters relating to agreements between themselves and the Company, nor matters between the Company and third parties if the person in question has a significant interest that could conflict with the Company's interests.

10 Internal Audit

The Board has established an independent and objective Internal Audit department that works on tasks assigned by the Board of Directors. Internal Audit examines corporate governance, risk management and the management and control of ICA Gruppen's business processes. The mandate of the Internal Audit department covers all operations within ICA Gruppen in Sweden and the Baltic countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2017 the scrutiny of Internal Audit included ongoing programmes for change within ICA Gruppen, business continuity planning, e-commerce, product sourcing, compliance with external regulations, and management and control of personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area and to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the respective management team to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of the internal auditing process is to conduct a quarterly review of the established action plans. Internal Audit reports quarterly to ICA Gruppen's Audit Committee, which in turn reports to the Board. This reporting covers the audit work carried out over the past quarter and the status of the action plans. Internal Audit also prepares a report annually which is presented to the Board.

Evaluation of the Board of Directors

An evaluation of the Board of Directors is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the Board's composition. The evaluation of the Board in 2017 was carried out by Board members completing a questionnaire. Their

responses were then compiled into a report that was remitted to the Board. The evaluation showed that the Board functioned very well and that considerations from the evaluation performed in 2016 have been taken into account, but that there is room for further improvement. The evaluation further showed that the Board is a well-composed group of highly committed individuals and that each of the members contributes broad expertise and many years' experience in various areas that are relevant to ICA Gruppen's operations.

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2017 Annual General Meeting approved the Nomination Committee's proposal concerning fees. Information on Board fees in 2017 can be found in the Group notes, under Note 4; see page 89 and on pages 64–65. The Nomination Committee's remuneration proposals for the 2018 Annual General Meeting are presented in the notice of the meeting.

Rules and regulations

External rules

As a Swedish public limited company with securities listed on Nasdaq Stockholm, ICA Gruppen is, among other things, obliged to comply with the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Code.

Deviations from the Code, stock exchange rules or good stock market practice

The Company has not deviated from the Code or the stock exchange rules. Nor has the Company been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a decision on infringement of good practice in the stock market by Aktiemarknadsnämnden (the Swedish Securities Council).

Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, form the framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors and each

committee, the instructions for the CEO including instructions on financial reporting, instructions for conflicts of interest and the Bill of Authority. The Company's internal rules with respect to ethics and sustainability are brought together in the Sustainability Policy and the Business Ethics Policy. Linked to the Sustainability Policy and the Business Ethics Policy are guidelines on their application in practice in day-to-day operations. In addition, the following fundamental policies are in place:

- Financial Policy
- Risk Management Policy
- Insider Policy
- Tax Policy
- Communication Policy
- Customer Policy

All employees are responsible for ensuring that the Company is in compliance with external and internal rules. Employees are encouraged to report any irregularities in the Company's operations. Employees can report any issues to

their immediate superior, the safety officer or the HR department. It is also possible to report issues through the Company's online whistleblower service, or to the head of the Company's Internal Audit department.

ICA retailers, i.e. business owners operating ICA stores and thus not employed by ICA Gruppen, are responsible for ensuring that their business is in compliance with external and internal rules. These include, among other things, a set of rules called ICA's Good Business for Stores describing how ICA retailers are to behave under the ICA brand. The Company and the ICA retailers' membership organisation ICA-handlarnas Förbund have together created an accountability board tasked with addressing accountability matters relating to the commitments of the ICA retailers and their responsibilities pursuant to the statutes of ICA-handlarnas Förbund, including ICA's Good Business for Stores. The accountability board can issue complaints or warnings and can expel members from ICA-handlarnas Förbund.

ICA Gruppen's business ethics work

Ethics and anti-corruption work are of utmost importance for building trust and strengthening ICA Gruppen's community relations. The Group, including the Board of Directors, CEO and Management Team, does not accept any kind of bribery or corruption, and works actively to ensure that they do not occur. In 2017 work continued in accordance with the business ethics governance model which has been applied within the Group since 2015.

ICA Gruppen's Business Ethics Policy and guidelines describe, among other things, ICA Gruppen's stance on and guidelines for anti-corruption action, including how to approach gifts and benefits, conflicts of interest and fair competition. In addition to the Business Ethics Policy, there are internal guidelines regarding representation, meetings and travel. All supplier agreements must contain clear wording on business ethics to ensure that ICA Gruppen's position on these issues is upheld.

The Board of Directors sets ICA Gruppen's policy for business ethics and makes revisions to it. The Company's Sustainability Work Group prepares information and analysis on business ethics to provide to the

Board's Sustainability Committee, which in turn monitors business ethics work within the Group. This is done according to an established process to monitor compliance with the Company's policies and guidelines. The issue of business ethics is also included as an area in the overall risk analysis performed for each company within the Group.

All members of ICA Gruppen's Management Team have a responsibility to ensure that activities in their area of responsibility are conducted in accordance with the Group's Business Ethics Policy and guidelines. Managers within the Group are responsible for ensuring that the policy and guidelines are implemented within the organisation according to ICA's internal rules framework. Every employee is responsible for complying with these steering documents and, in doing so, helping to promote a sound business ethics culture.

Internal online training is provided to ensure that all employees are familiar and act in accordance with the Business Ethics Policy. This training is mandatory for all white-collar employees within the Group and is available to other employees as well. The number of employees who have com-

pleted the training is monitored and reported internally. To complement the online training, classroom-based courses are provided to the groups of employees who are the most exposed to business ethics dilemmas. A number of additional measures are employed to raise knowledge about business ethics within ICA; for example, information and issues relating to business ethics are provided on ICA Sweden's intranet and information support for managers enabling them to continue the dialogue on business ethics in their respective leadership forums.

ICA Gruppen's external, web-based whistleblower service allows employees to anonymously report any irregularities that they believe contravene laws, rules or important position statements in ICA's steering documents, including ICA Gruppen's Business Ethics Policy. The whistleblower service has clear rules and procedures for how to handle any issues reported. The whistleblower service was available throughout 2017 to ICA Gruppen's employees in Sweden (although not those working for Hemtex AB or individual store subsidiaries), in the Baltic states and in Asia. In 2017 a process was started to connect Hemtex AB to the service.

ICA Gruppen's Board of Directors



	Claes-Göran Sylvén	Göran Blomberg	Fredrik Hägglund	Andrea Gisle Joosen	Jeanette Jäger	Bengt Kjell
Born	1959	1962	1967	1964	1969	1954
Education	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Laws	MSc International Business	Business studies	Master of Science in Business and Economics
Elected	2013	2013	2013	2010	2015	2013
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB and HUI Research etc. ICA retailer, ICA Kvantum Flygfyren in Norrtälje.	Chairman of the Board Urbano AB, Expandia Moduler AB and Retail Finance Europe AB. Board member Hakon Media AB etc. CFO, ICA-handlarnas Förbund.	Board member Svensk Handel and Independent Retail Europe etc. CEO ICA-handlarnas Förbund.	Board member Dixons Carphone plc, Billerud-Korsnäs AB, Mr Green & Co AB and James Hardie Industries plc.	CEO, Bankgirot.	Chairman of the Board Hemfosa Fastigheter AB and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel. CEO Hakon Invest AB and ICA-handlarnas Förbund.	Board member ICA AB and Rindi Energi AB etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Board member ICA AB, Swedish Anti-Corruption Institute and EuroCommerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.	Chairman of the Board Teknikmagasinet AB, Board member Lighthouse Group AB and Elektronikbranschen Sverige etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB and Chantelle AB.	Board member SeeCity AB. Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, Capital Markets Global Tieto, Product and Market Director TDC. CEO Inne AB. Marketing Director Paynova AB. Mentor in Womentor.	Chairman of the Board Kungälv AB and Skånska Byggarvar Group AB. Board member Högnäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB Byggnadsfirma AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tankers Holding AB, Plastal Industri AB and Hoist International AB etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Deputy CEO AB Industrivärden, Senior Partner Navet Affärsutveckling AB and Head of Corporate Finance Securum AB.
Total remuneration in 2017, SEK¹⁾	1,175,000	510,000	525,000	525,000	475,000	510,000
Independence	Not independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management principal shareholders.	Independent in relation to the Company, its management principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.
Shareholding	657,889 shares (incl. related parties)	12,625 shares (incl. related parties)	17,067 shares (incl. related parties)	2,000 shares (incl. related parties)	600 shares (incl. related parties)	1,000 shares (incl. related parties)
Committees	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman).	Member of the Audit Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Retail Investment Committee.	Member of the Audit Committee.
Attendance at Board meetings	14/14	13/14	13/14	13/14	12/14	12/14
Attendance at Audit Committee meetings	–	4/4	–	–	–	3/4
Attendance at Reward Group meetings	5/5	–	5/5	5/5	–	–
Attendance at Retail Investment Committee meetings	9/9	–	–	–	9/9	–
Attendance at Sustainability Committee meetings	–	–	4/5	5/5	–	–

1) Compensation approved at the Annual General Meeting.



Magnus Moberg	Jan Olofsson	Cecilia Daun Wennborg	Anette Wiotti	Jonathon Clarke	Magnus Rehn
1966	1948	1963	1966	1968	1966
Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics	Various courses of study (finance, business management, leadership development etc.)	Trained welder, studies in labour law	Upper secondary school
2008	2005	2005	2017	2013	2013
Chairman of the Board Nya Ulfmag AB, Storbütiken i Falköping AB and ICA-handlarnas Förbund. Board member Jomag AB etc. CEO Storbütiken i Falköping AB. ICA retailer, Maxi ICA Stormarknad Falköping.	Chairman of the Board Korshags Food AB. Board member and CEO Kabinettet AB.	Board member Getinge AB, Loomis AB, Bravida Holding AB, Hoist Finance AB, Oncopeptides AB, Sophiahemmet and Atvexa AB.	Board member ICA-handlarnas Förbund. Elected representative on boards and committees within ICA-handlarnas Förbund and ICA Sweden. ICA retailer, ICA Kvantum Arvika.	–	–
Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	Chairman of the Board Init AB, Arkitektkopia AB, Silva AB, Printley AB and Bindomatic AB. Board member MultiQ International AB and Koneo AB. Head of Mergers & Acquisitions and Deputy Head of Corporate Finance, Handelsbanken Capital Markets. Deputy CEO and Vice President Esselte AB.	Vice President Ambea AB, President and CFO Carema Vård och omsorg Aktiefbolag, Acting CEO Skandiabanken, Head of Skandia Sweden and CEO Skandialink Livförsäkrings AB.	Various roles as elected representative within ICA-handlarnas Förbund and ICA Sverige AB.	Employee representative, The Commercial Employees' Union	Employee representative Unionen.
492,000	475,000	670,000	256,000 ³	–	–
Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	–	–
50,000 shares (incl. related parties)	3,750 shares (incl. related parties)	3,125 shares (incl. related parties)	6,455 shares (incl. related parties)	0 shares (incl. related parties)	250 shares (incl. related parties)
Member of the Retail Investment Committee. ²	Member of the Retail Investment Committee.	Member of the Audit Committee (chairman) and Sustainability Committee (chairman).	Member of the Audit Committee.	–	–
13/14	12/14	14/14	8/14	12/14	13/14
1/4	–	4/4	2/4	–	–
–	–	–	–	–	–
7/9	7/9	–	–	–	–
–	–	5/5	–	–	–

Ann Lindh
Deputy member
Employee representative
Unionen

Born: 1964
Education:
Education: Upper secondary school
Appointed: 2013
Previous significant positions: Employee representative, ICA AB.
Total remuneration 2017: –
Independence: –
Shareholding:
0 (incl. related parties).
Attendance at Board meetings: 9/14
Attendance at Audit Committee meetings: –
Attendance at Reward Group meetings: –
Attendance at Retail Investment Committee meetings: –

Marcus Strandberg
Deputy member
Employee representative
The Commercial Employees' Union

Born: 1966
Education:
Upper secondary school.
Appointed: 2013
Previous significant positions: Employee representative, ICA AB
Total remuneration 2017: –
Independence: –
Shareholding:
0 (incl. related parties).
Attendance at Board meetings: 11/14
Attendance at Audit Committee meetings: –
Attendance at Reward Group meetings: –
Attendance at Retail Investment Committee meetings: –

2) Member of the Audit Committee until 7 April 2017 and thereafter a member of the Retail Investment Committee.

3) Board member since 7 April 2017.

CEO and Management Team

11 CEO
 CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order to make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as industrial advisor to Segulah Advisor AB, board member of Childhood Foundation and the Consumer Goods Forum, and member of the Steering Group for GEN-PEP. The CEO has no significant shareholdings or proprietary involvement in companies with which the Company has significant business ties. An evaluation of the CEO was carried out by the Board in 2017 without the CEO and other members of management being present.

ICA Management Team

Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO, Chief HR Officer, Chief Strategy Officer, Chief Information Officer (since January 2018), Chief Corporate Communication Officer, Chief Corporate Responsibility Officer and the CEOs of ICA Sweden (also Deputy CEO of ICA Gruppen), Apotek Hjärtat, Rimi Baltic, ICA Real Estate, ICA Bank and ICA Special. The IMT meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the IMT prepares information on matters where the rules of procedure state that a decision by the Board is required, and assists the CEO in executing decisions made by the Board. In addition to their collective responsibility for the management of the Company, each member of the IMT bears individual responsibility for his or her respective area of the Company. To support the IMT's work, the IMT has set up four committees: the Reward Group, the Sustainability Work Group, the Retail Investment Committee and Group Risk Management. Furthermore, separate meetings are held on a regular basis for an update on internal audit matters (IMT audit update) and are attended by all IMT members.

At the beginning of each financial year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

Central departments

The Company has 11 central departments: Corporate Communication, Strategy & Business Development, Corporate Responsibility, HR & ICA School, Legal, Group Risk Management, Accounting, Internal Control, Treasury & Tax, Group IT and Internal Audit.

Remuneration to senior executives Guidelines 2017

The Company's guidelines for remuneration to senior executives, adopted at the 2017 Annual General Meeting, state that it is important for the Company to provide competitive remuneration packages in line with market terms for senior executives in similar industries so that the Company can recruit, develop and retain senior executives with relevant experience and advanced leadership skills.

The remuneration principles are to motivate senior executives to improve the Group's market position and earnings, and are to be linked to long-term growth in shareholder value. Variable remuneration is also to be linked to pre-determined quantifiable and measurable criteria.

The levels of remuneration paid to senior executives in related industries and markets are continually monitored and evaluated. The total remuneration package is to consist of the following components: basic salary, pension benefits, variable remuneration in the form of cash bonus, other remuneration and benefits, and severance pay.

• Basic pay

Basic pay is to be on market terms and based on skills, responsibility and performance.

• Pensions

For the CEO and other senior executives a defined contribution pension plan is to be provided, whereby the Company pays pension premiums amounting to a maximum of 35% of pensionable salary, paid as long as the individual is employed. The normal retirement age for the CEO and other senior executives is 65.

A few senior executives have pension terms that differ from those described above, based on contracts signed previously. These individuals

are instead covered by ITP1 or ITP2. One senior executive is entitled, under a contract signed previously, to retire at the age of 62 and is covered by a defined benefit pension plan for the period until the normal retirement age of 65.

Senior executives employed in a country other than Sweden have pension agreements in line with national norms and that follow the principles described above.

• Bonus

The CEO and other senior executives in the Group, with the exception of the CEO of ICA Bank, are covered by two variable remuneration schemes in the form of a cash bonus, one of which runs for one year (annual bonus programme) and the other for three years (long-term bonus programme). The size of the aggregate bonus is maximised per person and year at the equivalent of 57.5% of annual salary (115% for the CEO).

The bonus is not pensionable, except in the case of the two senior executives covered by ITP1 or ITP2.

Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. The Board of Directors decides on an annual basis whether new programmes will be launched and determines the financial targets, target groups and maximum cost.

Due to stricter rules on variable remuneration schemes for credit institutions, the 2017 Annual General Meeting decided that the CEO of ICA Bank would not be included in the bonus programmes that apply to other senior executives within the Group and which were adopted after 31 December 2016. The CEO of ICA Bank is compensated for the loss of bonus through a higher fixed salary according to the criteria for basic pay (i.e. on market terms). The CEO of ICA Bank is still, however, covered by the bonus programmes adopted in 2014, 2015 and 2016.

– Annual bonus programme

A cash-based bonus programme linked to the targets for each financial year and maximised at 27.5% of annual salary (55% for the CEO). The bonus programme is to be based on financial and operational targets linked to ICA Gruppen's strategic themes and must be objectively quantifiable. The financial targets for the bonus programme are determined by the Board of Directors ahead of each financial year,

and individual bonus agreements are to be signed with each participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into. The bonus outcome is determined annually in connection with the publication of the year-end report for each financial year, based on an evaluation of the participants' performance in relation to the targets as described in the bonus agreement.

– Long-term bonus programme

A three-year bonus programme linked to value creation within the Group and maximised at 30% of annual salary (60% for the CEO). The targets for the bonus programme must be objectively quantifiable and determined by the Board, and must be linked to both absolute and relative performance criteria. Fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and relates to (i) operating margin (EBIT margin) excluding items affecting comparability*, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, and (iii) net sales increase. The relative performance criteria account for the remaining 40% of the maximum outcome for the long-term bonus programme and relate to

*The term items affecting comparability corresponds to the earlier used term non-recurring items.

the Company's position in a comparison group consisting of ten other companies running similar operations. The outcome depends on where the Company ranks within this comparison group in terms of (i) net sales increase and (ii) EBIT margin.

• Terms relating to termination of employment and severance pay

A mutual notice period of six (6) months is to apply to senior executives. Severance pay corresponding to maximum 12 months of basic cash salary is payable to senior executives if the Company terminates the employment. Severance pay is deductible.

A few senior executives have deviating terms with respect to notice period, severance pay and deductability of severance pay, in accordance with previously signed contracts.

Upon termination of employment by a senior executive, the Company may in certain cases invoke a non-competition clause. During the period for which the non-competition clause is invoked, the executive is entitled to compensation from the Company equivalent to a maximum of 60% annual fixed salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

• Other remuneration and benefits

Other remuneration and benefits shall be of limited value in relation to the total remuneration package and in line with market practise.

• Special circumstances

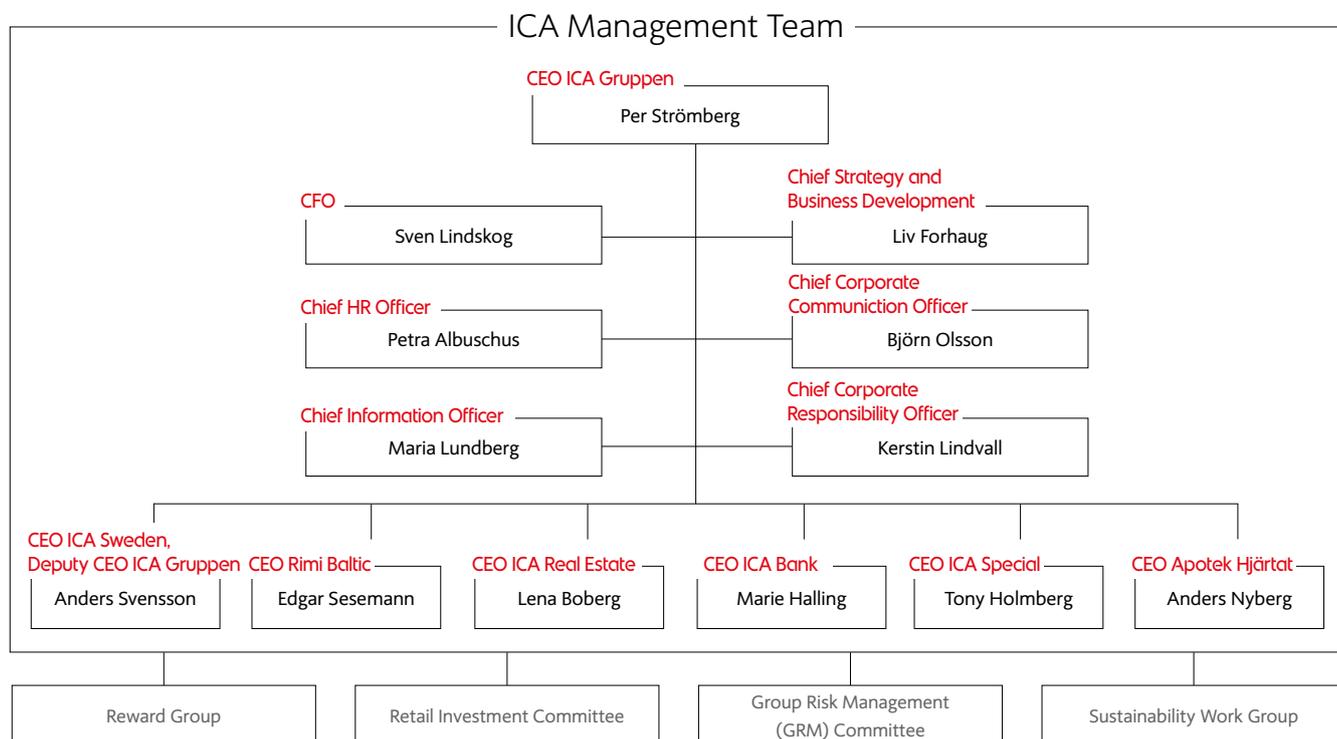
The Board may deviate from the stated guidelines if there is particular reason to do so. As described above, there were a few deviations from the guidelines in 2017 as regards terms for pension and notice period in relation to a few senior executives in accordance with previously signed contracts.

Proposal to the 2018 Annual General Meeting

Preliminarily, the Board of Directors proposes to the 2018 Annual General Meeting that the guidelines, with minor adjustments, be re-adopted. The Board's final proposal for guidelines is presented in the notice of the Annual General Meeting.

Further information

More information on fixed and variable remuneration is available on the Company's website, in the Board's account of the Reward Group's evaluation according to item 9.1 of the Code, in the notice to attend the Annual General Meeting and in Group notes, Note 4.



ICA Gruppen's Management Team (IMT)



Per Strömberg

CEO ICA Gruppen
Employed at ICA and
member of IMT since 2012.

Petra Albuschus

Chief HR Officer (CHRO)
ICA Gruppen. Employed
at ICA since 2008 and
member of IMT since 2015.

Lena Boberg

CEO ICA Real Estate
Employed at ICA since 2007
and member of IMT since
2010.

Liv Forhaug

Chief Strategy & Business
Development Officer
(CSO), ICA Gruppen.
Employed at ICA and
member of IMT since 2013.

Marie Halling

CEO ICA Bank. Employed at
ICA and member of IMT
since 2014.

Tony Holmberg

CEO ICA Special. Employed
at ICA since 1991 and
member of IMT since 2016.

Born	1963	1968	1970	1970	1963	1971
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Laws	Completed management and finance courses at INSEAD Business School, IHM Business School, inter- nally at ICA, etc.
Other assign- ments	Industrial advisor to Segulah Advisor AB. Board member Childhood Foundation and the Consumer Goods Forum. Member of the Steering Group for GEN-PEP.	Board member Electra Gruppen AB.	Board member Rikshem AB.	Board member Thule Group AB, Hufvudstaden AB and HUI Research AB.	–	–
Experience	President and CEO Lantmännen (2007–2012) and Sardus AB (2006– 2007). Kraft Foods (1988– 2006), inter alia as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Busi- ness Development Director Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics, ICA Sverige (2008–2015). Procter & Gamble Nordic (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), inter alia as Director of Logistics, Nordics.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999– 2007). Project Manager and Consultant Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB (1996–1998), Financial Manager Nordien System AB (1995).	McKinsey & Company (1996–2013), Partner and head of the retail sector in Scandinavia (2006–2013) and previously Project Manager and Consultant (1996–2005), working in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), inter alia as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), inter alia as head of Corporate Banking FöreningsSparbanken Stockholm.	SVP Sales & Operations ICA Sweden (2010–2015), Rimi Baltic as Country Manager for Rimi Lithuania etc. (2008–2010), Business Development Manager, Market department ICA AB (2007–2008), Format Director ICA Kvantum and other ICA assignments (1991–2007).
Share- holding	14,070 shares (incl. related parties).	1,690 shares (incl. related parties).	1,914 shares (incl. related parties).	4,800 shares (incl. related parties).	3,250 shares (incl. related parties).	6,000 shares (incl. related parties).



Sven Lindskog	Maria Lundberg	Kerstin Lindvall	Anders Nyberg	Björn Olsson	Edgar Sesemann	Anders Svensson
CFO ICA Gruppen. Employed at ICA and member of IMT since 2014.	Chief Information Officer (CIO), ICA Gruppen. Employed at ICA since 2015. Member of IMT since 2018.	Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of IMT since 2016.	CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015. (CEO of Apotek Hjärtat since 2009).	Chief Corporate Communication Officer (CCCO) ICA Gruppen. Employed at ICA since 2004 and member of IMT since 2009.	CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.	CEO ICA Sverige and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of IMT since 2009.
1963	1968	1971	1956	1971	1961	1964
Master of Science in Business and Economics	Master of Science in Engineering	Agronomist	Studies in business and finance	Master's degree in Political Science, Economics and Commercial Law	Diploma in Market Economics	Master of Science in Business and Economics
-	-	SVP Corporate Responsibility ICA Sverige AB. Board member KRAV and member of Monitoring Board of the Swedish Chemicals Agency.	Board member Swedish Pharmacy Association.	-	Board member Stockholm School of Economics in Riga Foundation (SSE Riga).	Chairman Swedish Grocery Trade Federation and Svensk Handel AB, Board member Confederation of Swedish Enterprise. Member of AMS Sourcing B.V. supervisory board.
CFO Höganäs Group (2007–2014). CFO Sardus Group (2006–2007). CFO Unilever Nordic (2005–2006). Other senior positions at Unilever Nordic (1998–2004). Unilever global head office, the Netherlands (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).	CIO ICA Sweden 2015–2017, Head of Development Axfood IT 2011–2015, SVP Tieto Sweden AB Head of Retail & Services 2008–2010, other senior roles within Tieto 1999–2008.	ICA Sweden (1997–), inter alia as SVP Corporate Responsibility (2010–), Head of Environment & Social Responsibility (2002–2009), Quality Specialist (1999–2001) and Head of Environment (1997–1999). Swedish Board of Agriculture, coordinator for EU funding (1996–1997).	Deputy CEO ICA AB (2006–2008) and Axfood (2001–2005). ICA (1992–2000), Deputy CEO ICA Sweden, SVP Strategy & Business Development, CEO ICA Öst. Åhléns (1988–1992), Regional Manager/Marketing Manager Livs. Chairman of the Board, Swedish Pharmacy Association (2012–2016).	Head of Media Relations/Acting Head of Communications, Svensk Handel (Swedish Trade Federation) (2000–2003).	ICA, inter alia as CEO Rimi Estonia (2008), Sourcing Director ICA AB, ICA Sverige AB and ICA Handlarnas AB (1999–2008). Business Unit Director Grocery KF Stormarknader (1992–1998). Category Director B&W Stormarknader (1990–1992). Departmental Manager B&W Falkenberg and B&W Täby (1986–1990).	Arla (2002–2009), inter alia as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002) inter alia as Director of Logistics, Nordic, and Sales Director, Sweden. Andersen Consulting (1988–1993), Consultant.
2,100 shares (incl. related parties).	Shareholding 0 shares (incl. related parties).	750 shares (incl. related parties).	12,035 shares (incl. related parties).	1,923 shares (incl. related parties).	3,100 shares (incl. related parties).	4,740 shares (incl. related parties).

Internal control over financial reporting

This section has been prepared in accordance with the Swedish Corporate Governance Code and Annual Accounts Act, and describes the Company's internal control and risk management in relation to financial reporting. The aim is to provide shareholders and other stakeholders with an understanding of how internal control over financial reporting is organised within the Company.

12 The Board of Directors is responsible for ensuring that ICA Gruppen has good internal control and routines to guarantee compliance with established principles for financial reporting and internal control. The Board is also responsible for ensuring that financial reporting conforms to the Swedish Companies Act, applicable accounting standards and other requirements applicable to listed companies.

Internal Control department

The department Internal Control is tasked with coordinating and supervising internal governance and control over financial reporting within the Group. Internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and ensuring compliance with laws and regulations that are of significance for financial reporting. The department identifies business-critical processes and key controls within the Group that are to be assessed regularly. The evaluation is based on periodic self-evaluation. The results are compiled in reports submitted by Internal Control to the ICA Gruppen Management Team (IMT) and the Audit Committee.



Model for internal control

ICA Gruppen employs a model that has three "lines of defence" describing how responsibility for internal governance and control is organised. The first line of defence is operational management who, in their respective areas, are responsible for maintaining good internal control and in doing so, identifying and managing the risk of errors in financial reporting. The second line of defence is the Group's risk and control functions, which are tasked with supporting the first line of defence and providing information to management. The third line of defence is the independent Internal Audit department, which is tasked with examining the efficiency and reliability of the Group's internal governance and control. ICA Gruppen's work on internal control over financial reporting is defined by the Group's "framework for internal control over financial reporting". The framework is based on two components and five recurring activities. The first component is laws, rules and regulations and governing documents, and the second is roles and responsibilities. The recurring activities are Selection, Risk Assessment, Define and Implement Checks, Evaluate and Report Compliance, and Improvement Activities.

ICA Gruppen's framework is based on the framework for internal governance and control produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework has five basic components:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring Activities

1. Control Environment

A good control environment forms the foundation for an effective internal control system within a company. A good control environment is built on an organisation with clear decision paths, where authority and responsibilities are distributed based on governing documents and where there is a corporate culture with shared values. The control environment is also affected by the actions of management and individual employees based on these values. The Board's rules of procedure and the instructions for the CEO ensure a clear division of roles and responsibilities designed for effective control and management of operational risks. The Board has also adopted a number of basic

policies and governing documents of significance for maintaining effective control, such as the Bill of Authority, Risk Management Policy, Financial Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting, for HR and for preventing and identifying irregularities.

2. Risk Assessment

The Audit Committee is responsible for ensuring that significant risks of errors in financial reporting are identified and managed. Within ICA Gruppen there is continuous dialogue with each operating company to ensure good internal control and awareness of operational risks. For a description of the Group's risks and risk management, see the section "Risks and risk management" on pages 53–57.

3. Control Activities

ICA Gruppen's internal control structure is based on established policies and guidelines. The point of departure for ICA Gruppen's internal control structure is the Group's business critical processes in which control activities have been implemented based on the assessed risk of errors. The Company mainly uses three types of controls:

- Group-wide controls relating to adherence to the Group policies and guidelines.
- Process controls for the Group's business-critical processes. Many different types of activities are included, such as approval, permits, reconciliation, scrutiny of business outcomes, securing assets and division of responsibilities. These control activities are

aimed at managing the risk of errors in each of the processes. The controls that manage the material risk of errors are classified as key controls and are included in the Group's regular monitoring of internal control; and

- IT controls relating to IT processes, the IT platform and IT applications that are critical from a financial or commercial perspective.

4. Information and Communication

Effective and correct communication of information, both internally and externally, is important for ensuring complete and accurate financial reporting at the right time. Policies, routines, handbooks and other documents of significance for financial reporting are updated and communicated to the relevant employees on an ongoing basis.

The Group's Accounting function has direct operational responsibility for ongoing financial accounting and works to achieve consistent application of the Group's guidelines, principles and instructions for financial reporting. Subsidiaries and operating units provide regular financial reporting and report on operating activities to the IMT, which in turn reports to the Board of Directors. The Communication Policy and associated guidelines ensure that external communication is transparent, accurate, relevant and reliable, and otherwise meets the requirements for companies listed on Nasdaq Stockholm. Financial information is provided regularly through annual reports, interim reports, press releases and notices on the Company's website, www.icagruppen.se/en.

5. Monitoring and Improvement Activities

The Board continually assesses the information submitted by the ICA Gruppen Management Team (IMT) and the Audit Committee. The Audit Committee's monitoring of the efficiency of internal control is of particular importance. As part of the monitoring process, Internal Audit reports quarterly and Internal Control twice a year to the Committee. These reports describe any deficiencies identified in internal control and the plan of action established to deal with these. The monitoring process ensures that action is taken to deal with any deficiencies and that proposed measures arising from internal and external audits are heeded. In addition, the IMT, Internal Audit and Internal Control review and follow up as described in this section.

Shares and shareholders

The share price rose by just over 7% during the year and the Board of Directors is proposing an increased dividend of SEK 11.00 per share (10.50).

ICA Gruppen is in the Large Cap segment and in the Consumer Staples sector index according to the Nasdaq Stockholm classification.

Share price development and return

The ICA Gruppen share reached its highest price for the year of SEK 341.00 on 8 August 2017. The lowest price of SEK 273.80 was on 12 January 2017. At the end of the year the share price was SEK 297.90, resulting in a share price increase of 7.2% in 2017. This is equivalent to a market capitalisation of around SEK 59,922 million.

Since 8 December 2005, when the Company was listed on the stock exchange, the share has provided a total return of 537%. In the same period the SIX Return Index provided a return of 198%.

The total trading volume for ICA Gruppen shares in 2017 was around 120 million shares for a value of SEK 36 billion, equivalent to an

average daily trading volume of almost 480,000 shares. On average, shares were traded for SEK 147 million per day in 2017. According to Fidessa, trading on Nasdaq Stockholm during the year accounted for 66% of all trading in ICA Gruppen shares. The remaining trading took place on Oboe CXE (23%), Oboe BXE (6%) and Turquoise (5%).

Shareholders

The number of shareholders as of 31 December 2017 was 50,087, an increase of 3,648 shareholders compared with the previous year. The largest shareholder on the same date was ICA-handlarnas Förbund with 51.3% of the shares and votes in ICA Gruppen. The second largest shareholder was AB Industrivärden with 10.3% of the shares and capital. The remaining 38.4% are owned by institutional investors and private individuals in Sweden and other coun-

tries. At the end of the year, 10.1% (7.8) of the shares were foreign-owned.

Share capital

ICA Gruppen's share capital amounts to SEK 502,866,987.50 distributed among 201,146,795 shares with a quota value of SEK 2.50. All shares carry the same number of votes.

Dividend

The Board of ICA Gruppen proposes a dividend of SEK 11.00 per share for 2017, or a total of SEK 2,213 million. The targets established by the Board of Directors include ICA Gruppen providing an annual dividend to shareholders long-term of at least 50% of profit for the year. The dividend proposed by the Board is equivalent to 53% of the Group's profit for the year.

The Board's full dividend proposal is presented in the notice of the AGM.

Largest shareholders as of December 31, 2017

Ownership structure	Number of shares	Share, %
ICA-handlarnas Förbund	103,163,599	51.3
Industrivärden	20,625,000	10.3
Blackrock	2,318,547	1.2
Vanguard	1,956,540	1.0
SEB Investment Management	1,412,062	0.7
Avanza Pension	1,371,099	0.7
Spiltan Fonder	1,332,861	0.7
L Jönsson	1,279,601	0.6
Swedbank Försäkring	1,090,124	0.5
JP Morgan Asset Management	974,102	0.5
Ten largest shareholders, total	135,523,535	67.4
Other shareholders	65,623,260	32.6
Total	201,146,795	100.0
<i>Whereof foreign shareholders in total</i>	<i>20,328,937</i>	<i>10.1</i>

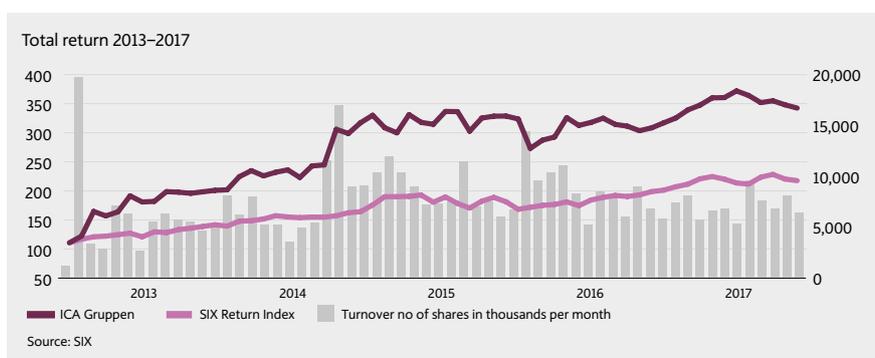
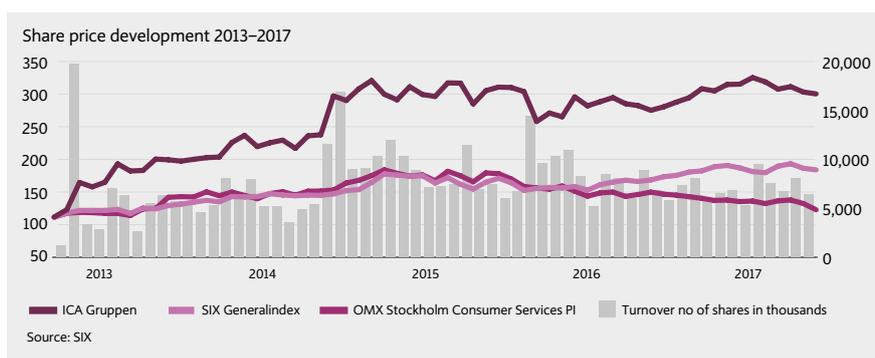
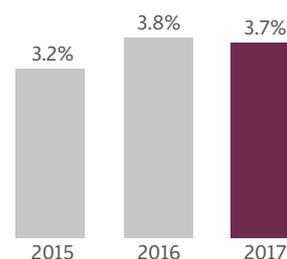
Source: Euroclear Sweden AB and Modular Finance AB. The table include sums of holdings per owner.

Ownerships

Holding, no. of shares	No. of shareholders	Capital and votes, %
1-500	41,878	83.6
501-1,000	3,287	6.6
1,001-5,000	3,371	6.7
5,001-10,000	580	1.2
10,001-15,000	272	0.5
15,001-20,000	145	0.3
20,001-	554	1.1
Total	50,087	100.0



Direct yield



Share information

Marketplace: Nasdaq Stockholm, Large Cap segment	
Ticker	ICA
ICB code	5300
ISIN code	SE0000652216
Round lot	1
Market cap as of 31 December 2017, SEK m	59,922
Share price as of 31 December 2017, SEK	297.90
Change during the year, %	6.7
Highest price for the year, SEK	341.00
Lowest price for the year, SEK	273.80

Share data

	2017	2016
Earnings per ordinary share, SEK	20.53	16.97
Cash flow per share, SEK	22.87	26.96
Equity per share, SEK	157.70	147.48
Dividend per ordinary share, SEK	11.00	10.50
Dividend payout ratio, %	53	62
Share price at year-end, SEK	297.90	277.90
Direct yield, %	3.7	3.8
P/E ratio	14.5	16.4
Share price/equity, %	187	188
Total no. of outstanding shares at end of year	201,146,795	201,146,795
Average no. of shares	201,146,795	201,146,795

Analysts following ICA Gruppen

Company	Analyst	Phone no.	e-mail
ABG Sundal Collier	Andreas Lundberg	+46 8 566 286 51	andreas.lundberg@abgsc.se
Barclays	Nicolas Champ	+331 44 58 32 45	nicolas.champ@barclays.com
Carnegie	Niklas Ekman	+46 8 588 686 92	niklasekman@carnegie.se
Danske Bank	Daniel Schmidt	+46 767 21 60 36	danielschmidt@danskebank.se
Handelsbanken	Nicklas Skogman	+46 8 701 31 28	nisk03@handelsbanken.se
Kepler Cheuvreux	Fredrik Ivarsson	+46 8 723 51 74	fivarsson@keplercheuvreux.com
Nordea	Stellan Hellström	+46 8 534 922 02	stellan.hellstrom@nordea.com
SEB	Gustav Sandström	+46 8 522 297 45	gustav.sandstrom@seb.se



Financial information

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Financial key ratios

ICA Gruppen uses financial performance measures in the preparation of annual financial statements. Some of these measures are not defined by IFRS, but are so-called alternative performance measures (APMs). The purpose is to provide additional information to help form a more thorough comparison of development year on year, and give an indication of the

Group's performance and financial position. The APMs used are considered to be ones that are generally accepted and applied in the industries in which ICA Gruppen operates. A description of and performance in relation to the financial targets set by the Board can be found on page 22. Measurement data and definitions are also available at www.icagruppen.se/en.

Definitions of key ratios

Business volume (ICA Bank)

Sum of lending, deposits, fund savings and home mortgages (including volume intermediated via collaborations).

Capital employed

Equity plus interest-bearing liabilities.

Cash flow from operating activities per share

Cash flow from operating activities for the period divided by the average number of shares outstanding.

C/I ratio (ICA Bank)

Total costs in relation to total income.

Common Equity Tier I ratio (ICA Bank)

The bank's capital base in relation to risk-weighted assets.

Direct yield (ICA Real Estate)

Operating net in relation to the average book value of properties.

Divestments

Payments received for sold tangible and intangible non-current assets during the period according to the statement of cash flows.

Earnings per ordinary share

Profit for the year, excluding non-controlling interests, divided by the average number of shares outstanding.

EBITDA

Operating profit before depreciation, amortisation and impairment losses (Earnings Before Interest, Taxes, Depreciation and Amortisation).

Equity/assets ratio

Equity, including non-controlling interests in relation to total assets.

Equity per share

Equity, excluding non-controlling interests, divided by the total number of shares outstanding.

Gross profit

Net sales less the cost of goods sold.

Investments

Investments paid in tangible and intangible non-current assets during the period according to the statement of cash flows.

Items affecting comparability

Gain/loss on disposal of non-current assets, impairment of non-current assets as well as major structural changes.

Like-for-like store sales

Sales for stores that generated sales both in the reporting period and in the comparison period.

Loan loss ratio (ICA Bank)

Loan losses in relation to average lending.

Net debt

Interest-bearing liabilities excluding pensions, ICA Bank and cash and cash equivalents.

Net debt/EBITDA

Interest-bearing liabilities excluding pensions, ICA Bank and cash and cash equivalents in relation to EBITDA rolling 12 months.

Net interest (ICA Bank)

The difference between the bank's interest income and interest expense.

Net margin

Profit for the year as a percentage of net sales.

Occupancy rate (ICA Real Estate)

Market rents for rented properties divided by total rental value (contracted annual rent + market rent for unrented premises).

Operating margin

Operating profit as a percentage of net sales.

Operating profit/loss

Profit/loss before net financial items and tax.

Return on capital employed

Operating profit plus financial income (rolling 12 months) in relation to average capital employed. ICA Bank's operations are excluded from both the income statement and the balance sheet when calculating return on capital employed.

Return on equity

Profit for the year (rolling 12 months) in relation to average equity. ICA Bank's operations are excluded from both the income statement and the balance sheet when calculating return on equity.

For the glossary, see page 136.

Alternative performance measures

Reconciliation EBITDA

SEK m	2017	2016
Operating profit (EBIT)	5,220	4,518
Depreciation and amortisation	1,523	1,501
Impairment losses (net)	13	219
Operating profit before depreciation/amortisation (EBITDA)	6,756	6,238

Reconciliation Net debt, excluding ICA Bank

SEK m	2017	2016
Long-term bonds and non-current interest-bearing liabilities	-3,913	-7,406
Current interest-bearing liabilities	-3,975	-3,057
Cash and cash equivalents	2,290	705
Net debt	-5,598	-9,758

Reconciliation Capital employed, excluding ICA Bank

SEK m	2017	2016
Equity	32,017	29,688
Provisions for pensions	2,619	2,286
Other provisions	11	21
Long-term bonds and non-current interest-bearing liabilities	3,913	7,406
Current interest-bearing liabilities	3,975	3,057
Other non-current liabilities	56	139
Capital employed	42,591	42,597

For an explanation of why these key performance measures have been used, refer to page 22.

Five-year financial summary

SEK m	Actual 2017	Actual 2016	Actual 2015	Actual 2014	Pro forma ¹⁾ 2013	Actual 2013
Income statement						
Net sales	106,455	103,655	101,221	87,174	82,993	65,155
Operating profit before depreciation/amortisation (EBITDA)	6,756	6,238	6,191	5,819	4,912	3,905
Operating profit (EBIT) excluding items affecting comparability	4,642	4,669	4,138	3,937	3,695	3,015
Operating profit (EBIT)	5,220	4,518	4,594	4,097	3,482	10,787
Profit before tax	4,853	4,154	4,225	3,727	2,859	10,341
Profit for the year from continuing operations	4,145	3,397	3,721	3,105	2,432	9,994
Profit for the year	4,145	3,418	4,913	2,667	1,424	9,446
Balance sheet						
Non-current assets	58,711	55,941	55,831	51,256	52,352	52,352
Cash and cash equivalents and short-term investments	4,499	3,974	4,611	6,091	3,949	3,949
Other current assets	14,790	16,208	14,474	15,087	12,660	12,660
Total assets	78,000	76,123	74,916	72,434	68,961	68,961
Equity	32,017	29,688	28,075	27,911	26,541	26,541
Non-current liabilities	11,140	14,538	14,945	16,995	13,612	13,612
Current liabilities	34,843	31,897	31,896	27,528	28,808	28,808
Total equity and liabilities	78,000	76,123	74,916	72,434	68,961	68,961
Cash flow						
From operating activities	4,601	5,422	5,845	3,612		3,975
From investing activities	632	-1,694	-1,707	-563		-16,585
From financing activities	-4,693	-4,251	-5,867	-767		16,203
Cash flow for the year	540	-523	-1,729	2,282		3,593
Cash flow for the year from continuing operating activities	4,601	5,422	5,723	3,794		4,263
Key figures						
Operating margin excluding items affecting comparability, %	4.4	4.5	4.1	4.5	4.5	4.6
Operating margin, %	4.9	4.4	4.5	4.7	4.2	16.6
Net margin, %	3.9	3.3	4.9	3.1	1.7	14.5
Return on capital employed, %	12.3	10.5	9.8	10.1	8.5	8.3
Return on equity, %	13.4	11.9	16.6	9.3	6.0	7.2
Equity/assets ratio, %	41.0	39.0	37.5	38.5	38.5	38.5
Average capital employed, excluding ICA Bank	41,938	43,050	43,609	39,479		33,602
Net debt	-5,598	-9,758	-11,697	-7,058	-9,190	-9,190
Net debt/EBITDA	0.8	1.6	1.9	1.2	1.9	2.4
Share data						
Earnings per share, continuing operations, SEK	20.53	16.87	18.21	14.71		52.56
Profit/loss for the year per share, SEK	20.53	16.97	24.14	12.53		49.68
Equity per share, SEK	157.70	147.48	139.41	122.91		116.23
Cash flow from operating activities from continuing operations per share, SEK	22.87	26.96	28.45	18.86		22.44
Cash flow from operating activities per share, SEK	22.87	26.96	29.06	17.97		20.92
Dividend per ordinary share, SEK	11.00	10.50	10.00	9.50		8.00
Dividend, SEK m	2,213	2,112	2,011	1,130		951
Dividend payout ratio, %	53	62	41	42		68
Share price at 31 December, SEK	297.90	277.90	307.40	305.80		201.00
Direct yield, %	3.7	3.8	3.2	3.1		4.0
Number of outstanding shares						
Ordinary shares	201,146,795	201,146,795	119,078,903	118,937,248		118,937,248
C shares	-	-	82,067,892	82,067,892		82,067,892
Total number of shares	201,146,795	201,146,795	201,146,795	201,005,140		201,005,140
Total average number of shares	201,146,795	201,146,795	201,097,895	201,005,140		190,006,752

1) Excluding the non-recurring effects of the acquisition of ICA AB.

Definitions on page 76.

Consolidated statement of comprehensive income

SEK m	Note	2017	2016
Net sales	2	106,455	103,655
Cost of goods sold	3	-92,211	-89,687
Gross profit		14,244	13,968
Other operating income	6	879	462
Selling expenses	3	-7,064	-6,965
Administration expenses	3, 5	-2,834	-2,763
Other operating expenses	2, 3	-67	-219
Shares in profits from associated companies and joint ventures	13	62	35
Operating profit	2, 4, 5, 7	5,220	4,518
Financial income		7	26
Financial expense		-374	-390
Net financial items	8	-367	-364
Profit before tax		4,853	4,154
Tax	9	-708	-757
Profit from continuing operations		4,145	3,397
Profit from discontinued operations	17	-	21
PROFIT FOR THE YEAR		4,145	3,418
Other comprehensive income, items that may not be reclassified to profit or loss			
Revaluation of defined-benefit pension plans, net after tax	9, 19	-158	-37
Other comprehensive income, items that may be reclassified to profit or loss			
Change in translation reserve, net after tax		188	173
Change in hedging reserve, net after tax		-12	77
Share of joint ventures' other comprehensive income		23	6
Total items that may be reclassified to profit or loss	9, 18	199	256
COMPREHENSIVE INCOME FOR THE YEAR		4,186	3,637
Profit for the year attributable to:			
Owners of the parent		4,130	3,413
Non-controlling interests		15	5
Comprehensive income for the year attributable to:			
Owners of the parent		4,166	3,634
Non-controlling interests		20	3
Earnings per share, SEK			
	10		
Earnings per share		20.53	16.97
Earnings per share, continuing operations		20.53	16.87
Earnings per share, discontinued operations		-	0.10

Consolidated statement of financial position

Assets			
SEK m	Note	31 December 2017	31 December 2016
Non-current assets			
<i>Intangible non-current assets</i>			
	11		
Goodwill		16,301	16,301
Trademarks		13,377	13,353
IT systems		1,145	871
Other		35	32
		30,858	30,557
<i>Property, plant and equipment</i>			
	12		
Buildings and land		11,341	11,099
Investment properties		989	970
Leasehold improvements		355	404
Equipment		2,194	2,089
Construction in progress		763	647
		15,642	15,209
<i>Financial non-current assets</i>			
Interests in joint ventures and associated companies	13	766	740
ICA Bank's investments	14	3,474	3,280
ICA Bank's lending	14	7,497	5,600
Other financial non-current assets		37	64
Other receivables		0	35
		11,774	9,719
<i>Deferred tax assets</i>			
	9	437	456
Total non-current assets		58,711	55,941
Current assets			
<i>Inventories</i>	15	4,488	4,455
<i>Current receivables</i>			
Trade receivables		4,168	3,856
Tax assets		51	5
ICA Bank's lending	14	2,890	2,600
Receivables from related parties	16	113	89
Other current assets		52	129
Prepaid expenses and accrued income		3,019	2,755
		10,293	9,434
<i>Cash and cash equivalents</i>			
	22	4,499	3,974
		19,280	17,863
Assets held for sale	17	9	2,319
Total current assets		19,289	20,182
TOTAL ASSETS		78,000	76,123

Equity and liabilities SEK m	Note	31 December 2017	31 December 2016
Equity	18		
Share capital		503	503
Other capital contributed		7,694	7,694
Reserves		338	144
Retained earnings		23,185	21,325
Equity attributable to owners of the parent		31,720	29,666
Non-controlling interests		297	22
Total equity		32,017	29,688
Non-current liabilities			
Provisions for pensions	19	2,627	2,299
Deferred tax liabilities	9	4,533	4,673
Bonds	20	1,497	4,991
Other interest-bearing liabilities	20	2,416	2,415
Other provisions		11	21
Other liabilities		56	139
Total non-current liabilities		11,140	14,538
Current liabilities			
Bonds	20	3,500	-
Other interest-bearing liabilities	20	475	3,057
Trade payables		13,084	12,151
Deposits, ICA Bank	14	14,061	12,897
Liabilities to related parties	16	-	0
Tax liabilities		34	70
Other liabilities		792	729
Provisions		142	137
Accrued expenses and deferred income		2,755	2,616
		34,843	31,657
<i>Liabilities held for sale</i>	17	-	240
Total current liabilities		34,843	31,897
TOTAL EQUITY AND LIABILITIES		78,000	76,123

Consolidated statement of changes in equity

SEK m	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributed	Reserves	Retained earnings	Total		
Opening equity, 1 January 2016	503	7,694	-114	19,958	28,041	34	28,075
Profit for the year				3,413	3,413	5	3,418
Other comprehensive income			258	-37	221	-2	219
Comprehensive income for the year			258	3,376	3,634	3	3,637
Change in non-controlling interests				2	2	-15	-13
Dividend				-2,011	-2,011		-2,011
Closing equity, 31 December 2016	503	7,694	144	21,325	29,666	22	29,688
Opening equity, 1 January 2017	503	7,694	144	21,325	29,666	22	29,688
Profit for the year				4,130	4,130	15	4,145
Other comprehensive income			194	-158	36	5	41
Comprehensive income for the year			194	3,972	4,166	20	4,186
Change in non-controlling interests						280	280
Dividend				-2,112	-2,112	-25	-2,137
Closing equity, 31 December 2017	503	7,694	338	23,185	31,720	297	32,017

Consolidated statement of cash flows

SEK m	Note 22	2017	2016
Operating activities			
Operating profit/loss		5,220	4,518
Dividend from joint ventures		65	56
Adjustments for non-cash items		926	1,546
Income tax paid		-856	-728
Cash flow from operating activities before change in working capital		5,355	5,392
Change in working capital			
Inventories (increase - /decrease +)		-38	-67
Current receivables (increase - /decrease +)		-610	-25
Current liabilities (increase + /decrease -)		1,111	793
ICA Bank's net deposits, lending and investments		-1,217	-671
Cash flow from operating activities		4,601	5,422
Investing activities			
Acquisition of property, plant and equipment and intangible assets		-2,230	-2,502
Sale of property, plant and equipment and intangible assets		1,063	489
Loans issued		-50	-42
Repayment of loans issued		259	672
Other financial non-current assets (increase - /decrease +)		0	2
Interest received		3	21
Investments in joint ventures	13	-366	-663
Divestment of subsidiaries	17	1,953	329
Cash flow from investing activities		632	-1,694
Financing activities			
Borrowings		5	5
Repayment of borrowings		-2,588	-1,940
Acquisition of shares in Hemtex AB		-	-7
Capital contributions and dividends relating to non-controlling interests		264	-
Interest paid		-262	-298
Dividend paid to shareholders of ICA Gruppen AB		-2,112	-2,011
Cash flow from financing activities		-4,693	-4,251
Cash flow for the year		540	-523
Cash and cash equivalents at beginning of year		3,974	4,611
Exchange differences in cash and cash equivalents		-15	-114
Cash and cash equivalents at year end		4,499	3,974

Notes

Note 1 Accounting principles and general information

ICA Gruppen AB (publ) has corporate registration number 556048-2837 and its registered office is in Stockholm municipality, Sweden. The head office address is ICA Gruppen AB, SE-171 93 Solna, Sweden, the visiting address is Svetsarvägen 16, Solna, and the website is www.icagruppen.se. ICA Gruppen AB is a subsidiary of ICA Handlarnas förbund, corporate registration number 802001-5577.

ICA Gruppen AB (publ) is the Parent Company for ICA Gruppen and is one of the Nordic region's leading retail companies with its own and retailer-owned stores in Sweden, Estonia, Latvia, Lithuania and Finland. The Group consists of ICA Sweden and Rimi Baltic which are mainly involved in grocery retail, Apotek Hjärtat which operates pharmacies, ICA Real Estate which owns and manages properties, and ICA Bank which offers financial services and insurance policies to Swedish customers. The Group also includes Hemtex which sells homewares. For more information see www.icagruppen.se.

ICA Gruppen is listed on NASDAQ OMX Stockholm in the Large Cap segment.

The annual financial statements and consolidated financial statements were approved for publication by the Board of Directors on 7 February 2018. A decision will be made at the Annual General Meeting on 12 April 2018 on the adoption of the consolidated statement of comprehensive income, consolidated statement of financial position and the Parent Company's income statement and balance sheet.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Commission and the interpretations of the IFRS Interpretations Committee (formerly IFRIC). RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, is applied as well. This recommendation contains supplementary standardisations based on the provisions in the Swedish Annual Accounts Act.

New standards and statements applied from the beginning of 2017

For 2017 only minor amendments have been published by IASB and IFRIC. These amendments will only have a marginal effect on disclosures.

New standards from IASB applied from 2018 and onwards that are relevant to ICA Gruppen

IFRS 9 Financial Instruments was published in July 2014. The standard will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 was adopted by the EU in November 2016 and will go into effect for the financial year beginning on 1 January 2018. The introduction of IFRS 9 will affect ICA Gruppen's financial statements mainly with respect to ICA Bank's lending activities. According to IFRS 9, the new credit reserve models are based on anticipated credit losses and are calculated as a probability-weighted outcome for lending. The effect is that the reserves for ICA Bank's lending will increase under IFRS 9 and the volatility in ICA Bank's income statement is expected to increase from period to period. The effect of the transition is an increase in the credit loss reserve of SEK 100 million without taking consideration of tax. The effect of the transition is recognised in equity as of 1 January 2018.

ICA Gruppen will apply IFRS 9 Hedge Accounting. The transition to IFRS 9 will not have any significant effect on existing hedging relationships under IAS 39. On the other hand, in connection with the transition to IFRS 9, ICA Gruppen will start to apply hedge accounting for fluctuation in fuel prices (diesel and HVO/biofuel) which affect transport costs. This will be applied prospectively from the date of the transition to IFRS 9 and will thus not give rise to any transition effect.

Classification and measurement will not significantly impact ICA Gruppen. The analysis and business models and the tests required under IFRS 9 show that the financial assets which in IAS 39 are recognised and measured at fair value through profit and loss and the amortised cost will be recognised in the same way under IFRS 9.

IFRS 15 Revenue from Contracts with Customers was published in May 2014 and an amendment to IFRS 15 was published by IASB in April 2016. IFRS 15 will take effect for the financial year beginning on 1 January 2018. IFRS 15 was adopted by the EU in October 2016 and the amendment to IFRS 15 was adopted in November 2017. ICA Gruppen's main source of revenue is from the sale of goods where the performance obligation, date at which the customer takes control of the goods and payment are clearly distinguishable. The transition to IFRS 15 will have no significant effect for ICA Gruppen other than for a few contracts where IFRS 15 requires a new assessment of whether ICA Gruppen is acting as principal or agent. ICA Gruppen's role in these contracts has been determined and the conclusion is that ICA Gruppen has the role of principal rather than agent. Based on the new assessment the net sales for the ICA Sweden segment and for ICA Gruppen will increase by SEK 3.0 billion, with an unchanged operating profit and a reduced operating margin by 0.1% for ICA Gruppen and 0.2% for ICA Sweden. ICA Gruppen will apply IFRS 15 retroactively and historical values will be restated.

IFRS 16 Leases was published in January 2016. IFRS 16 will take effect for the financial year beginning on 1 January 2019. IFRS 16 was adopted by the EU in November 2017. IFRS 16 mainly concerns new rules for lessee accounting. Lessee accounting corresponds to the rules that apply under IAS 17 Leases, except in cases where an asset is leased to be subsequently subleased. In subleasing the classification as operating or finance lease is to be determined based on the leased asset and not on the underlying asset as is the case under IAS 17. IFRS 16 requires lessees to recognise assets and liabilities for all leases in the balance sheet unless the lease term is 12 months or less or the underlying asset is of low value. The asset is depreciated over the term of the lease. The lease payments are to be split between interest and repayment of the debt. ICA Gruppen has a large number of leases. The main leases in terms of value relate to properties that ICA Gruppen leases both for its own use and to rent out to non-consolidated ICA retailers. In 2017 the main focus has been on interpreting the rules in IFRS 16 and classifying what constitutes a lease. Information on IFRS 16 has been communicated and the rules in it implemented within the Group. An assessment is under way of the need for new system support and to create a report structure. It is too early to reliably quantify the effects of the introduction of IFRS 16, but its introduction will have a substantial effect on ICA Gruppen's financial statements.

New standards from IASB not adopted by the EU that are relevant to ICA Gruppen

IFRS 17 Insurance Contracts was published in May 2017. IFRS 17 will go into effect for the financial year beginning on 1 January 2021. IFRS 17 sets principles for reporting, measurement and disclosures relating to issued insurance contracts. It is too early to quantify the effects of the introduction of IFRS 17 on ICA Gruppen's financial statements.

Accounting principles applied

Basis of accounting

The consolidated financial statements are based on historical acquisition costs, with the exception of financial derivatives and available-for-sale financial assets which

are recognised at fair value. The Parent Company's functional currency is Swedish kronor (SEK) and this is also the reporting currency for the Parent Company and the Group. All amounts in the financial statements are in millions of Swedish kronor unless indicated otherwise.

Non-current assets and non-current liabilities are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities are expected to be recovered or paid within twelve months of the balance sheet date.

Consolidated financial statements

The consolidated financial statements cover the Parent Company, ICA Gruppen AB, and its subsidiaries. A subsidiary is a company in which ICA Gruppen has a controlling interest. A controlling interest can be exercised either through ownership or an agreement. The majority of ICA stores are owned and operated by independent retailers. These retailers make independent decisions on activities that are relevant for their store operations in areas such as purchasing, pricing, investment and personnel. ICA Gruppen thus has no controlling influence over these operations and they are not consolidated in ICA Gruppen.

The purchase accounting method is applied in the acquisition of subsidiaries. The purchase price for the acquisitions is measured at fair value on the acquisition date, calculated as the sum of the fair values on the acquisition date of assets received, liabilities accrued or assumed and equity interests issued in exchange for control over the acquired entity. Acquisition-related expenses are recognised through profit or loss as they arise.

In business combinations where the sum of the purchase price, any non-controlling interests and fair value on the acquisition date of previous shareholdings exceeds the fair value on the acquisition date of acquired identifiable net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as a gain on a low-price acquisition directly in profit or loss after the difference is reassessed.

ICA Bank's profit before tax is consolidated into the Group within operating income.

Holdings in joint arrangements

A determination is made as to whether the joint arrangement constitutes a joint operation or a joint venture. If the joint arrangement is a joint venture, it is reported according to the equity method.

Investments in associated companies

Investments in associated companies are reported according to the equity method.

Foreign currency

Transactions in foreign currencies are translated within the respective entity to the entity's functional currency based on the exchange rates that apply on the transaction date. On each balance sheet date, monetary items in foreign currencies are translated at the exchange rate on the balance sheet date. Non-monetary items measured at historical cost in a foreign currency are not translated.

Exchange differences are recognised in profit or loss for the period in which they arise. In the case of transactions that meet the criteria for hedge accounting of cash flows, gains and losses are recognised in other comprehensive income.

In the consolidated financial statements, all Group companies are translated to SEK. The exchange rate differences that arise upon translation are recognised in other comprehensive income. When foreign operations are divested, the accumulated exchange rate differences are recognised in profit or loss upon divestment.

Revenue

Wholesale sales are recognised as revenue upon delivery of the goods and retail sales are recognised when the customer pays at the store. In the case of online sales, revenue is recognised when the goods have been delivered to the customer. Where ICA Gruppen acts as agent in a contract, only the commission or equivalent received is reported as revenue.

In cases where a sale is made with a commitment that the customer will receive a future bonus, or where some other commitment remains for ICA Gruppen, the revenue for the bonus portion or other commitment is not recognised until the bonus or commitment is delivered to the customer.

Revenues from consulting services and franchise fees, royalties and dividends from ICA retailers are recognised as they are earned.

Interest income is recognised as it is earned.

Profit or loss on property sales is recognised when the main risks and rewards associated with the property are transferred to the buyer, which is often on the occupancy date. In cases where ICA Gruppen sells a property which is then leased back for use within the Group, or subleased to a non-consolidated ICA retailer, a collective assessment is made of the entire arrangement to determine if the main risks and rewards have been transferred to the buyer. If it is determined that the risks and rewards have been transferred to the buyer, a sale will not, from an accounting perspective, have taken place. In such a case the asset will remain on ICA Gruppen's balance sheet and the payment received will be recognised as a liability. The future lease payments to the legal owner of the property will be recognised as a repayment and interest on the loan and the property will continue to be depreciated.

Commission income from banking operations and premium revenue from insurance operations are recognised as and when the services or the insurance is provided.

Dividends are recognised in profit or loss when the right to receive them has been established.

Leases

The Group's leases are classified as either operating or finance leases. ICA Gruppen leases buildings and equipment for its own use within the Group, but store premises are also leased in order to be rented out to non-consolidated ICA retailers. Neither the term of the lease in relation to the underlying asset's economic life, the present value of the lease payments in relation to the underlying asset's fair value, nor other factors indicate that the economic risks or rewards have essentially accrued to ICA Gruppen. The economic substance of these arrangements thus means that these leases are classified as operating leases – both as regards assets leased for own use and assets leased to be rented out. For both properties that are leased and then rented out as well as properties that are owned by the Group and rented out, the rental terms and conditions are such that they are classified as operating leases.

ICA Gruppen as lessee

Lease fees for operating leases are treated as an expense and distributed over the life of the lease on a straight-line basis.

ICA Gruppen as lessor

Lease fees for operating leases are treated as revenue and distributed over the life of the lease on a straight-line basis.

Income tax

Income taxes are recognised through profit or loss. If the underlying transaction is recognised in other comprehensive income or in equity, the associated tax is recognised in the same way.

Deferred tax is recognised in accordance with the balance sheet method. Deferred tax assets are recognised for all deductible temporary differences and unutilised tax loss carryforwards to the extent it is likely that future taxable gains will be available. The value of deferred tax assets is tested on each balance sheet date.

Goodwill

Goodwill arising from company acquisitions is attributed to the cash-generating units that benefit from the acquisition. Their useful life is indefinite. Goodwill is not amortised.

Other intangible assets

Intangible assets are recognised at cost. Amortisation takes place over the useful life in cases where this can be determined. In cases where the useful life is indeterminate, no amortisation takes place but an impairment test is performed annually.

*Cont. Note 1 Accounting principles and general information***Property, plant and equipment**

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment.

Investment properties

Investment properties are properties which are leased to third parties, unlike operating properties which are used within the Group or leased to non-consolidated ICA retailers. Investment properties are recognised according to the same principles as other property, plant and equipment.

Assets and liabilities held for sale and discontinued operations

Assets and liabilities are classified as assets and liabilities held for sale if they are available for immediate sale, a decision on their sale has been taken and it is likely that they will be sold within 12 months. Assets held for sale are measured at either their book value or an assessed sale value, whichever is lower, less selling expenses.

Discontinued operations are part of a company that has either been divested or been classified as held for sale and normally constitute at least one segment.

Depreciation and amortisation

Depreciation and amortisation are calculated on the asset's cost, estimated useful life and residual value. Estimates are reassessed continuously.

Impairment

The carrying amount of non-current assets is tested for impairment by comparing the carrying amount with the higher of the asset's fair value less selling expenses and value in use. The value in use calculation of future net cash flows uses a discounting factor before tax that reflects the market's current estimate of the time value of money and the risks associated with the asset.

Goodwill, assets with an indefinite useful life and intangible assets that are not yet in use are tested for impairment at least once a year. Other non-current assets are tested for impairment if there is an indication of a reduction in value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost consists of all purchase costs after deducting supplier bonuses received relating to products in stock.

Financial instruments

Financial instruments are initially recognised at fair value, which is normally the amount paid or received taking into account transaction costs. Derivatives are measured excluding transaction costs. Subsequent recognition depends on which category the financial instrument belongs to. The categories are: financial assets at fair value through profit or loss, held-to-maturity investments, loan receivables and trade receivables, available-for-sale financial assets, financial liabilities measured at fair value through profit or loss and other financial liabilities.

Purchases and sales of financial assets are recognised on the date of the trade, i.e. the date on which ICA Gruppen commits to buy or sell the asset.

The fair values of financial assets and liabilities have been determined in accordance with descriptions in Note 20.

Liabilities to credit institutions and other loan liabilities

All loan liabilities belong to the category "Other financial liabilities" and are recognised at amortised cost according to the effective interest method. Initially loans are recognised at the amount of the loan received less borrowing expenses. Borrowing expenses accrue over the lifetime of the loan.

Derivatives

All derivatives are recognised at fair value in the balance sheet. The derivative instruments for which ICA Gruppen does not use hedge accounting are categorised as "Fair value through profit or loss" in the subcategory "Held for trading" and changes in value are recognised through profit or loss.

For derivative instruments that meet the criteria for cash flow hedging, the effective portion of the value change is recognised in other comprehensive income until the hedged item is recognised through profit or loss. The ineffective portion of the change in value is recognised through profit or loss.

ICA Bank's receivables and liabilities

ICA Bank's lending belongs to the category "Loan receivables and accounts receivable" and is recognised at amortised cost on the settlement date and subsequently after taking into account established and likely credit losses. ICA Bank's deposits are recognised at amortised cost. Investment of ICA Bank's surplus liquidity is recognised at amortised cost or at fair value with changes in value recognised in other comprehensive income, depending on the type of investment.

Interest

Interest income is recognised as it is earned, according to the effective interest method. The interest expense for assets that take at least a year to complete is capitalised as part of the cost of the asset.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank balances and other short-term investments with an original maturity of no more than three months. Cash and bank balances are categorised as "Loan receivables and trade receivables" and are therefore measured at amortised cost. Short-term investments are categorised as "Fair value through profit or loss" in the subcategory "Held for trading" and changes in value are recognised through profit or loss.

Annual bonus programme

The bonus programme for senior executives is cash-based. Amounts are recognised in the income statement and the liability is remeasured at fair value on an ongoing basis until the liability is settled.

Provisions and contingent liabilities

A provision for onerous contracts is recognised when the anticipated benefits the Group expects to receive from a contract are lower than the unavoidable costs according to the contract.

If the Group is involved in a dispute, an assessment is made of the most likely outcome. If the collective assessment is that there is more than a 50% likelihood that ICA Gruppen will lose the dispute, a provision is made in the amount considered to be the most likely outcome.

Contingent liabilities include obligations originating from events that have occurred, but which are not reported as a liability or provision because it is unlikely that an outflow of resources will be required, or where the amount cannot be reliably calculated.

Pensions and other post-employment benefit obligations

The Group has both defined contribution and defined benefit pension plans. Calculation of the present value of the defined benefit pension plans is based on a number of assumptions. If there is no deep and efficient market for first-class corporate bonds, the interest rate on government bonds with a maturity corresponding to that of the obligation is used instead. Housing bonds are considered by ICA Gruppen to be corporate bonds in accordance with IAS 19, Employee Benefits. In cases where it is not possible to establish the interest based on readable data corresponding to the term of the obligation, an extrapolation is made of the interest curve based on observations of interest rates for shorter terms. Revaluations of pension liabilities are recognised in other comprehensive income.

Important assumptions and estimates

The preparation of the financial statements in accordance with IFRS requires management to make assessments, estimates and assumptions that affect the application of the accounting principles and the carrying amounts in the income statement and balance sheet. Estimates and assumptions are based on historical experience

and a number of factors that are considered reasonable based on the circumstances. The results of these estimates and assumptions are used to assess the carrying amounts of assets and liabilities that are not clearly apparent from other sources. Actual results may differ from the estimates and assessments. The assumptions and estimates that management considers the most important are the following:

Sale and leaseback transactions with subleases

When ICA sells a property and at the same time leases back and subleases the property to a non-consolidated ICA retailer, an assessment is first made of whether or not the property is sold. If the significant risks and rewards associated with the property have been transferred to the buyer, the property is reported as sold. The assessment considers the leaseback and sublease of the property and whether these arrangements affect the transfer of risks and rewards to the buyer. If the outcome of the assessment is that the property is considered sold, a determination is made of the leases and whether they are operating or finance leases. The leaseback or sublease agreements are assessed together as they are drawn up at the same time. Determining whether or not a property is sold according to IAS 18 Revenue, and then classifying the lease according to IAS 17 Leases, in cases where the property is considered sold, involves a complex and comprehensive assessment of the implications of various factors, circumstances and lease and contractual terms. For the properties that have been sold it has been determined that ICA Gruppen

has limited risk and involvement in these properties, and accordingly they have been reported as sold. Leaseback and sublease agreements are classified as operating leases based on the fact that the most material financial risks and rewards accrue to the property owner.

Valuation of goodwill and trademarks

Assessments are made on an ongoing basis to ensure that the book value of goodwill and trademarks does not exceed their recoverable amount. A calculation is made of the recoverable amount to assess whether impairment of goodwill and trademarks is indicated. The recoverable amount is calculated using a present value calculation of cash flows based on the anticipated future outcomes of a number of factors. Since fair value is calculated based on assumptions about the future, a downgraded assessment of these assumptions could indicate impairment.

Defined benefit pension plans

On average, defined benefit pension plans have a long maturity until such time as they are paid out. To calculate the present value of ICA Gruppen's pension liabilities a number of assumptions must be made, for example concerning life expectancy, salary increases, inflation and discount rates. The assumptions are based on external and internal assessments of future events and past experience. A small change in an assumption may have a significant effect on the liability.

Note 2 Segment reporting

Segments are defined based on how ICA Gruppen's management monitors and oversees operations. ICA Gruppen is engaged in wholesale and retail operations in Sweden and retail operations in the Baltic countries, and in pharmacy operations in Sweden. ICA Sweden constitutes one segment and the Baltic countries together form another segment. Apotek Hjärtat, which operates pharmacies in Sweden, is reported in the segment Apotek Hjärtat. On 1 February 2017 the Norwegian property operations, which until that date were part of the ICA Real Estate segment, were divested. Since the divestment the segment has consisted of properties located in Sweden. Properties located in the Baltic countries are accounted for together with the retail operations in the Baltic countries and are included in the Rimi Baltic segment. Banking operations including insurance operations, are

reported in the segment ICA Bank. Other segments in 2016 consisted of the home furnishing company Hemtex and inkClub. Since inkClub was divested in June 2016 this segment now consists solely of Hemtex. The name of the segment has therefore been changed from Other segments to Hemtex. The amounts relating to inkClub in the first half of 2016 have been moved to Other. Other consists of items that are not included in identified segments, which mainly comprises Group-wide functions.

Management monitors the segments' operating profit excluding items affecting comparability. Assets and liabilities include financial items. All internal transactions are executed using market prices. The same accounting principles apply to the segments as to the Group.

SEK m	ICA Sweden		Rimi Baltic		Apotek Hjärtat		ICA Real Estate		ICA Bank	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External net sales	76,179	73,883	14,008	13,571	12,876	12,530	1,345	1,490	921	820
Internal net sales	221	167	–	–	0	1	1,123	882	44	43
Depreciation and amortisation	434	438	321	306	143	136	483	467	33	31
Profit from joint ventures and associated companies	–	–	–	–	–	–	62	35	–	–
Operating profit excluding items affecting comparability	3,507	3,504	557	526	461	436	429	493	71	51
Other segment information										
Assets	39,857	38,503	5,816	5,725	8,233	8,252	12,647	14,498	16,752	15,233
Liabilities	19,087	17,612	2,785	3,340	5,176	4,311	8,797	9,744	14,819	13,521
Investments in property, plant and equipment and intangible assets	660	640	358	372	128	168	937	1,212	15	36
Investments in associated companies and joint ventures	–	–	–	–	–	–	160	–	–	–
Other non-cash flow items	2	149	6	11	0	–22	–648	–53	–	8

Cont. Note 2 Segment reporting

SEK m	Hemtex		Total reported segments		Other		Eliminations		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External net sales	1,077	1,073	106,406	103,367	49	288			106,455	103,655
Internal net sales	1	1	1,389	1,094	860	817	-2,249	-1,911		
Depreciation and amortisation	23	23	1,437	1,401	86	100			1,523	1,501
Profit from joint ventures and associated companies	0	0	62	35	-	-			62	35
Operating profit/loss excluding items affecting comparability	31	5	5,056	5,015	-414	-347			4,642	4,669
Items affecting comparability									578	-151
Net financial items									-367	-364
Profit after financial items									4,853	4,154
Other segment information										
Assets	947	679	84,252	82,890	68,616	67,292	-74,868	-74,059	78,000	76,123
Liabilities	526	290	51,190	48,818	22,169	23,179	-27,376	-25,562	45,983	46,435
Investments in property, plant and equipment and intangible assets	19	13	2,117	2,441	113	61			2,230	2,502
Investments in associated companies and joint ventures	-	-	160	-	-	-			160	-
Other non-cash flow items	0	0	-640	93	0	-23			-640	116

Items affecting comparability

SEK m	2017	2016
Operating profit excluding items affecting comparability	4,642	4,669
<i>Capital gain upon sale of noncurrent assets</i>		
ICA Real Estate	578	72
Rimi Baltic	15	6
ICA Bank	-	-8
Apotek Hjärtat	-	22
Other	-2	-24
Total capital gains/losses	591	68
<i>Impairment</i>		
ICA Sweden, IT solution product acquisition	-	-148
ICA Real Estate	8	-54
Rimi Baltic	-21	-17
Total items affecting comparability	578	-151
Operating profit	5,220	4,518
<i>Acquisition and integration costs IKI</i>		
Acquisition and integration costs IKI	-54	-
Total items affecting comparability and acquisition and integration costs IKI	524	-151

Items affecting comparability and acquisition and integration costs for IKI are recognised on the following lines:

Other operating income	591	68
Other operating expenses	-67	-219
Total items affecting comparability and acquisition and integration costs IKI	524	-151

External net sales by revenue source

SEK m	2017	2016
Wholesale sales	58,413	56,550
Retail sales	39,882	39,097
Rental income and lease-related services	2,673	2,784
Net interest income, commissions and insurance premiums, ICA Bank	921	820
Other services for ICA retailers	4,566	4,404
Net sales	106,455	103,655

Geographical information

SEK m	Net sales		Property, plant and equipment and intangible non-current assets	
	2017	2016	2017	2016
Country				
Sweden	92,300	89,759	42,925	42,305
Norway	19	202	-	0
Baltic Countries	14,030	13,592	3,573	3,459
Other countries	106	102	2	2
Total	106,455	103,655	46,500	45,766

Net sales are distributed by country based on where customers are located.

Note 3 Expenses by type of expense

SEK m	2017	2016
Cost of materials	80,037	77,973
Personnel expenses	9,942	9,603
Administrative expenses	1,852	1,755
Cost of premises	4,928	4,892
Depreciation/amortisation and impairment losses	1,536	1,720
Other expenses	3,881	3,691
Total expenses	102,176	99,634

Note 4 Average number of employees, salaries and other remuneration

Average number of employees

The average number of employees has been calculated on the basis of the number of hours worked relative to normal working hours in each country.

	2017			2016		
	Women	Men	Total	Women	Men	Total
Sweden	6,964	5,355	12,319	6,993	5,115	12,108
Norway	0	0	0	6	6	12
Baltic Countries	8,197	1,456	9,653	8,175	1,524	9,699
Finland	60	0	60	73	0	73
Hong Kong	48	57	105	43	51	94
Total	15,269	6,868	22,137	15,290	6,696	21,986

Salaries, other remuneration and social security contributions

SEK m	2017	2016
Group		
Salaries and other remuneration	6,349	6,199
Social security contributions	2,189	2,091
Pension costs		453
Total	8,991	8,725

SEK m	2017	2016
Group		
Board of Directors and CEO		
– Salaries and other remuneration	132	135
– of which variable component	17	15
– Pension costs	23	23
Other employees	6,647	6,476
Total	6,802	6,634

Of the Board members and CEOs within the Group, 388 are men (393) and 327 are women (489). The data refers to all board assignments within ICA Gruppen and an individual may sit on more than one board. The amounts exclude social security contributions.

Remuneration to the Board of Directors

The Chairman of the Board and Board members receive fees based on decisions made at the Annual General Meeting. Remuneration to Board members is reported in thousands of kronor (SEK 000s). See also the Corporate Governance Report.

Fees to members of the Board of ICA Gruppen AB:	2017			2016		
	Board fees	Commit-tee work	Total fees	Board fees	Commit-tee work	Total fees
Claes Göran Sylvén	1,025	150	1,175	1,025	150	1,175
Fredrik Hägglund	425	100	525	425	75	500
Göran Blomberg	425	85	510	425	85	510
Peter Berlin	212	25	237	425	50	475
Anette Wiotti	213	43	256	–	–	–
Magnus Moberg	425	67	492	425	85	510
Bengt Kjell	425	85	510	425	85	510
Cecilia Daun Wennborg	425	245	670	425	208	633
Jan Olofsson	425	50	475	425	50	475
Andrea Gisle Joosen	425	100	525	425	75	500
Jeanette Jäger	425	50	475	425	50	475
Total	4,850	1,000	5,850	4,850	913	5,763

Remuneration to the CEO of ICA of Gruppen AB and other senior executives

Remuneration to senior executives consists of basic pay, pension benefits, variable remuneration in the form of a cash bonus, other remuneration and benefits and severance pay. Other senior executives are individuals who, together with the CEO, make up the ICA Gruppen Management Team (IMT). The number of senior executives excluding the CEO of ICA Gruppen AB in 2017 was 11 (11), 5 (5) of which are women.

Management Team

2017, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs ¹⁾	Total
CEO ICA Gruppen AB	9,129	7,640	237	3,198	20,204
Other senior executives	37,229	14,017	2,313	13,158	66,717
Total	46,358	21,657	2,550	16,356	86,921

2016, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs ¹⁾	Total
CEO ICA Gruppen AB	8,887	9,133	251	3,119	21,390
Other senior executives	33,740	16,474	1,740	11,788	63,742
Total	42,627	25,607	1,991	14,907	85,132

1) The stated pension costs for other senior executives include SEK 346 (423) of variable remuneration where salary has been sacrificed for pension premiums.

Comments on the table

The amounts given are the amounts expensed during the respective years and exclude social security contributions.

In total, the IMT has been granted loans and credits from ICA Bank of SEK 1 million (1).

Variable compensation systems for the CEO and other senior executives

The CEO of ICA Gruppen AB and other senior executives are covered by two variable compensation systems taking the form of a cash bonus, one of which runs for one year and the other for three years. The combined annual bonus per person is maximised at an amount equivalent to 57.5% (59) of annual salary and 115% (118) for the CEO of ICA Gruppen AB. The bonus is not pensionable except in the case of the two senior executives who are covered by ITP1 and ITP2 plans respectively. The current CEO of ICA Banken AB is not included in bonus programmes launched after 31 December 2016. Variable remuneration that the CEO of ICA Banken AB has already earned is handled according to the Swedish Financial Supervisory Authority's regulations on remuneration systems for credit institutions.

Annual bonus programme

Cash-based bonus programmes are maximised at 27.5% (27) of annual salary and 55% (54) for the CEO of ICA Gruppen AB. The performance criteria for the bonus programme are to be objectively quantifiable and consist of financial and operational targets linked to ICA Gruppen's strategic themes. The financial targets for the bonus programme are to be determined by the Board of Directors ahead of each financial year and individual bonus agreements are to be signed with each participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into. Payment of bonus is contingent upon the participant's employment not ending during the term of the programme. If an executive retires during the vesting period, the bonus is paid out pro rata. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Long-term bonus programme

The cash-based, three-year incentive programme is maximised at 30% (32) of annual salary and 60% (64) for the CEO of ICA Gruppen AB. In the case of programmes that began prior to 2015 the maximum potential bonus is 25% and 50% respectively. The targets in the bonus programme, which must be objectively quantifiable, are to be determined by the Board and must be linked to both absolute and

Cont. Note 4 Average number of employees, salaries and other remuneration

relative performance criteria. In the long-term bonus programme, fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and refers to (i) EBIT margin excluding items affecting comparability, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, and (iii) net sales increase. The relative performance criteria account for the remaining 40% of the maximum outcome and relate to the Company's position in a comparison group consisting of ten other companies running similar operations. The outcome depends on where the Company is positioned within this comparison group in terms of (i) net sales increase and (ii) EBIT margin. Payment of bonus is contingent upon the participant's employment not ending during the term of the programme. If the executive retires during the vesting period, the bonus is paid out pro rata and on condition that at least 2/3 of the programme has been earned. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

Notice periods and severance pay for other senior executives

A mutual notice period of six months applies to other senior executives. If termination of employment is initiated by the Company, the senior executives are entitled to severance pay of up to 12 months' basic cash salary. Severance pay is deductible. There are a few exceptions to the terms relating to the notice period, severance pay and deduction clause for other senior executives whose agreements were entered into before the 2017 Annual General Meeting.

If a senior executive resigns, the Company may in certain cases choose to apply a non-competition clause. During the period the non-competition clause applies, compensation equivalent to a maximum of 60% of the fixed salary is paid. Severance pay and compensation during the non-competition period is not pensionable income.

Pension benefits for other senior executives

For most of the other senior executives a defined contribution pension plan applies whereby pension premiums may not exceed 35% of pensionable salary and are paid as long as the executive is employed. One senior executive with an earlier contract is entitled to retire at the age of 62 with a defined benefit pension plan for the period until the normal retirement age of 65. Under contracts entered into previously one senior executive is covered only by ITP2, while another senior executive has pension benefits in accordance with ITP1.

Share investment programmes

The general meeting approved three share investment programmes for the CEO of ICA Gruppen AB and other senior executives within ICA Gruppen (for the years 2014, 2015 and 2016 respectively). No new share investment programmes were added in 2017. Compensation for share investment programme 2016 was paid out once all programme conditions were met. The costs of the 2016 share investment programme were charged in 2016 and 2017 according to the vesting period.

Employment terms for the CEO of ICA Gruppen AB

The CEO of ICA Gruppen AB had an agreed basic annual salary for 2017 of SEK 9.0 million. The mutual notice period agreed upon is six months. If notice of termination is given by the Company, severance pay of one year's salary is payable. The retirement age is 65. The Company covers its pension obligations through annual payments of pension premiums to insurance companies corresponding to 35% of basic salary.

Note 5 Audit expenses

SEK m	2017	2016
KPMG:		
Audit assignments	12	-
Other auditing activities	1	-
Other services	0	-
Total	13	-
Ernst & Young:		
Audit assignments	8	21
Other auditing activities	0	1
Other services	8	12
Total	16	34

Ernst & Young were the auditors for ICA Gruppen AB and its subsidiaries until the 2017 Annual General Meeting when the firm of KPMG was elected as the Company's auditor. Ernst & Young is still the auditor for the store subsidiaries.

Note 6 Other operating income

SEK m	2017	2016
Share of profits and share dividends from ICA retailers	288	394
Capital gains/losses as specified in Note 2	591	68
Total	879	462

Note 7 Leases**Operating leases***ICA Gruppen as lessee*

The Group leases buildings and equipment for use within the Group, but also store premises that are then subleased to unconsolidated ICA retailers. Leases are originally contracted over an average lease period of about 10 years. Thereafter a lease can be cancelled in full, renegotiated or extended. When a lease is extended it is normally for three to five years, in certain cases with new terms after renegotiation and in other cases with unchanged terms. Rents are largely fixed, but there are also some sales-based variable rents. Fixed rents are changed in line with contractual index clauses based on changes in the consumer price index.

Contractual lease expenses under existing agreements fall due for payment as follows:

SEK m	2017	2016
Lease expense for the year	3,620	3,424
Of which minimum lease fees	3,525	3,323
Of which variable fees	95	101
The year's lease revenue from subleased assets	-1,504	-1,486
Future contractual minimum lease fees:		
Maturity date within 1 year	3,273	3,120
Maturity date between 1-5 years	8,920	8,442
Maturity date later than 5 years	5,163	5,126
Total	17,356	16,688
Future minimum lease fees incoming for subleased assets	5,857	5,729

ICA Gruppen as lessor

The Group rents out premises. Some of the premises rented out are owned by the Group, but it is also common for premises leased by the Group to be sublet. Leases are originally contracted over an average lease period of about 10 years. The option exists to extend the leases beyond the current term. Rents are fixed, but there are also some sales-based variable rents. Fixed rents are changed in line with contractual index clauses based on changes in the consumer price index.

Contractual lease fees under existing agreements fall due for payment as follows:

SEK m	2017	2016
Future contractual minimum lease fees:		
Maturity date within 1 year	1,903	2,037
Maturity date between 1–5 years	4,527	5,025
Maturity date later than 5 years	1,375	1,695
Total	7,805	8,757
Variable fees included in profits	707	718

Note 8 Net financial items

SEK m	2017	2016
Financial income		
Interest income	3	21
Exchange differences	4	5
Financial income	7	26
Financial expenses		
Interest expenses	-339	-381
Change in fair value of financial instruments	-35	-9
Financial expenses	-374	-390

ICA Bank's interest income and interest expense are recognised in consolidated net sales.

Note 9 Taxes

	2017	2016
Current tax		
Current tax on profit for the year	-772	-764
Deferred tax on temporary differences	64	7
Reported tax expense	-708	-757
Reconciliation of effective tax expense		
Profit before tax	4,853	4,154
Tax as per the current tax rate in Sweden, 22% (22)	-1,068	-914
Capital gains/losses	181	29
Share of profit and share dividends	63	87
Non-deductible expenses/non-taxable income	-44	-18
Profit share according to the equity method	14	8
Effect of other tax rates for foreign subsidiaries	50	46
Effect of changed tax rate ¹⁾	99	7
Other	-3	-2
Reported tax expense	-708	-757
Effective tax rate	15%	18%
Weighted average nominal tax rate, Group	21%	21%

Taxes by country 2017	Nominal tax rate	Effective tax rate	Profit before tax	Tax	Profit after tax	Tax paid
Sweden	22%	16%	4,600	-714	3,886	-781
Norway	24%	23%	13	-3	10	0
Estonia	0%	0%	72	0	72	0
Latvia ¹⁾	15%	-10%	149	15	164	-69
Lithuania	15%	40%	15	-6	9	-6
Other countries			4	0	4	0
Total		15%	4,853	-708	4,145	-856

Taxes by country 2016	Nominal tax rate	Effective tax rate	Profit before tax	Tax	Profit after tax	Tax paid
Sweden	22%	19%	3,543	-666	2,877	-635
Norway	25%	13%	129	-17	112	-21
Estonia	0%	0%	79	0	79	0
Latvia	15%	18%	346	-63	283	-64
Lithuania	15%	19%	53	-10	43	-7
Other countries			4	-1	3	-1
Total		18%	4,154	-757	3,397	-728

1) The corporate income tax rate in Latvia was lowered on 1 January 2018 from 15% to 0%, at the same time as a tax was imposed on dividends of 20 percent.

ICA Gruppen's tax policy, which is established annually by the Board, describes guidelines for how tax issues are handled within the Group. ICA Gruppen complies with current tax legislation in each country where it operates. All decisions concerning operations are taken on a commercial basis and tax effects are a consequence of these decisions.

In Estonia the corporate income tax rate is 0%, while companies are taxed at 20% (20) on any dividends distributed. In 2018 the tax rate on dividends in Estonia will be reduced from 20% to 14%.

SEK m	31 December 2017	31 December 2016
Reported deferred tax assets and tax liabilities		
Non-current assets	-3,435	-3,637
Inventories	13	15
Provisions	361	320
Tax loss carryforwards	387	400
Untaxed reserves	-1,430	-1,313
Financial derivatives	8	-2
Total deferred tax assets (+) / deferred tax liabilities (-), net	-4,096	-4,217

As reported in balance sheet:

Deferred tax assets	437	456
Deferred tax liabilities	-4,533	-4,673

SEK 322 million (322) of the tax loss carryforwards are barred from Group contributions up to and including 2018 as a result of the acquisition of ICA AB by ICA Gruppen in 2013.

The Group has no unrecognised deferred tax assets relating to tax loss carryforwards. The possibility of utilising the tax loss carryforwards to offset taxable surpluses is evaluated continuously. Tax loss carryforwards do not have a maturity date.

Cont. Note 9 Taxes

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance as of 1 Jan. 2017	Recognised in income statement	Recognised in other comprehensive income		Balance as of 31 Dec. 2017
			Divestment of assets		
Non-current assets	-3,637	191	0	11	-3,435
Inventories	15	-2			13
Provisions	320	-2	43		361
Tax loss carryforwards	400	-13			387
Untaxed reserves	-1,313	-117			-1,430
Financial derivatives	-2	7	3		8
Total	-4,217	64	46	11	-4,096

Tax assets are denoted by (+) and tax liabilities by (-) in the table above.

SEK m	Balance as of 1 Jan. 2016	Recognised in income statement	Recognised in other comprehensive income		Balance as of 31 Dec. 2016
			Divestment of assets		
Non-current assets	-3,951	64	0	250	-3,637
Inventories	15	0			15
Provisions	282	27	11		320
Tax loss carryforwards	406	-6			400
Untaxed reserves	-1,243	-70			-1,313
Financial derivatives	28	-8	-22		-2
Total	-4,463	7	-11	250	-4,217

Tax assets are denoted by (+) and tax liabilities by (-) in the table above.

Tax in other comprehensive income

SEK m	2017		
	Before tax	Tax	After tax
Revaluation of defined-benefit pension plans	-201	43	-158
Translation differences in foreign operations	188		188
Cash flow hedges:			
- change in value for the year	-65	14	-51
Items reclassified to profit or loss	50	-11	39
Share of joint ventures other comprehensive income	23		23
Other comprehensive income	-5	46	41

SEK m	2016		
	Before tax	Tax	After tax
Revaluation of defined-benefit pension plans	-48	11	-37
Translation differences in foreign operations	173	0	173
Cash flow hedges:			
- change in value for the year	131	-29	102
Items reclassified to profit or loss	-32	7	-25
Share of joint ventures other comprehensive income	6		6
Other comprehensive income	230	-11	219

Note 10 Earnings per share

The earnings per share is calculated by dividing the earnings for the year attributable to owners of the parent by the weighted average number of outstanding shares during the year. There are no instruments that could result in dilution.

The table below shows the number of shares used in calculating earnings per share:

SEK m	2017	2016
Profit for the year attributable to owners of the parent	4,130	3,413
Weighted average number of shares, thousands	201,147	201,147

See also note 18.

Note 11 Intangible non-current assets

SEK m	Goodwill		Trademarks		IT systems		Other		Total intangible non-current assets	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Accumulated cost	16,689	16,689	13,377	13,353	2,486	1,955	109	139	32,661	32,136
Accumulated amortisation			-	-	-1,341	-1,084	-74	-107	-1,415	-1,191
Accumulated impairment losses	-388	-388	-	-	-	-	0	0	-388	-388
Book value	16,301	16,301	13,377	13,353	1,145	871	35	32	30,858	30,557
Opening balance	16,301	16,301	13,353	13,630	871	611	32	367	30,557	30,909
Investments	-	-	-	-	523	375	20	12	543	387
Business combinations	-	-	-	-	-	-	-	-	-	-
Divestments and disposals	-	-	-	-313	-	-42	-	-14	-	-369
Reclassifications	-	-	-	-	-	306	-	-306	-	0
Amortisation for the year	-	-	-	-	-249	-232	-17	-28	-266	-260
Impairment losses for the year	-	-	-	-	-	-148	-	-	-	-148
Translation differences for the year	-	-	24	36	0	1	0	1	24	38
Book value	16,301	16,301	13,377	13,353	1,145	871	35	32	30,858	30,557

Amortisation of intangible non-current assets is included in the following income statement items:

SEK m	2017	2016
Selling expenses	-17	-28
Administration expenses	-249	-232
Total	-266	-260

SEK m	31 Dec. 2017	31 Dec. 2016
Goodwill		
ICA Sweden	11,545	11,545
Apotek Hjärtat	4,756	4,756
Total goodwill	16,301	16,301

ICA's operations in relation to the Swedish ICA retailers are regulated through various agreements; partly through a negotiated business model which addresses supply chains, customer relationships and ICA's central costs, and partly through agreements which regulate royalties and profit sharing as well as leases. The business model which regulates the relationship between the individual ICA retailer and ICA Gruppen is based on the experience, skills and relationships which have been developed over 100 years. All of the agreements and relationships in the business model are interdependent, which makes it impossible to separate one or more agreements or parts from the whole. This whole – in the form of ICA's business model – is recognised as goodwill. Goodwill is attributable to the lowest level that receives significant independent payments, which means the ICA Sweden segment. Goodwill relating to Apotek Hjärtat is attributable to non-identifiable intangible assets and to synergy effects. Goodwill is attributable to the lowest level that receives materially independent payments, which means the Apotek Hjärtat segment. No part of recognised goodwill is income tax deductible.

Trademarks in the segment ICA Sweden are assignable to ICA, the Swedish store operations and the ICA stores. Trademarks in the segment Rimi Baltic relate to Rimi and are assignable to the store operations in the Baltic countries. Trademarks in the segment Apotek Hjärtat are assignable to Apotek Hjärtat and its pharmacies. Hemtex trademarks are assignable to the Hemtex stores. The trademarks are assignable to the following segments:

SEK m	31 Dec. 2017	31 Dec. 2016
ICA Sweden	11,500	11,500
Apotek Hjärtat	550	550
Rimi Baltic	827	803
Hemtex	500	500
Total trademarks	13,377	13,353

All trademarks have an indefinite useful life as it is not possible to establish how long they can be expected to generate income.

IT systems are capitalised development expenditures for IT systems. The useful life is determined for each system and ranges from three to five years. Amortisation is recognised on a straight-line basis over the useful life of the assets. The remaining amortisation schedule for IT systems is approximately three years.

Other intangible assets consist of tenancy rights, other intangible surplus values in connection with the acquisition of store operations and assets under construction. Amortisation is recognised over the estimated useful life of the assets.

Impairment testing of goodwill and trademarks

Trademark and goodwill impairment tests are conducted annually or more often when there is an indication of impairment. The recoverable amount is established based on calculations of the asset's value in use unless it is classified as held for sale, in which case the recoverable amount is fair value less selling expenses. For all cash-generating units the calculations are based on the Management Team's busi-

ness plans and forecasts for the next five years. Cash flows beyond this period are extrapolated.

Trademarks and goodwill for ICA Sweden are tested by estimating the value in use for the cash-generating unit ICA Sweden segment. Trademarks and goodwill for Apotek Hjärtat are tested by estimating the value in use for the cash-generating unit Apotek Hjärtat segment. Rimi Baltic's trademarks are tested by estimating the value in use for the cash-generating unit Rimi Baltic segment. Hemtex's trademarks are tested by estimating the value in use for the cash-generating unit that constitutes Hemtex.

Impairment testing of other intangible assets

For intangible assets other than goodwill and trademarks a recoverable amount is determined when there is an indication of impairment of the asset. During the year no circumstances occurred that indicate impairment.

Key variables	Method of estimating value								
EBITDA	Earnings before net financial items, tax and depreciation/ amortisation (EBITDA) is estimated based on business plans and forecasts for a period of five years. The EBITDA margin in business plans and forecasts is based on previous experience and external estimates. After the end of the forecast period the long-term EBITDA margin is estimated at 5.2% (5.5) for ICA Sweden, 5.4% (5.3) for Apotek Hjärtat, 6.6% (6.9) for Rimi Baltic and 8.0% (8.0) for Hemtex. In no case does this indicate an increased EBITDA margin compared with the five-year forecast period.								
Sales growth	Sales growth is assessed based on business plans and forecasts over a period of five years. Growth in business plans and forecasts is based on previous experience and external estimates. After the end of the forecast period the long-term annual sales growth is estimated at 1.5% (1.5) for ICA Sweden, 1.5% (1.5) for Apotek Hjärtat, 1.5% (1.5) for Rimi Baltic and 1.5% (1.5) for Hemtex. In no case does this indicate an increased growth rate compared with the five-year forecast period.								
Investments	An assessment is made of the level of maintenance investments needed to keep the assets in their present condition.								
Working capital	It has been determined that the need for working capital is at the same level as at the end of the forecast period.								
Discount rate	The discount rate is set taking into account current interest rate levels and specific risk factors for each unit. The discount rate corresponds to the unit's average cost of capital and is stated before tax. <table border="0" style="margin-left: 20px;"> <tr> <td>ICA Sweden</td> <td>7.3 percent (7.3)</td> </tr> <tr> <td>Apotek Hjärtat</td> <td>7.4 percent (7.4)</td> </tr> <tr> <td>Rimi Baltic</td> <td>8.4 percent (8.4)</td> </tr> <tr> <td>Hemtex</td> <td>11.7 percent (11.4)</td> </tr> </table>	ICA Sweden	7.3 percent (7.3)	Apotek Hjärtat	7.4 percent (7.4)	Rimi Baltic	8.4 percent (8.4)	Hemtex	11.7 percent (11.4)
ICA Sweden	7.3 percent (7.3)								
Apotek Hjärtat	7.4 percent (7.4)								
Rimi Baltic	8.4 percent (8.4)								
Hemtex	11.7 percent (11.4)								

Sensitivity analysis

For ICA Sweden a 1 percentage point increase in the discount rate, a decrease in the EBITDA margin of 1 percentage point or a reduction in sales growth by 1 percentage point does not indicate an impairment loss (no impairment loss).

For Apotek Hjärtat a 1 percentage point increase in the discount rate, a decrease in the EBITDA margin of 1 percentage point or a reduction in sales growth by 1 percentage point does not indicate an impairment loss (no impairment loss).

For Rimi Baltic a 1 percentage point increase in the discount rate, a decrease in the EBITDA margin of 1 percentage point or a reduction in sales growth by 1 percentage point does not indicate an impairment loss (no impairment loss).

For Hemtex a 1 percentage point increase in the discount rate does not indicate an impairment loss (no impairment loss), a decrease in the EBITDA margin of 1 percentage point during the forecast period indicates an impairment loss of 9 (no impairment loss), or a 1 percentage point reduction in sales growth indicates an impairment loss of 197 (no impairment loss).

Note 12 Property, plant and equipment

SEK m	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total property, plant and equipment	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Accumulated cost	13,686	12,976	1,080	1,041	762	753	5,001	4,220	763	647	21,292	19,637
Accumulated depreciation	-2,307	-1,811	-77	-63	-405	-345	-2,737	-2,083	-	-	-5,526	-4,302
Accumulated impairment losses	-38	-66	-14	-8	-2	-4	-70	-48	-	-	-124	-126
Book value	11,341	11,099	989	970	355	404	2,194	2,089	763	647	15,642	15,209
Opening balance	11,099	11,707	970	2,156	404	339	2,089	2,100	647	344	15,209	16,646
Investments	181	264	59	320	31	23	712	694	754	791	1,737	2,090
Business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Divestments, transferred to assets held for sale and disposals	-44	-682	-19	-1,548	0	-5	-49	-127	-	-22	-112	-2,382
Reclassifications	530	248	1	55	48	163	62	3	-641	-469	0	0
Depreciation for the year	-485	-500	-24	-32	-130	-116	-618	-593	-	-	-1,257	-1,241
Impairment losses for the year	0	-25	0	-36	-1	-2	-20	-14	-	-	-21	-77
Impairment losses reversed during the year	8	-	0	8	-	-	-	-	-	-	8	8
Translation differences for the year	52	87	2	47	3	2	18	26	3	3	78	165
Book value	11,341	11,099	989	970	355	404	2,194	2,089	763	647	15,642	15,209

Depreciation periods (years):

Buildings	20-50
Investment properties	20-40
Leasehold improvements	6-20
Store equipment and vehicles	7-10
Other equipment	3-10

Investment properties

A measurement has been made of the fair value of all investment properties. Many properties have been valued by an external party and in other cases an internal valuation has been made. The measurement is based on the existing rents and market conditions and the real yield requirements in the various markets. It shows that the fair value exceeds the book value by 377 (252). According to IFRS 13 these properties are measured at level 3.

The following amounts have been recognised in operating income from investment properties:

SEK m	2017	2016
Rental income	42	259
Direct costs	30	101

Construction in progress

Construction in progress amounts to 763 (647). Expenses paid during the year include a capitalised interest expense of 3 (2) calculated based on an interest rate of 2.0% (2.0).

Note 13 Interests in joint ventures and associated companies

ICA Gruppen has essentially two joint ventures: Ancore Fastigheter AB and Secore Fastigheter AB.

Ancore Fastigheter AB is a joint arrangement between pension company Alecta and ICA Gruppen. The parties each own 50% of the company. All significant decisions concerning Ancore's operations must be made by agreement between the two owners. Ancore Fastigheter AB owns and manages 31 properties in Sweden containing ICA stores in which the operations are run by non-consolidated ICA retailers. In 2017 one property was acquired from an external party. Based on all relevant facts relating to the joint arrangement, Ancore Fastigheter AB is a joint venture. It is consolidated according to the equity method.

Secore Fastigheter AB is a joint arrangement between Första AP-fonden (First Swedish National Pension Fund) and ICA Gruppen. The parties each own 50% of the company. All significant decisions concerning Secore Fastigheter AB must be made in agreement between the two owners. In the beginning of the year Secore Fastigheter AB owned and managed 13 properties in Sweden containing ICA stores where the stores are operated by non-consolidated ICA retailers. In May 2017 12 store properties were acquired from ICA Gruppen and following this acquisition the total number of properties owned by Secore Fastigheter AB was 25. On 18 December 2017 Secore Fastigheter AB signed an agreement to acquire 15 store properties in which ICA stores are the main tenant. The seller is KPA Pension. Secore Fastigheter AB took possession of the properties on 1 February 2018. The underlying property value was SEK 291 million. Based on all the relevant facts in the joint arrangement, Secore Fastigheter AB is a joint venture. It is consolidated according to the equity method. It is consolidated according to the equity method.

Joint ventures and associated companies

SEK m	2017	2016
Carrying amount, joint ventures and associated companies		
Carrying amount, opening balance	740	758
New investments	160	-
Divestments	-	-3
Dividends	-65	-56
Share of profits	62	35
Intra-Group profit transfer of properties	-154	-
Items in other comprehensive income	23	6
Carrying amount, closing balance	766	740

Within Secore Fastigheter AB, in 2017 long-term loans from the owners totalling SEK 410 million were converted into equity, of which ICA Gruppen's portion amounts to SEK 205 million – half of the total amount. In connection with the acquisition of 12 properties from ICA Gruppen a capital contribution was made from the two owners in the amount of SEK 160 million each.

Table summarising the most significant holdings of interests in joint ventures and associated companies

SEK m	Share % ¹⁾		Book value		Share of profits	
	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016	31 Dec. 2017	31 Dec. 2016
Ancore Fastigheter AB, 556817-8858, Stockholm	50	50	649	645	41	27
Secore Fastigheter AB, 559018-9451, Stockholm	50	50	113	92	21	7
Fastighetsaktiebolaget Postgården AB, 559016-8885, Stockholm	50	50	4	3	0	0
Other associated companies	-	-	0	0	0	1
Total			766	740	62	35

1) Ownership percentages are consistent with share of capital.

Summary for Ancore Fastigheter AB and Secore Fastigheter AB

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2017	2016	2017	2016
Reconciliation of reported share of profits				
Profit for the year	84	57	22	2
Share of profits 50%	42	28	11	1
Elimination of intra-Group profits and depreciation of surplus value	-1	-1	10	6
Reported share of results	41	27	21	7

Income statement and balance sheet in summary

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2017	2016	2017	2016
Reconciliation of book value				
Share of equity 50%	618	613	400	30
Long-term permanent loans	-	-	-	205
Surplus values, properties	96	99	-	-
Intra-Group profit, properties	-65	-67	-287	-143
Book value	649	645	113	92
SEK m	2017	2016	2017	2016
Rental income	407	394	119	78
Depreciation and amortisation	-105	-102	-37	-23
Expenses	-64	-63	-30	-20
Operating profit	238	229	52	35
Financial income	0	0	0	0
Financial expense	-116	-140	-18	-26
Profit before tax	122	89	34	9
Tax	-38	-32	-12	-7
Profit for the year	84	57	22	2
Other comprehensive income	45	11	0	0
Total comprehensive income for the year	129	68	22	2
Non-current assets	4,993	4,730	2,105	1,092
Current assets	11	10	9	4
Cash and cash equivalents	84	104	64	60
Total assets	5,088	4,844	2,178	1,156
Equity	1,235	1,226	800	60
Deferred tax liabilities	114	91	106	44
Non-current liabilities to credit institutions	3,490	3,223	1,213	614
Current liabilities	249	304	59	438
Total equity and liabilities	5,088	4,844	2,178	1,156

Fastighetsaktiebolaget Postgården AB is a joint arrangement with Veidekke for the construction of residential units above the commercial development that ICA Real Estate is going to build in Årsta. The preliminary construction start date is in 2019. The company did not conduct any operations in 2017. A capital contribution was made during the year totalling SEK 3 million, SEK 1.5 of which is ICA Gruppen's portion.

Note 14 ICA Bank

ICA Bank offers a complete range of financial services to private individuals in the areas of payments, borrowing, saving and insurance. ICA Bank also offers services in the corporate segment, including ATMs and payment services for the public sector. In 2016 the bank's operations were expanded to include offering loans and deposit accounts to ICA retailers.

Deposits and lending both carry variable rates, with the exception of a small portion of lending where rates are fixed for 3 months. The surplus liquidity that arises within ICA Bank where deposits exceed lending is invested in low-risk instruments. This involves investing Swedish municipal bonds and corporate bonds with a minimum rating of A (according to S&P or Moody's). The combination of deposits, lending and investments keeps the total interest rate risk low. The bank has very small amounts in foreign currencies and therefore currency risk is low. The majority of loans are unsecured.

ICA Bank's lending to private individuals has the following remaining maturities:

SEK m	31 Dec. 2017	31 Dec. 2016
No longer than 3 months	1,700	1,632
Longer than 3 months but not more than 1 year	1,190	968
Longer than 1 year but not more than 5 years	4,865	3,800
Longer than 5 years	2,632	1,800
Total lending	10,387	8,200
Of which lending to companies amounts to	730	203

Bad debts

SEK m	31 Dec. 2017	31 Dec. 2016
Bad debts	72	40
Less: Reserve for anticipated credit losses	-23	-14
Bad debts net	49	26

ICA Bank's principle is to classify a receivable as a bad debt when payment of interest or principal is more than 60 days overdue. Bad debts, net, amount to 0.47% (0.32) of lending. The provision ratio is the reserve for anticipated credit losses in relation to total bad debts. The provision ratio for bad debts amounts to 31.97% (36.12). Net credit losses amount to 61 (50), which is equivalent to 0.64% (0.63) of average lending to the public.

Loans overdue, not classified as bad debt

SEK m	31 Dec. 2017	31 Dec. 2016
Overdue between 0 and 30 days	3	4
Overdue between 31 and 60 days	71	42
Total	74	46

The effect of the transition to IFRS 9 for the Group and for ICA Bank is described in Note 1 Accounting principles.

Note 15 Inventories

SEK m	31 Dec. 2017	31 Dec. 2016
Inventories of goods for resale	4,608	4,566
Deduction for obsolescence in inventories	-120	-111
Inventories	4,488	4,455

Note 16 Related party transactions

Other than the transactions in the consolidated financial statements, ICA Gruppen's transactions with related parties mainly consist of rental transactions relating to the properties owned by Ancore Fastigheter AB, the joint venture with Alecta, and Secore Fastigheter AB, the joint venture with Första AP-fonden.

In 2017 ICA Gruppen sold 12 store properties to Secore Fastigheter AB. (In 2016 no properties were sold to any of ICA Gruppen's jointly-owned property companies.) See also Note 13 Interests in joint ventures and associated companies.

2017, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	17	487	113	0

2016, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	29	447	89	0

ICA Gruppen has had daily transactions with the Board members who are ICA retailers. The transactions are a natural part of their role as ICA retailers and take place on the same terms as for other ICA retailers.

For remuneration to senior executives, see Note 4.

Note 17 Assets and liabilities held for sale and discontinued operations

ICA Norway is reported as a discontinued operation as of 30 September 2014 until 13 April 2015, when the divestment of all the shares in ICA Norway was completed. In 2016 profit of SEK 21 million was reported. This relates to the final accounting of the last minor commitments that ICA Gruppen had in the sale of the ICA Norway segment.

In addition to the ICA Norway segment divested in 2015, an agreement was signed in December 2016 to sell the Norwegian real estate operations which were a part of the ICA Real Estate segment. The divestment was completed on 1 February 2017 for a purchase price and cash flow effect of SEK 1.9 million and a capital gain of SEK 400 million.

Assets held for sale as of 31 December 2017 consisted of two properties in Sweden and three properties in the Baltic countries. Assets held for sale in 2016 consisted of 76 properties, 58 of which were the Norwegian properties that were divested in February 2017. The remaining 18 are properties located in Sweden. Liabilities held for sale consisted of operating liabilities that were divested in connection with the sale of the Norwegian real estate operations.

No impairment losses were recognised in connection with the classification as assets held for sale. In 2016 an impairment loss of SEK 32 million was recognised for the properties in Norway.

Note 18 Equity

Share data (number)	31 Dec. 2017	31 Dec. 2016
Total outstanding shares	201,146,795	201,146,795
Number of registered shares	201,146,795	201,146,795

The quota value amounts to SEK 2.50 per share.

Specification of the equity item reserves

SEK m	31 Dec. 2017	31 Dec. 2016
Translation reserve:		
Translation reserve, opening balance	233	60
Reclassified to profit or loss	104	0
Translation differences for the year	84	173
Translation reserve, closing balance	421	233
Hedging reserve		
Hedging reserve, opening balance	-108	-191
Reclassified to profit or loss	-39	25
Change in value during the year	50	58
Hedging reserve, closing balance	-97	-108
Total reserves:		
Reserves, opening balance	124	-132
Change in reserves during the year:		
Translation reserve	188	173
Hedging reserve	11	83
Reserves, closing balance	323	124
Non-controlling interests in hedging reserve	15	20
Reserves attributable to the parent, closing balance	338	144

Translation reserve

The translation reserve includes all exchange differences that arise in translating financial reports of foreign operations prepared in a currency other than the Group's presentation currency for financial reports.

Hedging reserve

The hedging reserve comprises the effective share of the cumulative net change in the fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet occurred.

Other capital contributed

Other capital contributed essentially consists of the contributions, over and above share capital, that are provided by the owners.

Non-controlling interests

Refers to Långeberga Logistik AB and store subsidiaries within the ICA Sweden segment.

In 2017 a capital contribution of SEK 578 million was made to the subsidiary Långeberga Logistik AB. Half of the amount, consisting of SEK 289 million, was from the other co-owner Alecta. Non-controlling interests have been increased by this sum of SEK 289 million. Dividends totalling SEK 50 million were paid out during the year by Långeberga Logistik AB, half of which was paid to Alecta, thereby reducing non-controlling interests.

Within the Norwegian real estate operations divested in 2017 were some minor non-controlling interests.

Asset management

ICA Gruppen's managed assets consist of the Group's recognised equity. The Group's asset management goal is to ensure long-term value creation for the shareholders and to reflect the Group's focus on stable grocery retail sales. The Board of Directors has adopted the following long-term financial targets for ICA Gruppen:

- Grow faster than the market (Grow faster than the market)
- An operating margin of 4.5% (An operating margin of 4.5%)
- Return on capital employed of 10% (Return on capital employed of 10%)
- Net debt/EBITDA <2.0 (Net debt/EBITDA <2.0)
- Dividend of at least 50% of net profit for the year (Dividend of at least 50% of net profit for the year)

For information on performance in relation to these targets, refer to the Board of Directors' Report.

Paid and proposed dividends	SEK m
Dividends paid during the year	
Dividend for 2016: SEK 10.50/share	2,112
Dividend proposal for the 2018 Annual General Meeting	
Dividend for 2017: SEK 11.00/share	2,213

The Board of Directors of ICA Gruppen AB has decided to propose to the Annual General Meeting to be held on 12 April 2018 an ordinary dividend amounting to SEK 2,212,614,745 (SEK 2,112,041,348).

ICA Bank has capital adequacy requirements under the rules that apply to banks and insurance companies. The capital adequacy requirements guarantee that ICA Bank is able to meet its obligations to its customers. The requirements stipulate that ICA Bank must maintain a specific amount of equity in relation to its lending and revenues. Compliance with capital adequacy requirements is monitored by the Swedish Financial Supervisory Authority. These requirements were fully met during the year. Under the legal requirements for banks, the bank's cash and cash equivalents are not available to the Group.

Note 19 Pensions

Employees in Sweden receive pension benefits in accordance with collective agreements. Salaried employees therefore receive either defined contribution (ITP1) or defined benefit (ITP2) pensions according to the ITP plan. Employees with a defined benefit pension plan receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid on an ongoing basis to Alecta/Collectum. A small portion of the defined benefit pension is paid to Alecta in the form of risk insurance. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. PRI Pensionsgaranti performs continuous credit checks on ICA Gruppen to ensure the Group's ability to meet its pension promises. If PRI Pensionsgaranti should deem ICA Gruppen's credit rating to be too low, PRI has the authority to require either additional guarantees for the Group's undertakings, or that all or parts of the pension undertakings are redeemed with Alecta through the purchase of credit insurance. A cost may arise for ICA Gruppen depending on which undertaking and requirements Alecta has with respect to redemption at that point. Unionised employees receive defined contribution pension plans according to the SAF/LO Collective Pension Insurance.

In the Baltic countries collective pension insurance is only used in exceptional cases and in these cases they are defined contribution plans.

There are no significant healthcare benefits in the Group's plans.

For Swedish companies, if a difference arises between the pension debt established according to Swedish rules and the pension debt established according to IFRS, a provision or receivable is recognized for the special employer's contribution based on this difference. The amount is included in the pension provision.

Cost of defined benefit pension plans

SEK m	2017	2016
Cost of vested benefits during the period	110	104
Interest expense	64	67
Pension cost for defined benefit pension plans in profit for the year	174	171
Pension cost for defined contribution pension plans	343	331
Pension cost in profit for the year	517	502
Revaluations recognised in other comprehensive income, gains (-) losses (+)	201	48
Pension cost in comprehensive income for the year	718	550

The following disclosures relate only to the defined benefit plans.

Change in obligations

SEK m	2017	2016
Opening balance	2,299	2,128
Cost of vested benefits during the period	110	104
Interest expense	64	67
Revaluations, gains (-) losses (+)	201	48
Pension disbursements	-47	-48
Closing balance	2,627	2,299

Important actuarial assumptions

	31 Dec. 2017	31 Dec. 2016
Discount rate	2.75%	3.00%
Inflation	1.5%	1.5%
Rate of salary increase	3.5%	3.5%
Mortality rate	DUS 14	DUS 14

Revaluations relate only to financial undertakings. There is no revaluation based on demographic assumptions. The revaluation based on a lower discount rate compared to the previous year amounted to SEK 137 million (133), while the revaluation of SEK 64 million was due mainly to a lower income base amount and higher salary increase compared to the assumption. Last year the revaluation was SEK -85 million, based on the fact that there was no expected upward adjustment of paid-up policies and ongoing pension disbursements due to the low inflation rate.

The duration of the pension liability is 22 years (21 years).

Sensitivity analysis

An increase in the discount rate of one half of a percentage point would reduce the obligation by SEK 294 million (259). A reduction in the discount rate of one half of a percentage point would increase the obligation by SEK 342 million (294).

Expected disbursements

Over the next five years the expected disbursements from the defined benefit plan amount to a total of SEK 243 million, broken down as SEK 48 million in 2018 and SEK 49 million for each of the next four years. The disbursements over the subsequent five years will amount to a total of SEK 308 million.

Note 20 Financial risks, financial risk management and financial instruments

ICA Gruppen has a central function for financial management whose primary task is to ensure that the Group has secured financing through loans and lines of credit to handle cash management and to actively manage and control financial exposure in line with the Group's financial policy.

Financial policy and financial targets

The finance policy applies to all companies in the Group. The finance policy of ICA Gruppen determines which financial risks the Group is prepared to take and defines risk management targets and guidelines. It describes the division of responsibilities as well as reporting and internal control routines for financial risk management.

The policy is revised annually or as needed by ICA Gruppen's Audit Committee and is approved by ICA Gruppen's Board of Directors.

The long-term financial targets for the business state that ICA Gruppen shall provide a dividend of at least 50% of net profit for the year, and net debt/EBITDA shall be less than 2x.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will affect ICA Gruppen's earnings and cash flow or the fair value of financial assets and liabilities.

The finance policy states that interest rate risk is to be limited by having an average fixed interest rate period for all interest-bearing debt (including derivatives) of between 12 and 36 months. At year-end the fixed interest rate period was 22 (20) months. In addition to the fixed interest rate periods for the actual loans, interest rate swaps are used to adjust interest rate exposure. In 2015 interest options with a base rate floor were also purchased in order to maintain fixed interest rates when the STIBOR rate became negative.

A one percentage point increase in the interest rate as of 31 December 2017 would increase the annual interest expense for the entire debt by SEK 14 million (23).

Interest rate derivatives match existing loans and cash flow hedging according to IAS 39. As of the balance sheet date, 31 December 2017, a negative market value of SEK -68 million (-108) was recognised from hedging. SEK -74 million (-139) related to interest rate swaps and SEK 6 million (31) to base rate floor options.

Refinancing and liquidity risk

Refinancing risk is the risk of ICA Gruppen being unable to finance or refinance its capital requirement on reasonable terms. The Group aims to diversify financing to various sources and to have a balanced maturity profile for loans and credit facilities.

In April ICA Gruppen extended its SEK 5 billion syndicated bank loan. The loan has a maturity of five years with an option to extend for 1+1 year in 2016 and 2017, which was exercised for both years. ICA Gruppen has no financial covenants in its loan agreements. Two bilateral bank loans for a total of SEK 3 billion were also extended by one year in 2017.

Liquidity risk is the risk that ICA Gruppen will not meet its short-term payment obligations. ICA Gruppen's finance policy states that the liquidity reserve is to be sufficient to handle the fluctuations that may be expected over a 12-month period, including maturing loans. In addition to a reserve for expected negative fluctuations in cash flow, there must always be a liquidity reserve equal to 3–5% of the Group's net sales. Positive expected cash flows are not included in the liquidity reserve. To ensure this, the Group has bank overdraft facilities and confirmed credit facilities. According to banking laws, ICA Bank's surplus liquidity is not available to the Group.

Cont. Note 20 Financial risks, financial risk management and financial instruments

ICA Gruppen's interest-bearing liabilities and investments, plus credit facilities

Specification	Carrying amount 31 Dec. 2017	Carrying amount 31 Dec. 2016	Interest rate on 31 Dec. 2017 incl. derivatives	Type of interest excl. derivatives
Non-current liabilities				
<i>Bond loans ¹⁾</i>				
Bond MTN Sweden 2013–2018	–	1,500	3.66%	floating
Bond MTN Sweden 2013–2018	–	2,000	3.57%	fixed
Bond MTN Sweden 2014–2019	1,300	1,300	2.53%	floating
Bond MTN Sweden 2014–2019	200	200	2.50%	fixed
Total	1,500	5,000		
Pre-paid loan fees	–3	–9		
Total bond loans as per the balance sheet	1,497	4,991		
<i>Other interest-bearing liabilities</i>				
Bilateral loan MTN Svensk Exportkredit 2014–2021, ¹⁾	500	500	1.42%	floating
Bilateral loan Svensk Exportkredit 2013–2020, ¹⁾	1,000	1,000	3.89%	fixed
Property financing Helsingborg 2013–2020	913	913	3.55%	floating
Other loans in subsidiaries	13	12	n.d	n.d
Total	2,426	2,425		
Pre-paid loan fees ¹⁾	–10	–10		
Total other interest-bearing liabilities as per balance sheet	2,416	2,415		
Total long-term bond loans and non-current interest-bearing liabilities	3,913	7,406		
Current liabilities				
<i>Bond loans ¹⁾</i>				
Bond MTN Sweden 2013–2018	2,000	–	3.57%	fixed
Bond MTN Sweden 2013–2018	1,500	–	3.66%	floating
Total bond loans as per the balance sheet	3,500	–		
<i>Other interest-bearing liabilities</i>				
Bank loans ¹⁾	–	1,999	n.d	n.d
Store deposits ¹⁾	475	774	n.d	floating
Shareholder loan Långeberga	–	289	–	–
Total	475	3,061		
Pre-paid loan fees	0	–4		
Total other interest-bearing liabilities as per balance sheet	475	3,057		
Total short-term bond loans and current interest-bearing liabilities	3,975	3,057		
Total bond loans and interest-bearing liabilities	7,888	10,463		
Cash excluding ICA Bank	–2,290	–705		
Total net debt	5,598	9,758		

1) Refers to ICA Gruppen AB.

Unutilised confirmed facilities ¹⁾	31 Dec. 2017	31 Dec. 2016
Bilateral bank facility	3,000	3,000
Syndicated bank loan	5,000	5,000
Total unutilised facilities	8,000	8,000

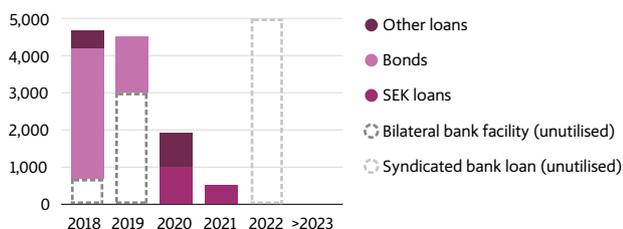
1) Refers to ICA Gruppen AB.

Maturity structure of long-term bond loans and non-current interest-bearing liabilities SEK m

2018	0
2019	1,500
2020	1,913
2021	500
Total	3,913

Current liabilities are mainly trade payables of 13,084 (12,151) and deposits with ICA Bank of 14,061 (12,897), as well as short-term bank loans and deposits from ICA stores totalling SEK 475 (2,772) which mature in January 2018. ICA Bank deposits are payable upon demand and trade payables have a maturity of no more than three months. Interest is generally paid quarterly. With the current financing costs and debt portfolio, annual interest expense amounts to around SEK 336 million.

Maturity profile non-current interest-bearing liabilities and long-term confirmed credit facilities (excluding interest payments)



Credit risk

Credit risk is the risk that a counterparty in a transaction will not fulfil its contractual obligations and that any security provided will not cover the Company's claim. The banks and financial institutions the Group works with must have a credit rating corresponding to at least an "A" from Standard & Poor's or "A2" from Moody's Investor Service. For commercial counterparties with which the Group has a high exposure, individual credit assessments are made. The credit risk arising from ICA Bank's lending to the public is managed by performing credit checks for all loan applications before they are granted.

ICA Gruppen has netting agreements – so-called ISDA master agreements – with counterparties for derivatives. This means that receivables and liabilities from or to an individual counterparty can be offset in the event, for example, of insolvency.

Flows between ICA Gruppen and individual ICA retailers are offset on a daily basis through the Group's own netting system, ICA Konto.

Overdue receivables that have not been written down, excluding ICA Bank

SEK m	31 Dec. 2017	31 Dec. 2016
Up to 30 days overdue	25	73
More than 30 days overdue	5	4
Total	30	77

The overdue receivables mainly consist of exceeded limits on the overdraft facilities of independent ICA retailers. An individual assessment is made of each receivable based on the likelihood that it will be paid. If it is believed that the receivable will not be paid in full or in part, it is written down to the amount that is expected to be paid. The reserve for doubtful trade receivables at year-end was SEK 28 million (14). Collateral for the credits is mainly provided through floating charges. The credit quality of receivables that have not been written down is considered good.

For an analysis of ICA Bank's overdue receivables, see Note 14 ICA Bank.

Foreign currency risk

Transaction exposure is the risk that changes in exchange rates will affect the income statement and cash flow. For ICA Gruppen this foreign currency exposure is mainly related to the importing of goods paid for in foreign currencies (commercial currency risk). It also includes lending and deposits within the Group to subsidiaries in the Baltic countries (financial currency risk). According to the financial policy, the effect on earnings of a 5% change in exchange rates is maximised at SEK 10 million. As of 31 December 2017 the amount was SEK 2 million (2).

Translation exposure is the risk that changes in exchange rates will affect the translation to Swedish kronor of the consolidated income statements and balance sheets for the operations that report in a currency other than Swedish kronor. There is no currency hedging for this translation risk.

Hedging policy

ICA Gruppen's commercial currency exposure varies between the different units, in so far as the units may change the prices customers pay with different periodicity based on the exchange rate. According to the financial policy, 80–100% of the forecast cash flows are hedged during the period the customer price is fixed, and 80–100% of the actual cash flows. At present the hedge horizon is between three and 12 months, with an average of around six months.

ICA Gruppen's financial currency exposure in the form of lending and deposits within the Group to subsidiaries in the Baltic countries is hedged by obtaining a corresponding liability or asset in euro, mainly through currency swaps.

Cont. Note 20 Financial risks, financial risk management and financial instruments

Commercial currency derivatives (SEK m)

Currency ¹⁾	1-3 months	3-6 months	6-12 months	12-24 months	>24 months	31 Dec.	31 Dec.
						2017	2017
						Nominal amount	Fair value
DKK/SEK	-1	-5				-6	0
EUR/SEK	-1,735	-112	-128	-27	-19	-2,021	-7
EUR/USD	11	1				12	0
CNY/SEK	-18	-5	-35			-59	-1
CNY/HKD	-9	-7	-11			-27	-1
HKD/SEK	-15	-7	-21			-44	-1
NOK/SEK	-78					-78	1
USD/SEK	-335	-149	-379	-9		-873	19
As of 31 Dec. 2017	-2,179	-284	-575	-36	-19	-3,094	11
As of 31 Dec. 2016	1,941	279	580	15	-	2,816	1

Financial currency derivatives (SEK m)

Currency ¹⁾	1-3 months	Nominal amount	Fair value
As of 31 Dec. 2017	-130	-130	2
As of 31 Dec. 2016	126	126	-4

1) Example: EUR/SEK means purchase in EUR hedged against SEK.
Financial currency derivatives are all entered into by ICA Gruppen AB.

Hedge accounting

ICA Gruppen uses cash flow hedges according to IAS 39 for the portion of the currency exposure that is based on forecasts, except for the Baltic states and part of fruit and vegetables. Of the positive total fair value amounting to SEK 11 million (7), positive earnings of SEK 18 million (2) were hedged as of the balance sheet date. In addition to this, a currency forward contract for the proceeds from the sale of properties in Norway was put in place in autumn 2016. The transaction was completed in the first quarter of 2017. The amount hedged for this was SEK 53 million as of the 2016 balance sheet date.

Sensitivity analysis

If ICA Gruppen did not hedge the commercial transaction exposure during the period when no price adjustment can be made for customers, the total effect on earnings in the case of an unfavourable 5% exchange rate change for ICA Gruppen in the respective currency pair would be SEK -71 million (-56). Under the finance policy the effect may not exceed SEK -10 million in losses. As of 31 December 2017 the amount was SEK -2 million. At the same time equity would be negatively affected in the amount of SEK -82 million (-87).

Commodity price risk

Of the commodity price risks identified by ICA Gruppen, energy price risk relating to fuel (diesel and HVO) is the risk that is considered material and is therefore hedged. Electricity price risk can also have a relatively large impact on ICA Gruppen's earnings and, to the extent possible, the Group uses fixed price energy contracts.

Hedging policy

ICA Gruppen hedges energy price risk relating to fuel. In accordance with ICA Gruppen's finance policy, this price risk is hedged for a period of up to 36 months. This is done using financial future contracts.

In 2017 ICA Gruppen purchased 23,400 (30,000) MT (metric tons) of diesel, which also covers the HVO (biofuel) price risk.

Fuel hedging

	Maturity analysis			Nominal amount, SEK m 31 Dec. 2017	Fair value, SEK m 31 Dec. 2017
	2018	2019	2020		
	Total metric tons	21,600	10,800		
Total litres (1,000s)	27,421	13,712	7,618		
Forecast litres (1,000s)	28,414	28,665	28,918		
Hedge ratio as of 31 Dec. 2017	96.51%	47.84%	26.34%		
As of 31 Dec. 2016	92.31%	60.11%	0.00%	166	12

Reporting of changes in value

No hedge accounting is applied. Acquisition-related expenses are recognised through profit or loss as they arise. In connection with the transition to IFRS 9, the fuel hedges will be recognised as hedged items as of 1 January 2018. As of 31 December 2017 the value of hedging instruments was SEK 12 million.

Sensitivity analysis

If ICA Gruppen did not hedge against fuel price exposure, the total effect on annual earnings, based on the 2018 forecast, in the case of a 20% negative price change would amount to around SEK 20 million (17). Based on the hedging as shown in the table, the effect would be SEK 1 million in 2018.

Financial assets and liabilities

SEK m	31 December 2017	31 December 2016
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Investments	3,474	3,292
Other financial assets	63	155
of which: derivatives in hedge accounting	21	120
Total	3,537	3,447
<i>Loan receivables and trade receivables</i>		
ICA Bank's lending	10,387	8,200
Receivables	7,326	6,966
Cash and cash equivalents	4,499	3,974
Total	22,212	19,140
Total financial assets	25,749	22,587
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	155	253
of which: derivatives in hedge accounting	146	225
Total	155	253
<i>Financial liabilities measured at amortised cost</i>		
Bonds	4,997	4,991
Other interest-bearing liabilities	2,891	5,472
Deposits ICA Bank	14,061	12,897
Other financial liabilities	16,532	15,452
Total	38,481	38,812
Total financial liabilities	38,636	39,065

The carrying amount is a reasonable approximation of the fair value for all financial assets and liabilities except bonds, where the fair value exceeds the carrying amount by SEK 167 million (227).

Market valuation of financial instruments is based on the available data that is most reliable for making a valuation. For the valuation, fair value is classified at three levels: level 1 refers to the most objective prices for input data, while level 3 is based on a Company's own data and assessments.

In the fair value hierarchy, 3,473 (2,510) of investments are classified at level 1 and 64 (937) at level 2. Other financial assets and financial liabilities measured at fair value are all classified at level 2. Instruments for which a fair value is provided for information are classified at level 2. Level 2 assets and liabilities have been calculated according to generally accepted price models, which are based on discounted cash flows. The input data used consists of the most reliable market prices available.

Net profit/loss attributable to financial instruments

The table below indicates how the net profit/loss and interest income/interest expense pertaining to financial instruments have affected ICA Gruppen's earnings for the different categories of financial instruments.

SEK m	2017	2016
Financial assets and liabilities measured at fair value through profit or loss:		
Short-term investments and derivatives	-35	-9
Loan receivables and trade receivables:		
Trade receivables/trade payables ¹⁾	-75	-41
Interest from financial liabilities and assets measured at amortised cost:		
Interest income from financial assets	459	431
Interest expense from financial liabilities	-385	-406
Profit/loss	-36	-25

1) Disclosures on reserves for doubtful trade receivables for ICA Bank can be found in Note 14.

ICA Bank's interest income and interest expense are included in consolidated operating profit/loss. In interest income and interest expense in the table above they are provided as disclosures on financial items.

Note 21 Pledged assets and contingent liabilities

SEK m	31 Dec. 2017	31 Dec. 2016
Pledged assets		
Property mortgages	913	933
Floating charge	0	4
Restricted cash, ICA Bank	-	364
Registered assets of ICA Försäkring AB	93	65
Total	1,006	1,366
Contingent liabilities		
Loan commitments for unsecured loans, ICA Bank	530	419
Guarantees and contingent liabilities ¹⁾	324	78
Total	854	497

1) Guarantee for MasterCard amounting to SEK 247 million. The rest of this item is divided between numerous counterparties.

Note 22 Statement of cash flows and cash and cash equivalents

SEK m	2017	2016
Adjustments for non-cash items		
Depreciation and amortisation	1,523	1,501
Impairment losses/impairment losses reversed	13	219
Share of profits from joint ventures and associated companies	-62	-35
Capital gains/losses	-591	-68
Provisions	43	-71
Total non-cash items	926	1,546

SEK m	2017	2016
ICA Bank: cash flow net deposits, lending and investments		
Deposits in ICA Bank (increase + /decrease -)	1,164	930
Short-term lending (increase - /decrease +)	-290	18
Long-term lending (increase - /decrease +)	-1,897	-438
Investments (increase - /decrease +)	-194	-1,181
Total	-1,217	-671

SEK m	31 Dec. 2017	31 Dec. 2016
Composition of cash and cash equivalents		
Cash and bank balances ¹⁾	4,499	3,974
Short-term investments ¹⁾	-	-
Total cash and cash equivalents	4,499	3,974

SEK m	31 Dec. 2017	31 Dec. 2016
1) Of which ICA Bank		
Cash and bank balances	2,209	3,269
Short-term investments	-	-
Total cash and cash equivalents ICA Bank	2,209	3,269
Total cash and cash equivalents excluding ICA Bank	2,290	705

According to banking laws, ICA Bank's cash and cash equivalents are not at the Group's disposal.

There are no other significant changes in financial liabilities recognised under financing activities in the Statement of cash flows other than items relating to payments for taking out and repaying loans within the Company's financing activities.

Cont. Note 22 Statement of cash flows and cash and cash equivalents

SEK m	Group 2017	ICA Bank 2017	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	5,355	80	5,275
Change in working capital			
Inventories	-38	0	-38
Current receivables	-610	-210	-400
Current liabilities	1,111	132	979
ICA Bank's net deposits, lending and investments	-1,217	-1,217	0
Cash flow from operating activities	4,601	-1,215	5,816
Cash flow from investing activities	632	-15	647
Cash flow from financing activities	-4,693	170	-4,863
Cash flow for the period	540	-1,060	1,600
Cash and cash equivalents at beginning of period	3,974	3,269	705
Exchange differences in cash and cash equivalents	-15	0	-15
Cash and cash equivalents at end of period	4,499	2,209	2,290

SEK m	Group 2016	ICA Bank 2016	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	5,392	31	5,361
Change in working capital			
Inventories	-67	0	-67
Current receivables	-25	107	-132
Current liabilities	793	271	522
ICA Bank's net deposits, lending and investments	-671	-671	0
Cash flow from operating activities	5,422	-262	5,684
Cash flow from investing activities	-1,694	-45	-1,649
Cash flow from financing activities	-4,251	-299	-3,952
Cash flow for the period	-523	-606	83
Cash and cash equivalents at beginning of period	4,611	3,875	736
Exchange differences in cash and cash equivalents	-114	0	-114
Cash and cash equivalents at end of period	3,974	3,269	705

Note 23 Business combinations

Acquisition in 2017 of UAB Palink which operates the grocery retail chain IKI in Lithuania

On 23 December 2016 ICA Gruppen communicated that an agreement was reached to acquire all of the shares in UAB Palink, which operates the IKI grocery store chain in Lithuania, for EUR 213 million on a cash and debt-free basis. The acquisition of IKI means that ICA Gruppen, through Rimi Baltic, will become the second largest player in the growing Lithuanian grocery retail market, from being the fourth largest currently. IKI is the second largest player in Lithuania's grocery retail market with a market share of approximately 16% in 2016 and a nationwide network of approximately 230 stores. IKI had sales of EUR 632 million, EBITDA of EUR 33 million and EBIT of EUR 12 million in 2016. The combination is expected to generate yearly cost synergies of approximately EUR 15 million when fully realised in 2021. The synergies are mainly related to larger purchasing volumes, more efficient logistics and marketing. The acquisition is expected to lead to approximately EUR 40 million in one-off costs and investments of approximately EUR 25 million during the period 2018-2020. The acquisition will be financed using a combination of ICA Gruppen's available cash and existing credit facilities. The Lithuanian Competition Council has made a decision regarding the acquisition of UAB Palink, which operates the IKI grocery store chain, by ICA Gruppen's subsidiary Rimi Lithuania. The Council has given its clearance to the deal under the condition that 17 specific stores be sold prior to completion of the transaction. The 17 stores that are to be divested accounted for slightly more than EUR 49 million in net sales in 2016.

Note 24 Events after the balance sheet date

On 1 February 2018 ICA Real Estate took possession of eight store properties for which it signed contracts on 18 December 2017. The seller is KPA Pension. Similarly, the joint venture company Secore Fastigheter AB has taken possession of 15 store properties sold by KPA Pension for which contracts were also signed on 18 December 2017. The underlying property value of ICA Real Estate's acquisitions is SEK 234 million and of Secore Fastigheter AB's acquisitions SEK 291 million.

Income statement, Parent Company

SEK m	Note	2017	2016
Net sales	2	838	794
Cost of goods sold		-768	-755
Gross profit		70	39
Administration expenses	2, 3, 4, 5	-475	-394
Operating profit/loss		-405	-355
Profit from financial items	6		
Profit from interests in Group companies		5,904	2,852
Interest income and similar profit/loss items		199	367
Interest expense and similar profit/loss items		-270	-289
Total profit from financial items		5,833	2,930
Profit after financial items		5,428	2,575
Year-end appropriations			
Group contributions received		446	224
Total year-end appropriations		446	224
Profit before tax		5,874	2,799
Tax on profit for the year	7	5	4
PROFIT FOR THE YEAR		5,879	2,803

Other comprehensive income, Parent Company

SEK m	2017	2016
Profit for the year	5,879	2,803
Other comprehensive income	0	-
COMPREHENSIVE INCOME FOR THE YEAR	5,879	2,803

Balance sheet, Parent Company

Assets			
SEK m	Note	31 December 2017	31 December 2016
Non-current assets			
<i>Intangible non-current assets</i>			
IT systems	8	108	86
<i>Property, plant and equipment</i>			
Equipment	9	90	94
<i>Financial non-current assets</i>			
Interests in Group companies	10	30,092	30,053
Deferred tax assets	7	233	228
Non-current receivables		16	43
Total non-current assets		30,539	30,504
Current assets			
<i>Current receivables</i>			
Trade receivables	15	12	2
Receivables from Group companies		11,253	10,641
Other receivables		97	172
Prepaid expenses and accrued income	11	93	67
		11,455	10,882
<i>Cash and bank balances</i>			
		1,484	162
Total current assets		12,939	11,044
TOTAL ASSETS		43,478	41,548

Equity and liabilities SEK m	Note	31 December 2017	31 December 2016
Equity	12		
<i>Restricted equity</i>			
Share capital		503	503
Statutory reserve		2,772	2,772
Reserve for fair value		0	–
Reserve for development expenses		–	18
<i>Non-restricted equity</i>			
Share premium reserve		4,916	4,916
Retained earnings		13,345	12,636
Profit for the year		5,879	2,803
Total equity		27,415	23,648
Provisions			
Provisions for pensions	13	374	353
Other provisions		12	7
Total provisions		386	360
Non-current liabilities	14, 15		
Bonds		1,497	4,991
Liabilities to credit institutions		1,490	1,491
Other non-current liabilities		57	139
Total non-current liabilities		3,044	6,621
Current liabilities	15		
Bonds		3,500	–
Liabilities to credit institutions		475	2,772
Trade payables		127	119
Liabilities to Group companies		8,227	7,672
Other liabilities		114	167
Accrued expenses and deferred income	11	190	189
Total current liabilities		12,633	10,919
TOTAL EQUITY, PROVISIONS AND LIABILITIES		43,478	41,548

Changes in equity, Parent Company

SEK m	Restricted equity				Non-restricted equity			Total equity
	Share capital (Note 12)	Statutory reserve	Reserve for fair value	Reserve for development expenses	Share premium reserve	Retained earnings	Profit for the year	
Opening equity, 1 January 2016	503	2,773	-	-	4,916	10,997	3,668	22,857
Profit/loss for previous year		-1				3,668	-3,668	-1
Dividends						-2,011		-2,011
Comprehensive income for the year				18		-18	2,803	2,803
Closing equity, 31 December 2016	503	2,772	-	18	4,916	12,636	2,803	23,648
Opening equity, 1 January 2017	503	2,772	-	18	4,916	12,636	2,803	23,648
Profit/loss for previous year						2,803	-2,803	0
Dividends						-2,112		-2,112
Comprehensive income for the year			0	-18		18	5,879	5,879
Closing equity, 31 December 2017	503	2,772	0	0	4,916	13,345	5,879	27,415

Statement of cash flows, Parent Company

SEK m	Note	2017	2016
Operating activities			
Operating profit/loss		-405	-355
Dividends received		6,035	2,953
Adjustments for non-cash items	16	95	89
Income tax paid		0	0
Cash flow from operating activities before change in working capital		5,725	2,687
Change in working capital			
Current receivables (increase - /decrease +)		-66	56
Current liabilities (increase + /decrease -)		18	-57
Cash flow from operating activities		5,677	2,686
Investing activities			
Purchase of property, plant and equipment and intangible assets		-111	-60
Investments in subsidiaries		-170	-49
Interest received		2	2
Interest received from Group companies		149	321
Cash flow from investing activities		-130	214
Financing activities			
Loans		58	827
Amortisation of loans		-2,295	-2,000
Change in intra-Group loans		354	710
Dividends paid		-2,112	-2,011
Interest paid		-230	-264
Interest paid to Group companies		0	0
Cash flow from financing activities		-4,225	-2,738
Cash flow for the year		1,322	162
Cash and cash equivalents at beginning of year		162	0
Cash and cash equivalents at year end		1,484	162

Notes

Note 1 Accounting principles and supplementary information

Accounting principles

Applied accounting principles

The Parent Company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. According to RFR 2, in preparing the annual accounts for the legal entity, parent companies are to apply all EU-adopted IFRS/IAS – including interpretations – as far as possible within the framework of the Annual Accounts Act and taking into account the connection between reporting and taxation. RFR 2 specifies the exemptions from and supplements to the standards that are to be made according to IFRS. Altogether this results in the following differences between the Group's and the Parent Company's accounting principles.

Subsidiaries

Interests in subsidiaries are recognised according to the cost method.

Classification and measurement of financial instruments

The Parent Company applies IAS 39 except in the case of financial guarantees, where the exception according to RFR 2 applies.

Taxes

Untaxed reserves are recognised including deferred tax liabilities. In the consolidated accounts, on the other hand, untaxed reserves are divided between deferred tax liabilities and equity.

Leases

All leases are recognised according to the rules for operating leases.

Defined benefit pension plans

The Parent Company uses a different basis to calculate defined benefit pension plans than in IAS 19. The calculations by the Parent Company comply with the Act on Safeguarding Pension Benefits and the Swedish Financial Supervisory Authority's regulations, as this is required for tax deductibility. The main differences compared with IAS 19 are the way in which the discount rate is determined and that the calculation is based on current salary levels rather than on expected future salary.

Group contributions

Group contributions (received and provided) are recognised as appropriations.

Capitalised development expenditures

In 2017 development expenses, which were capitalised for development work performed within ICA Gruppen on intangible assets, were transferred from non-restricted equity to a reserve for development expenditures pertaining to restricted equity.

Note 2 Intra-Group purchases and sales

The Parent Company's net sales amounted to SEK 838 million (794), of which 96% (95) consisted of sales to Group companies. Purchases from Group companies amounted to SEK 44 million (20).

Note 3 Average number of employees, salaries and other remuneration

Average number of employees

The average number of employees has been calculated as hours worked as a percentage of normal annual working hours.

	2017	2016
Women	142	140
Men	161	167
Total	303	307

Salaries, other remuneration and social security contributions

SEK m	2017	2016
Salaries and remuneration		
<i>Board of Directors and CEO</i>		
Salaries and other remuneration	23	24
– of which variable component	8	9
Other senior executives	19	19
Other employees	211	195
Total	253	238
Social security contributions		
Pension costs	42	41
– of which pension costs for the Board of Directors and CEO	3	3
Total	136	131
Total salaries, other remuneration, social security contributions and pension costs	389	369

Gender distribution on the Board and among senior executives

	31 Dec.2017	31 Dec.2016
<i>Board of Directors</i>		
Men	8	9
Women	4	3
Total	12	12
<i>CEO and other senior executives</i>		
Men	3	3
Women	2	2
Total	5	5

ICA Gruppen Management Team

2017, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	9,129	7,640	237	3,198	20,204
Other senior executives	12,821	5,850	380	3,849	22,900
Total	21,950	13,490	617	7,047	43,104

2016, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	8,887	9,133	251	3,119	21,390
Other senior executives	12,242	6,480	366	3,804	22,892
Total	21,129	15,613	617	6,923	44,282

Comments on the table

The amounts given are the amounts expensed during the respective years and exclude social security contributions.

Remuneration to the Board of Directors and CEO of ICA Gruppen AB

Remuneration to ICA Gruppen AB's Board members at the individual level and remuneration and terms for the CEO of ICA Gruppen AB are described in Group notes, Note 4.

Remuneration to other senior executives

Remuneration to other senior executives consists of basic pay, pension benefits, variable compensation in the form of a cash bonus, other remuneration and benefits, and severance pay. Other senior executives refers to the individuals who, together with the CEO, make up the ICA Gruppen Management Team (IMT) and are employed by ICA Gruppen AB.

Variable compensation system

See Group notes, Note 4.

Notice periods and severance pay for other senior executives

A mutual notice period of six months applies for senior executives. If termination of employment is initiated by the Company, the senior executives are entitled to severance pay of up to 12 months' basic pay. Severance pay is deductible.

If a senior executive resigns, the Company may in certain cases choose to apply a non-competition clause. During the period the non-competition clause applies, compensation equivalent to a maximum of 60% of the fixed salary is paid. Severance pay and compensation during the non-competition period is not pensionable income.

Pension benefits for other senior executives

Other senior executives have a combined defined contribution and defined benefit pension plan. As a result, pension premiums – which are payable as long as the individual is employed – may be up to 30% of pensionable salary.

Share investment programmes

See Group notes, Note 4.

Note 4 Audit expenses

SEK m	2017	2016
KPMG:		
Audit assignments	3	–
Total	3	–
Ernst & Young:		
Audit assignments	–	5
Other auditing activities	–	0
Other services	–	1
Total	–	6

Ernst & Young were the auditors until the 2017 Annual General Meeting when the firm of KPMG was elected as the Company's auditor.

Note 5 Operating leases

SEK m	2017	2016
Lease expense for the year	18	20
Future contractual lease fees:		
Maturity date year 1	1	1
Maturity date year 2	1	1
Maturity date year 3	0	0
Total	2	2

Note 6 Profit from financial items

SEK m	2017	2016
Profit from interests in Group companies		
Dividends:		
ICA AB	4,000	2,200
ICA Fastigheter Holding AB	1,900	250
ICA Banken AB	–	300
Expediares Intressenter AB	5	103
Hemtex AB	130	–
Forma Holding AB	–	100
Impairment	–131	–101
Total	5,904	2,852
Other interest income and similar items		
Interest income, Group companies	159	334
Exchange differences	4	3
Other interest income and similar items	1	2
Change in fair value of financial instruments	35	28
Total	199	367
Other interest expense and similar items		
Interest expense, Group companies	–11	–14
Other interest expense and similar items	–259	–275
Total	–270	–289
Total profit from financial items	5,833	2,930

Note 7 Taxes

SEK m	2017	2016
Current tax		
Current tax on profit for the year	0	0
Deferred tax on temporary differences	5	4
Reported tax	5	4
Reconciliation of effective tax expense		
Profit before tax	5,874	2,799
Tax according to tax rate of 22.0% (22.0%)	-1,292	-616
Dividends	1,328	650
Write-down of shares	-29	-22
Non-deductible expenses/non-taxable income	-2	-8
Reported tax	5	4
Effective tax rate	-0.1%	-0.1%

As reported in the balance sheet:

Deferred tax assets	233	228
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The Parent Company's tax loss carryforwards as of 31 December 2017 amounted to 921 (921). Deferred tax assets of 203 (203) are recognised in the balance sheet for these tax loss carryforwards. The tax loss carryforwards are blocked against Group contributions until 2018 as a result of the changes in ownership that took place in 2013 when ICA Gruppen AB acquired ICA AB from Ahold.

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance, 1 Jan. 2017	Recognised through profit or loss	Balance, 31 Dec. 2017
Tax loss carryforwards	203	-	203
Other	25	5	30
Total	228	5	233

SEK m	Balance, 1 Jan. 2016	Recognised through profit or loss	Balance, 31 Dec. 2016
Tax loss carryforwards	203	-	203
Other	21	4	25
Total	224	4	228

Tax assets are denoted by (+) and tax liabilities by (-) in the table above.

Note 8 Intangible non-current assets

SEK m	2017	2016
IT systems		
Accumulated cost	213	164
Accumulated amortisation	-105	-78
Book value	108	86
Opening balance	86	103
Investments	50	20
Divestments and disposals	-	-7
Amortisation for the year	-28	-30
Book value	108	86

Amortisation of intangible non-current assets is included in the line "Administration expenses" in the income statement.

Note 9 Property, plant and equipment

SEK m	2017	2016
Equipment		
Accumulated cost	398	393
Accumulated amortisation	-308	-299
Book value	90	94
Opening balance	94	102
Investments	53	55
Amortisation for the year	-57	-63
Book value	90	94

Depreciation of property, plant and equipment is included in the line "Administration expenses" in the income statement.

Note 10 Interests in Group companies

SEK m	2017	2016
Interests in subsidiaries		
Cost, opening balance	31,434	31,385
Acquisitions ¹⁾	–	7
Shareholder contributions ²⁾	170	42
Accumulated cost, closing balance	31,604	31,434
Impairment losses		
Impairment losses, opening balance	–1,381	–1,280
Impairment losses for the year ³⁾	–131	–101
Accumulated impairment losses, closing balance	–1,512	–1,381
Residual value according to plan, closing balance	30,092	30,053

1) Refers to acquisition of shares in Hemtex AB in 2016.

2) In 2017 shareholder contributions were provided to ICA Banken AB in the amount of SEK 170 million. In 2016 shareholder contributions were provided to BläckClub Intressenter AB in the amount of SEK 42 million.

3) In 2017 interests in Hemtex AB were written down in the amount of SEK –130 million which is equivalent to dividends received during the year. Interests in BläckClub Intressenter AB were written down in the amount of SEK –1 million. In 2016 interests in BläckClub Intressenter AB were written down by SEK –42 million, interests in Expediera Intressenter AB in the amount of SEK –29 million, interests in Forma Holding AB in the amount of SEK –29 million and interests in Höga Blåica AB in the amount of SEK –1 million.

Specification of important indirect holdings as of 31 December 2017

	Corporate reg. no.	Registered office	Capital and votes, %
Subsidiaries of Hemtex AB			
Hemtex Oy	16,502,515	Finland	100
Subsidiaries of ICA AB			
Rimi Baltic AB	556042-7410	Stockholm	100
Hakonlita UAB	125,018,861	Lithuania	100
Kinnisaravalduse AS	10,434,202	Estonia	100
Plesko Real Estate SIA	40,003,516,351	Latvia	100
Rimi Eesti Food AS	10,263,574	Estonia	100
Rimi Latvia SIA	40,003,053,029	Latvia	100
Rimi Lietuva UAB	123,715,317	Lithuania	100
Apotek Hjärtat AB	556791-1010	Stockholm	100
Apotek Hjärtat Retail AB	556773-8249	Stockholm	100
Apotek Hjärtat Logistik AB	556874-7827	Stockholm	100
Minutkliniken AB	559036-7305	Stockholm	70
ICA Global Sourcing Ltd	1,150,322	Hong Kong	100
ICA Sverige AB	556021-0261	Stockholm	100
Subsidiaries of ICA Banken AB			
ICA Försäkring AB	556966-2975	Stockholm	100
Subsidiaries of ICA Fastigheter Holding AB			
ICA Fastigheter AB	556033-8518	Västerås	100
ICA Långeberga Holding AB	556931-5517	Stockholm	100
Långeberga Logistik AB ¹⁾	556928-2840	Stockholm	50

1) Långeberga Logistik AB is a company owned 50% by Alecta and 50% by ICA Gruppen. Långeberga Logistik AB owns ICA Gruppen's warehouse properties in Helsingborg. Based on the fact that ICA Gruppen uses the property for its own operations and that through the rent payments for the property, ICA Gruppen is responsible for the cash flows that Långeberga Logistik AB needs in order to meet its commitments, ICA Gruppen has control over the company. Långeberga Logistik AB is thus a subsidiary within ICA Gruppen.

Interests in subsidiaries

Specification of ICA Gruppen AB's direct holdings of shares in subsidiaries

	Corporate reg. no.	Registered office	No. of shares	Capital and votes, %	Quota value	Book value 31 Dec. 2017, SEK m	Book value 31 Dec. 2016, SEK m
Expediera Intressenter AB	556720-9563	Solna	1,000	100	SEK 100	1	1
Forma Holding AB	556586-2363	Stockholm	1,000	100	SEK 1,000	1	1
Hemtex AB	556132-7056	Borås	9,090,910	100	SEK 1.10	589	719
ICA AB	556582-1559	Stockholm	5,000,000	100	SEK 100	23,035	23,035
ICA Banken AB	516401-0190	Stockholm	1,000,000	100	SEK 100	1,654	1,484
ICA Fastigheter Holding AB	556604-5471	Stockholm	1,000	100	SEK 100	4,812	4,812
ICA Spara AB	559086-0531	Solna	1,000	100	SEK 100	0	–
BläckClub Intressenter AB	556720-3467	Solna	1,000	100	SEK 100	0	1
Höga Blåica AB	556703-2924	Solna	1,000	100	SEK 100	0	0
Total						30,092	30,053

Note 11 Accruals

SEK m	31 Dec. 2017	31 Dec. 2016
Prepaid expenses and accrued income		
Other prepaid expenses	93	67
Total	93	67

SEK m	31 Dec. 2017	31 Dec. 2016
Accrued expenses and deferred income		
Accrued salaries, holiday pay and social security expenses	80	76
Accrued interest expense	44	45
Other accrued expenses	66	68
Total	190	189

Note 12 Equity and appropriation of earnings

As of 31 December 2017, the share capital consisted of 201,146,795 shares (201,146,795), each with a quota value of SEK 2.50 per share. There are no holdings of treasury shares.

Proposed appropriation of earnings

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

SEK m	
To the shareholders, a dividend of	2,212,614,745
To the share premium reserve	4,915,938,770
Carried forward	17,010,968,996
Total	24,139,522,511

Note 13 Provisions for pensions

All employees receive pension benefits according to collective agreements. Salaried employees therefore receive either defined contribution (ITP1) or defined benefit (ITP2) pensions according to the ITP plan. Employees with a defined benefit pension plan receive pension based on their final salary. The defined benefit pensions are reported as a provision in the balance sheet. The defined contribution pension premiums are paid on an ongoing basis to Alecta/Collectum. To guarantee the provision in the balance sheet, a credit insurance policy has been taken out with PRI Pensionsgaranti. The full amount is covered by the Pension Obligations Vesting Act.

SEK m	31 Dec. 2017	31 Dec. 2016
Reconciliation of carrying amount for self-managed pensions		
Opening balance, capital value of pension obligations	353	335
Costs charged against profit	13	11
Interest expense	15	14
Pension disbursements	-7	-7
Closing balance, capital value of pension obligations	374	353

Note 14 Non-current liabilities

SEK m	31 Dec. 2017	31 Dec. 2016
Bonds ¹⁾	1,497	4,991
Liabilities to credit institutions	1,490	1,491
Total	2,987	6,482

1) Bonds amount to 1,500 (5,000) and prepaid credit charges to 3 (9).

No liabilities have a maturity date later than five years after the balance sheet date.

For more information, see Group note, Note 20.

Note 15 Financial risk management and financial instruments

ICA Gruppen's financial risks are handled at the Group level. For more information, see Group notes, Note 20. The Parent Company ICA Gruppen AB has no significant net positions in commercial currency or fuel derivatives. For information on the Parent Company's financial currency derivatives, see Group notes, Note 20.

Financial assets and liabilities by category

SEK m	31 Dec.2017	31 Dec.2016
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Other financial assets	97	197
<i>of which: derivatives in hedge accounting</i>	66	161
<i>Loan receivables and trade receivables</i>		
Trade receivables	12	2
Current receivables from Group companies	11,253	10,641
Cash and cash equivalents and other receivables	1,593	242
Total financial assets	12,955	11,082
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	162	306
<i>of which: derivatives in hedge accounting</i>	153	278
<i>Financial liabilities measured at amortised cost</i>		
Bond loans	4,997	4,991
Liabilities to credit institutions	1,965	4,263
Trade payables	127	119
Liabilities to Group companies	8,227	7,672
Other current liabilities	199	189
Total financial liabilities	15,677	17,540

The carrying amount is equivalent to the fair value for all financial assets and liabilities except for bonds, where the fair value exceeds the carrying amount by 167 (227).

Note 16 Statement of cash flows

Adjustments for non-cash items

SEK m	2017	2016
Depreciation and amortisation	86	94
Provisions for pensions	6	4
Other provisions	3	-9
Total	95	89

There are no other significant changes in financial liabilities recognised under financing activities in the Statement of cash flows other than items relating to payments for taking out and repaying loans within the Company's financing activities.

Note 17 Pledged assets and contingent liabilities

SEK m	31 Dec.2017	31 Dec.2016
<i>Guarantees and contingent liabilities</i>		
Guarantees for subsidiaries	254	7
Total	254	7

This item is mainly for a guarantee pledge to Mastercard for the subsidiary ICA Banken AB.

Statement by the Board of Directors concerning the dividend

This statement has been drawn up pursuant to Chapter 18 Section 4 of the Swedish Companies Act (2005:551) and represents the Board's assessment as to whether the proposed dividend is justifiable in view of what is stated in Chapter 17 Section 3 second and third paragraphs of the Swedish Companies Act.

The Board of Directors of ICA Gruppen AB proposes an ordinary dividend of SEK 11.00 per share (10.50). The total dividend amounts to SEK 2,213 million (2,112), which is 37.6% (75.3) of the Parent Company's profit. The proposed dividend will reduce the Parent Company's equity/assets ratio from 63.1% to 58.0%, and the Group's equity/assets ratio from 41.0% to 38.2%. The equity/assets ratio is adequate for both the long and short term. The dividend amount corresponds to 53.4% of the Group's profit for the year. The Company's equity would have been SEK 51 million, or approximately 0.2%, higher had assets and liabilities not been measured at fair value in accordance with Chapter 4 Section 14 a of the Annual Accounts Act.

The dividend proposal is in line with the goal of paying a good and stable dividend over time. ICA Gruppen's dividend target over time is to pay a dividend to shareholders of at least 50% of profit for the year. In the Board's opinion, the proposed dividend is justifiable taking into account the requirements that the nature and scope of the business, as well as the risks associated with it, place on the Group's equity and financial position.

In view of the aforementioned and taking it into account, the Board believes that the proposed dividend is justifiable in terms of the requirements set out in Chapter 17 Section 3 second and third paragraphs of the Swedish Companies Act, which state that the dividend must be justifiable considering the requirements that the nature and extent of the business and its risks impose on the level of equity and on the Company's and the Group's consolidation requirements, liquidity and position in general.

Proposed appropriation of earnings

The following funds are at the disposal of the general meeting (SEK):

Share premium reserve	4,915,938,770
Retained earnings	13,344,757,829
Profit for the year	5,878,825,912
Total	24,139,522,511

The undersigned hereby provide an assurance that the consolidated financial statements and annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and according to sound accounting practices, and provide a true and fair presentation of the Group's and the Parent Company's financial position and results, and that the Board of Directors' Report provides a true and fair overview of the development

The Board of Directors and the Chief Executive Officer propose that the earnings be distributed as follows:

To the shareholders, a dividend of	2,212,614,745
To the share premium reserve	4,915,938,770
Carried forward	17,010,968,996
Total	24,139,522,511

of the Group's and the Parent Company's operations, financial position and results, and describes material risks and uncertainties faced by the companies in the Group. The statutory Sustainability Report, constituting the parts of the ICA Gruppen AB (publ) Annual Report the content of which is presented on page 3, has been approved for publication by the Board of Directors.

Stockholm, 7 February 2018

Claes-Göran Sylvén
Chairman

Jeanette Jäger

Jan Olofsson

Göran Blomberg

Fredrik Hägglund

Anette Wiotti

Cecilia Daun Wennborg

Bengt Kjell

Jonathon Clarke

Andrea Gisle Joosen

Magnus Moberg

Magnus Rehn

Per Strömberg
Chief Executive Officer

Our audit report was submitted on 8 February 2018
KPMG AB

Thomas Forslund
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of ICA Gruppen AB (publ),
corp. id 556048-2837

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ICA Gruppen AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 2–3, 12–27 and 42–116 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Matter

The audit of the annual accounts for year 2016 was performed by another auditor who submitted an auditor's report dated 10 February 2017, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

IT-systems and related IT-controls

<i>Description of key audit matter</i>	<i>Response in the audit</i>
The company is relying on well-functioning IT-systems and IT-controls in order to run its operations. If these are not operating effectively, there is a risk that errors may occur which could impact the financial reporting. Critical IT-systems and related controls are therefore considered a key audit matter for the purposes of our audit.	We have, with support of our IT-audit specialists, evaluated and tested the operating effectiveness of the IT-systems and the IT-controls that are considered relevant for the financial reporting. Our audit has included evaluation of processes and testing of controls related to program changes, access management and IT-operations. We have also reviewed the organisational structure, segregation of duties and governance of the IT-organisation, and assessed the company's incident management and monitoring processes as well as testing any compensating controls where applicable.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1, 4–11, 28–41, 120–133 and 135–136. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also

take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most

important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ICA Gruppen AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of

the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of ICA Gruppen AB (publ) by the general meeting of the shareholders on the 7 April 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm February 8, 2018
KPMG AB

Thomas Forslund
Authorised Public Accountant

About the Sustainability Report

The Sustainability Report is a way to communicate the work ICA Gruppen is doing on sustainability with the communities around it and how this work is progressing.

Governance of ICA Gruppen's sustainability work

The strategic focus of the Company's sustainability work is set by the Board of Directors through the Sustainability Committee and is managed through strategic planning and business planning processes. The Sustainability Committee's mandate is based on the Code's rules on the responsibility of the Board of Directors to establish guidelines for how the Group should behave in society. The Committee's duties include preparing policies on business ethics and sustainability and preparing sustainability reports (annually and quarterly), and monitoring business ethics and sustainability issues. In addition, the Board of Directors reviews the Group's sustainability work annually. The review involves risk analysis, a focus on ethical dilemmas and providing in-depth training in specifically identified areas. Although the CEO has ultimate responsibility for sustainability issues within the Group, the management of the day-to-day sustainability work has been delegated to the Chief Corporate Responsibility Officer, who is part of the ICA Gruppen Management Team (IMT).

The IMT, under the leadership of the Chief Corporate Responsibility Officer, is tasked with developing and, if need be, monitoring the Group's application of the Sustainability Policy. To support the IMT and the Chief Corporate Responsibility Officer, ICA Gruppen has established a Sustainability Work Group. The Sustainability Work Group is cross-functional and addresses matters relating to sustainability and business ethics. The IMT suggests sustainability priorities to the Board and monitors ethical dilemmas, risks and public opinion. The IMT is also tasked with proposing policies to the Board and revising existing policies. For a number of years the operating companies in ICA Gruppen have been using selected key indicators in the areas of the environment, health, equality, corporate social responsibility and quality. The Company publishes quarterly reports on its sustainability work showing ongoing progress during the year. The report covers all operating companies within the Group. In addition, the Company publishes an annual sustainability report in accordance with

the Global Reporting Initiative (GRI) guidelines to provide an overall picture of its sustainability work. Read more about ICA Gruppen's sustainability work starting on page 28 and onwards and on the Group's website, www.icagruppen.se/en.

Basis of the report

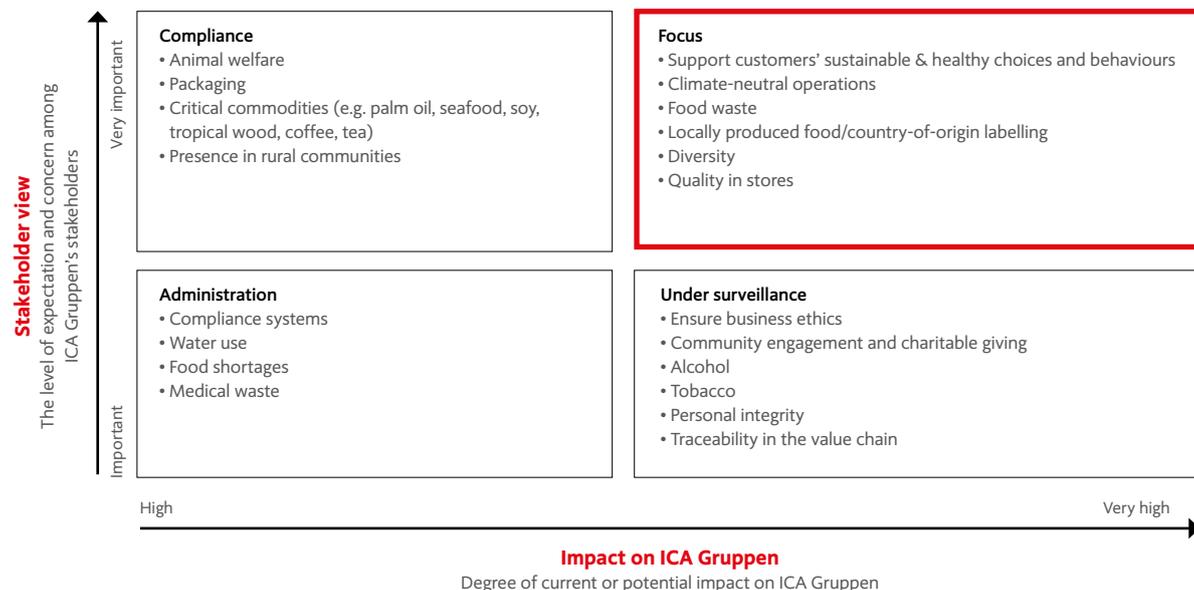
ICA Gruppen's Sustainability Report follows the Global Reporting Initiative guidelines (GRI G4). It covers all significant principles in the UN Global Compact and describes sustainability issues of interest to ICA Gruppen's stakeholders. ICA Gruppen's Sustainability Report for 2017 has been reviewed by a third party and is in accordance with the Core level according to GRI.

ICA Gruppen's Sustainability Report describes the Group's work on the environment, ethical trading, quality, health, diversity and community engagement. Since 1995 an annual environmental and sustainability report has been published. Since 2004 it has been reported in accordance with the GRI reporting standard. As of 2008 the Sustainability Report has been reviewed by a third party, following a decision by the ICA Gruppen Management Team. The report follows ICA Gruppen's financial year, and as such covers the period 1 January 2017 to 31 December 2017. The previous report was published in March 2017.

Materiality analysis

Information and key performance indicators in this report have been selected based on the sustainability aspects deemed to be relevant to ICA Gruppen's operations. Opinions expressed by ICA Gruppen's stakeholders are taken into consideration when defining the significant issues in sustainability work, in order to make continuous improvements. Using the GRI's Guidance on Defining Report Content, a materiality analysis has been carried out – based in part on the demands and expectations of stakeholders. The evaluation is based on four fields in which each issue is evaluated

ICA Gruppen's materiality analysis



from two different angles: stakeholder view and impact on ICA Gruppen. The materiality analysis was defined for the first time in 2008 and is revised each year.

In the analysis for 2017, carried out in late 2016, the most material issues were defined as follows: support customer's sustainable and healthy choices and behaviour, climate-neutral operations, food waste, locally produced food/country-of-origin labelling, diversity and quality in stores.

In addition to these, the Group has a continuous focus on socially and environmentally responsible sourcing and on product safety and quality.

Boundaries

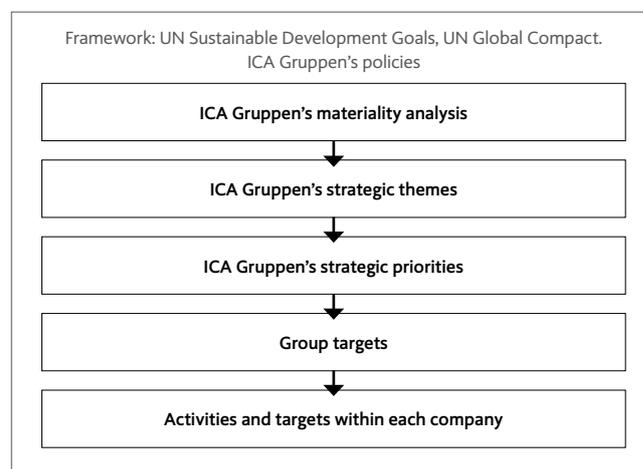
The report covers all companies within ICA Gruppen. The report mainly comprises operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. In Sweden ICA collaborates with approximately 1,300 independent ICA retailers through agreements. Information on these is presented when relevant to the overview of ICA Gruppen's sustainability work, for example in respect of:

- Emissions
- Electricity consumption
- Refrigerants
- Waste collected in connection with deliveries of goods to stores
- Sales data from stores
- The number of stores that are certified according to the Swedish standard for food handling in stores, are Swan eco-labelled or have introduced ICA Retailers for the Environment

Operations outside ICA Gruppen's direct control, such as suppliers and customers, are not included in the report. Information on suppliers of ICA Gruppen's corporate brands is included in the report where appropriate.

Framework for sustainability work

As part of its work to contribute to and work towards global responsibility within sustainability, since 2004 ICA Gruppen has been a signatory of the UN Global Compact and is thereby committed to its 10 principles covering human rights, labour conditions, the environment and anti-corruption. This is being implemented through ICA Gruppen's policies, which have been adopted by ICA Gruppen's Board and serve as a foundation for the Group's sustainability work. Governing bodies and employees are trained in ICA Gruppen's policies, through both online courses and special initia-



tives. Guidelines are linked to each policy, explaining how each is to be put into practice.

ICA Gruppen is also a signatory to the UN's Caring for Climate initiative (2007) and has undertaken to follow the sustainability programme of the Consumer Goods Forum, a global industry organisation. ICA Gruppen supports and follows the OECD's guidelines for multinational enterprises, the Business Charter for Sustainable Development from the International Chamber of Commerce (ICC) and the ICC's anti-corruption and anti-bribery principles. ICA Gruppen is also a signatory to Science Based Targets (2015) and the ERRT Position Paper on Circular Economy (2015). Since 2015 ICA Sweden has been taking part in the government initiative Fossil Free Sweden.

The UN Global Compact, UN Sustainable Development Goals and ICA Gruppen's policies form a framework for all operations within ICA Gruppen. These provide a basis for the annual materiality analysis which is used for elaborating strategies, targets and activities.

Contact

Kerstin Lindvall, Chief Corporate Responsibility Officer, ICA Gruppen
+46 8 561 500 00, kerstin.lindvall@ica.se

Sustainability work based on tools and standards

ICA Gruppen works on sustainability in a structured way, using tools and models to follow up and ensure that the products sold and processed by the Group meet both internal and external requirements.

One element of this is certification of large parts of the sourcing, logistics and store processes to relevant standards for quality and the environment.

Certification and standards for quality and the environment

	ISO 14001	ISO 9001	ISO 22000	BRC S&D
ICA Sweden, logistics operations* **	1998	–	2017	2012
ICA Real Estate*	1999	–	–	–
ICA Sweden, sourcing operations*	2012	2012	–	–
ICA Special, sourcing operations*	2012	2012	–	–
Rimi Baltic, sourcing operations*	2015	2015	–	–
Rimi Baltic, warehouse in Riga*	–	–	–	2014

* Year first certified.

** ICA Sweden's logistics operations were certified to BRC S&D in the years 2012–2016.

	Swan eco-label	ICA Retailers for the Environment	Swedish standard for food handling in stores
Swedish ICA stores, number	135	129	592

Environmental certification and standards

The environmental standard ISO 14001 is used to certify operations, and in the stores the Swan eco-label is used along with the Group's own environmental support tool ICA Retailers for the Environment. ICA Real Estate's target is for all new wholly owned facilities to be certified by the Sweden Green Building Council's environmental certification "Miljöbyggnad" at the Gold level. In 2017, ICA Real Estate had seven ongoing projects, five of which were completed during the year: ICA Supermarket Telefonplan, ICA Kvantum Hammarö, ICA Kvantum Ludvika, Maxi ICA Storknådan Moraberg and ICA Kvantum Huskvarna. Certification according to the "Miljöbyggnad" rating is ongoing in all except ICA Maxi Moraberg.

Suppliers to ICA Gruppen must be active in their own internal environmental work, including establishing an environmental policy, environmental targets and plans to reduce environmental impact from production and other activities. Suppliers must regularly monitor the environmental impact of their business. ICA Gruppen ensures its requirements are met through agreements, follow-up and by recommending established systems of environmental certification.

During 2016 the ICA Social Audit – ICA Gruppen’s own tool for social auditing of suppliers – was supplemented with additional parts relating to the supplier’s environmental work. The aim was to be able to monitor the suppliers’ environmental performance even more effectively. The new parts focus on waste disposal, chemicals and water treatment, among other things.

Quality certification and standards

The quality standards ISO 9001, ISO 22000 and BRC S&D are used to certify operations, while stores use the Swedish standard for food handling in stores. ICA Sweden’s quality coaches carry out an annual internal audit of practically all ICA stores. The internal audit is an extensive review of all food handling by the store and takes around four hours per store. The goal is that 95% of ICA stores will be internally audited each year. In 2017, ICA Sweden achieved 96%. Rimi Baltic uses its own standard for food handling, which is based on the Swedish standard and covers all of the store formats in Estonia, Latvia and Lithuania.

ICA Gruppen requires its corporate brand food suppliers to be third-party certified to a product safety standard approved by the Global Food Safety Initiative (GFSI). These standards cover food safety management systems, Hazard Analysis and Critical Control Points (HACCP), and good manufacturing practices. Local suppliers of ICA Gruppen’s corporate brands can also be certified to local standards (in addition to GFSI-approved standards), allowing small suppliers to safely supply products. This system promotes local production and facilitates the Groups’ local adaptation.

Suppliers of corporate brand cosmetics and hygiene products are required to be certified to BRC Global Standard Consumer Products (BRC CP) or an equivalent standard. For other suppliers of corporate brand non-food products to ICA Gruppen, the goal is to be certified to BRC CP, ISO 9001 or an equivalent standard.

The quality system at the individual pharmacies, the so-called self-monitoring programme, is regulated by legislation from the Medical Products Agency (MPA). All pharmacies have a local quality manager who must ensure compliance with the requirements and who also reports to the MPA if there are serious deficiencies in the operations. In addition, every year an inspection is carried out by the local quality manager at the pharmacy. Apotek Hjärtat has quality assurance specialists who conduct regular internal inspections to ensure that its pharmacies maintain a high level of quality and follow the self-monitoring programme. Suppliers of medicines are approved by the MPA, and all pharmacies have an obligation to provide approved prescription drugs.

Quality assurance of products

ICA Gruppen is working on several fronts to prevent future food fraud, including through a long-term investment at ICA Sweden to expand country-of-origin labelling to more corporate brand products. ICA Gruppen is also engaged in a continuous dialogue with the food industry and relevant authorities, and monitors the work of the GFSI in this area. ICA Gruppen has also performed an internal vulnerability analysis in accordance with GFSI requirements and has its own action plan to counter food fraud.

Quality tests and follow-up inspections are carried out regularly by ICA Gruppen’s suppliers as part of their quality programmes. In addition, ICA takes random samples based on a risk assessment that is updated annually by product category. All of ICA Gruppen’s corporate brand products undergo sensory and/or quality tests on their way to becoming finished products. The sensory tests evaluate appearance, aroma, taste and consistency. Ingredients, nutritional information and other properties are detailed in internal product specifications. For certain groups of products ICA Gruppen also tests the products’ functionality. All products are examined and approved to ensure that they comply with ICA Gruppen’s policies and internal guidelines. Packaging information is also inspected and approved.

Ethical trade

ICA Gruppen has produced its own tool for social auditing of corporate brand suppliers in high-risk countries: the ICA Social Audit. The requirements are based on similar criteria to the Business Social Compliance Initiative (BSCI). The combination of the ICA Social Audit, carried out by the Group’s own employees or consultants, and third-party audits, such as BSCI, ETI or SA8000, has successfully shortened the often time-consuming process of obtaining a social audit. The ICA Social Audit helps suppliers to improve working conditions in production more quickly. In a long-term perspective, ICA Gruppen works to ensure that all suppliers of corporate brand products in high-risk countries use a third-party system, which also benefits the suppliers in their other customer relationships.

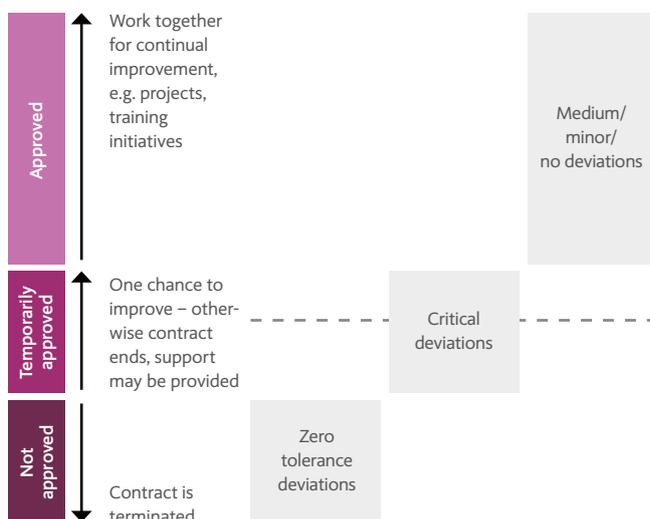
If ICA Gruppen’s own auditors or third-party auditors detect violations at a production facility used by the Group, a concrete action plan is established and followed up in a re-audit. The first time a supplier violates the contractual requirements, it generally gets a chance to correct the problem, meanwhile, they get a temporary approval. If it corrects the problem to the Group’s satisfaction, ICA Gruppen will keep working with them. If a critical deviation is repeated, the agreement with the supplier will be terminated. In 2017 ICA Gruppen decided to terminate agreements with 13 (9) suppliers because they did not adequately meet the Group’s requirements on human rights or they had not made the necessary improvements since the first audit.

Combating child labour

ICA Gruppen’s basic rule when it comes to child labour is that people younger than 15 may not work for any of the Group’s suppliers. If national laws have stricter limits, these apply. In China, for example, the minimum legal working age is 16. ICA Gruppen also requires its suppliers to give special consideration to young workers (younger than 18) in matters such as the right to limited working hours.

If ICA Gruppen detects or suspects that a worker has not reached the minimum legal working age, the contract with the supplier obliges the supplier to take measures to protect the best interests of that person. Together with the supplier, ICA Gruppen tries to find the best possible solution in light of the child’s age, education and social situation.

Approval for social responsibility at ICA Gruppen



Partnerships and memberships

ICA Gruppen cooperates with a number of organisations and participates in various networks focused on social responsibility, the environment, health and food quality/food safety. Maintaining a continuous dialogue with consumer and environmental organisations, trade organisations and other local, national and international interest groups is an important part of ICA Gruppen's sustainability work and enables the Group to compare and improve the way it works and thus promote positive development.

ICA Gruppen's Chief Corporate Responsibility Officer is the Group's representative in the UN Global Compact, including its Nordic network.

ICA Gruppen's Chief Corporate Responsibility Officer is a member of the Monitoring Board of the Swedish Chemicals Agency and is also a member of the board of KRAV, which develops organic standards and promotes the KRAV label. ICA participates in a network organised by the Norwegian-Swedish Chamber of Commerce to strengthen relationships between Scandinavia and the Balkans. ICA Sweden is a

member of the trade organisation Svensk Dagligvaruhandel (the Swedish Grocery Trade Federation), which works to protect the interests of consumers.

In Lithuania, Rimi is a permanent member of the initiative Baltoji Banga (Transparent Wave), which promotes transparency in Lithuanian business. In Latvia, Rimi is one of the founders of the Latvian Food Retailers' Association, which was established in 2010.

ICA Bank has joined forces with ECPAT, other financial institutions and the police to combat online child pornography. ECPAT is a global network of organisations working to eliminate child prostitution, child pornography and human trafficking.

ICA Sweden is a member of Fossil Free Sweden and the Sustainable Food Chain initiative. ICA Sweden is an active partner in Arena for Growth, a public-private partnership to promote local and regional growth through collaboration and growth-promoting processes.

Examples of additional memberships and initiatives in which ICA Gruppen participates

- Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)
- Better Cotton Initiative (BCI)
- BoTryggt2030
- Business Social Compliance Initiative (BSCI)
- Consumer Goods Forum
- Global Food Safety Initiative (GFSI)
- In-Depth Cooperation Programme
- REAP (Retailers' Environmental Action Programme)
- Round Table on Responsible Soy (RTRS)
- Roundtable on Sustainable Palm Oil (RSPO)
- Supply Chain Initiative
- Sweden Green Building Council
- Sweden Textile Water Initiative (STWI)
- Swedish Leadership for Sustainable Development (Sida)
- Swedish Soy Dialogue
- Swedish Textile Importers
- Swedish Trade Federation (Svensk Handel)
- Swerea IVF's Chemical Group
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation
- The SIWI Group on water and food

Additional examples of dialogue partners

In addition to trade organisations in each market, ICA Gruppen's most important dialogue partners in the area of sustainability include:

- Fairtrade
- Federation of Swedish Farmers (LRF)
- Forest Stewardship Council (FSC)
- Marine Stewardship Council (MSC)
- Public Health Agency of Sweden
- Swedish Asthma and Allergy Association
- Swedish Board of Agriculture
- Swedish Coeliac Society
- Swedish Consumers' Association
- Swedish Environmental Protection Agency
- Swedish National Food Agency
- Swedish Society for Nature Conservation
- Textile Exchange
- WWF

Sustainability data

Environment

Use of resources

In 2017 major emphasis was placed on initiatives to increase energy efficiency in stores, for example by overhauling lighting and ventilation and transition to refrigerants with lower climate impact. ICA Gruppen's total energy consumption in warehouses, stores and pharmacies decreased by only 1% during the year. This is mainly due to a large number of store- and pharmacy openings in 2017, resulting in increased energy con-

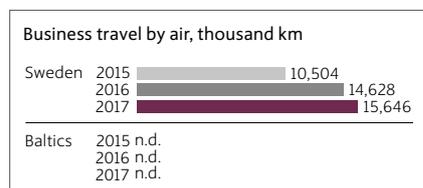
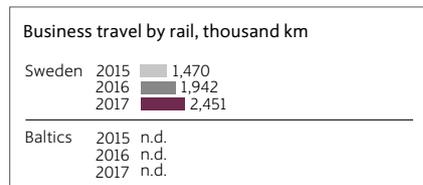
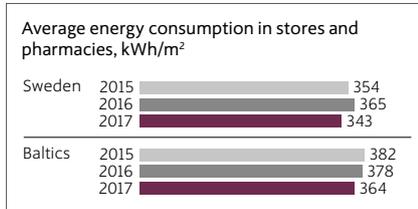
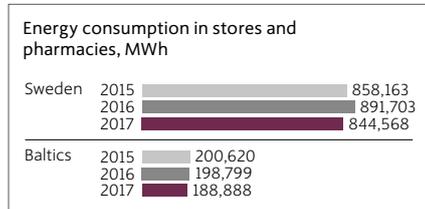
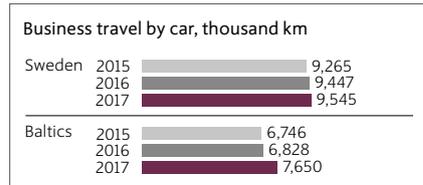
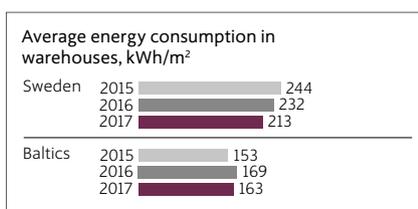
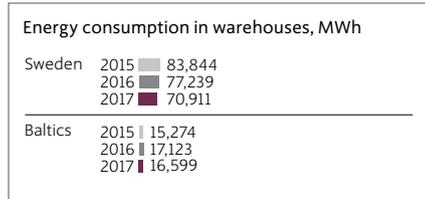
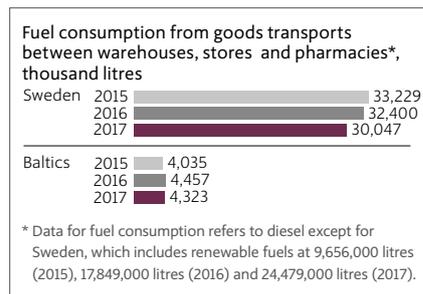
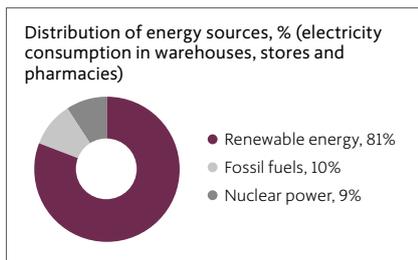
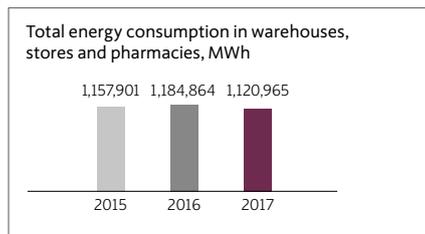
sumption. Average energy consumption per square metre however, has decreased during the year in both warehouses and stores and pharmacies, an effect of increased resource efficiency.

During 2015 consumption of refrigerants in the Baltic operations increased sharply due to equipment failures. The equipment has since then been renovated and new routines to prevent future failures has been

put into action. Despite this, refrigeration consumption in the Baltic operations increased in 2017 compared with 2016.

Logistics operations in Sweden is working focused to increase the share of renewable fuels and during 2017 the share of renewable fuels was 71% (48), an increase by 37% (85) compared to 2016.

Energy and refrigerants



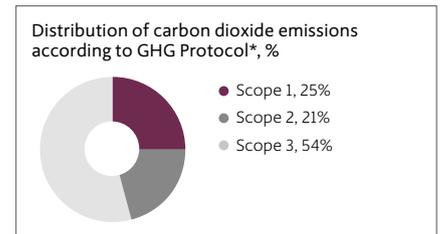
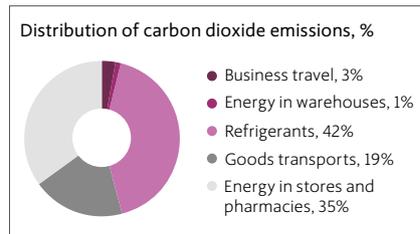
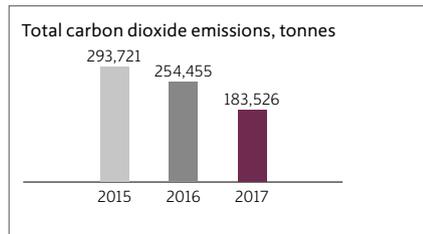
Emissions

Since 2006, ICA Gruppen's direct greenhouse gas emissions have decreased by 52% (33). The decline has been largely thanks to long-term efforts within the areas of energy, refrigerants and transport. The main contributors to the decrease in 2017 is the transition to renewable electricity in Rimi Baltic's operations and the sharply increasing share of renewable fuels in the Swedish operations. During the year the share of

renewable fuels increased by 37% (85) which meant that the total share amounted to 71% (48). The share of ICA-stores switching to refrigerants with a lower climate impact also increased, contributing to the reduction in emissions. ICA Gruppen's target to be climate neutral by 2020 puts high demands on equipment maintenance, operation, contracts and knowledge to improve resource efficiency and drastically reduce the

climate impact of ICA Gruppen's own operations. Among other things, Rimi Baltic has an extensive programme to replace the refrigerants in the stores to refrigerants with less climate impact, which resulted in decreased emissions of carbon dioxide from refrigerants during the year.

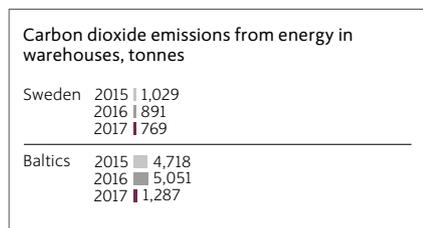
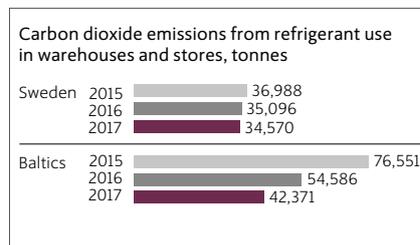
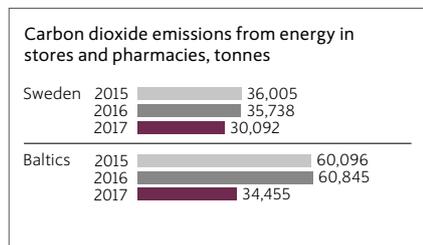
Greenhouse gas emissions



Total carbon dioxide emissions according to GHG Protocol, tonnes**

	2017	2016	2015
Scope 1	46,383	58,470	80,448
Scope 2	38,820	70,134	69,286
Scope 3	98,323	125,851	143,987

Energy and refrigerants



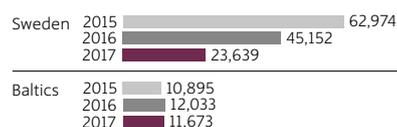
Scope 1 comprises emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself and emissions from business travel using leased company cars and cars provided as a fringe benefit.
 Scope 2 comprises emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself.
 Scope 3 comprises emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen and emissions from transports between warehouses and stores/pharmacies.
 * See page 129.
 ** Not divided into fossil/non-fossil emissions.

Emissions

Transport

ICA Gruppen continues to streamline its infrastructure and distribution network in order to reduce the total distance travelled by vehicles. With careful scheduling and optimised loads, ICA Gruppen can make its deliveries using fewer, more efficiently loaded lorries, which do less driving in total. ICA Sweden, Apotek Hjärtat and Hemtex currently does not own any lorries, while Rimi Baltic has its own lorries and also leases lorries. Modern engine technology and renewable fuels reduce emissions, which ICA Sweden, Apotek Hjärtat and Hemtex requires its haulage companies to report. In Sweden, both renewable fuels and diesel are used, in the Baltic countries only diesel.

Carbon dioxide emissions from goods transports between warehouses, stores and pharmacies, tonnes



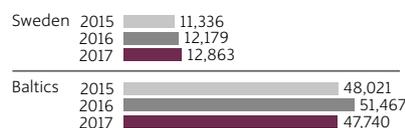
Carbon dioxide emissions from business travel by air, train and car, tonnes



Waste

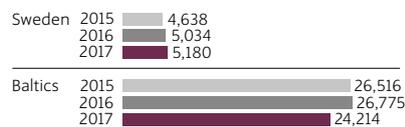
ICA Gruppen works to minimise waste and maintain high recycling rates in its warehouses and stores. As part of this, ICA Gruppen works in partnership with several charitable organisations, including the Salvation Army in Sweden and the Food Bank in the Baltic countries. The organisations are given food from the warehouses that cannot be sold in stores, either because they are short dated or because of damaged packaging, even though the food is fully edible. The Swedish ICA-stores, Apotek Hjärtat and Hemtex is not included in wastedata.

Total waste volume*, tonnes

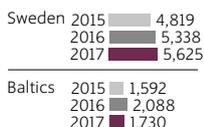


* Data for Sweden refers to waste from logistics. Data for the Baltics refers to waste from logistics and stores.

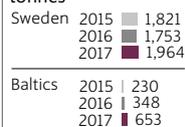
Recycled/reused, tonnes



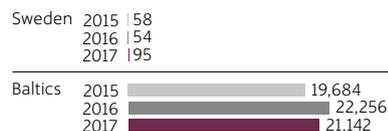
Compostable, tonnes



Incinerated waste, tonnes



Landfill, tonnes



Level of recycling*, %



* Includes recycled/reused, compostable and incinerated waste.

Environmental work in stores

In Sweden, 135 (142) ICA stores had been awarded a Swan eco-label at year-end 2017, which is 10% of the stores. The Swan eco-label applies tough criteria to matters such as waste management and energy efficiency. The internal eco-tool ICA Retailers for the Environment aims to help stores improve their environmental work and further reduce their environmental impact. By the end of the year, 129 (95) ICA stores had introduced the tool.

Swan eco-labelled ICA stores, number

	2017	2016	2015
ICA Sweden	135	142	157

ICA stores that have been approved according to ICA Retailers for the Environment, number

	2017	2016	2015
ICA Sweden	129	95	91

Quality

In 2017 work continued with audits, traceability checks, reviews of product contents and labelling, product testing and structured quality assurance. If it is suspected that a product ICA Gruppen has sold may pose a health risk, the Group contacts the responsible supervisory authority, takes the product off the shelves and distributes a press release announcing a recall. A recall means that the product is immediately

stopped at check-out and is no longer available for sale. A recall is always followed up with the supplier through a visit and/or documented feedback on the measures the supplier has taken to prevent any reoccurrence. No recalls in 2017 resulted in a fine or a warning for ICA Gruppen.

Product recalls, number

	2017	2016	2015
Total	43	44	58
Corporate brands	18	9	10

Quality-certified stores and stores that have implemented the Swedish standard for food handling in stores, ICA Sweden, number

	2017	2016	2015
Accepted by inspection body	592	428	351
Adopted the standard	1,048	994	949

Employees

ICA Gruppen is a major employer with approximately 28,000 employees, mainly in Sweden and the Baltic countries. Converted to full-time staff, this corresponds to 22,137 (21,986) full-time equivalents (FTEs). Of the Group's employees, 68% work in stores and pharmacies, 14% in warehouses and 18% in other operations. Stores and pharmacies have a higher share of part-time employees and a higher share of

women employed compared to other operations. The data is based on the number of employees at year-end, except for Number of FTEs and Gender distribution, all employees. Store employees in the retailer-owned ICA stores in Sweden are not included because they are employed by the individual ICA retailers. Sickness-related absence varies depending on the activities within each segment. Through various analyses,

the absence is followed up continuously and active measures are taken through the processes of early rehabilitation, prevention, support and organisational efforts that ICA Gruppen has developed to reduce sickness-related absence.

Number of FTEs

Number of FTEs	2017	2016	2015
Sweden	12,319	12,108	12,750
Norway	0	12	19
Finland	60	73	73
Baltic countries	9,653	9,699	9,562
Hong Kong	105	94	95
ICA Gruppen total	22,137	21,986	22,499

Covered by collective agreements

Covered by collective agreements, %

	2017
Sweden	100
Finland	100
Baltic countries	77
Hong Kong	0
ICA Gruppen total	90

Employee turnover

Employee turnover, %	2017	2016	2015
ICA Gruppen AB*	10	7	34
ICA Bank	15	15	9
ICA Real Estate	13	10	7
ICA Sweden**	15	12	7
Rimi Baltic	39	45	51
Apotek Hjärtat	14	15	16
Hemtex	23	18	15
ICA Global Sourcing	27	18	10
ICA Gruppen total	26	27	33

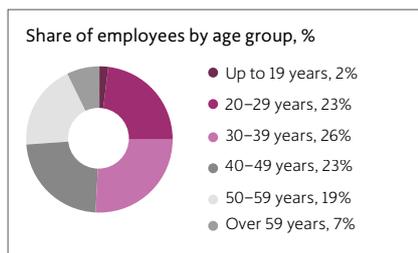
* ICA Gruppen AB's figure for 2015 is mainly due to outsourcing of IT services.

** From 2016 the figure for the store subsidiaries is also included.

Sickness-related absence

Sickness-related absence, %	2017	2016	2015
ICA Gruppen AB	3.5	3.1	3.7
ICA Bank	3.1	4	4.1
ICA Real Estate	2	3	2.7
ICA Sweden	5.4	5.9	5.7
Rimi Baltic	5.5	5.8	5.5
Apotek Hjärtat	5.1	5.5	5.4
Hemtex	5	5.7	4.5
ICA Global Sourcing	3.2	1.4	1.3
ICA Gruppen total	5.3	5.7	5.4

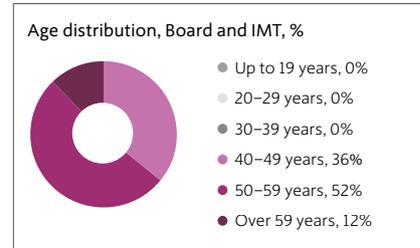
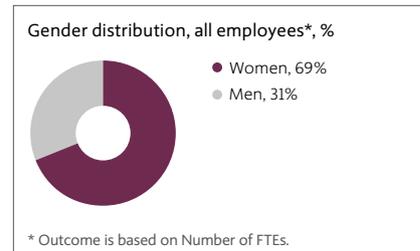
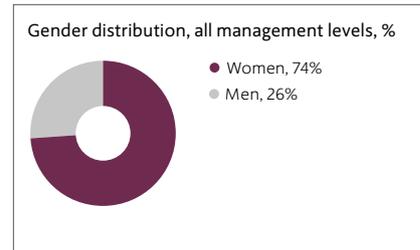
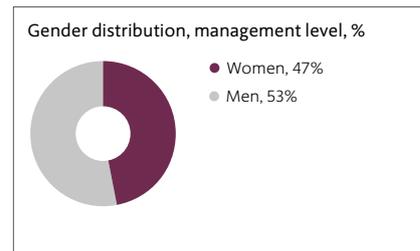
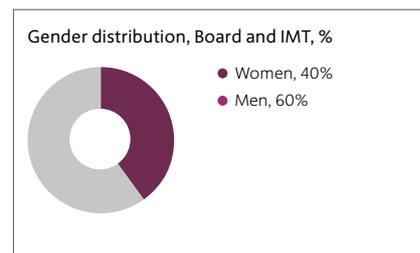
Type of employment



Employment by type, region and gender, number

	2017			2016			2015		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Sweden									
Permanent	5,514	7,632	13,146	5,323	7,522	12,845	5,405	8,169	13,574
Temporary	799	2,031	2,830	733	2,013	2,746	863	1,478	2,341
Consultants	n.d.	n.d.	988	n.d.	n.d.	625	n.d.	n.d.	1,017
Finland									
Permanent	0	67	67	1	90	91	1	100	101
Temporary	0	13	13	0	37	37	1	28	29
Consultants	0	0	0	0	0	0	0	0	0
Baltic countries									
Permanent	1,715	10,213	11,928	1,793	10,323	12,116	1,937	10,309	12,246
Temporary	58	217	275	43	198	241	26	194	220
Consultants	0	0	0	0	0	0	n.d.	n.d.	14
Asia									
Permanent	61	50	111	50	42	92	52	44	96
Temporary	0	1	1	0	0	0	0	1	1
Consultants	1	1	2	n.d.	n.d.	1	n.d.	n.d.	1
ICA Gruppen total									
Permanent	7,290	17,962	25,252	7,167	17,977	25,144	7,395	18,622	26,017
Temporary	857	2,262	3,119	776	2,248	3,024	890	1,701	2,591
Consultants	n.d.	n.d.	990	n.d.	n.d.	626	n.d.	n.d.	1,032

Gender distribution



Measurement and calculation methods

The Sustainability Report covers all companies within ICA Gruppen. There are certain exceptions, however, which are detailed below. A Group-wide IT system is used to collect data on sustainability issues. The system supports continuous reporting with the aim of ensuring the long-term quality of the indicators included in ICA Gruppen's continuous monitoring and reporting of sustainability work. Each company reports data according to the Group's definitions and routines for sustainability reporting. The measurement and calculation methods are described in detail below.

Energy

Comprises stores, pharmacies and warehouses, as well as offices belonging to logistics departments. To calculate electricity consumption in Swedish stores a sampling of stores in each format is used. The same calculation principle is used for pharmacies and Hemtex stores. The actual consumption is then extrapolated with the total number of stores and pharmacies in order to report the total energy consumption at the end of the reporting period.

To calculate energy consumption per square metre in warehouses, stores and pharmacies, the area of the warehouses, stores and pharmacies in operation at the end of the measurement period is used.

Goods transport

Comprises transport of goods between ICA Gruppen's warehouses and stores/pharmacies. The transportation of goods to warehouses is not included.

All the haulage companies working with ICA Sweden report actual transport data, for both diesel and renewable fuels.

The haulage companies working with Apotek Hjärtat report a mix of actual consumption and standard amounts based on distances driven.

The haulage companies working with Hemtex report based on distances driven, using their own standard calculations.

Diesel consumption for transport vehicles leased by Rimi Baltic is calculated based on distances driven and average fuel consumption. Diesel for Rimi Baltic's own transport of goods is obtained directly from the diesel supplier.

Refrigerants

Comprises refrigerant refills in all warehouses and stores. Data for ICA Sweden's warehouses is based on official refrigerant reports and is reported for the current year. Data on refrigerants in ICA Sweden's stores refers to the previous year's consumption. Data on Rimi Baltic's consumption of refrigerants, in warehouses and stores, refers to the current year's consumption.

Business travel

Comprises business travel by air booked through the central travel agency for ICA in Sweden and Apotek Hjärtat, as well as reported flights for Hemtex.

Comprises business travel by rail for ICA in Sweden booked through the central travel agency or directly through travel providers using ICA's customer number.

Comprises business travel by car for ICA in Sweden, Hemtex and Rimi Baltic.

Climate-neutral

ICA Gruppen is to be climate-neutral by 2020. This means that the Group must reduce its climate impact as much as possible, and by at least 70% by 2020 compared with 2006. Any remaining emissions will be offset by ICA Gruppen using emissions allowances. The emissions comprised are greenhouse gas emissions from refrigerants and energy use in stores, pharmacies, warehouses and offices, from goods transport between warehouses and stores/pharmacies and from business travel (Scope 1, Scope 2 and parts of Scope 3). Both the Swedish and the Baltic operations are included. By climate-neutral ICA Gruppen means that net greenhouse gas emissions will be zero. This is in line with the definition used by the Swedish Environmental Protection Agency.

Climate impact

At the end of 2015 the ICA Gruppen Management Team set a new climate target. The target was set in accordance with the method for Science Based Targets and the GHG Protocol Corporate Accounting and Reporting Standard. The year 2006

remains the fixed base year for emission factors. For any new energy and fuels introduced after 2006, emission factors are set in accordance with the IPCC's recommendation. In this report, ICA Gruppen's decrease in direct greenhouse gas emissions is reported per square metre of total area in stores, pharmacies and warehouses. The aim is to improve transparency and accuracy, since the outcome will track changes in the Group's operations (major mergers and divestments will not in themselves affect the outcome for emissions). The outcome for the climate target also shows the forecast emissions of CO₂e/m² for the years up to 2020. The forecast is based on an estimated increase in total area of 2% per year for these years, as well as the forecast reductions in greenhouse gases that planned measures will contribute. The forecast does not include the effects of any future acquisitions.

Emissions according to the GHG Protocol include the following in each scope:

Scope 1: Emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself, emissions from business travel using leased company cars and cars provided as a fringe benefit.

Scope 2: Emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself.

Scope 3: Emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen, emissions from transport between warehouses and stores/pharmacies.

The following factors are used to calculate carbon dioxide emissions:

- Emissions factor for the 2006 Nordic electricity mix for conventional electricity in Sweden.
- Supplier-specific emissions factor for units that have signed the central electricity agreement.
- The International Energy Agency's average for the years 2000–2005 for electricity production in each Baltic country.
- Renewable energy within Rimi Baltic as per IEA.
- Swedish average for district heating from the Swedish Energy Agency (as recommended by the GHG Protocol).
- Emissions factor for diesel and ethanol from Nätverket för Trafik och Miljö (NTM).
- Global Warming Potential (GWP) for each type of refrigerant according to the Montreal Protocol and IPCC.
- Carbon dioxide emissions from air and rail travel are obtained from the travel provider in Sweden.
- The GHG Protocol's emissions factor for business travel by car.
- Renewable fuels from the haulage company concerned, base year 2012 and 2016.

Waste

Comprises ICA Sweden's and Rimi Baltic's warehouses, as well as Rimi Baltic's stores. Apotek Hjärtat and Hemtex are not included in the reporting.

National laws and regional waste management systems define the types of waste included.

Information on waste management methods and amounts is obtained from waste contractors.

Rimi Baltic's waste is based on actual waste data extrapolated by the number of stores at year-end. Waste reported for Rimi Baltic includes packaging waste for products that Rimi Baltic introduces onto the market.

Compostable waste comprises biodegradable organic waste, i.e. waste sorted as compostable and 90% of organic waste fractions including packaging.

Incinerated waste comprises incinerated waste fractions and 10% of organic fractions including packaging.

Recycled/reused waste includes glass, metal, wood, plastics and other non-landfill waste.

For categories where ICA Gruppen has producer responsibility, such as pharmaceuticals, batteries, electronic products and packaging, disposal is in accordance with applicable legal requirements and any permits required. The waste arising from ICA Gruppen's producer responsibility is not included in the reported waste volumes.

ICA Gruppen seeks to reduce waste to landfill and increase the prospects of sorting and recycling of waste.

Customer surveys

ICA Gruppen's target, By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly help them make healthy choices, is measured and monitored through Satisfied Customer Index for ICA Sweden.

Supplier-related data

Quality-certified suppliers comprise all suppliers of ICA Gruppen's corporate brands who have undergone an audit and hold an associated valid certificate in accordance with one of the quality standards accepted by ICA Gruppen.

Information on socially audited suppliers refers to active corporate brand suppliers in high-risk countries whose production units have undergone an initial ICA Social Audit and/or an audit under any of the third party audit schemes accepted by ICA Gruppen. If zero tolerance deviations are detected the supplier will not be approved. If critical deviations are identified during audit the supplier generally gets a chance to correct the problem. If it corrects the problem to the Group's satisfaction the supplier is approved. Production unit refers to a factory, farm or processing plant.

High-risk countries are identified based on the BSCI (Business Social Compliance Initiative) definition.

Sales trends and number of products

Sales data for ICA Sweden includes all products in ICA Sweden's main product range sold from Swedish ICA stores. Sales percentages for ICA Sweden comprise all products in ICA Sweden's main product range, excluding non-food items. Sales data for the ICA stores' own sourcing from external suppliers is not included. As from the first quarter of 2016, ICA Gruppen reports store sales of eco-labelled, organic and ethically labelled products in ICA Sweden's product range. Products holding two or more of these labels are not counted twice.

Eco-labelled products are defined as products with one of the following labels: Swan, EU eco-label, Bra Miljöval (Good Environmental Choice), MSC and FSC (FSC-labelled packaging is not included). Organic products are defined as products with one of these labels: EU organic, KRAV, GOTS and OCS. Ethically labelled products are defined as products with one of the following labels: Rainforest Alliance, Utz Certified and Fairtrade. The number of products refers to the total number of unique EAN codes in ICA Sweden's product range in the current year.

Product-related information

The objective for palm oil involves ensuring that all palm oil is certified, which means that corporate brand products must contain palm oil certified by RSPO (Roundtable on Sustainable Palm Oil) from a segregated flow or under the mass balance system. Palm oil certificates are used only in exceptional cases.

In accordance with the commitment in the Swedish Soy Dialogue, the objective for soy includes soy products as well as meat and dairy products (of more than 80% animal origin) from animals raised with soy. The amount of soy used for this must be certified or covered by certificates (soy credits) by RTRS (Round Table on Responsible Soy) or ProTerra. This is ensured by setting requirements for suppliers, including confirmation of compliance. Where the supplier cannot itself ensure that the soy is certified or covered by certificates, ICA Sweden buys RTRS certificates based on forecast annual sales of the respective products.

Quality work and product safety

Recalls that are considered a risk to human health or the environment are public recalls, i.e. the public is informed via a press release or by other means.

Quality in stores

The number of certified ICA stores in Sweden refers to stores approved and certified by a third party in accordance with the Swedish standard for food handling in stores.

Stores that have adopted the Swedish standard for food handling in stores refers to Swedish ICA stores that apply the standard but have not been certified by a third party.

Environmental work in stores

Swan eco-labelled stores refers to ICA stores in Sweden approved and certified by a third party in accordance with the Swan criteria.

Stores that have been approved according to ICA Retailers for the Environment refers to Swedish ICA stores that have been approved in an internal audit by a quality coach from ICA Sweden.

Employees

Comprises personnel employed by ICA Gruppen, i.e. including employees in stores owned by a company within the Group. Data is based on the number of employees at year-end, except for Number of FTEs and Gender distribution all employees, which are based on the number of FTEs. The number of full-time equivalents (FTEs) comprises permanent employees, probationers and temporary employees hired for longer than one month.

Employee turnover is calculated as the number of permanent employees who leave during the year in relation to the average number of permanent employees. Starting from 2016, ICA's Swedish store subsidiaries are included.

Sickness-related absence is calculated as the number of hours of sickness-related absence in relation to scheduled working hours. Starting from 2016, ICA's Swedish store subsidiaries are included.

Gender distribution, all management levels refers to all managers with responsibility for staff within the Group. Gender distribution, management positions refers to management levels that have business-critical positions within ICA Gruppen (the internal definition of Gender distribution, management positions has changed from previous years and now encompasses a smaller group of positions).

Type of employment relates to all employees, broken down into those that work full-time (100%) and those that work part-time, i.e. less than 100%.

Permanent employees means individuals employed for an indefinite period or on a probationary basis, regardless of their degree of employment, as of December. Temporary employees means staff whose employment is for a limited term. The term consultants comprises both resources and expertise, as of December. Outsourced operations and agency workers in stores and warehouses are not included.

Significant changes since the previous reporting period

Group target for health

ICA Gruppen adopted a new Group target during the year, By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that most clearly help them make healthy choices. In 2017, only ICA Sweden is included in the outcome.

Significant changes in coming reporting periods

Supplier-related Group targets

Updated target and measurement method for supplier-related Group targets were adopted by the ICA Gruppen Management Team in January 2018. This will affect the measurement and calculation methods in the coming year.

Refrigerants

The timeline for collection of data on refrigerants will be reviewed, which may affect the measurement and calculation method in the coming year.

Health target

During 2018, Apotek Hjärtat and Rimi Baltic will follow up the Group target for health.

Climate impact

ICA Sweden's central warehouse for online grocery sales and related goods transports will be included in the reporting in the coming year.

Other

ICA Gruppen's acquisition of the IKI chain in Lithuania may change the measurement and calculation methods in the coming year.

GRI index

ICA Gruppen's Sustainability Report follows the Global Reporting Initiative's guidelines (GRI G4). It covers all significant principles in the UN Global Compact and describes sustainability issues of interest to ICA Gruppen's stakeholders. [SDG](#) = link to UN Sustainable Development Goals according to the [SDG Compass](#).

GENERAL STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
STRATEGY AND ANALYSIS					
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	CEO's comments, page 4	✓		
ORGANISATIONAL PROFILE					
G4-3	Report the name of the organisation	Note 1, page 84	✓		
G4-4	Report the primary brands, products and services	A focus on food and health, page 1 A strong business model, page 14 ICA Gruppen's segments, page 44	✓		
G4-5	Report the location of the organisation's headquarters	Note 1, page 84	✓		
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Note 1, page 84 ICA Gruppen's world of suppliers, page 40	✓		
G4-7	Report the nature of ownership and legal form	Note 1, page 84	✓		
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	A strong business model, page 14 ICA Gruppen's segments, page 44	✓		
G4-9	Report the scale of the organisation	ICA Gruppen's segments, page 44 Five-year financial summary, page 78	✓		
G4-10	a. Report the total number of employees by employment contract and gender b. Report the total number of permanent employees by employment type and gender c. Report the total workforce by employees and supervised workers and by gender d. Report the total workforce by region and gender e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Employees, page 127–128	✓	6	8
G4-11	Report the percentage of total employees covered by collective bargaining agreements	Employees, page 127	✓	3	8
G4-12	Describe the organisation's supply chain	ICA Gruppen's impact, page 29 ICA Gruppen's world of suppliers, page 40	✓		
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	2017 in brief, page 2 Shares and shareholders, page 72	✓		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	Risks and risk management, page 53	✓		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	For a good tomorrow, page 31 Partnerships and memberships, page 123	✓		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations	Partnerships and memberships, page 123	✓		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	Note 1, page 84 Note 2, page 87 About the Sustainability Report, page 120	✓		
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content	About the Sustainability Report, page 120	✓		
G4-19	List all the material Aspects identified in the process for defining report content	About the Sustainability Report, page 120	✓		
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	About the Sustainability Report, page 120 Measurement and calculation methods, page 129 See respective indicator for other boundaries	✓		
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	Measurement and calculation methods, page 129 See respective indicator for other boundaries	✓		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Measurement and calculation methods, page 129	✓		
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Measurement and calculation methods, page 129	✓		

SUSTAINABILITY INFORMATION

GENERAL STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
STAKEHOLDER ENGAGEMENT					
G4-24	Provide a list of stakeholder groups engaged by the organisation	Creating value for ICA Gruppen's stakeholders, page 13	✓		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Creating value for ICA Gruppen's stakeholders, page 13	✓		
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Creating value for ICA Gruppen's stakeholders, page 13 About the Sustainability Report, page 120	✓		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Creating value for ICA Gruppen's stakeholders, page 13 About the Sustainability Report, page 120	✓		
REPORT PROFILE					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the Sustainability Report, page 120	✓		
G4-29	Date of most recent previous report (if any)	About the Sustainability Report, page 120	✓		
G4-30	Reporting cycle (such as annual, biennial)	About the Sustainability Report, page 120	✓		
G4-31	Provide the contact point for questions regarding the report or its contents	About the Sustainability Report, page 120	✓		
G4-32	a. Report the 'in accordance' option the organisation has chosen b. Report the GRI Content Index for the chosen option	About the Sustainability Report, page 120 GRI index, page 131	✓		
G4-33	a. Report the organisation's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organisation and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	About the Sustainability Report, page 120	✓		
GOVERNANCE					
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance Report 2017, page 58 Board committees, page 61	✓		
ETHICS AND INTEGRITY					
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Rules and regulations, page 63 About the Sustainability Report, page 120	✓		16
GENERAL STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
ECONOMIC IMPACT					
Economic performance					
G4-DMA	Disclosure on management approach	Targets and outcomes, page 23 About the Sustainability Report, page 120	✓		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Risks and risk management, page 53 Risk related to climate change, page 57	✓		13
ENVIRONMENTAL IMPACT					
Energy					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120 Sustainability data, page 124	✓	7, 8, 9	
G4-EN3	Energy consumption within the organisation	ICA Gruppen's use of resources, page 35 Sustainability data, page 124 Measurement and calculation methods, page 129	✓	7, 8, 9	7, 8, 12, 13
G4-EN4	Energy consumption outside of the organisation	Sustainability data, page 124 Measurement and calculation methods, page 129	✓	7, 8, 9	7, 8, 12, 13
G4-EN6	Reduction of energy consumption	Sustainability data, page 124 Measurement and calculation methods, page 129	✓	7, 8, 9	7, 8, 12, 13
Emissions					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120 Emissions, page 125	✓	7, 8, 9	

GENERAL STANDARD DISCLOSURES		Section	External Assurance	Global Compact	SDG
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Emissions, page 125 Measurement and calculation methods, page 129	✓	7, 8, 9	3, 12, 13, 14, 15
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Emissions, page 125 Measurement and calculation methods, page 129	✓	7, 8, 9	3, 12, 13, 14, 15
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Emissions, page 125 Measurement and calculation methods, page 129	✓	7, 8, 9	3, 12, 13, 14, 15
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Sustainability targets, page 23 Rules and regulations, page 63 Emissions, page 125 Measurement and calculation methods, page 129	✓	7, 8, 9	13, 14, 15
Effluents and Waste					
G4-DMA	Disclosure on management approach	Rules and regulations, page 63 About the Sustainability Report, page 120	✓	7, 8, 9	
G4-EN23	Total weight of waste by type and disposal method	ICA Gruppen's use of resources, page 35 Emissions, page 126 Measurement and calculation methods, page 129	✓	7, 8, 9	3, 6, 12
Transport					
G4-DMA	Disclosure on management approach	Rules and regulations, page 63 About the Sustainability Report, page 120 Emissions, page 126	✓	7, 8, 9	
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Emissions, page 126 Measurement and calculation methods, page 129	✓	7, 8, 9	11, 12, 13
SOCIAL IMPACT – HUMAN RIGHTS					
Freedom of Association and Collective Bargaining					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120	✓	1, 2	
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	About the Sustainability Report, page 120 Measurement and calculation methods, page 130	✓	1, 2, 3	8
Child Labour					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120	✓	1, 2	
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	About the Sustainability Report, page 120 Measurement and calculation methods, page 130	✓	1, 2, 5	8, 16
Forced or Compulsory Labour					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120	✓	1, 2	
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	About the Sustainability Report, page 120 Measurement and calculation methods, page 130	✓	1, 2, 4	8
Supplier Human Rights Assessment					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Rules and regulations, page 63 About the Sustainability Report, page 120	✓	1, 2	
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Sustainability targets, page 23 Measurement and calculation methods, page 130	✓	1, 2	
SOCIAL IMPACT – PRODUCT RESPONSIBILITY					
Customer Health and Safety					
G4-DMA	Disclosure on management approach	Sustainability targets, page 23 Focus on labelling and traceability, page 40 Rules and regulations, page 63 About the Sustainability Report, page 120 Quality, page 127	✓		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Quality, page 127 Measurement and calculation methods, page 129	✓		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Quality, page 127 Measurement and calculation methods, page 129	✓		16

Assurance Report

Auditor's Limited Assurance Report on ICA Gruppen ABs Sustainability Report and statement regarding the Statutory Sustainability Report

To ICA Gruppen AB (publ), Corp. Id. 556048-2837

Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to undertake a limited assurance engagement of ICA Gruppen ABs Sustainability Report for the year 2017. ICA Gruppen AB has defined the scope of the Sustainability Report in the content summary in this document, the Statutory Sustainability Report is defined on page 3.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 120 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the

Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of ICA Gruppen AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 8 February 2018

KPMG AB

Thomas Forslund
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

Annual General Meeting and financial calendar

2018 Annual General Meeting

The Annual General Meeting (AGM) of shareholders in ICA Gruppen will be held on Thursday 12 April 2018 at 1 p.m. CET at Quality Hotel Friends, Solna, Sweden.

The notice of the AGM will be issued on Thursday, 8 March 2018 through a press release and on the Company's website, and will be published in Post- och Inrikestidningar (the Official Swedish Gazette) and through advertisements in daily newspapers such as Svenska Dagbladet on Monday, 12 March 2018. The notice and documentation relating to resolutions to be considered at the AGM will be available at www.icagruppen.se/en in the section on Corporate Governance.

Attendance

In order to attend the AGM shareholders must, no later than Friday, 6 April 2018, (i) be listed in the shareholder register maintained by Euroclear Sweden AB and (ii) have notified the Company of their intention to attend the AGM.

Notification of attendance can be given on ICA Gruppen's website under the section on Corporate Governance or by telephoning +46 8 402 90 40 on weekdays between 9 a.m. and 5 p.m. CET or by post to ICA Gruppen AB, Annual General Meeting 2018, c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden.

Nominee registered shares

In order to be entitled to attend the AGM, shareholders whose shares are registered with a nominee through a bank or other nominee must, well in advance of Friday, 6 April 2018, ask the nominee to register the shares in the shareholder's own name in the shareholder register maintained by Euroclear Sweden AB.

Dividend

The Board of Directors of ICA Gruppen proposes that the AGM votes in favour of a dividend of SEK 11.00 (10.50) per share, or a total of SEK 2,213 million (2,112).

The dividend corresponds to 53% of profit for the year. The dividend proposal is appropriate in view of the aim of providing a good and stable dividend over time. ICA Gruppen's dividend target is to maintain a long-term dividend to shareholders of at least 50% of profit for the year. Assuming that the AGM votes for the proposal, the final day for trading in ICA Gruppen shares and for the dividend entitlement is Thursday 12 April 2018. The record date is Monday 16 April 2018. The estimated payment date from Euroclear Sweden's system is therefore Thursday 19 April 2018.

Financial calendar

Annual General Meeting 2018	12 April 2018
Interim Report January–March 2018	27 April 2018
Interim Report January–June 2018	16 August 2018
Interim Report January–September 2018	25 October 2018
Interim Report January–December 2018	6 February 2019

Interim reports and other information from the Company are published regularly on the Company's website, www.icagruppen.se/en. It is also possible to subscribe for information published by the Company in the form of press releases. All interim reports and press releases intended for the capital market are published in Swedish and English.

Printed copies will be available at the Company's head office from week 11 of 2018. The Annual Report will be distributed by post to shareholders who have requested this.

Contact

Frans Benson, Head of Investor Relations
+46 8 561 500 20
frans.benson@ica.se

Glossary

Bangladesh Accord – An international agreement between companies and trade unions to improve safety in the textile industry in Bangladesh.

BRC – British Retail Consortium. Retail organisation in UK.

BRC CP – British Retail Consortium Consumer Products, a standard for non-food products that covers product safety, quality and compliance.

BRC S&D – British Retail Consortium Storage and Distribution, a quality standard for retailers that covers product safety, quality and compliance.

BSCI – Business Social Compliance Initiative, a European network for social audits of suppliers.

CRM – Consumer Relationship Management.

DHI – Retail Sales Index.

Fair price perception – Price perception among customers which to the greatest extent possible reflects the actual prices offered relative to those of competitors.

Fairtrade – Independent certification and product-labelling system that promotes better working and living conditions for growers and their employees in countries with widespread poverty.

GFSI – The Global Food Safety Initiative, a business-driven initiative for the continuous improvement of food safety management systems.

Global Compact – UN initiative to encourage companies to support human rights, labour and the environment.

HACCP – Hazard Analysis and Critical Control Point, risk analysis and management programme.

HUI – Swedish Institute of Retail (Handelns Utredningsinstitut).

High-risk countries – Countries with a high risk level as defined by the BSCI.

HVO – Hydrogenerated Vegetable Oil.

ICA corporate brands – All products for which ICA Gruppen is the primary consignor, mainly private label products.

IMT – ICA Gruppen Management Team.

ISO 9001/ISO 14001 – International standards for quality/food safety and environmental management systems.

Joint venture – A partnership project, a joint venture company.

KRAV – Swedish independent labelling system for organic food.

MSC – Marine Stewardship Council, international eco-label for seafood.

MTN – A medium-term note is a continuously offered debt note with a set maturity date.

Non-food – Items that are not food, such as clothing, kitchenwear and toys.

Omni-channel – Integrated seamless communication in all channels.

Omni-channel offering – An offering enabling a uniform customer experience, regardless of the channel in which the customer chooses to purchase goods or find information.

Private label products – Own brand products.

Proforma – The pro forma financial statements show a hypothetical financial situation. Pro forma financial statements have been prepared in order to illustrate what the financial situation would have been had ICA Gruppen had its present structure in 2012 and 2013.

RSPO – Roundtable on Sustainable Palm Oil, an organisation established to promote the growth and use of certified sustainable palm oil.

RTRS – Round Table on Responsible Soy, an organisation established to promote the growth and use of certified sustainable soy.

SCB – Statistics Sweden.

Svanen – Official Nordic eco-label of the Nordic Council of Ministers for products with less environmental impact.

Swedish standard for food handling in stores – Swedish industry-wide standard for food handling and food safety in stores.

TLV – The Dental and Pharmaceutical Benefits Agency.

3D property (Three-dimensional property) – a way to enable more efficient utilisation of properties by dividing up ownership of the property into different sections according to area of use.

For definitions of key figures see page 76.



Solberg

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Photo: Joakim Alexandersson, Joakim Bergström, Jessica Gow, Svante Remshagen, forgraphictm.com, ICA_Bildgruppen and others



ICA
100
är och
framåt!

Different children play best

Barnens Ö (Children's Island) is one of many initiatives and activities that ICA Gruppen is supporting. For more than 100 years children have come to Barnens Ö to experience the best days of the summer and to meet new friends.



ICA Gruppen AB • 171 93 Solna, Sweden. Visiting address: Svetsarvägen 16. Tel.: +46 8 561 500 00. www.icagruppen.se. Corporate identity number 556048-2837

ICA Sverige AB

171 93 Solna, Sweden
 Visiting address:
 Svetsarvägen 16
 Tel.: +46 8 561 500 00
www.ica.se

Rimi Baltic AB

A. Deglava Str 161
 LV-1021 Riga, Latvia
 Tel.: +37 1 800 001 80
www.rimibaltic.com

Apotek Hjärtat AB

171 93 Solna, Sweden
 Visiting address:
 Svetsarvägen 16
 Tel.: +46 8 561 500 00
www.apotekhartat.se

ICA Fastigheter AB

721 84 Västerås, Sweden
 Visiting address:
 Ingenjör Bååths gata 11, T2
 Tel.: +46 21 19 30 00
www.icafastigheter.se

ICA Banken AB

171 93 Solna, Sweden
 Visiting address:
 Svetsarvägen 16
 Tel.: +46 8 561 500 00
www.icabanken.se

Hemtex AB

Box 495, 504 33 Borås, Sweden
 Visiting address:
 Druveforsvägen 8
 Tel.: +46 33 20 69 00
www.hemtex.se