



We make every day a little easier

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. ICA Gruppen has around 23,000 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, in combination with the local entrepreneurship represented by ICA retailers in Sweden, creates value for all of ICA Gruppen's stakeholders.

ICA Gruppen's shares are listed on Nasdaq Stockholm (Large Cap). The largest shareholder at year-end 2019 was ICA-handlarnas Förbund (the Association of ICA Retailers).



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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.

THE YEAR IN BRIEF

The year in brief



Stable development in a changing market

In 2019 ICA Gruppen's underlying operating profit increased by slightly more than 9%, with good earnings growth in particular for ICA Sweden. A generally high level of activity and a number of major investments for the future contributed to a high level of investment. Cash flow remained strong.

Strong online sales performance

Online sales rose substantially again this year. Online sales for both ICA stores and Apotek Hjärtat increased faster than the market in general during the year. The ICA stores' online sales increased by 33% and Apotek Hjärtat's by 40%.



Divestment of Hemtex

In May all the shares in Hemtex were sold. The purchase price on a debt-free basis was SEK 226 million, entailing a capital loss after transaction costs of SEK 382 million. At the same time, ICA Gruppen and Hemtex are continuing to work together in areas such as sourcing and the new brand Hemtex24h.

Decision on e-commerce warehouse in Gothenburg

To improve efficiency and service for both stores and consumers in the Gothenburg region, during the spring the decision was taken to establish a central e-commerce warehouse. The warehouse, which is expected to open at the end of 2020, will offer independent ICA retailers picking and direct delivery from warehouse to end customer. A similar warehouse already exists in Stockholm.



Organisational changes at ICA Sweden

During the year a major review of ICA Sweden's organisation and ways of working was carried out. The aim was to introduce new, more efficient work processes and free up resources to provide scope for future investments. The changes resulted in the loss of around 200 jobs and the release of around SEK 180 million per year.

Launch of online shopping by Rimi Baltic

At the end of the year Rimi Baltic launched online shopping in Latvia. The launch will continue in 2020, when it will be expanded to include Estonia and Lithuania.

Reduced greenhouse gas emissions

At the end of 2019 ICA Gruppen's greenhouse gas emissions had reduced by 67% compared with the base year 2006. The decrease in emissions during 2019 is mainly due to the retail stores switching to refrigerants with a lower climate impact and to the transition to renewable energy throughout Rimi Baltic from the fourth quarter. The goal is for ICA Gruppen's operations to be climate neutral by 2020.

New Group targets within sustainability

During the year the Group adopted a new target to cut food waste from warehouses and stores in both Sweden and the Baltic countries in



half by 2025 compared with the base year 2016. In addition, a new fuel strategy was adopted under which all road transport within ICA Gruppen's Swedish operations is to be fossil free by 2030. In metropolitan regions this is to be achieved as early as 2025.

ICA Bank establishes mortgage company

During the year ICA Bank took the decision to establish a mortgage company jointly with partners. The new mortgage company will offer competitive products on the Swedish home loans market.

Sales 2019

SEK **119** bn

Operating profit¹ 2019

SEK **5.4** bn

Operating margin¹ 2019

4.5%

¹ Excluding items affecting comparability.

THE YEAR IN BRIEF

Financial key ratios

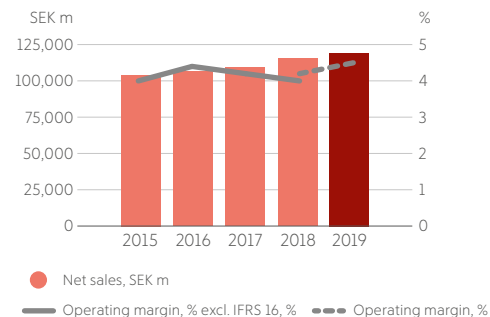
See page 75 for information and definitions.

Group, SEK m	Recalculated			
	2019	2018	2018 ¹	2017
Net sales	119,295	115,354	115,354	109,408
Operating profit before depreciation/amortisation (EBITDA)	10,193	6,302	9,850	6,756
Operating profit excluding items affecting comparability	5,356	4,651	4,811	4,642
Operating profit	4,934	4,498	4,658	5,220
Profit before tax	4,402	4,227	4,057	4,853
Profit for the year	3,450	3,647	3,508	4,145
Cash flow from operating activities	9,748	6,802	10,326	4,601
Operating margin excluding items affecting comparability, %	4.5	4.0	4.2	4.2
Operating margin, %	4.1	3.9	4.0	4.8
Return on capital employed, %	7.9	10.2	7.7	12.3
Return on equity, %	10.1	11.1	10.6	13.4
Earnings per share, SEK	17.06	18.05	17.35	20.53
Dividend per share, SEK ²	12.00	11.50	11.50	11.00

1 In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.
2 Board's proposal.

The introduction of IFRS 16 has a substantial effect on ICA Gruppen's financial reports. To facilitate comparison and to supplement the presentation of the formal comparison figures for 2018, ICA Gruppen has chosen to also present 2018 recalculated for IFRS 16. The 2018 figures are recalculated as if IFRS 16 had been applied from 1 January 2018, with the leases that were effective at the time. The segments within ICA Gruppen will continue to report all rentals as operating leases. The segment reporting for 2019 is therefore unchanged from 2018. See also Note 1.

Performance 2015–2019



ICA Gruppen enjoyed good sales growth in 2019 and operating profit was somewhat better than in the previous year. The operating margin adjusted for restructuring costs increased by 0.2 percentage points to 4.5%.

Sustainability performance indicators

See page 119 for information and definitions.

Group	2019	2018	2017
ICA Gruppen's operations will be climate neutral by 2020. Emissions decrease compared to 2006, %	-67	-62	-52
ICA Gruppen corporate brand suppliers (in high-risk countries) that have had a social audit, %	95	95	97
Quality-certified ICA Gruppen corporate brand suppliers, %	87	86	87
Halve food waste in warehouses and stores by 2025, decrease compared to 2016, %	-7	-3	-1

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 8–17, 19–30, 47–51, 63 and 119–132 of this document.



CEO'S COMMENTS

Strong position in a rapidly changing market

As we begin a new decade, we do so from a strong base. Overall, we have a well-functioning business with good profitability and strong cash flow. We also have a financial position that enables continued aggressive drives and initiatives. Through greater collaboration, within the Group, with the ICA retailers and with partners, we will now become even stronger. The extensive digital investments in recent years are creating great opportunities.



2019 was a good year for ICA Gruppen. Financially, we basically performed in line with our targets. Net sales, adjusted for divestments, increased by 4.1% to just over SEK 119 billion. Operating profit excluding items affecting comparability amounted to SEK 5.4 billion, corresponding to an operating margin of 4.5%. Underlying the improved results is strong earnings growth for ICA Sweden, ICA Bank and Rimi Baltic. ICA Real Estate continues to deliver stable cash flows, while in the second half of 2019 Apotek Hjärtat was affected by disruptions at the start up of the new automated warehouse outside Norrköping – adversely impacting both sales and operating profit.

A strong corporate structure

It is now seven years since ICA Gruppen was formed. At that time the Group consisted of a relatively large number of operations with limited synergies and varying degrees of profitability. The change processes that we have implemented since then have involved substantial, clearly forward-looking investments in our customer offering,

organisation and ways of working. We have also driven an extensive digital agenda, the most visible part of which to date has been our online offerings.

Alongside making operational improvements, we have made a great many structural changes including various acquisitions, investments and divestments. The aim was to create a strong, synergetic corporate structure in which the core grocery retail operations are supported by strong, complementary operations. The main milestones have of course included the acquisition of Apotek Hjärtat in 2015, which noticeably strengthened us as a group and also strengthened our health initiative. Major events have also included the start-up of ICA Insurance four years ago.

We have also entered into a number of important strategic partnerships. These include ICA Sweden's agreement with Ocado for a new e-commerce solution, as well as ICA Bank's decision last year to establish a new mortgage company jointly with a number of partners. They have been intense years, with the sale of Hemtex in the past year now marking the end of this refinement phase.

The work has been based on a clear strategy and has resulted in stronger brands and market positions. Not least, this applies to our various online offerings, where the ICA stores' sales in 2019 increased by 33% and Apotek Hjärtat's by 40%, which means we grew faster than the market.

New opportunities for cooperation and synergies

The operations within ICA Gruppen are unified by their common vision to make every day a little easier for our customers. It is based on this vision that we have built our strategy and successively developed our Group structure. Looking forward, the goal is continued growth in our core operations – grocery retail, but also within our supplementary operations of non-food, pharmacy, banking and real estate. We will do this through continued improvements in each of the operations, but also through increased collaboration and – if the right opportunities arise – also through add-on acquisitions. The extensive digital investments in recent years are opening the way for completely new types of synergies and

joint opportunities. This applies not least to the possibility of creating ecosystems where we can offer attractive, collective customer offerings from the Group's various operations.

Key step-change areas

The rapid pace of change in the world around us and in the grocery retail market showed no sign of abating during the year, but rather is increasing further. New technical opportunities, changes in consumption patterns and extensive blurring of industry lines are changing the situation both for us and for many others.

In response to these developments in the world around us and in order to be able to deliver fully on our strategy we need to gather our strengths in a number of key areas. In the past year we have identified a number of key step-change areas that need to be prioritised. Five of these involve initiatives that are relevant to all or large parts of the Group.

Common sourcing

The degree to which sourcing is coordinated within the Group must continue to increase. Today there is already relatively ↘

CEO'S COMMENTS



“We are now putting a lot of energy into developing a digital food ecosystem.”

→ extensive cooperation, above all between ICA Sweden and Apotek Hjärtat. This needs to increase further and involve Rimi Baltic to a greater extent. As part of these efforts we will now also intensify and broaden our collaboration with Kesko in Finland.

Creating business value through AI/ advanced analytics

There is huge potential in artificial intelligence and advanced analytics. AI and advanced analytics represent a paradigm shift that will enable improvements to be made at every step of the value chain – from smarter sourcing to a better customer experience. We are putting substantial resources into ensuring that we have the skills needed to benefit from this development.

Transformation to reduce costs and build new capabilities

To ensure that we have resources in the areas and projects that are key to our long-term development, we need to reduce costs in other areas. To become more agile we also need to be better at how we adapt our way of operating, developing and managing the business to the specific circumstances of each organisation. Such change work is currently in progress in several parts of the Group. A good example is the organisational change that was implemented at ICA Sweden over the past year. Similar initiatives will now be carried out within Rimi Baltic and ICA Bank.

Strengthened food ecosystem

2019 saw the launch of the service ICA Pronto, which enables people to order prepared food, groceries and other products from their phone for delivery to an address of their choice within an hour. This service is a good example of

the digital ecosystem for food that we are now putting a lot of energy into developing. This could involve products and services from one or more businesses within ICA Gruppen – but also from external partners.

Climate beyond neutrality

Sustainability is a key issue and one of our Group targets is to be climate neutral in 2020. We will achieve this through extensive improvement work in a number of areas and by then offsetting the climate impact that we have not been able to eliminate. At the time of writing, work is under way to formulate a new Group-wide climate target that goes beyond neutrality and will set the course for the future, inspiring further improvements.

A positive force in the community

ICA Gruppen's ambition is to be a positive force that brings benefits for both communities and individuals. Our size and proximity to the end consumer mean that we have a great responsibility, but also an opportunity to make a real difference.

Actively working towards a more sustainable society

There is no doubt that the world is facing major climate, environmental and resource-related challenges. What we can do is reduce our own climate footprint and also inspire our customers to make sustainable and healthy choices. 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.

Where ICA Gruppen's own environmental impact is concerned, several major initiatives are under way. The fore-

most include implementing a new fuel strategy aimed at making all goods transport in the Group's Swedish operations fossil free by 2030 at the latest, and as early as 2025 in the three metropolitan areas. We are also continuing our efforts to cut down on the use of plastics. In the past year, work to phase out all single-use items made of fossil-based plastics within the Group has continued. This will be completed by the end of the year. We have also adopted a new Group target to cut food waste from stores and warehouses in half by 2025.

While our own climate impact is important, we can be most effective if we succeed in inspiring our customers to make more sustainable choices. All our businesses are therefore working actively on their assortment, campaigns and labelling. This work will be intensified further in the years ahead.

Major initiatives within health

Our focus areas also include continued initiatives within health. This is an important area for our customers – and here we have good opportunities to make a positive difference thanks to our extensive and wide-ranging customer interactions. This work will be carried on not only directly through our various businesses, but also in various kinds of partnerships with other actors. During the year, for example, ICA Sweden started a long-term partnership with Frisks & Svettis with the joint aim of inspiring people to live healthier lives.

Ready for the next phase

We have achieved a lot in seven years, but the ICA Idea was created over a century ago – and it is the combination of entrepreneurship and cooperation that still drives us onward today. As we

move into a new decade, we do so from a strong position. We have a stable platform that provides a good basis for sustainable growth with sustained profitability. We also have a clear idea of how we want to continue developing – both in individual parts of the business and as a whole.

As we look to the future, towards 2025, we are raising our ambitions in a number of important areas. Our vision is more relevant than ever, and starting from our local marketplaces we will continue to make life easier for our customers by providing smart, personalised and relevant ecosystems of products and services. We will get there by, not least, advancing even further in digitalisation and becoming more data-driven in the development of our customer offerings, insights and decision-making. The companies of the future will be beneficial to society, and with our many customer interactions, we can maximise our positive impact by helping people make healthy and sustainable choices – which in the longer term will help bring about improvements in public health and the climate. In so doing we will also safeguard the high level of trust and pride that exists within ICA Gruppen which, together with the many opportunities we offer for development, learning and making a positive difference on a daily basis, strengthens us further as an attractive employer.

With this as our ambition and starting point for the new decade, we are looking forward to continuing to create value for our shareholders, for independent ICA retailers, and for our employees and customers.

Stockholm, February 2020

Per Strömberg
CEO ICA Gruppen

Our vision:

We make every day a little easier

ICA Gruppen operates in a number of areas important to people's everyday lives, including grocery, pharmacies, banking and insurance. The core business is grocery retail. The intention is for other operations to support the core business, but they may also be developed further for new business opportunities and themselves contribute to profitability and continued growth.

The operations are unified by a common vision of making every day a little easier.



Grocery retail

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. In Sweden grocery retail is operated in cooperation with independent ICA retailers, who own their own stores. This cooperation is based on the ICA Idea – a unique business model where economies of scale are combined with the entrepreneurship of the local retailers. In Estonia, Latvia and Lithuania all stores are owned and operated by the wholly-owned subsidiary Rimi Baltic.

➔ Read more on pages 35 and 39.



Pharmacies

With around 390 pharmacies, Apotek Hjärtat is Sweden's second largest pharmacy chain. Around a quarter of the pharmacies are at the same location as ICA stores and in several areas processes are coordinated with ICA Sweden. Apotek Hjärtat is a co-owner of Min Doktor, one of Sweden's largest providers of digital primary care services. In addition to online advice, Min Doktor also operates a number of drop-in clinics staffed by nurses and usually located adjacent to larger ICA stores.

➔ Read more on page 41.



Banking

ICA Bank fills 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 cost of the financial flows in the ICA system.

➔ Read more on page 45.



Insurance

ICA Insurance offers general insurance to private individuals and ICA retailers. The aim is to challenge the major established actors in the market by offering better insurance policies at good prices.

➔ Read more on page 45.



Real estate

ICA Real Estate is one of the largest retail real estate companies in the Nordic region. Its overall mission is to meet ICA Gruppen's long-term need for appropriate properties in the right locations.

➔ Read more on page 43.



BUSINESS MODEL

A corporate structure that provides important advantages

Since ICA Gruppen was established in 2013 it has focused on building a strong and synergetic corporate structure that can address the changes in consumer behaviour, rapid digitalisation and extensive blurring of industry lines.

The change process has included numerous structural changes. The objective has been to take greater advantage of synergies within the Group. Coordination has gradually been increased, intensified and broadened and now includes key areas such as offerings, customer insights, locations and marketplaces, sourcing and investment. Working together and making good use of economies of scale – physical as well as digital – brings benefits for the customers, the individual businesses, the employees, society in general and for ICA Gruppen.



Increased cooperation in multiple areas...

Offering

Coordination between the operations makes it possible to provide strong and relevant customer offerings.

Customer insights

Access to data-driven customer insights from loyalty programmes provides valuable information on preferences and behaviour – and enables personalised offerings to be provided.

Locations and marketplaces

Co-location strengthens local marketplaces and makes life easier for the customers.

Investments

Coordination of investments benefits all operations and also promotes high financial efficiency.

Sourcing

Coordinated sourcing ensures good prices and the right quality. It enables the Group to have coordinated social and environmental requirements for suppliers.

...which provides benefits for:

the customers...

- Making every day a little easier
- Attractive and relevant offerings
- Co-location of operations means people can get different things done all in one place
- Integrated loyalty programmes – bonus in all channels
- Value for money and quality

...the businesses ...

- Strong brand loyalty
- Opportunities for synergies and economies of scale
- More attractive marketplaces through co-location of operations
- Access to extensive customer insights

...the employees ...

- Ability to contribute to make every day simpler and more sustainable
- Growth that creates development opportunities for individual employees
- Exciting opportunities for internal mobility between different types of operations
- An entrepreneurial culture with considerable opportunities to make a difference, individually and with others

... and society in general

- Coordinated environmental and health initiatives
- Jobs and tax revenue

BUSINESS MODEL

ICA Gruppen's revenue model

Creating value 2019

ICA Gruppen's core revenue is generated by grocery retail in Sweden and the Baltic countries, accounting for just over 80% of the Group's revenue.

- **Retail sales**

Consisting of sales within Apotek Hjärtat, Rimi Baltic, Non-food and the ICA stores that are not yet independently owned and therefore still are consolidated in ICA Sweden.

- **Rental income**

Income from properties that ICA Real Estate and ICA Sweden lease to mainly ICA retailers, but also other external lessees.

- **Net interest income and commission ICA Bank**

ICA Bank's revenue from lending, card services, brokering housing loans and other income associated with banking operations.

- **Other services for ICA retailers**

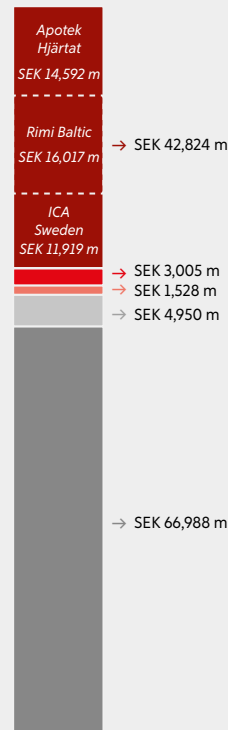
Includes various services for ICA retailers as well as the retailers' financing of central functions at ICA Sweden. Shares of the ICA stores' profits and royalty payments are also included here.

- **Wholesale sales**

Revenue from all goods that ICA Sweden sells to ICA stores around Sweden.

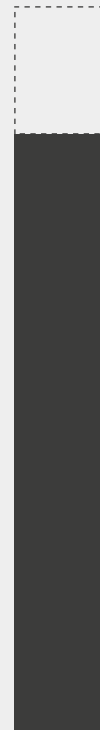
Distribution of revenue

SEK 119,295 m



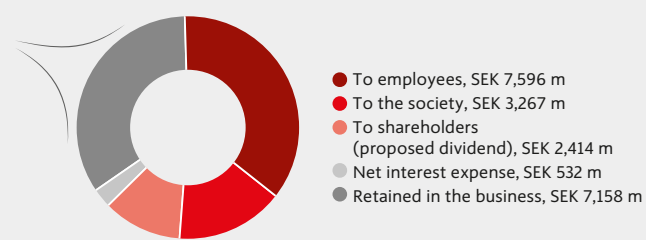
Cost of goods and services

SEK 98,328 m



Distributed economic value

SEK 20,967 m



Sound and sustainable financial growth is necessary if ICA Gruppen is to be a positive force over time. In turn growth and a good financial return provide the foundation for future investments and initiatives, as well as good dividends to shareholders. They also enable ICA Gruppen to continue to contribute to society by paying salaries and taxes. In addition, ICA Gruppen is involved in fundraising activities for various organisations. In 2019, for example, Swedish companies within ICA Gruppen and their customers together donated SEK 55.2 million to Pink Ribbon and, in collaboration with ICA Stiftelsen, approximately SEK 6.9 million to the Red Cross. ICA Stiftelsen supports projects, ideas and organisations that make a lasting difference in society with a focus on health, wellbeing, diversity and integration. In Sweden, customers also contributed approximately SEK 7.1 million to the Red Cross via the so-called Red Cross button on the deposit machines for beverage bottles in ICA stores.



A long-term strategy for continued growth

ICA Gruppen's strategy is aimed at ensuring long-term growth with sustained profitability – in a market in major transition. The strategy is based on the Group's combined strengths and five common objectives that provide the framework and, together with the vision, the long-term focus going forward.





ICA Gruppen's strategic framework

A guiding vision

We make every day a little easier

Common strengths

- A synergetic corporate structure
- Financial strength that enables continued investment
- Strong brands and customer trust
- Clear common values

A fast-changing world

- Digitalisation, new business models and changed behaviour
- Value for money
- Easy, convenient, tasty – and fast
- Sustainability and responsibility
- Health and wellbeing

Clear strategic objectives



The strategy is based on five long-term strategic objectives which provide a framework and set the course for all operations within ICA Gruppen. Two of the objectives are focused on creating growth and three on enabling growth.

➔ Read more on page 13–17.

Prioritised step-change areas



To deliver on the strategy and develop the business in line with the vision, joint action is needed in a number of important areas. Five of these involve initiatives that are relevant to all or large parts of the Group. There are also others that are relevant to ICA Gruppen's individual segments.

➔ Read more on pages 13–17 and 35–46.

Financial targets provide the 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 stable grocery retail sales.

➔ Read more on page 18.

Ambitious and inspiring sustainability targets

ICA Gruppen's sustainability work will lead to significant results and ensure a sustainable value chain – from production to stores and pharmacies. To drive this process and achieve real change, the sustainability targets are ambitious.

➔ Read more on page 19.

TRENDS AND DRIVERS

A fast-changing world

Trend

Digitalisation, new business models and changed purchasing behaviour

Rapid technological development and digitalisation are affecting both consumers and businesses. They are changing purchasing behaviour and enabling new actors with new business models to enter the arena. In retail, every part of the value chain is affected – from product development and sourcing to logistics, product supply, data-driven offerings and personalised marketing.

Value for money

Growth in e-commerce combined with the expansion of discount chains is resulting in increased transparency and a sharper focus on price and value for money.

Easy, convenient, tasty and fast

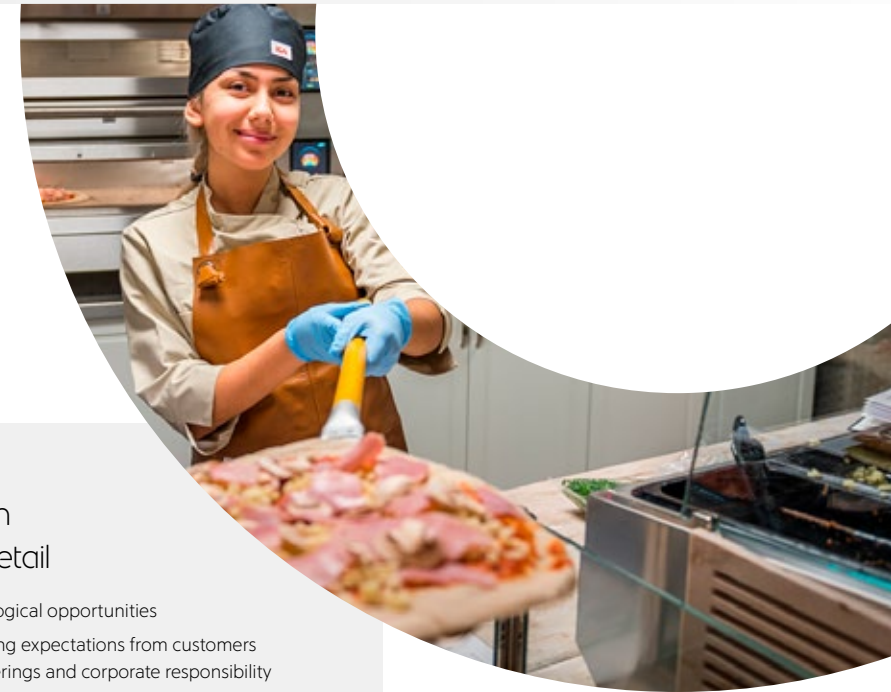
Customers want better availability, service and offerings. Many also feel that they do not have enough time and this is increasing the demand for ready meal solutions, online shopping options and more efficient delivery. It needs to be easy, convenient, tasty, healthy – and fast.

Sustainability and responsibility

Corporate responsibility, environmental impact, business ethics and control are increasingly important from both a business and risk perspective. Consumers are demanding sustainable products and services, and suppliers want to work with innovative, long-term and stable customers. Corporate responsibility is considered an increasingly valuable asset among employees of today and tomorrow.

Health and wellbeing

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 – with diet, exercise and work/life balance being increasingly important lifestyle issues. Interest in what food and medicines contain and how they are produced has increased significantly in recent years.



Impact on grocery retail

- New technological opportunities
- Ever-increasing expectations from customers – of both offerings and corporate responsibility
- Increased competition, lower predictability and a shorter planning horizon

Consequences for ICA Gruppen

- Need for continued fast pace of investment – in both core processes and growth areas
- Need for increased agility, knowledge exchange and more agile ways of working
- Increasing relevance of data and customer insights
- Clear values – important for both customers and employees



STRATEGIC OBJECTIVES



Closer to our customers

We are where our customers are, locally, digitally and personally, with strong and affordable customer offerings.

Customer expectations are growing all the time. To remain relevant it is essential to have strong concepts, efficient channels and customised offerings – to help make every day a little easier for the customers. In addition the corporate structure provides good opportunities to use ICA Gruppen's ecosystem for cross-selling – through co-location in both physical and digital channels.



Important areas and initiatives

Comprehensive investment in e-commerce

The process of developing ICA Gruppen's various e-commerce offerings is continuing. All businesses are now making considerable investments in technology and infrastructure that will help enhance the customer experience, improve the efficiency of internal processes and speed up deliveries.

One of single largest e-commerce projects is ICA Sweden's investment in an automated e-commerce solution. The project includes the British e-commerce company Ocado's e-commerce platform and a new, highly automated warehouse in Stockholm.

Other large projects include the launch of e-commerce in Estonia, Latvia and Lithuania, the opening a central e-commerce warehouse in Gothenburg and several initiatives within Apotek Hjärtat aimed at broadening and strengthening its e-commerce channel.

Constant review of stores, pharmacies and concepts

The ICA stores and pharmacies are the hub of ICA Gruppen's operations. Development of store formats, networks and concepts is a constant process, with a particular emphasis on metropolitan areas and tomorrow's hypermarkets.

Continued development of ready meal solutions

The focus going forward remains on investments in smart meal solutions. One of the main trends in the grocery retail market is increased demand for ready and easily prepared meals. ICA and Rimi Baltic are meeting this demand with a growing range of meal solutions – to eat at the store or take out.

Expanded bank offering

ICA Bank is implementing a digital transformation of the entire banking operations – the customer experience, the offering and internal processes. The goal is to use customer insights and data to provide modern and relevant offerings in all platforms and across all channels.

ICA Gruppen's ambition

- Be a natural customer destination in both physical and digital channels
- Be a market leader in each individual segment
- Grow faster than the market in emerging markets
- Not be a price leader, but always be perceived as offering value for money
- Develop e-commerce and expand it to include other relevant categories and services

Prioritised step-change areas

- Vigorous efforts in multiple areas that are in a period of strong transition, including a broader online offering, meal solutions, efficient last-mile solutions and mortgages

STRATEGIC OBJECTIVES



We earn our customers' loyalty through a strong brand, a broad ecosystem and personalised, data-driven communication.

ICA Gruppen has some of the strongest brands in Sweden and the Baltic countries, where ICA stands out as the strongest brand by far. Customer trust will be an increasingly important factor in the future. Trust is also something that must always be earned. Relevant services and offerings based on individual preferences are important.



Important areas and initiatives

Digital ecosystems

Both customer benefits and the customer experience are to be enhanced by increased use of digital opportunities. Digital ecosystems allow customers to access offerings and different types of services and products – groceries, prepared food and non-food – online, in the same interface and with smart delivery methods. The offerings may be from one or more businesses within ICA Gruppen – but also from external partners.

One example of this is ICA Pronto. This service makes it possible to order prepared food as well as other products from ICA using a phone app. Everything is then delivered to the chosen address in less than an hour. Another example is providing recipes and menus based on blood test results through ICA Sweden's cooperation with Werlabs.

Continued investment in ICAX

To improve the ability to use digital technology to enhance the customer offerings in and between the Group's various companies, an innovation hub called ICAX was launched in autumn 2017. The hub focuses on the Group's own digital development projects as well as strategic collaboration. This investment combines the stability, resources and customer base of a big company with the agility of the start-up world.

New loyalty programme

In spring 2020 a new loyalty programme called "Stammis" was launched. The programme includes customers of ICA stores, Apotek Hjärtat, ICA Bank and ICA Insurance. Customers can link a bank card of their choice to Stammis, but they gain extra points if they pay with an ICA card. For ICA Gruppen the new programme will provide increased customer insights, which in turn will lead to more relevant and accurate offerings. For the customers it means an opportunity to get more bonus.

ICA Gruppen's ambition

- Stronger customer relationships by combining digital and analogue services in new, broad ecosystems
- ICA Gruppen's brands shall have the highest reputation and earn the most trust among the most important stakeholders
- Trustworthy and relevant use of customer data that benefits both ICA Gruppen and the customers

Prioritised step-change areas

- Continued development of digital ecosystems, adding new services and offerings

STRATEGIC OBJECTIVES



Empowered organisation

We are committed and inclusive. Together we are building an agile and constantly learning company.

New technology, new consumption patterns and extensive blurring of industry lines are changing the conditions in the industries in which ICA Gruppen operates. Rapid development is placing great demands on readiness to change and constantly grow – for ICA Gruppen as an organisation but also for each individual employee. A large number of initiatives are under way within the Group, all of them for the overall purpose of increasing agility and securing access to the right talent.

SIMPLICITY
COMMITMENT
ENTREPRENEURSHIP



Important areas and initiatives

New ways to lead and work

Rapid development is affecting various parts of ICA Gruppen in a variety of ways and to differing degrees. The way that the business is operated, developed and managed therefore needs to be adapted more to the range of operations and their specific circumstances and goals. Both leadership and collegiality are affected. In general, leadership is being shifted closer to the employees – in terms of power of initiative, responsibility and authority to make decisions.

The need for increased agility is also affecting structures and ways of working. During the year significant organisational changes were made within ICA Sweden aimed at increasing efficiency and flexibility, but also to free up resources for investments in areas such as digitalisation. In connection with the move to ICA Gruppen's new head office a new activity-based work process was introduced. A similar work process is already being used at Rimi Baltic's office in Vilnius.

Strong focus on constant learning

Rapid technological development combined with new consumer behaviour is changing talent needs. There is less demand for certain skills, while in other areas – especially digital and IT-related expertise – demand is increasing. Altogether this means that both ICA Gruppen as a whole and the individual employees need to constantly develop and improve their skills in both existing and entirely new areas.

In all parts of the organisation active efforts are being made to support and encourage constant learning. In recent years several digital learning platforms have been launched, all aimed at integrating learning into work processes and facilitating just-in-time learning. An additional step in this process was the launch of the grow@ICA digital learning platform in 2019.

New ways of recruiting

Some aspects of competence exchange can be achieved through internal professional development but

for certain talent needs external recruitment is required. To increase flexibility and agility in certain recruitment processes a separate recruitment unit was established in 2019. It will serve to supplement traditional external recruitment.

Health and wellbeing

ICA Gruppen aims to promote good health and a work/life balance. Within the Group there are several significant initiatives in the area of work health and environment. These include new managerial training and more efficient processes for sickness-related absence. A work environment analysis was conducted during the year focusing on procedures, knowledge and work processes. The conclusions will form the basis for more proactive processes where the work environment and health will help to create value for both ICA Gruppen and the individual employees.

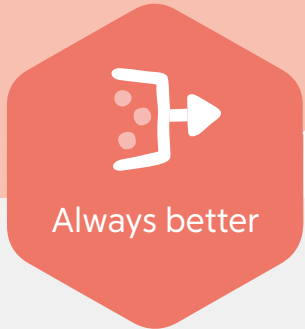
ICA Gruppen's ambition

- Be an employer that is attractive to both existing and potential employees
- Be a value-driven organisation with a good corporate culture
- Benefit from economies of scale while also driving innovation

Prioritised step-change areas

- Adapt leadership, collegiality and work structures based on the specific circumstances and goals of each individual business
- Ensure the ability to recruit people with supplementary skills and in areas where more employees are needed
- Stimulate and encourage constant learning every day
- Continue to offer a safe and secure work environment that allows employees to have a sustainable career in a changing world

STRATEGIC OBJECTIVES



We are constantly improving and leveraging technology to make life easier for our customers, improve efficiency and offer value for money.

High cost efficiency is crucial to improving competitiveness over time. Measures to improve efficiency involve both infrastructure development and constant improvement of processes and methods. Digitalisation is also creating new opportunities to simplify, automate and optimise various administrative and manual processes.



Important areas and initiatives

Increased common sourcing

The degree to which sourcing is coordinated within the Group will increase. Today there is already relatively vast cooperation, particularly between ICA Sweden and Apotek Hjärtat. This will increase further in the future and involve Rimi Baltic to a greater extent.

Continued development of private label products

The percentage of private label products needs to continue to increase. The private label product assortment offers benefits for customers, stores and pharmacies alike. It offers a broad range and helps to strengthen the uniqueness of the brands while also creating the necessary conditions for good profitability.

More efficient warehouses and logistics

In the area of warehouses and logistics constant efforts are being made to improve efficiency and make other improvements. In recent years multiple comprehensive projects have been under way to make changes within both ICA Sweden and Apotek Hjärtat. The changes have at times caused product supply disruption, but will result in better service for the stores and pharmacies and lower costs. Within Rimi Baltic a new central warehouse is being built in Riga. The warehouse, which will also house a central kitchen for prepared food, will go into operation gradually starting in the third quarter of 2020.

Substantial investment in automation, AI and advanced analytics

The potential of automation, machine learning and AI is significant. Substantial investments are being made in all of these areas. Automation of manual tasks makes it possible to reduce costs, increase efficiency and improve the quality of both the business and the offering. AI represents a paradigm shift that will provide opportunities for entirely new types of customer value and will also affect upstream processes such as sourcing, warehouse management and logistics. Advanced analytics will make it possible to predict events and anticipate deviations in an entirely new way.

ICA Gruppen's ambition

- Ensure the best possible core processes and drive development with innovation

Prioritised step-change areas

- Increased stability and cost efficiency in the core processes – with a particular emphasis on logistics and common sourcing
- Develop AI and advanced analytics to add business value

STRATEGIC OBJECTIVES



A positive force

We are driving the transition towards a more sustainable and healthier society – for a good tomorrow

ICA Gruppen's ambition is to be a leader in corporate responsibility. This ambition is based in part on the fact that ICA Gruppen has a responsibility by virtue of its size, and in part because sustainability and taking a clear stance drive growth. Customers are increasingly demanding sustainable and healthy products and services. Suppliers and partners want to work with companies that take a long-term approach, and tomorrow's employees want to work for responsible companies.



Important areas and initiatives

Constant improvement

Sustainability is an integral part of all ICA Gruppen's day-to-day operations. The overall goal is to drive development in a more sustainable direction and run the Group's own operations in a sustainable way. Among the larger initiatives are activities aimed at achieving fossil-free road transport and reducing the volume of fossil plastics and food waste – both in the Group's own operations and among consumers.

Transparent, trustworthy, traceable

Sustainability activities are based on the three key words: transparency, trustworthiness and traceability. Transparency involves the world around us being able to see ICA Gruppen's sustainability efforts. Trustworthiness is built on an internal awareness of responsibility and ability to influence. By focusing on traceability it is clear where the products come from, how they are transported and stored, what they contain and how the suppliers operate their businesses.

Facilitate sustainable choices

ICA Gruppen wants to inspire customers to make sustainable choices. The main ways to do this are through guidance, campaigns and advice. ICA Gruppen also offers digital tools that make it possible for customers to measure and monitor their climate footprint.

Major emphasis on health

One of ICA Gruppen's overall ambitions is to contribute to better public health. By virtue of ICA Gruppen's size and through cooperation, the various businesses within the Group have good opportunities to reach out and in various ways inspire people to live a healthier life. The health aspects include both preventative activities in the form of healthy eating habits and regular exercise, and simple healthcare services and advice on medicines and personal finances.

Diversity and inclusion

ICA Gruppen is working actively to spread knowledge about diversity and inclusion. Important aspects of this are increasing awareness of unconscious bias and preventing offensive treatment. The goal is to create a culture that makes 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.

Climate beyond neutrality

One of ICA Gruppen's overall goals is to be a climate-neutral company by the end of 2020. The climate impact that cannot be eliminated from operations by 2020 will be offset in 2021. In 2020 the ambition level will be raised further in the form of a new Group-wide target.

ICA Gruppen's ambition

- Be a positive force in society and a leader in corporate responsibility
- Sustainability must be a common theme in everything the Group does; it must lead to concrete results and ensure the value chain is sustainable – from production to consumption
- Contribute to better public health
- Reduce the use of new fossil plastics and cut food waste from warehouses and stores in half
- One of ICA Gruppen's Group targets is to be climate neutral in 2020

Prioritised change areas

- Initiatives and measures that will take us beyond climate neutrality – new Group-wide target

TARGETS

Financial targets



	Grow faster than the market	Achieve an operating margin excluding items affecting comparability of 4.5%	Achieve a return on capital employed of 7.5%	Dividend of at least 50% of profit for the year	Net debt/EBITDA < 3																																							
DESCRIPTION	Good sales development and a strong market position are key factors in achieving and maintaining good profitability and value growth.	The target level provides room for investments in the business and a return on invested capital, and is at a good level for the industry. The target is measured excluding items affecting comparability.	The target level indicates that the Group is using capital effectively. The target was changed at the beginning of 2019 due to accounting changes under IFRS 16. ICA Bank is not included in the calculation because banking legislation stipulates that its assets and liabilities are not available to the Group. Instead ICA Bank has a target for return on equity that is a more appropriate target for banking operations.	The intention is to provide shareholders with a good dividend while also being able to make value-adding operational investments.	A good balance between earnings and borrowing gives the company the freedom and ability to act, even in times of recession. The target was changed at the beginning of 2019 due to accounting changes under IFRS 16.																																							
OUTCOME	In 2019 the Swedish ICA stores' growth was in line with market growth in Sweden according to the Food Retail Index. Apotek Hjärtat's sales in 2019 were somewhat lower than market growth. Rimi Baltic's sales – affected by store conversions, among other things – increased but at a slower pace than the market.	The operating margin was higher in 2019 than in the previous year. Positive price and product mix effects, along with good volume growth in several operations, were partly offset by higher costs for a number of large improvement and development projects conducted on a broad front within the Group. ICA Sweden's structural costs in 2018 affected the operating margin for 2018 by –0.1%.	The return on capital employed increased to 7.9%. The improvement in earnings during the year explains why the return increased even though average capital employed rose by around SEK 1 billion during the year.	The Board of Directors proposes a dividend of SEK 12.00. This is an increase of SEK 0.50 or 4.3%, making the dividend percentage 70% for 2019 assuming that the Annual General Meeting approves the Board's proposal.	The key ratio was somewhat lower than last year due to continued strong cash flows from operating activities and thus a lower debt ratio. Simultaneously, EBITDA was also somewhat higher.																																							
	<table border="1"> <caption>Operating margin excluding items affecting comparability (%)</caption> <tr><th>Year</th><td>2017</td><td>2018</td><td>2018¹</td><td>2019</td></tr> <tr><th>Value</th><td>4.2</td><td>4.0</td><td>4.2</td><td>4.5</td></tr> </table>	Year	2017	2018	2018 ¹	2019	Value	4.2	4.0	4.2	4.5	<table border="1"> <caption>Return on capital employed (%)</caption> <tr><th>Year</th><td>2017</td><td>2018</td><td>2018¹</td><td>2019</td></tr> <tr><th>Value</th><td>12.3</td><td>10.2</td><td>7.7</td><td>7.9</td></tr> </table>	Year	2017	2018	2018 ¹	2019	Value	12.3	10.2	7.7	7.9	<table border="1"> <caption>Dividend as a percentage of profit (%)</caption> <tr><th>Year</th><td>2017</td><td>2018</td><td>2018¹</td><td>2019</td></tr> <tr><th>Value</th><td>53</td><td>63</td><td>66</td><td>70</td></tr> </table>	Year	2017	2018	2018 ¹	2019	Value	53	63	66	70	<table border="1"> <caption>Net debt/EBITDA ratio (times)</caption> <tr><th>Year</th><td>2017</td><td>2018</td><td>2018¹</td><td>2019</td></tr> <tr><th>Value</th><td>0.8</td><td>0.8</td><td>2.1</td><td>2.0</td></tr> </table>	Year	2017	2018	2018 ¹	2019	Value	0.8	0.8	2.1	2.0
Year	2017	2018	2018 ¹	2019																																								
Value	4.2	4.0	4.2	4.5																																								
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Year	2017	2018	2018 ¹	2019																																								
Value	0.8	0.8	2.1	2.0																																								

¹ In addition to the formal IFRS reports, in Recalculated 2018 amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

TARGETS

Sustainability targets



100% of the suppliers of ICA Gruppen's corporate brand products in high-risk countries will be socially audited

90% of the suppliers of ICA Gruppen's corporate brand products are to be quality-certified by the end of 2020

By 2020 ICA Gruppen will be perceived by consumers as the actor in the market that is best at helping them make healthy choices

ICA Gruppen's operations will be climate neutral by 2020

ICA Gruppen will cut food waste from warehouses and stores in half by 2025

DESCRIPTION

It is ICA Gruppen's conviction that all commercial activity must take place under humane conditions. ICA Gruppen's supplier agreements contain special provisions regarding human rights. Social audits of suppliers in high-risk countries that produce ICA Gruppen's corporate brand products are conducted on site. The audits are to be performed according to a model approved by the Group or using ICA Gruppen's own social audit tool. In 2018 a decision was taken that at least 90% of the suppliers of ICA Gruppen's corporate brand products in high-risk countries must have had an approved social re-audit by year-end 2020.

Customers should feel safe shopping with ICA Gruppen. ICA Gruppen's focus on quality includes ensuring that suppliers have safe production processes. This is done through provisions in agreements with all suppliers. Suppliers of the Group's corporate brand products are also required to have certification according to a standard accepted by the Group.

Helping customers to feel good and guiding them to make healthy choices is a priority for ICA Gruppen, partly because customers call for it and partly because the Group, as a major player, has a great opportunity to positively impact people's health. Success in achieving this goal is monitored through customer surveys.

Climate change affects everyone. To contribute to the UN's goal to limit global temperature rise, ICA Gruppen has a target that its operations will be climate neutral by 2020. The target includes the climate impact caused by operations at stores, pharmacies, warehouses and offices. This is to be achieved by constantly reducing greenhouse gas emissions and through increased resource efficiency. The climate impact that cannot be eliminated from operations by 2020 will be offset in 2021. In 2018 an additional target was added: that suppliers accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. At the end of 2019 the outcome was 24%.

Food accounts for about a quarter of humanity's total impact on the climate and it is therefore of utmost importance to take care of and properly handle the food that is produced. Accordingly, in 2019 ICA Gruppen decided to adopt a new Group target: to cut food waste from warehouses and stores in both Sweden and the Baltic countries in half by 2025 compared with the base year 2016. Food waste will be measured using an international standard created by the FLW Protocol (Food Loss and Waste Protocol). A few important factors in order to reach the new target include smarter algorithms for sourcing, producing circular products and having procedures and tools for early identification of food that is at risk of being wasted.

OUTCOME

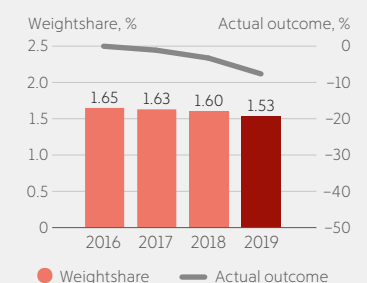
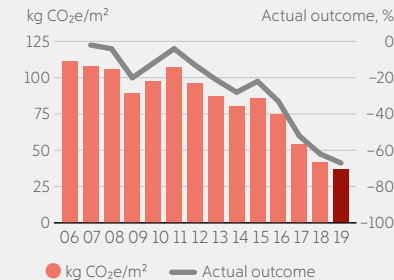
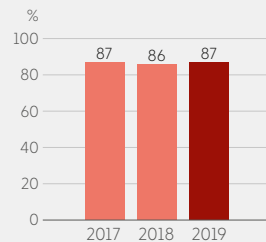
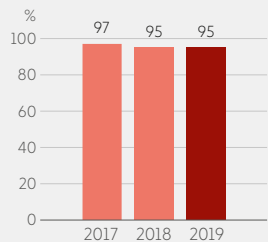
The outcome for the target 100% of the suppliers of ICA Gruppen's corporate brand products in high-risk countries will be socially audited was 95% at the end of 2019. During the year, the focus has been to ensure a valid social follow-up audit, which has resulted in a positive trend for the target of re-audits. The outcome was 87% at the end of the year. *Read more on pages 30 and 122.*

The outcome at the end of the year was 87%. During the year operations has focused on reaching the target which has affected the trend positively. Further force will be added to reach the target at the end of 2020. *Read more on pages 29 and 122.*

- In the 2019 Customer Satisfaction Index, ICA Sweden came in second place among Swedish grocery retailers when respondents answered the question "Who inspires me to eat healthily".
- According to a Nielsen Omnibus survey in November, Rimi ended up in second place in Estonia and Lithuania and first place in Latvia when respondents associated a grocery retail actor with the claim "Offering healthy products and guiding customers to choose a healthier lifestyle".
- Apotek Hjärtat came in second place in the pharmacy industry in the Nepa Brand Attribute survey in the end of 2019 when the respondents were asked to associate a pharmacy with the claim "Easy to make healthy choices".

Since the base year 2006 ICA Gruppen's direct emissions of greenhouse gases have been reduced by 67% thanks to long-term efforts in the areas of energy, refrigerants and goods transport. The main reason for the sustained reduction in 2019 was switching to refrigerants with a lower climate impact in the Swedish and Baltic stores and the transition to renewable energy throughout Rimi Baltic from the fourth quarter. *Read more on pages 25-26 and 124-127.*

In 2019, a method for monitoring and reporting has been developed. A zero measurement for 2016 has also been carried out to be used as the base year and starting point for the target. Work to reduce the occurrence of food waste has continued, among other things through better purchasing processes and registration, follow-up and cause analysis of food waste. Since the base year 2016, food waste from warehouses and stores has been reduced by 7%. *Read more on pages 25 and 126.*



Leading in sustainable enterprise

ICA Gruppen's ambition is to be a leader in corporate responsibility. Sustainability is therefore an integral part of all ICA Gruppen's day-to-day operations. Through cooperation within the Group and with other actors in society, ICA Gruppen can play a role in improving sustainable development. The Group works actively to reduce its climate and environmental impact, to help customers make sustainable choices, and to promote improved public health and sustainable use of pharmaceuticals. There is a major focus on offering locally produced products in all of the Group's markets, as well as on projects to increase equality and diversity.



SUSTAINABILITY

Framework for sustainability work



To supplement the legislation in force, ICA Gruppen's Board of Directors and Management Team have together formulated and adopted a framework which provides guidelines for how ICA Gruppen is to act as a responsible company and employer. This framework consists partly of internal rules and guidelines, and partly of external principles and recommendations.

Internal rules and guidelines

ICA Gruppen's sustainability work is based on policies describing how the Group is to act in society – primarily the Group's Sustainability Policy and Business Ethics Policy. These are established by the Board of Directors. Read more on pages 60 and 120.



External regulations and frameworks

ICA Gruppen follows a number of global sustainability initiatives, frameworks and guidelines, including in particular the UN Sustainable Development Goals, the UN Global Compact, the UN's Caring for Climate initiative, the OECD's guidelines for multinational enterprises and the ICC's anti-corruption and anti-bribery principles. Through this, ICA Gruppen contributes to greater comparability in the industry and greater transparency concerning the Group's impact on the world around it. Read more on page 121.

Materiality analysis

To identify the aspects that the sustainability efforts should focus on, each year a materiality analysis is conducted. The analysis is based on the UN Sustainable Development Goals, the 10 principles of the UN Global Compact, ICA Gruppen's policies and ICA Gruppen's ongoing dialogue with stakeholders. Read more on page 120.



For a Good Tomorrow

ICA Gruppen's sustainability work is wide-ranging and includes a variety of activities and initiatives. For structured communication surrounding this work, the concept For a Good Tomorrow is used. This is broken down into five defined areas: local, environment, health, diversity and quality. In addition to the work within each segment, the approximately 1,300 independent Swedish ICA stores also work extensively on sustainability. Read more on the following pages.



Global Compact

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. Issues surrounding ethics and anti-corruption are of the utmost importance for building trust and strengthening ICA Gruppen's relations with the world around it. Read more on pages 63 and 121.



FTSE4Good

ICA Gruppen is included in the FTSE4Good Index Series, which measures the performance of companies' Environmental, Social and Governance (ESG) work. FTSE Russell confirms that ICA Gruppen AB has been independently assessed according to the FTSE4Good criteria and has satisfied all the requirements for inclusion in the index. ICA Gruppen is also taking part in RobecoSAM's evaluation of companies' sustainability work.



UN Sustainable Development Goals

In recent years the sustainability work has been developed so as to be linked to Agenda 2030 and the UN's Sustainable Development Goals. The 17 Goals overlap to some extent, and ICA Gruppen's operations have a direct or indirect impact on all of them. However, ICA Gruppen has decided to focus particularly on Goals 3, 5, 8, 12 and 13 – areas with a substantial bearing on the Group's activities.

Principal global goals of the sustainability work

	Good Health and Well-Being	Ensure healthy lives and promote well-being for all at all ages.
	Gender Equality	Achieve gender equality and empower all women and girls.
	Decent Work and Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
	Responsible Consumption and Production	Ensure sustainable production and consumption patterns.
	Climate Action	Take urgent action to combat climate change and its impacts.

FOR A GOOD TOMORROW

FOR A GOOD TOMORROW



Local

We will actively contribute to the local communities where we operate

Direct impact



Examples of targets

- At least 56% of customer survey respondents to agree that ICA Sweden is good at using and supplying Swedish produce
- ICA Real Estate's marketplaces to include value-adding concepts based on local needs and development, for example charging stations, geothermal energy, outdoor gyms, dog lounges and bike depots

Examples of activities

- Offer locally produced products (page 23)
- Training initiative for ICA stores in rural areas (page 23)
- Sponsorship and fundraising for the local community (page 23)
- Increased access to simple healthcare services (page 27)

Indirect impact



Environment

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

Direct impact



Examples of targets

- ICA Gruppen's operations will be climate neutral by 2020
- ICA Gruppen will cut food waste from warehouses and stores in half by 2025
- Fossil-free road transport within all ICA Gruppen's Swedish operations by 2030, and as early as 2025 in the three metropolitan areas
- Single-use plastic items phased out throughout the Group after 2020

Examples of activities

- Transition to refrigerants with a lower climate impact (page 26)
- Reduce the number of plastic packaging items and switch to recyclable, recycled and renewable plastics (page 24)
- Focused work to reduce food waste (page 25)
- Ecolabelling of pharmaceuticals (page 24)

Indirect impact



Health

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

Direct impact



Examples of targets

- By 2020 ICA Gruppen will be the actor in the market that consumers believe is best at helping them make healthy choices

Examples of activities

- Guiding customers by means of labelling, healthy recipes and campaigns (page 27)
- Partnering with Friskis & Sveltest (page 27)
- Healthy and personalised recipes based on blood tests (page 24)
- Pilot project for COPD and asthma patients (page 27)

Indirect impact



Diversity

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

Direct impact



Examples of targets

- 50/50 gender balance in leadership positions
- Raise awareness of unconscious bias
- Ensure skills-based recruitment
- Increase the percentage of ICA retailers who are women

Examples of activities

- Initiatives within ICA 50/50 (page 28)
- The campaign #AgeDoesNotMatter (page 28)
- Training of inclusion (page 28)
- Internships for newcomers (page 28)
- Targeted efforts to increase the proportion of female ICA retailers (page 28)

Indirect impact



Quality

We will ensure that quality and social responsibility always guide our operations and our business relationships

Direct impact



Examples of targets

- 100% of the suppliers of ICA Gruppen's corporate brand products in high-risk countries must have had a social audit
- At least 90% of the suppliers of ICA Gruppen's corporate brand products in high-risk countries must have had an approved social re-audit by year-end 2020
- 90% of the suppliers of ICA Gruppen's corporate brand products must be quality-certified by year-end 2020

Examples of activities

- Social audits of suppliers (pages 19 and 122)
- Procedures and processes for product safety (page 29)
- Initiatives to reduce food fraud (page 29)
- Training for factory workers in Thailand (page 29)

Indirect impact



FOR A GOOD TOMORROW



Focus on local suppliers and communities



There is substantial and growing demand for locally produced food, both in Sweden and in the Baltic countries. Increasing numbers of consumers want to eat more food that has been produced locally. ICA Gruppen is working actively to increase the amount of locally produced products in the product range and to support rural areas in various ways, thereby helping to keep communities alive. In addition, the operations within the Group – not least the local ICA retailers – contribute through fundraising, projects and sponsorship.

Expanding the range of local products

During the year the work continued to expand the assortment and proportion of locally produced products.

Switching production of ICA's bacon from the Netherlands to Halmstad in Sweden was one of the more major actions taken in Sweden. The meat itself was already Swedish, but it was being smoked and packaged abroad since no supplier in Sweden had sufficient capacity for ICA's volumes.

To satisfy customer demand for Swedish products, during the year ICA Sweden replaced ICA's own, previously imported, plum tomatoes with Swedish-grown produce during the summer and autumn. This was made possible by expanding the partnership with Skåne-based producers' association SydGrönt and forms part of the long-term collaboration between ICA Sweden and the Federation of Swedish Farmers (LRF) to promote Swedish produce, Swedish farming and robust rural communities. At

the end of the year ICA Sweden also began working with Norrmejerier to produce a Swedish alternative to halloumi that uses 100% milk from Norrland.

In an annual survey in 2019, 59% of respondents agreed that ICA Sweden is good at Swedish raw materials.

Training project focuses on sparsely populated areas

In 2019 a skills development initiative was started for ICA stores in sparsely populated areas with low or negative profitability. The training efforts are being run via the ICA School and are expected to result in an increased and more consistent level of knowledge concerning running a store, and thereby better profitability. The hope is that the project will improve the prospects of long-term survival for the selected stores. The project is receiving support from the Swedish government's Rural Development Programme 2014–2020.

Supporting local communities

Through sponsorship and fundraising campaigns, ICA Gruppen's operations are helping in various ways to make local communities stronger. In 2019 numerous activities were carried out, including a fundraising campaign for children with serious diseases in Latvia, donations of school materials for economically vulnerable children in Lithuania and fundraising for the Red Cross in Estonia. For the past 10 years Rimi Baltic has worked with Food Bank by donating food to those in need. In addition, the approximately 1,300 ICA retailers provide extensive sponsorship in partnership with local clubs.

Partnership with Ståda Sverige

During the year ICA Sweden and ICA Stiftelsen began working nationally with Ståda Sweden ("Cleanup Sweden") on a project called Ready, steady, clean! The aim is for 2,000 young people from around a hundred sports clubs to clean

up the natural environment in places where ICA retailers sell ICA's green carrier bags. The ICA retailers involved in the project can give local cleaning tasks to sports clubs. Any club that takes part receives a contribution to club funds.

Life and movement during the summer holidays

ICA Real Estate works actively to create vibrant locations that are socially sustainable and healthy-minded. For the second year in a row, for example, the main square in Barkabystaden was transformed during the summer into an inviting place to hang out and meet up with others. In 2019 ICA Real Estate contributed a mobile football pitch for children and young people.

FOR A GOOD TOMORROW



New targets and strategies to reduce environmental impact

Important aspects of ICA Gruppen's sustainability work include minimising the Group's own environmental impact, creating a climate-neutral business and inspiring customers to make more sustainable choices. In 2019 sights were raised further still with the adoption of a new Group target for food waste and a Group-wide fuel strategy for all of ICA Gruppen's Swedish operations.

Fuel strategy takes a holistic view of transport

A third of ICA Gruppen's climate impact in its own operations comes from goods transport. To reduce the impact from transport there needs to be a transition to non-fossil fuels. During the year ICA Gruppen adopted a new long-term fuel strategy to accelerate the pace of change in this area. The strategy aims for all goods transport by road to be fossil free by 2030 at the latest. In the metropolitan areas of Stockholm, Gothenburg and Malmö this is to be achieved as early as 2025.

The new fuel strategy encompasses all road transport within ICA Gruppen's operations in Sweden. This means it includes not only national transport, but also all European transport from suppliers to ICA Gruppen's warehouses. The majority of the vehicles already run on fossil-free fuels. To achieve its ambition, the Group will continue switching to more energy-efficient means of transport such as rail and sea, and increase investments in new technology and fossil-free fuels. ICA Gruppen is also



evaluating how it can support initiatives to increase national production of fossil-free fuels.

During the year ICA Sweden and Apotek Hjärtat also adopted Fossil Free Sweden's Transport Challenge: to use only fossil-free domestic transport solutions by 2030.

A more sustainable plastics system

In 2018 ICA Gruppen adopted a Group-wide strategy to contribute to a circular and more sustainable plastics system. Plastics are to consist of recycled or renewable raw materials, be recycled and reused, and not end up in nature. Among other things, this means that single-use plastic items are to be phased out after 2020 and replaced by products made from biological resources. In addition, all plastic food packaging used for ICA Gruppen's corporate brand products is to be recyclable or reusable after 2022, and after 2030 will be made of recycled or renewable materials.

The focus in 2019 was on implementing the plastics strategy. Among

other things, ICA Sweden has switched to renewable plastics and changed the sizes of various plastic packaging items in the assortment as well as certain product categories. Rimi Baltic has run a number of campaigns to encourage more sustainable use of plastics.

All the companies within ICA Gruppen have long been working actively to reduce the consumption of plastic carrier bags. The plastic bags at ICA Sweden and Apotek Hjärtat are made of green polyethylene, a material made from sugar cane.

Guiding customers to make sound environmental choices with "Välj med Hjärtat" (Choose with your heart)

Pharmaceuticals can have a major environmental impact, but weak legislation makes it difficult for consumers to make active environmental choices. More and more people are demanding transparency on this and, according to a Novus survey carried out on behalf of Apotek Hjärtat, eight out of ten feel they have the right to information about how medicines impact the envi-

ronment. Apotek Hjärtat hopes that its "Välj med Hjärtat" (Choose with your heart) ecolabel will make it easier for consumers to make choices that are smarter for the environment. The label, which has had a big impact, indicates that the supplier undertakes long-term environmental and sustainability work, thereby helping to make pharmaceutical production more sustainable.

During the year the label and the criteria were handed over to the industry association Apoteksföreningen in the hope that the label can be developed into general guidance for consumers at all Swedish pharmacies.

Decrease in sales of organic products

Store sales of organic products in ICA Sweden's central assortment decreased by 1% during the year compared to the previous year. This decrease is partly linked to a reduction in supply in certain categories, price variations and continued increased interest in locally produced and Swedish-grown products.

FOR A GOOD TOMORROW

New Group target: cut food waste in half by 2025

During the year ICA Gruppen decided to adopt a new Group target: to cut food waste from warehouses and stores in both Sweden and the Baltic countries in half by 2025 compared with the base year 2016. ICA Gruppen has been working actively for many years to avoid food waste arising. Now there is a clear objective and methodology in place to measure and monitor this. The amount of food waste is calculated according to an international standard produced by the Food Loss and Waste Protocol (FLW Protocol). Work to reduce the occurrence of food

waste in warehouses and stores has continued, among other things through better purchasing processes as well as registration, follow-up and causal analysis of food waste. Several ICA stores in Sweden refine products in the store, sell goods with short dates cheaper or collaborate with organizations such as Karma and Food2Change to take advantage of food approaching expiration date. Centrally, ICA Sweden has agreements with the City Mission and the Salvation Army that receive food from the stores. Rimi Baltic collaborates with Food Bank and Whywaste,

among others. Since the base year 2016, food waste from warehouses and stores has decreased by 7 percent. ICA Gruppen sees collaboration as an important way forward for reducing food waste throughout the chain and provides food waste data to the Swedish Environmental Protection Agency as a contribution to the work on producing national interim targets. These form part of the system of environmental targets for reducing food loss and food waste that is based on Agenda 2030 target 12.3. Read more on page 126.

ICA's food waste pyramid: how ICA Gruppen works to reduce food waste

ICA's food waste pyramid illustrates how ICA Gruppen works to reduce food waste arising. Food at risk of being wasted is dealt with primarily in one of the ways shown in the upper part. The aim is that the further down in the pyramid you go, the lower the volumes of food waste that occur.

- Not food waste – not included in the target
- Food waste – included in the target

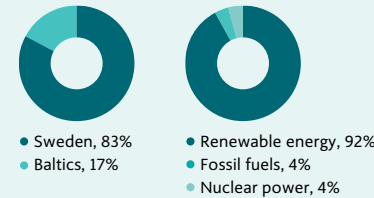


ICA Gruppen's use of resources

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's segments.

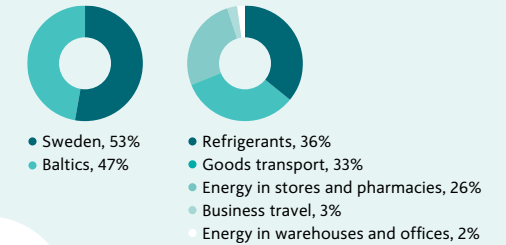
Energy
1,148,740 MWh

Total energy consumption in warehouses, offices, stores and pharmacies



Carbon dioxide
128,512 tonnes

Total carbon dioxide emissions



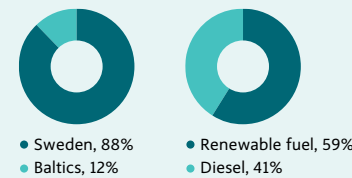
Use →



← Emissions

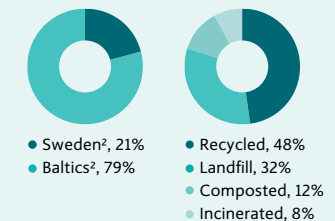
Goods transport
34,326 thousand litres

Total fuel consumption from goods transport



Waste
60,890 tonnes

Total waste volume¹



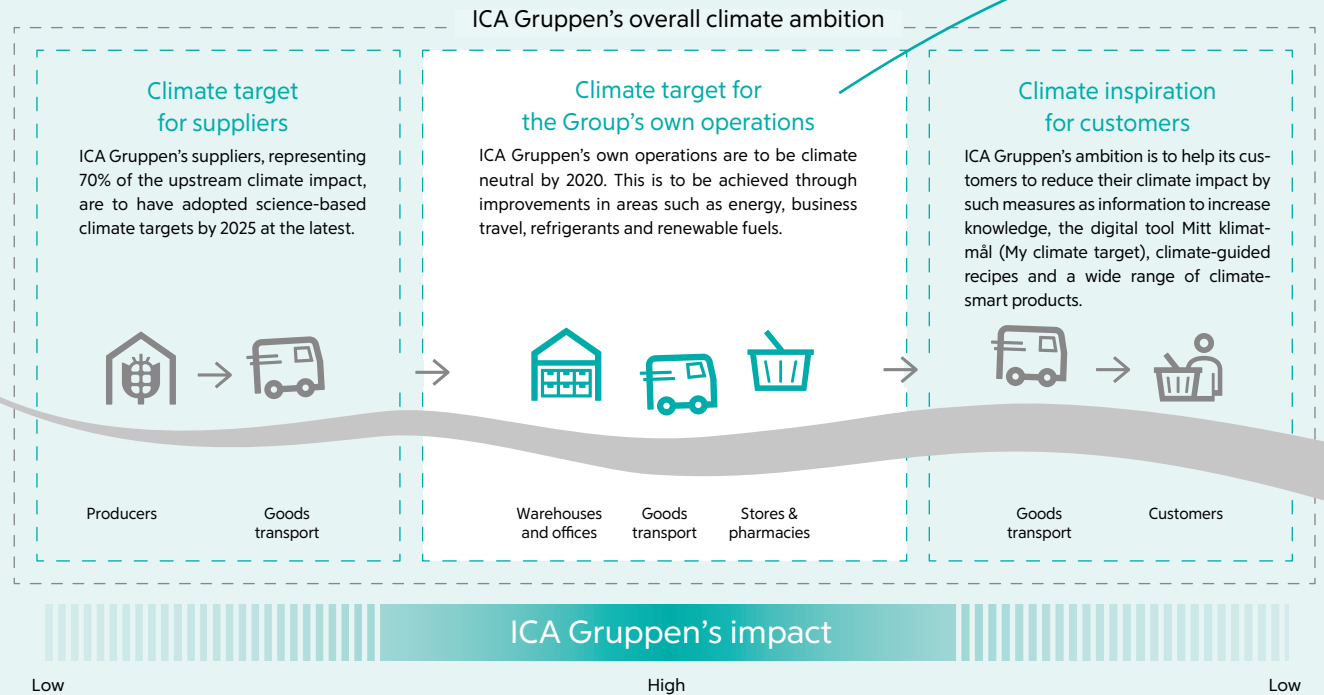
¹ Consists of waste from logistics in Sweden and waste from logistics and stores in the Baltics.
² 98% of waste in Sweden and 60% of waste in the Baltics was recycled (recycled, composted or incinerated).

FOR A GOOD TOMORROW

ICA Gruppen's overall climate ambition

ICA Gruppen's responsibility extends beyond its own operations and encompasses the entire value chain, from suppliers to customers. The Group is able to influence its own operations the most, but in 2018 expanded its climate ambition to include the target that suppliers accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025. Read more on page 19.

In 2018 ICA Gruppen was the first company in Swedish grocery retail to have its climate ambition approved by the Science Based Targets initiative. This approval confirms that ICA Gruppen's targets are in line with the global Paris Agreement and have been set based on a scientific method.

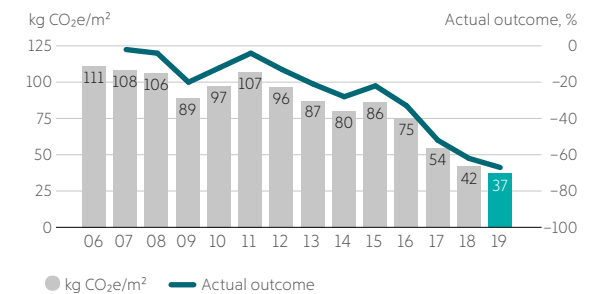


Extensive work to achieve ambitious climate target

ICA Gruppen is aiming for the Group's own operations to be climate neutral by 2020. This will make an important contribution towards achieving the UN's goal of limiting the temperature rise in line with the Paris Agreement and to achieving Agenda 2030.

Since the base year 2006, emissions of greenhouse gases have decreased by 67% – mainly due to major efforts and improvements in the areas of energy, refrigerants, logistics flows and goods transport. In 2019 emissions decreased, mainly due to switching to refrigerants with a lower climate impact in the stores and to Rimi Baltic's transition to renewable energy from the fourth quarter of 2019. The target is to reduce greenhouse gas emissions within the Group's own operations by at least 70% by 2020. Those emissions that cannot be entirely eliminated by 2020 will be climate-offset in 2021. During 2020 a new climate target will be set for the Group's own operations. Read more on pages 124–126.

Emissions kg CO₂e/m² 2006–2019



FOR A GOOD TOMORROW



Expanded offering for better health



ICA Gruppen has an ambition to contribute to better public health. By virtue of its size and through cooperation, ICA Gruppen has good opportunities to reach out and in various ways inspire and guide people to live a healthy life, but also to ease and cure health conditions. The expressed goal is, by 2020, to be perceived by consumers as the actor in the market that is best at helping them make healthy choices.

Healthy food habits

As leading players in their respective geographic markets, both ICA Sweden and Rimi Baltic have good opportunities to promote healthy food habits through their assortment, campaigns, labelling, recipes and other initiatives. This work is always based on official Nordic dietary guidelines and nutritional recommendations.

Particular initiatives during the year included ICA Sweden's partnership with Werlabs for personalised healthy weekly menus and recipes based on individual blood test results. ICA Sweden's health initiative called Kompis med kroppen (Buddy with your body) was run for the 18th year. To date, more than 950,000 school children have visited an ICA store to learn about good, sustainable food habits with a focus on fruit and vegetables. Rimi Estonia began working on a project with the Estonian nutritionists' association. The aim is to get children to eat a varied diet and try new flavours – and thereby help to turn around the trend of a growing percentage of children and young people being overweight or obese.

During the year ICA Sweden continued its initiative of special Easter and Halloween ranges to get more young people eating fruit and vegetables rather than sweets.

Movement and exercise

In addition to good eating habits, ICA Gruppen wants to inspire movement and exercise. ICA Sweden's initiatives include instigating the ICA Classic, which covers the same disciplines and distances as the Swedish Classic sporting challenge – but with the difference that the various elements can be completed over a longer period. In 2019 the Group also started a long-term partnership with Friskis & Svettis, aimed at inspiring people to live healthier lives. For a number of years Rimi Latvia has been a partner of the Rimi Riga Marathon.

ICA Real Estate also works in various ways to stimulate movement – both when designing new marketplaces and through investments in existing stores. To make life easier for customers who cycle, one initiative has been testing a new kind of bike depot. The modules

have their own charging box and also provide a pump and service station.

Stable personal finances

Worry about personal finances is one of the most frequent causes of mental ill-health. ICA Bank works actively to help customers take control of their personal finances – for example, by making it easier to save and providing easy access to personal financial advice.

Advice and information

In addition to dispensing medicines, Apotek Hjärtat offers advice and information about medicines and preventive health – in the pharmacy, by phone or via a chat function at apotekhjartat.se.

During the spring Apotek Hjärtat conducted a pilot study at 11 pharmacies to test out a service aimed at customers with asthma or COPD. The service involves checking and giving advice on the use of inhalers so as to

optimise the effect of the medicine. In the autumn this trial service was expanded into more pharmacies.

Increased access to simple healthcare services

During the year the establishment of digital and physical clinics within the Min Doktor (My Doctor) concept continued. By combining Min Doktor's Swedish operations with Apotek Hjärtat's former Minutkliniken (Minute Clinic) concept, patients will be able to get help both online and at small clinics staffed by registered nurses. In 2019, 12 new Min Doktor clinics were opened, making a total of 20 around Sweden. A number of Apotek Hjärtat's pharmacies also offer simple healthcare services such as blood pressure readings, mole checks and vaccinations.

FOR A GOOD TOMORROW



Working to increase diversity

ICA Gruppen works actively to create an inclusive culture. Inclusion means making the most of diversity and utilising the energy that is created by differences and diverse interactions. ICA Gruppen believes that inclusion and diversity make a strong contribution to a sense of belonging and to creativity and innovation.

Diversity is one element of ICA Gruppen's HR Strategy and various initiatives are carried out within the Group to increase diversity, such as creating employment for young people and people with disabilities as well as helping newcomers to the country to get established.

Promoting gender equality in leadership

Active work is carried out within all of ICA Gruppen's operations to ensure gender equality among senior managers.

This work is conducted on several levels in parallel. It involves removing structural barriers, bringing to light unconscious bias and promoting individual development opportunities – regardless of gender.

Specific efforts include the initiative ICA 50/50. This consists of two networks: one to increase and promote the number of women managers in senior positions within ICA Gruppen, and one for women with the potential for more senior roles.

ICA Sweden and ICA-handlarnas Förbund have jointly set an ambition that by 2020, 50% of all new ICA retailers recruited will be women. To succeed in this, a number of initiatives are taking place. During the year, recruitment was carried out for



ICA Sweden's company management programme for prospective retailers. The programme has 16 places and 50% of the participants are women. ICA Sweden also conducts career reviews aimed at supporting, challenging and planning the careers of retailers, both women and men. In 2019 a total of 28% of career reviews were with women.

Highly ranked in various surveys

In the LEAD Gender Diversity Scorecard – a survey of gender equality in large European corporations in the retail and consumer goods sectors – ICA Gruppen came top, with 50% women in senior positions compared with an average of 34%.

In the Allbright foundation's annual review of gender equality in listed companies in Sweden, ICA Gruppen made it onto the so-called "Green List". The results of the survey are based on the gender balance of the companies' boards and management teams.

Inclusion brings a broad perspective on diversity

In several of the operations, initiatives are being conducted with the aim of improving inclusion among groups that for various reasons have a challenging time in the labour market. These could include young people, older people, people with disabilities or newcomers to the country. Rimi Baltic, for example, ran a recruitment campaign during the year under the hashtag #AgeDoesNotMatter, aiming to employ older people.

Apotek Hjärtat is taking part in various initiatives that are aimed at helping newcomers to Sweden to get into the labour market. These include offering internships and roles as an assistant while people are awaiting validation of their qualification and license.

Fundraising for greater equality in football

At the time of the football World Cup in France, ICA Sweden sold blue and yellow products to raise money for the project "Alla är olika – olika är bra" (Everyone is different – different is good). The funds raised were distributed to clubs that work actively to improve equality in football. The goal is club life where everyone is and feels equally welcome, regardless of gender, functional ability, ethnicity or sexual orientation. A total of SEK 5.4 million was raised.

FOR A GOOD TOMORROW



Quality through certification and audits

People need to feel safe when they buy from ICA Gruppen's businesses. The product assortment must live up to the Group's requirements and be produced by responsible suppliers who respect human rights. The products must comply with legislation on labelling and chemicals, and must ensure good animal welfare to the greatest possible extent.

To ensure both quality and social responsibility in all processes, ICA Gruppen works in a structured way with respect to standards, certification, country-of-origin labelling and traceability.

Procedures for a safe assortment

ICA Gruppen's work on product safety is based on ensuring that all its suppliers have good, safe production processes. This is done through the Group's sourcing agreements, which have a sustainability annex. Suppliers of the Group's private label products must be certified to a standard accepted by the Group. All private label products are examined and approved to ensure that they comply with ICA Gruppen's internal guidelines.

The Swedish ICA stores apply the Swedish standard for food handling in stores. ICA Sweden's sustainability 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. The goal is that 80% of ICA stores will have an internal audit each year. In 2019, ICA Sweden achieved 89%.

Rimi Baltic uses its own standards for food handling, which are based on Swedish standards and cover all of the store formats in Estonia, Latvia and Lithuania.



Quality assurance and auditing of animal welfare

ICA Sweden sets standards for both Swedish meat and imported meat – not only for its private label products, but also for products from other suppliers. The requirements are based on Swedish animal welfare legislation. In general, this means that animals must be treated well, protected from unnecessary suffering and kept in an environment that promotes their health and natural behaviours. Antibiotics must not be used preventively, but only if prescribed by a vet. The requirements cover meat, milk and eggs in ICA Sweden's central assortment. Suppliers of all fresh and frozen meat in ICA Sweden's central assortment have been approved following an animal welfare audit. These audits include checks on how the animals are reared as well as how they are treated during transport and slaughter. The audits are conducted either by ICA Sweden's own quality specialists or by a third party. During the year five evaluations of animal welfare were carried out.

Activities to counter food fraud

ICA Gruppen is working in several ways to prevent food fraud. Quality certificates, analysis and unannounced audits, along with industry collaboration, are important aspects of the work to counter food fraud. ICA Gruppen also has a continuous dialogue with the food industry and relevant authorities.

The Group has conducted an internal vulnerability analysis in accordance with GFSI (Global Food Safety Initiative) requirements and has its own action plan to counter food fraud. In 2019 ICA Sweden carried out 47 analyses focusing on food fraud and 10 unannounced audits of suppliers, with no indications of deliberate fraud being found.

Skills development for migrant workers in Thailand

In 2017 ICA Gruppen, a number of Nordic food companies and tech

company Quizrr joined forces in a pilot project aimed at developing and testing a digital tool for training in rights and responsibilities at factories within the food industry in Thailand. The pilot project was completed in 2019 and the final report showed that the participants were positive towards the tool, and that the content of the training was informative and increased the level of knowledge. The intention is to be able to offer the tool to more factories, industries and stakeholders.



FOR A GOOD TOMORROW

30

North America

ICA Gruppen buys some products from North America; popcorn and almonds are two examples.

1,300

Rest of Europe

In Europe the focus is on foods such as biscuits, chopped tomatoes, french fries and pasta. ICA Gruppen also buys products for the home and personal care, such as laundry detergents, toothpaste, frying pans, candles and household cleaners.

660

ICA Gruppen's home markets

Most fresh products – such as dairy products, meat, bread, fruit, vegetables and root vegetables – are bought from ICA Gruppen's home markets, as are items such as garden furniture, wet wipes, charcoal and disposable products.

150

South and Central America

ICA's private label coffee and bananas are examples of products from South and Central America. Other examples of products are dried fruits and vegetables such as broccoli.

200

Africa

From African suppliers ICA Gruppen mainly buys fruit and vegetables, for example mangos, kiwifruit, grapes, avocados and tomatoes. The Group also buys other products such as roses from Africa.

660

Asia

Rice, tinned vegetables and noodles are typical examples of products bought from Asia. ICA Gruppen also buys textiles such as clothes, towels and sheets, and household utensils, toys and office products from Asia.

5

Australia and Pacific Rim

ICA Gruppen buys produce such as lamb, onions, kiwifruit, and apple varieties such as Royal Gala and Jazz from New Zealand and Australia. Another example is wool.

ICA Gruppen's suppliers

ICA Gruppen has a global network of suppliers. This means it has a global responsibility that extends across borders. Continuous dialogue and monitoring ensure that suppliers comply with both social and environmental requirements. The map shows the locations of ICA Gruppen's suppliers for sourcing and production of corporate brand products.



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 assortment in the stores and on seasonal variations.

ICA Gruppen's development

ICA Gruppen performed positively in 2019 in terms of both profits and sales. Performance is close to the long-term financial targets and all the operations performed well. The following pages describe the various segments, their markets and their important focus areas going forward.



GROUP PERFORMANCE

Group performance 2019



Underlying operating profit for ICA Gruppen increased in 2019 by 9% after eliminating divestments, structural costs and one-off positives. The main reason for this performance was a marked improvement in earnings at ICA Sweden, Rimi Baltic and ICA Bank. Activities associated with ongoing business development and digitalisation have continued at a high level. As a result, the cost level and rate of investment were also high in 2019. Cash flow remained strong.

Net sales and earnings

Consolidated net sales in 2019 amounted to SEK 119,295 million (115,354). In local currency and adjusted for the divestment of Hemtex the increase was 3.7%. The increase in sales was primarily price-driven, but positive volume effects from ICA Sweden's wholesale operations, Apotek Hjärtat and ICA Bank also contributed to the increase.

Operating profit excluding items affecting comparability was SEK 5,356 million (4,651). Operating profit for 2018 recalculated according to IFRS 16 was SEK 4,811 million. Operating profit includes certain non-recurring items at ICA Sweden amounting to around SEK -50 million. In addition, operating profit for ICA Real Estate was positively affected by SEK 63 million as a result of lower depreciation due to changes in the useful life of properties and their components. Last year's operating profit includes structural costs at ICA Sweden of SEK 110 million. The underlying earnings growth of 9.0% is mainly due to positive price and mix effects, a better logistics outcome at ICA Sweden and a higher share of profits from ICA stores.

There were also positive volume effects – particularly for ICA Sweden's wholesale operations, Apotek Hjärtat and ICA Bank. At the same time, higher costs were incurred for the Group's business development and digitalisation initiatives including e-commerce. Moreover, disruption at Apotek Hjärtat's new automated warehouse in Norrköping reduced earnings by an estimated SEK -40 million, mainly in the third quarter. Continued work to build up the business of part-owned Min Doktor had a negative impact on Apotek Hjärtat's earnings in the amount of SEK -53 million.

The operating margin excluding items affecting comparability was 4.5% (4.0). Recalculated according to IFRS 16 and excluding ICA Sweden's structural costs, the operating margin in 2018 was 4.3%.

Profit for the year amounted to SEK 3,450 million (3,647). This includes SEK -422 million (-153) in capital losses on divestments and impairment losses, mainly relating to the capital loss of SEK -382 million on the divestment of Hemtex. The capital loss as well as

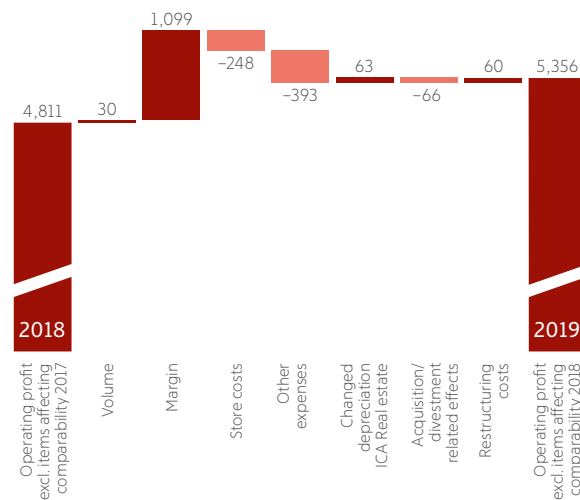
higher tax expense resulted in a fall in earnings per share to SEK 17.06 (18.05).

Net financial items and tax

The Group had net financial expense of SEK -532 million (-272), including interest expense associated with IFRS 16 of SEK 342 million. Underlying interest expense decreased sharply on account of the refinancing that was carried out in 2018 and 2019.

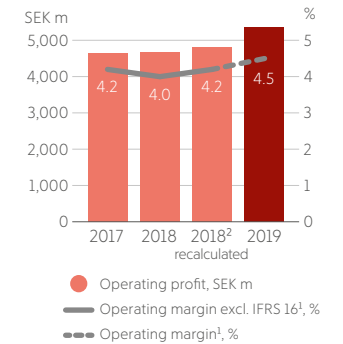
The tax expense for the year was SEK -951 million (-580), representing a tax rate of 21.6% (13.7). The increased tax expense is due in part to the non-deductible capital loss which arose on the divestment of Hemtex, while SEK -130 million (-49) is due to tax on the higher dividend from Rimi Baltic. In addition, in the previous year deferred tax assets and tax liabilities were remeasured due to the lowering of the corporate tax rate in Sweden, resulting in a one-time effect of SEK +200 million for 2018. Tax paid totalled SEK -584 million (-803). The reduction was due to the utilisation of previous tax-loss carryforwards and to the repayment of overpaid preliminary tax from 2018.

Operating profit development, SEK m



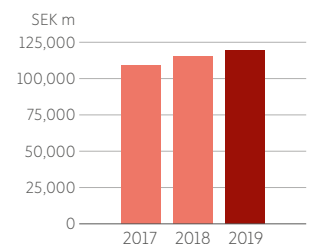
After eliminating structural costs, divestments and non-recurring items, ICA Gruppen's operating profit excluding items affecting comparability increased by SEK 445 million. The increase was primarily price- and mix-driven, along with a certain positive volume effect. Store costs increased in part as a result of newly opened stores and in part due to significant wage inflation within Rimi Baltic. Other expenses were also higher, primarily due to a continued high level of activity associated with business development and digitalisation. The difference between the two years also includes impact from Min Doktor amounting to SEK -43 million.

Operating profit, SEK m and operating margin, %¹



1 Excluding items affecting comparability.
2 In addition to the formal IFRS reports, in Recalculated 2018 amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Net sales



GROUP PERFORMANCE

➔ **Financial position**

The Group's net debt excl. IFRS 16 (i.e. excluding lease liabilities, ICA Bank and pension liabilities) at the end of the year amounted to SEK 4.2 billion (5.1). The lower level of net debt is mainly attributable to a positive cash flow from operating activities. Consolidated net debt including IFRS 16 (excluding ICA Bank and pension liabilities) amounted to SEK 20.1 billion (21.0) at the end of the year. At 31 December

2019 net debt in relation to EBITDA was 2.0 (0.8), which is well in line with the Group's long-term target of < 3.0. Recalculated according to IFRS 16, the key ratio for full-year 2018 was 2.1.

Cash flow

Cash flow from operating activities (excluding ICA Bank) amounted to SEK 9,923 million (10,078 recalculated according to IFRS 16). The decrease is due mainly to calendar effects and to

a lower level of expansion of the Supply Chain Financing (SCF) programme, factors that were partly compensated by an improvement in earnings and a lower level of tax paid.

The change in cash flow from investing activities during 2019 is mainly attributable to a lower level of investment. In addition, the divestment of Hemtex in the second quarter had an effect of SEK +222 million.

Investments

Investments (excluding company acquisitions) amounted to SEK 3,080 million (3,507), of which SEK 992 million (1,845) was attributable to ICA Real Estate. The lower level of investment during the year was due to fewer property acquisitions than in the previous year as well as the fact that a number of projects at ICA Real Estate, ICA Sweden and Rimi Baltic were deferred until 2020. Large investment projects

include acquisitions of future store locations, investments in the Group's e-commerce, IT investments, a new warehouse in Riga, as well as new stores and store conversions.

Parent Company

The Parent Company's net sales were SEK 1,106 million (972). Profit after financial items amounted to SEK 8,026 million (3,303). The change is due in large part to dividends of SEK 8,900

million (3,690) from subsidiaries and to the capital loss of SEK -572 million from the sale of Hemtex.

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.



The segments are reported excl. IFRS 16. The total effect of IFRS 16 will be only be reported at the consolidated ICA Gruppen level, see Note 1.

Net sales by segment

SEK m	2019	2018	2017
ICA Sweden	85,187	82,411	79,353
Rimi Baltic	16,168	15,255	14,008
Apotek Hjärtat	14,778	14,110	12,876
ICA Real Estate	2,731	2,591	2,468
ICA Bank	1,570	1,353	965
Hemtex	306	1,020	1,078
Other	1,197	1,042	909
Intra-Group sales	-2,640	-2,429	-2,249
Net sales	119,295	115,354	109,408

Cash flow statement, Group excluding ICA Bank

SEK m	2019	2018	Recalculated 2018 ¹	2017
Cash flow				
From operating activities before change in working capital	9,959	5,430	8,977	5,275
Change in working capital	-35	1,125	1,101	541
From operating activities	9,923	6,555	10,078	5,816
Investing activities, net	-2,811	-3,577	-3,577	647
Before financing activities	7,113	2,979	6,502	6,463
Financing activities, net	-7,044	-4,500	-8,023	-4,863
Cash flow for the period	69	-1,521	-1,521	1,600

Operating profit excluding items affecting comparability by segment

SEK m	2019	2018	2017
ICA Sweden	3,712	3,332	3,507
Rimi Baltic	744	631	557
Apotek Hjärtat	464	533	461
ICA Real Estate	504	417	429
ICA Bank	244	170	71
Hemtex	-36	13	31
Other	-443	-444	-414
IFRS 16 Leases²	166	160	
Operating profit excl. items affecting comparability²	5,356	4,811	
Operating profit excluding items affecting comparability by segment	5,189	4,651³	4,642³

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018; see Note 1. These amounts have not been reviewed by the auditors.

² The amounts for 2018 on this line are recalculated as if IFRS 16 had been applied on 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

³ The cost of the earlier planned integration of IKI is included in the amount of SEK -26 million in 2018, of which SEK -23 million is for Rimi Baltic and SEK -3 million for Other. In 2017, SEK -54 million, of which SEK -40 million for Rimi Baltic and -14 for Other.

GROUP PERFORMANCE

ICA Gruppen's segments



ICA Gruppen's operations are divided into five segments: ICA Sweden, Rimi Baltic, Apotek Hjärtat, ICA Real Estate and ICA Bank.

The segments are reported excl. IFRS 16. The total effect of IFRS 16 will only be reported at the consolidated ICA Gruppen level, see Note 1.

ICA Sweden

With 1,270 stores and a market share of around 36%¹ (for 2018), ICA Sweden is the leading grocery retail operator in the country. The independent ICA retailers own and operate their own stores, but have agreements with ICA Sweden in areas such as common sourcing, logistics, market communication and store development.

Net sales, SEK m and operating margin, %

Year	Net sales (SEK m)	Operating margin (%)
2017	~80,000	4.4
2018	~80,000	4.0
2019	~85,000	4.4

Rimi Baltic

Rimi Baltic operates a grocery retail business and has 277 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 year-end Rimi Baltic had 86 stores in Estonia, 130 in Latvia and 61 in Lithuania. Rimi Baltic's combined market share in the region is around 15%¹.

Net sales, SEK m and operating margin, %

Year	Net sales (SEK m)	Operating margin (%)
2017	~12,000	4.0
2018	~14,000	4.1
2019	~16,000	4.6

Apotek Hjärtat

With 390 pharmacies and a market share of around 31%, Apotek Hjärtat is the second largest company in the Swedish pharmacy market. Pharmacy operations complement grocery retail and play an important role in ICA Gruppen's efforts to achieve a leading position in health.

Net sales, SEK m and operating margin, %

Year	Net sales (SEK m)	Operating margin (%)
2017	~12,000	3.6
2018	~14,000	3.8
2019	~15,000	3.1

ICA Real Estate

ICA Real Estate has a large and actively managed property portfolio within the retail segment. Its overall mission is to meet ICA Gruppen's long-term need for appropriate properties in the right locations. This consists of acquiring, developing and managing marketplaces adjacent to existing or planned ICA stores, and divesting fully developed properties on an ongoing basis.

Net sales, SEK m and operating margin, %

Year	Net sales (SEK m)	Operating margin (%)
2017	~2,000	17.4
2018	~2,200	16.1
2019	~2,500	18.4

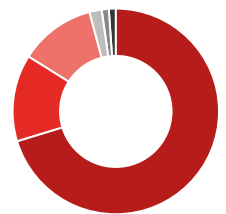
ICA Bank

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

Net sales, SEK m and return on equity², %

Year	Net sales (SEK m)	Return on equity (%)
2017	~900	2.3
2018	~1,200	7.0
2019	~1,500	9.0

Share of ICA Gruppen's sales, %



- ICA Sweden, 71%
- Rimi Baltic, 14%
- Apotek Hjärtat, 12%
- ICA Real Estate, 2%
- ICA Banken, 1%



¹ For a definition of market share, see page 35.
² The calculation of return on equity for ICA Bank excludes the effect of Group contributions.

GROUP PERFORMANCE

ICA Sweden

Major changes in the grocery retail market in Sweden

The market for groceries, food and meals is changing. There is a noticeable blurring of the lines between industries, and the number of operators with overlapping offerings increase. At the same time consumption patterns are changing fast in terms of when and where consumption takes place.



Moderate but stable growth
Grocery retail is less sensitive to economic fluctuations than other retail segments. The growth rate can be described as moderate but stable. Sales largely track population changes. According to DVI (Food Retail Index), sales in 2019 increased by 3.1% (3.0).

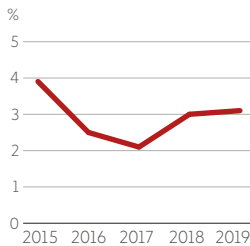
Adjusted for price and calendar effects, the volume increased by 0.2% (0.6). Competition continued to increase during the year, mainly due to the continued expansion of discount stores but also as a result of the continued blurring of industry lines and tough competition from other channels.

Restaurants and cafés, for example, now account for around one third of all food and meal consumption in Sweden, which is significantly more than 10 years ago when the corresponding statistic was around 27%.

Svensk Handel estimates that grocery retail sales will grow by 1% per year in fixed prices up to 2025. This forecast is largely based on historical development in recent years and is also in line with Statistics Sweden's population forecast. The factors that drive sales revenue are primarily inflation and an ever increasing share of value-added products, including complete meal solutions.

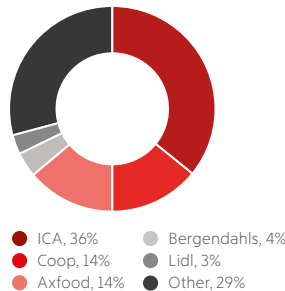
Calculating market share is complex
Calculating the market share of various actors is complex. The total size of the market depends on which segments and operators are included. It also depends on whether you choose to look at actual consumption by consumers irrespective of where it takes place, or whether you select a number of operators. According to Statistics Sweden, total consumption of groceries in Sweden 2018 increased with 3.9% to SEK 360.3 billion (346.9), with ICA's market share at around 36%.

Development of the grocery retail market in Sweden¹



Source: SCB, HUI, Swe. Food Retailers Assoc.
1 DHI 2015–2017, DVI 2018–2019

Market share, groceries Sweden



Source: Statistics Sweden, HUI, ICA's analysis.
Share of total grocery consumption 2018.

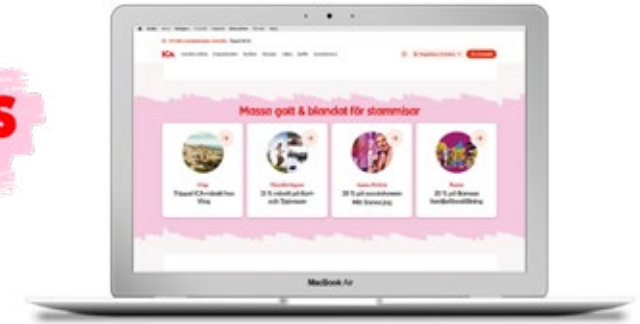
Growing online sales

Online sales of food and meal kits have sharply increased in recent years, albeit from low levels. In 2019 they grew by around 22% (27) and their share of the total market was 2.7%, compared to 2.3% the previous year. In the UK – one of the countries with the highest percentage of online food sales – the corresponding share is around 8%.

GROUP PERFORMANCE

Good sales development and strong earnings for ICA Sweden

For ICA Sweden, 2019 was distinguished by a high level of activity. Development continued during the year of both the physical store network and the digital customer offering. Significant investments were also made in the assortment, logistics and ICA Sweden's organisational structure. Altogether the investments contributed to good sales growth and strong earnings development.



The 2019 focus areas included driving good sales growth, further strengthening ICA Sweden's position in the grocery retail market through investment in digitalisation, secure efficient logistics and creating the necessary conditions for aggressive future initiatives. Good results were achieved during the year in most of these areas and this helped to strengthen the offering and sustain the strong position.

Strong online growth

The ICA stores' online sales continued to increase at a fast pace during the year. Altogether sales of food online, picking and meal kits, increased by 33%, compared with the market sales increase of around 22% (according to DVI). The number of stores active in online sales at the end of the year was 302 and 632 were offering the ICA Matkassen meal kit concept. Online sales as a percentage of the total sales in stores offering the service amounted to an average of around 3% as of the same date.

New e-commerce warehouse in Gothenburg

Increased online sales requires increasingly efficient picking and direct delivery processes. During the year construction began on a central e-commerce warehouse in Gothenburg which means that independent ICA retailers in the Gothenburg region will be offered picking and direct delivery from warehouse to end customer. The warehouse, which is expected to go into operation at the end of 2020, will enable increased efficiency and better service for both stores and consumers. A similar warehouse was opened in Stockholm in spring 2018. Since the start online sales in Stockholm have more than doubled.

During the year work continued on a new e-commerce platform and a new, highly automated e-commerce warehouse in Stockholm. The new platform will be launched in 2021 and the warehouse will open in 2022.

Organisational changes and new ways of working

During the year more comprehensive changes were made to ICA Sweden's organisational and work structure, with the development of more agile processes.

The change has involved around 200 existing positions including vacancies being removed. The changes will also free up around SEK 180 million annually for more forward-looking activities.

Continued investment in private label products

In 2019 investments in private label products and ready meal solutions continued. The private label line creates breadth and depth in the assortment and strengthens ICA's brand while also contributing to good profitability. Private label products as a percentage of total sales amounted to 25.8% (25.4).

ICA stores' sales

Sales in the Swedish ICA stores increased by 3.1% in 2019. The increase for comparable units amounted to 3.0%. The sales increase was mainly driven by a higher average spend driven by higher average prices. The number of items per customer visit was slightly reduced. A total of ten new stores were opened during the year and 17 stores were closed. The net increase in store space was 8,000 m² or 0.5%. Most of the newly opened stores are located in metropolitan areas.

Future focus

2020 will be distinguished by a sustained high level of activity. The e-commerce offering and preparations for the highly automated e-commerce warehouse in Stockholm will have a high priority, as will the launch of the new e-commerce warehouse in Gothenburg. The number of new store launches is expected to be higher than in 2019. The pace of renewal of the existing store network will remain fast and involve more than 200 stores. The process of reviewing the customer offering strategy will continue at the same time. A strong emphasis will also be placed on continued development of private label products and concepts aimed at the meal market, as well as the gradual launch of ICA Gruppen's new loyalty programme called "Stammis".



Prioritised step-change areas

- Strengthened food ecosystem
- New concepts for convenience/meal solutions & hypermarkets
- Sustainable logistics infrastructure and logistics costs
- Development of work processes

GROUP PERFORMANCE



Sales growth and number of stores including retailer-owned stores

Profile	Store sales (excluding VAT)			Number of stores in Sweden				
	2019, SEK m	Change, all stores %	Change, like-for-like %	Dec. 2018	New	Converted	Closed	Dec. 2019
Maxi ICA Stormarknad hypermarkets	38,080	4.3	3.9	85	1	0	0	86
ICA Kvantum	29,524	3.6	2.8	126	3	0	0	129
ICA Supermarket	36,169	2.0	2.4	429	0	-1	-5	423
ICA Nära	18,168	2.0	2.6	637	6	1	-12	632
Total	121,941	3.1	3.0	1,277	10	0	-17	1,270

Key figures

	2019	2018	2017
Net sales, SEK m	85,187	82,411	79,353
Operating profit before depreciation and amortisation (EBITDA), SEK m	4,277	3,787	3,939
Operating profit excl. items affecting comparability, SEK m	3,712	3,332	3,507
Of which:			
Structural costs relating to organisational changes and store closures	50	110	-
Operating margin excl. items affecting comparability, %	4.4	4.0	4.4
Investments, SEK m	656	868	660
Depreciation/amortisation, SEK m	565	456	434
Average number of employees	8,292	8,199	8,006
Private label share of store sales, %	25.8	25.4	24.7

Financial performance

ICA Sweden's revenue increased during the year by 3.4%. The increase was due mainly to price effects, but increased wholesale volumes also played a part. Operating profit increased as a result of

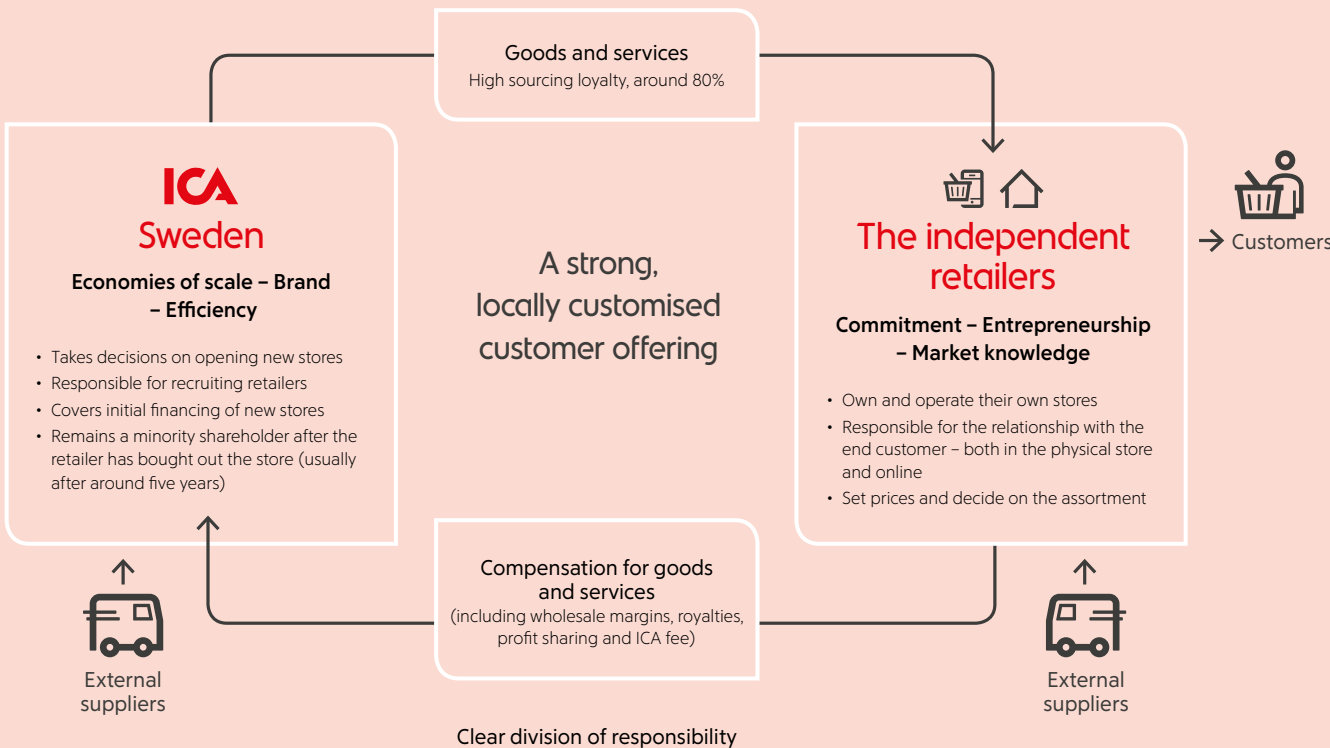
the increase in revenue. In addition, the logistics outcome improved, there was a higher profit share from ICA stores, and non-food reported improved earnings. This was offset by higher costs associated

with new and ongoing development projects and investments, such as in e-commerce. Excluding structural costs, the operating margin for 2018 was 4.2%.

GROUP PERFORMANCE

The ICA Idea – a unique business model

ICA Sweden's operations are based on a unique business model where economies of scale are combined with the local retailers' commitment, market knowledge and entrepreneurial skills. In this structure ICA Sweden owns the rights to the store location and the brand, while the retailer owns and operates the store.



The relationship between ICA Sweden and the individual ICA retailers is regulated in an agreement. The agreement sets out, among other things, how the store network will be developed and how new stores will 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 and 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 ICA retailers want to sell their company or its operations.

ICA Sweden's revenue and earnings

Revenue that contributes to profits

- Revenue from wholesale sales
- Sales in stores owned by ICA Sweden
- ICA Sweden's own non-food sales in Maxi ICA Stormarknad hypermarkets
- Revenue from add-on services in competitive environments
- Performance-based revenue in the form of royalties and profit sharing

ICA Sweden's profits

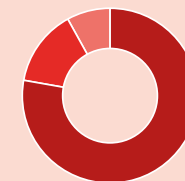
ICA Sweden's earnings come largely from wholesale sales. The size of the mark-up is set out in an agreement with ICA-handlarnas Förbund. It is the same for all stores and varies depending on the type of product. Other compensation with a direct impact on profits includes royalties and profit sharing from the stores. Profits are also generated from the non-food business, store subsidiaries and add-on services.

Revenue that provides cost coverage

- Revenue from ICA subscriptions (fees paid by the ICA retailers to finance the joint organisation)
- Compensation for logistics, infrastructure
- Add-on services not exposed to competition

Factors affecting

ICA Sweden's revenue in 2019



- Wholesale, 78%
- Store subsidiaries and non-food sales at Maxi ICA Stormarknad hypermarkets, 14%
- Other sales/revenue, 8%

ICA Sweden's earnings in 2019



- Wholesale, 68%
- ICA agreements (royalties and profit-sharing) and other (store subsidiary sales, ICA's own non-food product sales, add-on services), 32%

GROUP PERFORMANCE

Rimi Baltic

Strong emphasis on price and price perception in Estonia, Latvia and Lithuania

There are both similarities and differences between the grocery retail markets in the three Baltic countries. They share a fast pace of expansion in recent years, especially in the discount segment.



Price and price perception constitute a strong competition factor, and competition is expected to become tougher in the future due to Lidl's planned expansion into Estonia and Latvia. All markets are also characterised by a noticeable blurring of industry lines, with increasing competition from restaurants, and cafés in particular. In all of

the countries a growing proportion of retail sales take place in metropolitan areas; either in city centres or in shopping centres just outside. The size of the population in Latvia and Lithuania continued to fall in 2019, while in Estonia it remained unchanged.

Direct competition varies between the three countries. In Estonia the

primary competitors are Coop, Maxima, Selver and Prisma. In Latvia it is Maxima, Top!, Mego and Elvi. In Lithuania the main competitors are Maxima, IKI, Norfa and Lidl. In Latvia and Lithuania the number of actors offering groceries online is still relatively small. There are a few more in Estonia.

In total, sales in the Baltic grocery

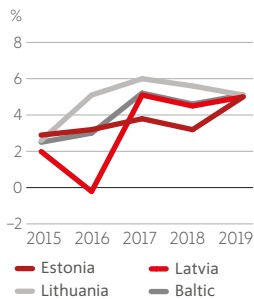
retail market were around EUR 10.4 billion in 2019, with Lithuania accounting for around 46%, Latvia for around 29% and Estonia for around 25%. Overall the market grew during the year by 5.1% (4.6). The underlying volume growth strengthened in Estonia during the year but was weaker in Latvia and in Lithuania. The rate of inflation increased to 3.0% (2.3).

Smaller market share due to conversion and investments

Rimi Baltic's market share in the Baltic countries in 2019 was estimated at around 15%, slightly lower than in 2018. The reduction is mainly due to lower sales resulting from store conversions.

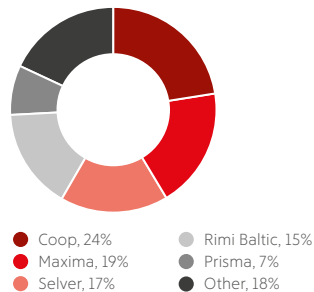


Development of the grocery retail market in the Baltics

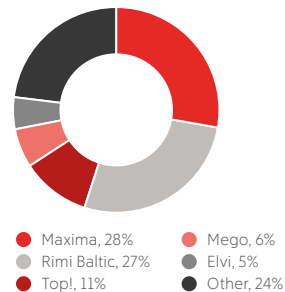


Source: Government statistics

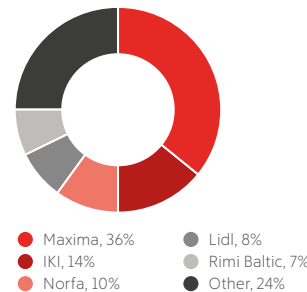
Market share, groceries Estonia¹



Market share, groceries Latvia¹



Market share, groceries Lithuania¹



¹ 2018 government statistics, the companies' annual reports and Rimi Baltic's analysis.

GROUP PERFORMANCE

Strong earnings and launch of online shopping within Rimi Baltic

Rimi Baltic implemented a number of initiatives during the year aimed at strengthening its market position and facilitating sustainable growth with sustained good profitability. The main projects included continuing store conversions, expansion of the central warehouse in Riga and launch of e-commerce in Latvia.

In 2019 the conversion of discount stores in Latvia was completed and all stores in Estonia, Latvia and Lithuania are now operated under the Rimi brand. Repositioning of the former discount stores and the focus on one brand will enable margins to be improved and synergies to be achieved in for example marketing and the private label assortment.

The store conversion projects resulted in negative volume growth in 2019. Despite a generally high cost level, operation profits were improved.

The drivers included better earnings from converted stores and an improved campaign mix and campaign margins, as well as store operation efficiency improvement.

New central warehouse in Riga

Expansion of the central warehouse in Riga continued during the year. The warehouse will successively go into operation from the beginning of the third quarter of 2020. The expanded warehouse will also function to a greater extent as a central warehouse

for Estonia and Lithuania. A production unit for prepared food will be built adjacent to the warehouse.

Launch of online shopping

At the end of the year the online shopping solution was launched in Latvia. The customers are offered either home delivery, "drive through" or in-store pick-up. During the first half of 2020 the online shopping solution will gradually be rolled out in Estonia and Lithuania as well.

Future focus

After several years of implementing changes the overall goals going forward are now to develop the Rimi brand, increase sales and maintain good profitability. Much effort will also be put into meeting increasingly tough competition from existing and new discount actors. One of the ways of doing this will be a strong emphasis on price and value for money.

The major activities planned for 2020 include the launch of the e-commerce concept in all three countries, completion of the new central warehouse in Riga and continued investments in private label products and prepared food con-

cepts. In Lithuania a significant expansion of the store network is expected. The number of stores will increase significantly up to 2023 from today's 61 stores to around 100. A particular emphasis will be placed on the Supermarket and Express concepts. A fast pace of renewal at existing stores is also expected. The number of stores will also be increased in Estonia and Latvia. A total of 16–18 new stores are expected to be opened in 2020.

There will be a strong focus on store efficiency improvement, internal cost optimisation and the introduction of new work processes.

Prioritised step-change areas

- E-commerce and digital transformation
- Price, campaigns & assortment
- Expand convenience and meal solutions



Sales development and number of stores

Country	Store sales (excluding VAT)			Number of stores			
	2019, EUR m	Change, all stores %	Change, like-for-like %	Dec. 2018	New	Closed	Dec. 2019
Estonia	390.5	4.3	1.3	86	1	-1	86
Latvia	785.5	1.3	3.7	125	6	-1	130
Lithuania	336.9	3.8	3.1	56	5	0	61
Total	1,513.0	2.6	2.9	267	12	-2	277

Store format by country

Concept	Estonia	Latvia	Lithuania	Total
Rimi Hyper	17	34	35	86
Rimi Super	19	35	15	69
Rimi Mini	45	50	6	101
Rimi Express	5	11	5	21
Total	86	130	61	277

Key figures

	2019	2018	2017
Net sales, SEK m	16,168	15,255	14,008
Operating profit before depreciation and amortisation (EBITDA), SEK m	1,097	969	893
Operating profit excl. items affecting comparability, SEK m	744	631	557
Operating margin excl. items affecting comparability, %	4.6	4.1	4.0
Investments, SEK m	985	362	358
Depreciation/amortisation, SEK m	352	336	321
Average number of employees	10,494	9,572	9,634
Private label share of store sales, %	23.9	24.3	24.1
EUR exchange rate, average	10.5869	10.2593	9.6431

Financial performance

Net sales in local currency increased by 2.7% during the year. The increase was mainly price-driven while volume growth was weak, affected by store conversions in Latvia. Operating profit excluding items affecting comparability increased by SEK 113 million. Higher margins on private label products and increased campaign margins were to some extent offset by high wage inflation as well as increased logistics and marketing costs. The 2018 figure included costs of SEK 23 million related to the planned but not completed acquisition of IKI.

ICA GRUPPEN'S SEGMENTS

Apotek Hjärtat

A growing pharmacy market

There has been significant growth in the Swedish pharmacy market in recent years. Between 2012 and 2019 the average annual sales growth amounted to around 5.8%. The total number of pharmacies increased during the period by approximately 12%. The increase in number of pharmacies since 2009, when the deregulation of the pharmacy market was made, is 53%.



At the end of 2019 there was a total of 1,426 outpatient pharmacies in Sweden. The vast majority of these belonged to one of the five largest pharmacy chains. Despite the increase in the number of pharmacies, the density of pharmacies is still among the lowest in Europe.

The combined sales during the year was around SEK 47.2 billion, representing an increase of 4.0% compared with 2018. The drivers include increased volume and slightly higher average prices.

Rapidly growing online sales

Pharmacy online sales have grown rapidly and the majority of the chains now offer an online shopping option. There are also three pure-play e-commerce operators that have demonstrated strong growth in recent years. In 2019 combined online sales increased by 36% compared with the previous year, representing 10.7% of the market as a whole.

Regulated sourcing and retail prices

Prescription drugs account for around 74% of total market sales, over-the-counter (OTC) drugs for around 9% and other commercial goods and services for around 17%. Both purchase and retail prices for prescription drugs within the reimbursement system are set in the price model and according to regulations established by the Swedish State through the Dental and Pharmaceutical Benefits Agency (TLV). The pharmacies' trade margin 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. They have also contributed to the consolidation of the market that has taken place in recent years.

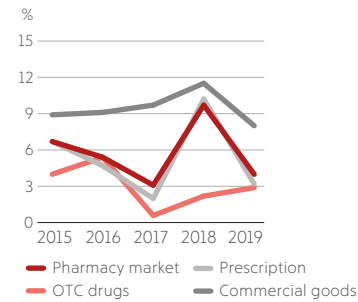
Market share

Like grocery retail, the pharmacy market is characterised by extensive blurring of industry lines and fierce competition – not least from pure-play e-commerce operators. In 2019 Apotek Hjärtat's market share was 30.9%.

Proposed legislation amendment

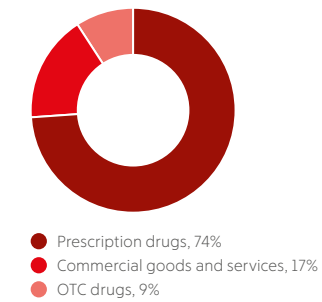
In 2019 the Swedish Medical Products Agency recommended that the Government review the possibility of healthcare companies owning pharmacies, and vice versa. One of the reasons for this being the risk of over-prescribing and of inappropriate drug treatment. In response the Swedish Pharmacy Association pointed out that there is insufficient evidence that a partnership or ownership structure between outpatient pharmacies and care providers would lead to these potential risks materialising.

Growth of the pharmacy market in Sweden 2015–2019

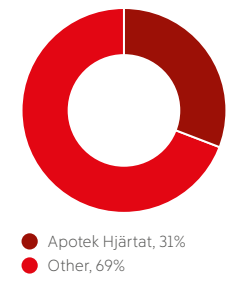


Source: Swedish Pharmacy Association

Pharmacy market sales, Sweden



Pharmacy market share, Sweden



ICA GRUPPEN'S SEGMENTS

Extensive investment in e-commerce and logistics within Apotek Hjärtat

For Apotek Hjärtat 2019 was characterised by extensive investment in its e-commerce channel, a fast pace of renewal at existing pharmacies, continued investment in private label products and expansion of Min Doktor. Positive price and volume effects were, however, partially offset by increased costs relating to among other things logistics.

There was a strong emphasis during the year on developing and further strengthening the e-commerce channel. Altogether online sales increased by 40%, compared to market growth of 36%. The growth drivers included a continued broadening and deepening of the assortment, and faster and more flexible deliveries to customers. 285 pharmacies now offer the Click & Collect concept, where customers can shop online but opt to pick up their purchase within two hours from the pharmacy of their choice. Meanwhile the pilot project involving fast delivery directly to customer's homes is continuing.

New automation solution in operation

To achieve improved efficiency and increase the level of service to cus-

tomers, a new automation solution was put into operation in 2019 at Apotek Hjärtat's distribution warehouse in Norrköping. Launch problems caused disruption during parts of the year in product deliveries, mainly of commercial goods for both the physical pharmacy and online channel.

Expansion of Min Doktor

In autumn 2018 Apotek Hjärtat acquired 42.7% of Min Doktor, one of Sweden's largest providers of digital primary care services. At the same time Apotek Hjärtat's Minutkliniken concept was sold to Min Doktor. The ownership share increased in 2019 to 49.4%. In 2019 both of these operations were coordinated, resulting in a solution where patients can now receive help both online and at small clinics staffed

by nurses with the option of digital contact with a doctor. These operations are still in the build-up phase. In 2019 the expansion continued and an additional twelve clinics were opened, located together with Apotek Hjärtat pharmacies, often adjacent to large ICA stores.

Continued development of the pharmacy network

Altogether six new pharmacies were opened and four were closed during the year. The new pharmacies will follow Apotek Hjärtat's store concept, which combines traditional pharmacy services with a broad offering within health and wellbeing, including simple health services.



Future focus

The focus going forward will be on further strengthening Apotek Hjärtat's position as the leading player in the Swedish pharmacy market. Strong priorities will be continued development of both the physical pharmacies and the online channel, and increasing the connection between

these two channels. Development of fast and flexible delivery options will also continue. The plan is to open six to eight new pharmacies in 2020, while maintaining a fast pace of renewal at existing pharmacies. The Group's position in health will be further strengthened.

Prioritised step-change areas

- Strengthened food ecosystem
- Profitable growth in e-commerce
- Success for Min Doktor

Key figures

	2019	2018	2017
Net sales, SEK m	14,778	14,110	12,876
Of which:			
Prescription drugs, SEK m	11,119	10,512	9,503
OTC drugs, SEK m	1,453	1,435	1,408
Other products and services, SEK m	2,206	2,163	1,965
Operating profit before depreciation and amortisation (EBITDA), SEK m	611	740	604
Operating profit excl. items affecting comparability, SEK m	464	533	461
Operating margin excl. items affecting comparability, %	3.1	3.8	3.6
Investments, SEK m	226	193	128
Depreciation/amortisation, SEK m	147	157	143
Average number of employees	3,132	3,085	3,083
Private label share of other products, %	19.8	19.6	18.5

Number of pharmacies

	Dec. 2018	New	Closed	Dec. 2019
Apotek Hjärtat	388	6	-4	390

Financial performance

Apotek Hjärtat's net sales increased by 4.7% in 2019. Operating profit excluding items affecting comparability was somewhat lower than in the previous year, as was the operating margin. Good volume development as well as positive price and mix effects were offset by higher costs associated with the investment in e-commerce and IT development. Operating profit was reduced by around SEK -40 million as a result of disruption at the new automated warehouse in Norrköping, and by an effect of SEK -53 million from the associated company Min Doktor. The operating margin was 3.1% (3.8%). Adjusted for the effect of Min Doktor, the operating margin was 3.5%.

ICA GRUPPEN'S SEGMENTS

ICA Real Estate

Sustained strong growth for grocery retail and logistics properties

In 2019 the commercial real estate market was characterised by low interest rates, good access to capital and strong interest from both domestic and foreign investors. In general, high quality properties in the right locations became more expensive, while development was weaker for other properties.

The transaction volume in 2019 reached record levels and the market continued to adapt to long-term low interest rates which, with the decline in alternative returns on other assets, indicates that the real estate market will remain strong, promoting stable and long-term cash flows.

Strong market for grocery retail and logistics properties

The market for grocery retail properties in 2019 remained strong, with high property prices and low yield requirements. During the year properties in which ICA is the tenant were sold at record prices and interest in properties with a high percentage of grocery retail operations was high from both institutional and foreign capital. This is also part of the explanation for the growth in value of ICA Real Estate's portfolio.

Development was also strong for logistics properties. A number of large transactions during the year were at record levels.

Cautious development for other commercial real estate

The market for commercial properties not housing grocery retail operations continued to decline in 2019, with fewer transactions and falling prices. One of the reasons for this is concern over the impact of e-commerce and its effect on the profitability of retailers. There was some diversification of rent levels for commercial properties during the year. In attractive locations rents increased, while in other areas they went down. ICA Real Estate's exposure to types of retail other than grocery retail remains limited.



ICA GRUPPEN'S SEGMENTS

Stable development for ICA Real Estate

2019 was largely a year of continued development and planning for sites in locations close to cities. Work also continued on ensuring that the properties are being managed in a sustainable, customer-focused and value-creating way in order to support and develop ICA Sweden's store network.

Development continued during the year on a number of larger urban development projects which, in addition to grocery retail, also include other commercial activity, housing, offices, restaurants and community services. These are all long-term projects in many cases lasting several years. Examples of ongoing larger development projects are the Brunnsög district outside Lund and densification of existing properties in Häggvik outside Stockholm and in Höganäs in northwestern Skåne. Planning was also under way of large marketplaces in Bålsta and Täby. All projects are being implemented in close cooperation with municipal authorities and multiple other actors. Finished projects include construction of a new Kvantum store in Trosa. There were no significant divestments during the year.

Review of the portfolio strategy

In 2019 a review was conducted of the potential risks relating to external circumstances and developments in retail, particularly in light of the strong growth of e-commerce. The assessment is that ICA Real Estate has a well-balanced property portfolio with low risk, but that the rapid development will require constant monitoring.

Increased focus on premises for e-commerce and logistics

As e-commerce grows the need for premises to house warehouses and logistics will increase. In 2019 the property in Gothenburg which will house ICA Sweden's new central e-commerce warehouse was acquired. Construction began in May and the warehouse is expected to be in operation at the end of 2020. Construction was also started during the year of ICA Sweden's new automated e-commerce warehouse in Brunna outside Stockholm. The site is around 83,000 square meters and the building will be around 32,000 square meters.

Smarter and more sustainable properties

ICA Real Estate is implementing numerous initiatives aimed at reducing energy consumption. More and more stores are being connected to systems that make it possible to send and receive information in real time. Tests were launched during the year of so-called digital twins, i.e. virtual copies of stores, making it possible to digitally test and quality assure planned store renovations before they are actually carried out. Using sensors it will also be possible to analyse energy consumption and thereby be able to optimise and reduce consumption.

Key figures	2019	2018	2017
Net sales, SEK m	2,731	2,591	2,468
Of which rental income from owned properties, SEK m	1,080	1,010	975
Operating profit before depreciation/amortisation (EBITDA), SEK m	1,003	920	1,490
Operating profit excl. items affecting comparability, SEK m	504	417	429
Operating margin excl. items affecting comparability, %	18.4	16.1	17.4
Investments, SEK m	992	1,845	937
Divestments, SEK m	-1	286	2,927
Depreciation/amortisation, SEK m	501	514	483
Dividend yield, %	6.8	6.8	6.5
Occupancy rate, %	98.6	99.3	99.4
Average number of employees	110	101	90

Other key ratios

	Consolidated operations, Sweden		Joint venture according to the equity method ¹
	Wholly owned	Partly owned Långeberga ¹	
Book value of owned properties, SEK bn	10.8	1.4	7.9
Estimated market value, SEK bn	15.4	2.0	9.8
No. of properties owned	121	2	73
No. of square metres owned, thousands	563	106	399
Occupancy rate, %	98.6	100	98
Share of rents from non-ICA operations, %	16.3		
Investments, SEK m	992		
Divestments, SEK m	-1		

¹ Table shows 100%, of which ICA Gruppen owns 50%.

Financial performance

Operating profit excluding items affecting comparability was positively affected by revenue from new investments, while costs increased. Operating profit includes an effect of SEK +63 million as a result of lower depreciation following a change in the assessed useful life of properties and their components.

Market valuation

The assessed market value of ICA Real Estate's properties, owned or partly owned, amounted to SEK 21.3 billion at the end of the year. The book value amounted to SEK 15.4 billion. The value is broken down in the table below:

	Book value	Assessed market value
Wholly owned Swedish properties	10.8	15.4
Properties partly owned through joint ventures, of which:	9.3	11.8
Långeberga Logistik ¹	1.4	2.0
Ancore ²	5.5	7.2
Secore ²	2.4	2.6
Total incl. partly owned properties	20.0	27.2
Total ICA Real Estate	15.4	21.3

¹ Consolidated into ICA Real Estate.

² Reported according to the equity method (see also Note 13).

Future focus

The focus in 2020 will be on implementing projects linked to strategic land and property acquisitions. There will also be a strong emphasis on developing attractive and sustainable sites adjacent to ICA stores and Apotek Hjärtat, with a particular focus on metropolitan areas. There will also be greater focus on sustainability work, prioritising the environment, local sites and diversity.

Prioritised step-change areas

- Strategic and active property portfolio management



ICA GRUPPEN'S SEGMENTS

ICA Bank

The Swedish banking market

The Swedish banking market has traditionally been dominated by a few large full-service banks. This is changing.

Deregulation, new customer demands, changed consumption patterns and fast digitalisation have paved the way for new business models, which in turn has opened up opportunities for new actors to enter the arena. Digitalisation has also diminished or completely eradicated the importance of bank branches. All in all this has resulted in actors that have been able to offer lower prices and a better customer experience increasing their market share in a number of areas.

Low interest rates and ever stricter regulations

Development in the banking market has been characterised in recent years by low interest rates, sharp growth in

demand for credit – above all mortgages, and more comprehensive regulation. Higher capital requirements have limited the banks' lending capacity while low interest rates have squeezed profitability. As a result all banks have had to review their business and revenue models.

At the same time the number of start-ups at the intersection of the finance and IT industries, i.e. fintech, has increased. Within this area, open banking, new rules enabling third-party developers to build customer applications around the banks' systems and data through APIs, are all playing a major role in future product development.



ICA GRUPPEN'S SEGMENTS

Strong improvement in ICA Bank's earnings

For ICA Bank 2019 was characterised by continued development of the offering. Revenue and business volumes continued to grow at the same time as earnings improved significantly.



In recent years ICA Bank has implemented comprehensive changes with the overall objective of developing the offering and intensifying relationships with the existing customers. The change process, which continued at full speed in 2019 as well, has resulted in increased revenue, significantly improved earnings and a new, broad offering of financial services in lending, saving, payment and insurance.

The number of bank customers at the end of the year was around 840,000. Business volumes, measured as the sum of lending, deposits, saving in investment funds and mortgages, increased during the year by around 8%, largely as a result of higher loan volumes.

Establishing a mortgage company

As part of the process of developing the mortgage offering, ICA Bank, Ålandsbanken, Ikano Bank, Söderberg & Partners and Borgo signed an agreement in 2019 to establish a joint mort-

gage company in the Swedish market. The new mortgage company will offer a complete platform of mortgage products for Swedish consumers. Mortgages are an important part of the bank's full service customer offering and the new company will enable the bank to continue to grow in this area. The creation of the company is contingent upon the relevant licences being obtained. The mortgage company is expected to launch its operations at the end of 2020.

Stable growth for ICA Insurance

ICA Insurance secured its position during the year as one of the fastest growing companies in Sweden within consumer insurance. The number of customers at the end of the year was around 178 000, an increase of around 22%. The insurance business strengthens and broadens ICA Bank's customer offering and also helps improve customer loyalty to the grocery retail operations.

Satisfied customers

In 2019 the customer satisfaction index from Svenskt Kvalitetsindex (banks, private customers) ranked ICA Bank in second place, three positions higher than the previous year. The improvement is the result of a focused effort to place a high priority on key areas such as accessibility and service.

Key figures

	2019	2018	2017
Revenues, SEK m	1,570	1,353	965
Of which net interest income, SEK m	602	487	409
Operating profit before depreciation/amortisation (EBITDA), SEK m	272	205	103
Operating profit excl. items affecting comparability, SEK m	244	170	71
Cost/income ratio, %	78.5	83.5	86.4
Return on equity, % ¹	9.0	7.0	2.3
Credit loss ratio, %	-0.7	-0.4	-0.7
Common equity Tier 1 ratio, %	14.9	15.6	16.9
Business volume, SEK m	50,515	46,618	40,866
Average number of employees	423	383	368

¹ The calculation of return on equity for ICA Bank excludes the effect of Group contributions. The definition of return on equity was changed for ICA Bank in 2019 and the figures for previous periods has been recalculated according to the new definition.

Financial performance

Revenue increased during the year as a result of higher net interest income and lending volumes as well as a continued positive sales trend for ICA Insurance. The increase in operating profit excluding items affecting comparability was driven by improved borrowing margins, increased lending volumes and the fact that ICA Insurance achieved a small operating profit. Last year's result included non-recurring items of SEK +42 million, while the equivalent figure for this year was SEK +28 million. The underlying increase in earnings was thus SEK 88 million.

Future focus

The overall goal is to continue to grow revenue, volumes and earnings. A strong priority will be developing the mortgage offering and establishing the new mortgage company. Development of new, innovative services that make people's lives easier and personal finances will continue. Coopera-

tion with other operations within ICA Gruppen will increase, including through the launch of a new joint loyalty programme. ICA Insurance will continue to grow in terms of number of customers, but will also increase its focus on profitability.

Prioritised step-change areas

- Strengthened food ecosystem
- Mortgage growth
- Profitable growth in ICA Insurance



RISKS AND RISK MANAGEMENT

Risks and risk management

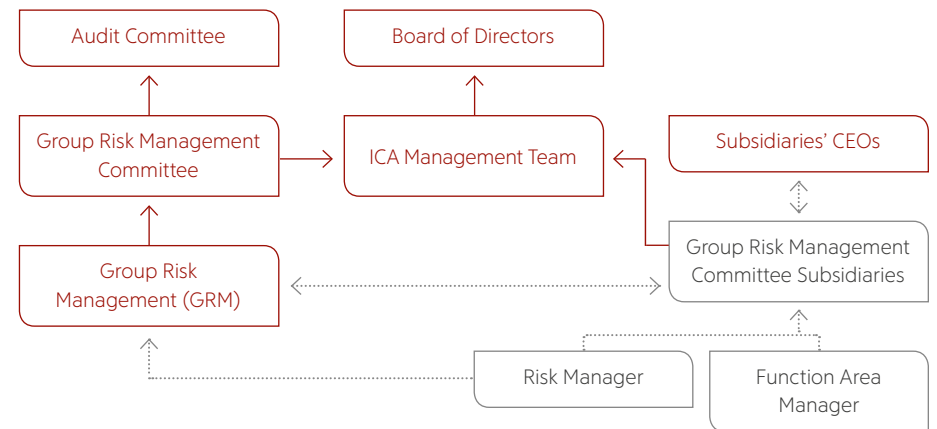
Risks and risk taking are a natural part of ICA Gruppen's operations. A good understanding of the risks and continuous monitoring of changes in the risk profile provide a good basis for taking risk into consideration in a relevant way in decision-making, improving the Group's ability to achieve its strategic 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 a leading player 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, loss prevention 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. ICA Gruppen's risk management framework establishes, among other things, the levels of risk that are acceptable and how risks that exceed these levels are to be escalated to the Management Team and Board of Directors for decisions on risk management measures. Risk levels are established by the Board of Directors and are expressed as a number of factors which, along with the financial impact, are to be analysed and assessed with the objective of minimising the risk of the following occurring:

- A significant negative impact on trust in ICA Gruppen
- A lengthy interruption in critical processes
- A significant negative impact on the health and/or wellbeing of customers or employees
- A significant deterioration in ICA Gruppen's long-term ability to attract and retain employees
- A significant negative impact on ICA Gruppen's sustainability efforts ↘



RISKS AND RISK MANAGEMENT

➔ 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 Risk Management process. The 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 analysis is 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.

Each company within the Group identifies, assesses and reports on its most relevant risks in conjunction with the strategy and business planning process, using the same method throughout ICA Gruppen. Each subsidiary has a specially appointed risk management committee that includes management representatives, which monitors and provides guidance on that subsidiary's risk exposure.

There is also a Group Risk Management Committee, headed by ICA Gruppen's CFO, which has the responsibility for maintaining an overview of the Group's risk exposure by providing guidance and governance. The Group Risk Management

Committee is also responsible for reporting significant changes in the risk profile and for checking that the risk management efforts are sufficiently effective. Together with appointed risk managers, 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

such as fraud risk, the processing of personal data and Group-wide initiatives. Among other things, this means that GRM supports and contributes to the development of the business as regards structured loss prevention work and business continuity planning. In addition, GRM works to ensure that the assessment of risks within the Group is balanced and stringent.

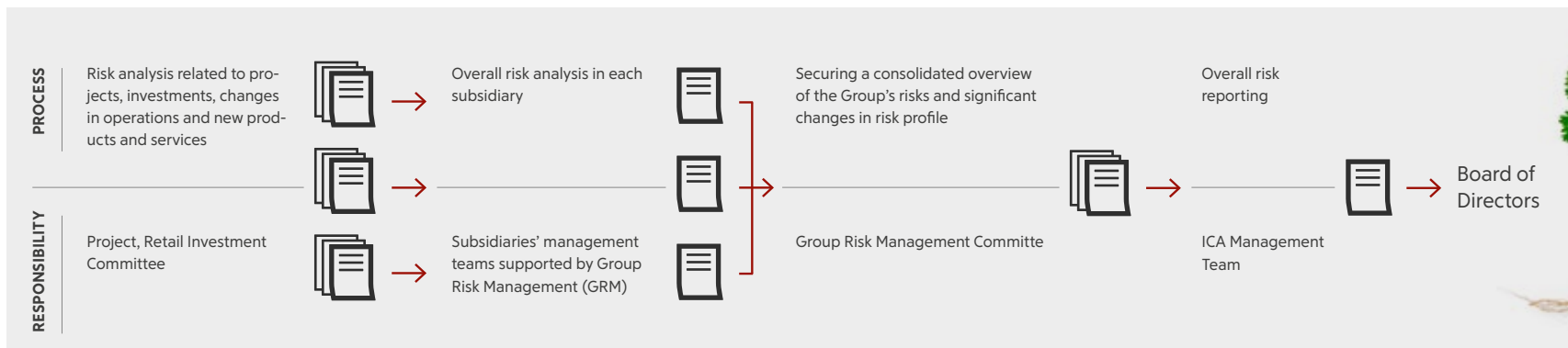
An overview of the Group's main risks is reported every six months to the ICA Management Team and ICA Gruppen's Board of Directors, along with measures to manage these risks.

Through regular meetings between the GRM, Internal Control and Internal Audit departments, any shortcomings found during reviews are shared. This




improves efficiency in actions aimed at increasing risk awareness in the identified risk areas. For further information on internal control over financial reporting, see pages 61 and 70.

Some of the changes that affected ICA Gruppen's risk profile in 2019 relate to the implementation of major change and development projects within ICA Gruppen. There are also risks associated with an increasing degree of e-commerce and digitalisation, and how this affects the ICA model with its independent retailers.





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 the measures being taken to manage these risks.






RISKS AND RISK MANAGEMENT




-  Increased risk
-  Unchanged risk
-  Decreased risk

Risk areas

Risk description	Trend	Impact	Management
IT-related risk ICA Gruppen's operations are highly dependent on having an efficient IT platform. Interruptions and faults in IT systems can have major consequences. In addition, any infringement 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.		<ul style="list-style-type: none"> • Critical processes • Trust • Financial 	In 2019 ICA Gruppen's work to streamline and digitalise the business continued. At the Group level and within the subsidiaries, structured work is continually under way to enhance ICA Gruppen's IT and data security. A separate strategy for data security was drawn up, to support ICA Gruppen's data protection work.
Distribution risk Access to efficient distribution of goods is essential if the Group is to achieve its objectives. If ICA Gruppen should be affected by significant interruptions, damage to facilities or other disruption of the logistics chain, this could have a negative impact on ICA Gruppen and make it difficult to deliver products for a period of time.		<ul style="list-style-type: none"> • Critical processes • Trust • Financial 	There is an ongoing process to help ensure a high level of safety in the logistics chain, for example through ongoing facility maintenance, training of employees and the monitoring of procedures via self-assessment and risk inspections to ensure good order is maintained. In addition, the Group works in a structured way to ensure that deliveries can continue even if an unforeseen event occurs.
Personnel risk 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. The fast pace of change within the sectors in which ICA Gruppen does business 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 talent.		<ul style="list-style-type: none"> • Health and wellbeing • Sustainability work 	During the year ICA Gruppen maintained its structured work aimed at continuous skills enhancement and increased opportunities for further development within the Group. Work is in progress to identify and reduce dependence on key individuals, to ensure succession planning for critical roles and to increase diversity in the Group.
Brand risk 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.		<ul style="list-style-type: none"> • Employee motivation • Health and wellbeing • Sustainability work 	ICA Gruppen's framework includes various policies and guidelines to support the Group in its interaction with customers and suppliers, and in interactions between colleagues. 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-handlar-nas Förbund and the training offered to ICA retailers are resulting in increased understanding of and compliance with the values that ICA stands for.




RISKS AND RISK MANAGEMENT

-  Increased risk
-  Unchanged risk
-  Decreased risk

Risk description	Trend	Impact	Management
<p>Real estate-related risk</p> <p>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, could result in harm to people and/or buildings, could increase costs and could 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.</p>		<ul style="list-style-type: none"> • Laws and regulations • Health and wellbeing 	<p>ICA Real Estate is engaged in a constant dialogue with the tenants, and conducts 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.</p>
<p>Market risk and changed consumption patterns</p> <p>ICA Gruppen's business and products are heavily influenced by changes in the market. Competitors' actions as well as major changes in consumption patterns and customer behaviour, such as increased online sales, could also result in reduced market share, lower margins and greater pressure on prices.</p>		<ul style="list-style-type: none"> • Laws and regulations • Health and wellbeing 	<p>ICA Gruppen continues to develop its ability to adapt the organisation and offering, so that it can continue to have an attractive offering in the future. This includes e-commerce solutions within ICA Sweden, Apotek Hjärtat and ICA Bank. To do this, major investments are being made in areas such as infrastructure, IT systems and new facilities in order to have an attractive e-commerce offering in the long term. 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.</p>
<p>Regulatory risk</p> <p>ICA Gruppen's grocery retail, pharmacy, insurance and financial operations require special permits and are subject to ongoing scrutiny from various supervisory authorities. 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.</p>		<ul style="list-style-type: none"> • Laws and regulations 	<p>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 developing governing 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.</p>
<p>Financial risk</p> <p>ICA Gruppen's objective is to provide a strong and stable return in the long term. 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.</p>	<p>—</p>	<ul style="list-style-type: none"> • Laws and regulations 	<p>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.</p>

RISKS AND RISK MANAGEMENT

↗ Increased risk
 → Unchanged risk
 ↘ Decreased risk

Risk description	Trend	Impact	Management
<p>Risk related to threats and violence</p> <p>ICA's business, and the employees in the store network, are exposed to the growing levels of threat and violence in some parts of society. This could have an indirect effect on ICA's personnel in terms of their wellbeing and security, but could also affect them directly in the event of violent incidents.</p>		<ul style="list-style-type: none"> • Employee motivation • Health and wellbeing • Sustainability work 	<p>ICA Gruppen conducts extensive security work and there is collaboration on this, both between Group companies and between ICA Gruppen and ICA-handlarnas Förbund. Risk and security work takes a structured form and includes both preventive measures and a number of initiatives to improve support in the event of incidents.</p>
<p>Sustainability risk</p> <p>Expectations of companies have increased in recent years as regards acting as a good member of the community and being transparent about how the business affects the world around it. Companies need to adapt to new laws and regulations, such as bans on single-use plastic items or tax on plastic carrier bags. Increased customer awareness about climate change, product origins, ethical positions and personal health is impacting purchasing behaviours. ICA Gruppen is expected to engage extensively in sustainability efforts and to be open about both the positive and negative impact of its operations. If trust in ICA Gruppen's sustainability work were to decline in the community due to, for example, shortcomings in the handling of products, dubious supplier working conditions or failure to act on risks swiftly, confidence in ICA Gruppen as well as the Group's earnings and attractiveness as an employer could be negatively affected.</p>		<ul style="list-style-type: none"> • Employee motivation • Trust • Financial • Sustainability work • Laws and regulations 	<p>Sustainability is a core aspect of ICA Gruppen's operations. The Sustainability Policy and its guidelines provide a framework, and performance in relation to overall sustainability targets for climate, the environment, quality, health and social responsibility is monitored and the results published in ICA Gruppen's interim reports. A key aspect of the focus on sustainability is to work according to relevant standards and certifications for quality, the environment and social responsibility. ICA Gruppen's concept For a Good Tomorrow provides a clearer picture and greater insight into how the Group conducts its sustainability work, breaking this down into five defined areas: local, environment, health, diversity and quality. Over the year ICA Gruppen has worked strategically and operationally within all five of these areas, focusing particularly on reducing the use of virgin fossil-based plastics, reducing food waste, reducing climate impact and helping customers achieve a healthier lifestyle. During the year the Group adopted a new target to cut food waste in warehouses and stores in half, as well as a fuel strategy for ICA Gruppen's Swedish operations.</p>
<p>Climate risk</p> <p>One of the big challenges is predicting how climate change and population growth will affect the supply and cost of various products. Stores and transportation may also be affected by factors triggered by extreme weather conditions, such as flooding or wildfires resulting from drought. A reduction in supply or increase in cost for renewable fuels also poses a risk to ICA Gruppen in its efforts to transform and adapt the business for the future. Society's measures to limit climate change are also very likely to result in new laws and regulations, which in turn will affect ICA Gruppen's operations. For example, Sweden has introduced a statutory requirement to reduce greenhouse gas emissions from petrol and diesel with a view to increasing the amount of biofuels in the fuel mix, which has impacted the supply and cost of renewable fuels. Another example is the EU's f-gas regulation, which bans the refill of refrigerants with a particularly high global warming potential from 1 January 2020.</p>		<ul style="list-style-type: none"> • Trust • Financial • Sustainability work • Laws and regulations 	<p>ICA Gruppen has an ambitious target for its climate work and is implementing targeted measures in areas such as energy saving, the transition to renewable electricity and to refrigerants with a lower climate impact in stores and warehouses, and reducing transport emissions. ICA Gruppen's climate targets have been approved by the Science Based Targets initiative, and a target for the climate impact of ICA Gruppen's suppliers was adopted in 2018. In 2019 a new Group-wide target was adopted: to cut food waste in ICA Gruppen's own operations in half by 2025. Regular dialogue is also maintained with all suppliers to manage potential sustainability risks associated with sourcing. The fuel market is undergoing change, and in 2019 ICA Gruppen adopted a long-term fuel strategy that both addresses the challenges and capitalises on opportunities.</p>

Corporate Governance Report 2019

A long-term approach, continuity and commitment

In the past year the work of the Board focused once again on the rapid changes in the market and in the world around us. These include changes in consumer behaviour, extensive blurring of industry lines and the digitalisation that is affecting most of the areas we work in.



Having previously talked about the factors in the future tense, we are now doing so in the present. These major changes are no longer ahead of us. They are here and now – and they are fundamentally changing the arena in which we operate.

The Board's overall tasks in this situation include deciding on targets, strategies and special initiatives from a long-term perspective. As a large Group, we need to be consistent in our position while at the same time designing in the flexibility that will allow us to adapt rapidly to changes. This is a challenge – but it is also incredibly stimulating.

The courage, will and capacity to continue developing

Nobody knows what the future will be. The one thing we can be sure of is that

the pace of change is not going to slow down. As far as ICA Gruppen is concerned, it is a matter of having the courage, will and capacity to continue developing. From the Board's perspective we are in a good starting position. Since ICA Gruppen was formed in 2013, we have purposefully adapted the Group structure to enable us to make the most of the opportunities that arise in an ever more digital context. Combined with extensive investments in digitalisation, our organisation and offering, we now have a strong base to build on. We also have the financial strength for further initiatives and investments.

A long-term approach and key step-change areas

A long-term approach has been characteristic of ICA ever since the ICA Idea was

born more than a hundred years ago.

This perspective has a bearing on everything we do – and is reflected clearly in our strategy. Together with the ICA Management Team we have, during the year, identified several areas in which we need to make further concerted efforts going forward in order to secure long-term sustainable and profitable growth. At Group level this includes increasing our common sourcing, continuing our initiatives within artificial intelligence and advanced analytics, making the organisation more agile, building smart food ecosystems and raising our ambitions further in the area of sustainability.

Targets have been set for all areas and the Board is monitoring developments closely. Performance in these areas is also an important component

of ICA Gruppen's various bonus programmes for senior executives. The assessment criteria send a clear signal from the Board concerning the importance of long-term, forward-looking initiatives within areas that are absolutely key for ICA Gruppen. By making the variable salary component a relatively large part of the total possible remuneration, we aim to reinforce this focus further.

An ambition to think along new lines

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.

The actual Board work has been characterised by a high level of commitment, constructive dialogue and an explicit ambition to dare to challenge and think along new lines. The Board has performed its duties during the year through formal Board meetings, but also in various committees. The fact that each Board member serves on at least one committee ensures participation and maintains continuity between the formal meetings.

Drive and willingness to change

One of the Board's tasks is, of course, to support the ICA Management Team and critically evaluate its work.

To succeed in this it is essential to have an open and constructive dialogue between the Board and the Management Team. From the Board's perspective, our experience is that this is indeed the case. I would also like to express the Board's appreciation of the commitment that has characterised, and is still characterising, the work throughout the organisation. It bodes well for the future.

Stockholm, February 2020

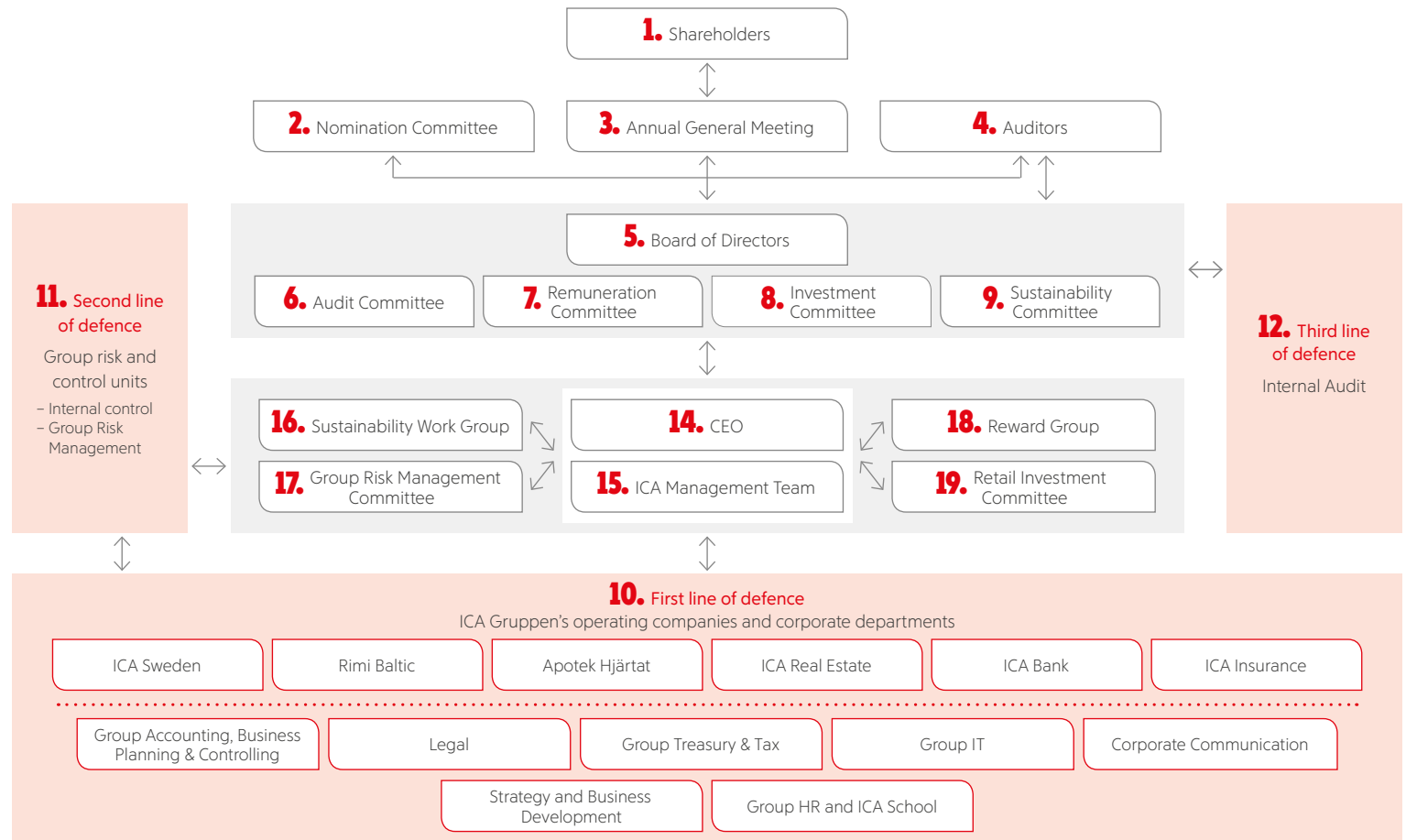
Claes-Göran Sylvén
Chairman of the Board

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, 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.

Further information:

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

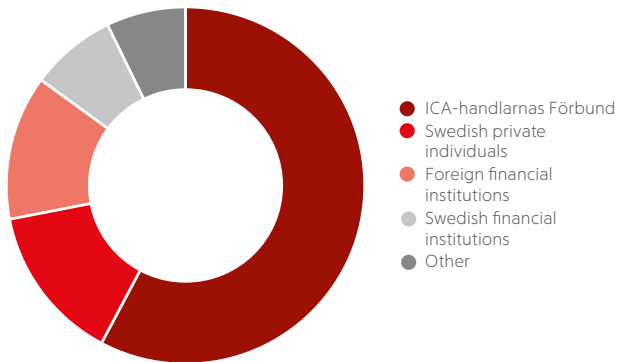


13. Corporate culture

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 54%. The remaining 46% is owned by institutional investors and private individuals in Sweden and other countries. None of these shareholders holds 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 meet-

ings 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 2019 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 71–73 of the Annual Report and on the Company's website, icagruppen.se/en.



Nomination Committee

2. The rules for ICA Gruppen's Nomination Committee were adopted at the 2019 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 one or more of the shareholders that appointed members of the Nomination Committee is/are no longer among the three largest shareholders and the shareholder or shareholders now among the three largest shareholders so request(s), members appointed by the shareholder or shareholders no longer among the three largest shareholders shall resign and the shareholder or shareholders now among the three largest shareholders shall be entitled to appoint a member instead. The Nomination Committee is to present proposals regarding the following matters prior to the 2020

- 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 16 September 2019 and consists of Tomas Emanuelz and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Tommi Saukkoriipi representing SEB Investment Management and Lars Lönnquist representing Spiltan Fonder. No compensation is

paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have established that there are no conflicts of interest that would affect their assignment. The Chairman of ICA Gruppen's Board, Claes-Göran Sylvén, was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvén, provided information on ICA Gruppen's operations, Board work and focus areas. The Nomination Committee was also presented with the results of the 2019 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 2019.

The Nomination Committee applied rule 4.1 of the Code as a diversity policy. In so doing the Nomination Committee gave consideration to the fact 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 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 determining whether the composition of the Board is satisfactory and whether the Board has satisfactory expertise, breadth and experience, and for making a proposal for the election of an auditor. Shareholders may submit suggestions and points of view on the work of the Nomination Committee prior to the 2020 Annual General Meeting. The Nomination Committee's proposals are presented in the notice of the meeting. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2020 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 and also appoints 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, 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.

Annual General Meeting 2019

The 2019 Annual General Meeting was held on Thursday 11 April 2019 at Quality Hotel Friends in Solna. In addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors and ICA Management Team, as well as 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, icagruppen.se/en.

Annual General Meeting 2020

The 2020 Annual General Meeting will be held on Thursday 21 April 2020 at Rigoletto, Kungsgatan 16, in Stockholm. Shareholders who, no later than Wednesday 15 April 2020, 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.

Auditors

4. The auditor conducts an independent audit of the Company's financial statements and determines whether these, in all material respects, are correct and complete and provide a fair presentation of the Company and its financial position and results. The auditor also examines the administration of the company by the Board of Directors and CEO and make an overall review of the Company's sustainability reporting.

According to the Articles of Association the Annual General Meeting is to appoint at least one but no more than two auditors or one or two authorised accounting firms. The accounting firm KPMG AB was elected as auditor at the 2019 Annual General Meeting for a term of one year. KPMG AB has therefore audited the Company's financial statements for 2019. The Authorised Public Accountant Helena Arvidsson Älgne has been the chief auditor. She replaced Thomas Forslund in December 2019 as chief auditor after that he notified that he is leaving his position at KPMG. In addition to ICA Gruppen, Helena Arvidsson Älgne has significant audit assignments with LKAB, Swedol, Knowit and HIQ. She has no assignments that impact her independence of ICA Gruppen.

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.

According to the Company's Bill of Authority, the CFO in consultation with the Audit Committee is to approve any assignments performed by the auditor over and above the audit.

The Audit Committee evaluates the auditor annually to ensure that the auditor's objectivity and independence cannot be called into question. The auditor confirms their independence annually in the Auditor's Report.

Board of Directors

5. The Board is to administer the Company's affairs in the interests of the Company and all its shareholders, and is to safeguard and promote a good corporate culture. The duties of the Board include, among other things:

- appointing, evaluating and, if needed, dismissing the CEO;
- establishing the Company's overall goals and strategy;
- identifying how sustainability issues affect the Company's risks and business opportunities;
- 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 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 2019 Annual General Meeting re-elected Claes-Göran Sylvén (Chairman), Cecilia Daun Wennborg, Fredrik Hägglund, Andrea Gisle Joosen, Jeanette Jäger, Magnus Moberg, Fredrik Persson and Anette Wiotti. Göran Blomberg and Bengt Kjell left the Board. Lennart Evrell and Bo Sandström were elected as new members. Four of the AGM-elected Board members are women and six are men. 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. The Board has ongoing professional training in areas that are relevant to ICA Gruppen. In 2019 the Board

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→ received training in various parts of the operations such as property management, banking and insurance, sourcing, IT, marketing and HR.

The CEO, CFO and secretary to the Board are not members of the Board, but they do attend Board meetings except in matters where a conflict of interest may exist or where this is otherwise not appropriate.

ICA Gruppen's Annual General Meeting is to vote on discharging the Board of Directors and CEO from liability for the accounting period for which the accounting documents submitted to the AGM pertain. Discharge from liability is granted if, at the general meeting, shareholders representing a majority of votes vote in favour of the proposal, as long as no shareholder representing at least one tenth of all shares in the Company votes against the proposal.

Annually recurring agenda items:

First quarter	Second quarter	Third quarter	Fourth quarter
<ul style="list-style-type: none"> • Year-end accounts • Annual Report • Matters to discuss ahead of the AGM 	<ul style="list-style-type: none"> • Annual General Meeting • Statutory board meeting • Appointment of committee members • Corporate governance documents • Interim report (first quarter) 	<ul style="list-style-type: none"> • Long-term plan (LTP) • Interim report (second quarter) 	<ul style="list-style-type: none"> • Annual target (AT) • Interim report (third quarter) • Evaluation of the Board of Directors • Evaluation of the CEO

Independence of Board members

Five of the Board's members – Cecilia Daun Wennborg, Andrea Gisle Joosen, Jeanette Jäger, Lennart Evrell and Fredrik Persson – are independent in relation to ICA Gruppen, its management and the principal shareholders. Fredrik Hägglund and Bo Sandström are independent in relation to ICA Gruppen and its management, but not in relation to its principal shareholders since they are employed by ICA-handlarnas Förbund. Magnus Moberg and Anette Wiotti 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 is an ICA retailer and member of ICA-handlarnas Förbund. He is considered to be independent in relation to

ICA Gruppen and its management, but not in relation to ICA-handlarnas Förbund.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategy, and the Chairman oversees the work of the Board. 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 47–51 of the Annual Report. The Board is monitoring of the Company's compliance with internal and external rules and regulations through, inter

alia, the risk-based audits performed by the Internal Audit department; see the section Internal Audit.

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 28 May 2019. The Board of Directors met 14 times in 2019.

ICA Gruppen's Board has four regular committees: the Audit Committee, the Remuneration Committee, the 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.

Ahead of each Board meeting documents are distributed to the Board members via a virtual data room (VDR). The auditor in charge also has access to the VDR. The VDR offers email management, a chat function and voting procedures if needed, and also enables users to see when documents are retrieved on an individual basis. Materials for Board meetings are saved electronically, including documents that are not attached to the minutes. The minutes from committee meetings are distributed to all Board members, the CEO, the head of internal audit and to the chief auditor.

The following items are usually on the agenda of each Board meeting:

- Minutes of the previous meeting
- Information on matters addressed by the Board's committees
- CEO's report
- CFO's report
- Quarterly reports from internal audit scrutiny and any action plans

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. In 2019 the evaluation of the Board took the form of the members being interviewed by Alumni AB. The evaluation of the Board showed that the Board functioned well and that the Board is a well-composed group of highly committed individuals. The members contribute broad expertise and have many years' experience in various areas that are relevant to ICA Gruppen's operations.

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.

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2019 Annual General Meeting voted in favour of the Nomination Committee's fee proposal. The Nomination Committee's remuneration proposals for the 2020 Annual General Meeting are presented in the notice of the meeting.

Board committees

Audit Committee

6. The Audit Committee, through its work and in dialogue with the auditor, the head of the Internal Audit department and the ICA Management Team, is to provide the Board with a good supply of information on the Group's operations. The purpose is to identify any shortcomings in procedures and organisational structures based on governance, risk management and control. The purpose of the Audit Committee's work is to ensure that the Company's executive management establishes and maintains efficient procedures for internal governance, risk management and control. These are to be designed to provide reasonable assurance in reporting (financial reporting and operational risk) and compliance (laws, instructions and internal rules) and to ensure that the administrative processes are appropriate and efficient. The Audit Committee also examines

whether the internal and external auditors' work is carried out efficiently, independently and in a satisfactory manner, and follows up on the Internal Audit department's annual plan and strategic priorities. The Committee proposes measures that are adopted by the Board if so required. The majority of the members of the Committee are to be independent in relation to the Company and the ICA Management Team. At least one of the members who is independent in relation to the Company and the ICA Management Team must also be independent in relation to the Company's principal shareholders. The Audit Committee consists of Cecilia Daun Wennborg (chairman), Lennart Evrell, Bo Sandström and Anette Wiotti. The Company's CFO is responsible for presenting information and the head of Internal Audit serves as secretary.

Remuneration Committee

7. The Remuneration Committee is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the ICA Management Team, including pay structures, pension plans, incentive programmes and other terms of employment. The Remuneration Committee also monitors and evaluates remuneration programmes to senior executives, 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 Remuneration Committee also makes preparations for succession planning decisions. The Remuneration Committee consists of Claes-Göran Sylvé (chairman), Andrea Gisle Joosen and Magnus Moberg.

Investment Committee

8. The 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 Investment Committee has an investment and divestment mandate as set out in the Company's Bill of Authority. The Investment Committee consists of Claes-Göran Sylvé (chairman), Jeanette Jäger, Fredrik Persson and Bo Sandström.

Sustainability Committee

9. 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). The Committee also works to monitor business ethics and sustainability. The Sustainability Committee consists of Cecilia Daun Wennborg (chairman), Andrea Gisle Joosen and Fredrik Hägglund.



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Board of Directors



Claes-Göran Sylvén



Cecilia Daun Wennborg



Lennart Evrell



Andrea Gisle Joosen



Fredrik Hägglund



Jeanette Jäger

	Claes-Göran Sylvén	Cecilia Daun Wennborg	Lennart Evrell	Andrea Gisle Joosen	Fredrik Hägglund	Jeanette Jäger
Born	1959	1963	1954	1964	1967	1969
Education	Various courses of study (finance, business management, leadership development etc.).	Master of Science in Business and Economics	Master of Science in Engineering and Master of Science in Business and Economics	Master of Science in Business and Economics, MSc International Business	Master of Laws	Studies in business and finance
Elected	2013	2005	2019	2010	2013	2015
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB etc. ICA retailer, ICA Kvantum Flygfyren in Norrtälje.	Board member Getinge AB, Loomis AB, Bravida Holding AB, Hoist Finance AB, Oncopeptides AB, Sophiahemmet, Hotell Diplomat AB, Atvexa AB and others. Member Aktiemarknadsnämnden (the Swedish Securities Council).	Board member Epiroc, Industrierbetsgivarna (Swedish Association of Industrial Employers), SCA and Svenskt Näringsliv (Confederation of Swedish Enterprise).	Chairman of the Board Acast AB (publ). Board member Dixons Carphone plc, BillerudKorsnäs Venture AB and James Hardie Industries plc.	Board member Svensk Handel (Swedish Trade Federation). CEO ICA-handlarnas Förbund.	CEO Bankgirot.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel (Swedish Trade Federation). CEO Hakon Invest AB and ICA-handlarnas Förbund.	Vice President Ambea AB, CEO and CFO Carema Vård och Omsorg Aktiebolag. Acting CEO Skandiabanken, Head of Skandia Sweden and CEO SkandiaLink Livförsäkrings AB.	Previously CEO Boliden, SAPA and Munters.	Chairman of the Board Teknikmagasinet AB. Board member Lighthouse Group AB, Elektronikbranschen Sverige and Mr Green & Co AB etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB and Chantelle AB.	Board member ICA AB, Swedish Anti-Corruption Institute and Euro-Commerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.	Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, Capital Markets Global Tieto, Product and Market Director TDC. CEO Inne AB.
Total remuneration 2019/20, SEK	1,300,000	825,000	650,000	650,000	600,000	600,000
Independence	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, 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, its management and the Company's principal shareholders.
Shareholding	657,889 shares (incl. related parties).	3,125 shares (incl. related parties).	2,000 shares (incl. related parties).	2,000 shares (incl. related parties).	17,067 shares (incl. related parties).	900 shares (incl. related parties).
Committees	Member of the Remuneration Committee (chairman) and the Investment Committee (chairman).	Member of the Audit Committee (chairman) and Sustainability Committee (chairman).	Member of the Audit Committee.	Member of the Remuneration Committee and the Sustainability Committee.	Member of the Sustainability Committee.	Member of the Investment Committee.
Attendance at meetings	Board meetings	13/14	6/14 ¹	13/14	13/14	13/14
	Audit Committee	—	4/4	1/4 ²	—	—
	Remuneration Committee	6/6	—	—	6/6	—
	Investment Committee	13/13	—	—	—	12/13
	Sustainability Committee	—	4/4	—	4/4	3/4

¹ Board member since 11 April 2019.

² Member of the Audit Committee since 11 April 2019.

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Board of Directors, cont.



Magnus Moberg



Fredrik Persson



Bo Sandström



Anette Wiotti



Jonathon Clarke



Magnus Rehn

Born	1966	1968	1975	1966	1968	1966
Education	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics and Master of Science in Engineering Physics	Various courses of study (finance, business management, leadership development etc.)	Trained welder, studies in labour law.	Upper secondary education
Elected	2008	2018	2019	2017	2013	2013
Other significant assignments	Chairman of the Board Nya Ulfmag AB, Storbutiken i Falköping AB and ICA-handlarnas Förbund. Board member Jomag AB etc. CEO Storbutiken i Falköping AB. ICA retailer, Maxi ICA Storkonsumtionsmarknad Falköping.	Chairman of the Board Confederation of Swedish Enterprise, JM and Svenska ICC. Board member AB Electrolux, AB Hufvudstaden, Ahlström Capital OY, Interogo Holding AG and Nalka Invest AB.	CFO ICA-handlarnas Förbund.	Vice Chairman ICA-handlarnas Förbund. Elected representative on boards and committees within ICA-handlarnas Förbund and ICA Sweden. ICA retailer, ICA Kvantum Arvika.	–	–
Previous significant positions	Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	CEO Axel Johnson, Chief Analyst Aros Securities, various positions within ABB Financial Services.	CFO Telia Sverige AB, SATS Group AS and SAS Scandinavian Airlines Sverige AB.	Various roles as elected representative within ICA-handlarnas Förbund and ICA Sverige AB.	Employee representative, Handelsanställdas Förbund.	Employee representative, Unionen.
Total remuneration 2019/2020, SEK	600,000	600,000	700,000	650,000	–	–
Independence	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 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.	–	–
Shareholding	50,000 shares (incl. related parties).	1,500 shares (incl. related parties).	0 shares (incl. related parties).	6,455 shares (incl. related parties).	0 shares (incl. related parties).	250 shares (incl. related parties).
Committees	Member of the Remuneration Committee.	Member of the Investment Committee.	Member of the Audit Committee and the Investment Committee.	Member of the Audit Committee.	–	–
Attendance at meetings	Board meetings	14/14	8/14 ²	14/14	14/14	13/14
	Audit Committee	–	–	3/4 ³	4/4	–
	Remuneration Committee	3/6 ¹	–	–	–	–
	Investment Committee	–	11/13	7/13 ⁴	–	–
	Sustainability Committee	–	–	–	–	–

1 Member of the Remuneration Committee since 11 April 2019.

2 Board member since 11 April 2019.

3 Member of the Audit Committee since 11 April 2019.

4 Member of the Investment Committee since 11 April 2019.

Ann Lindh

Deputy member
Employee representative
Unionen

Born: 1964
Education: Upper secondary education
Appointed: 2013
Previous significant positions:
Employee representative, ICA AB.
Total remuneration 2019/2020, SEK: –
Independence: –
Shareholding: 0 (incl. related parties).
Attendance at meetings:
Board meetings: 9/14
Audit Committee: –
Remuneration Committee: –
Investment Committee: –

Marcus Strandberg

Deputy member
Employee representative
Handelsanställdas Förbund

Born: 1966
Education: Upper secondary education
Appointed: 2013
Previous significant positions:
Employee representative, ICA AB.
Total remuneration 2019/2020, SEK: –
Independence: –
Shareholding: 0 (incl. related parties).
Attendance at meetings:
Board meetings: 13/14
Audit Committee: –
Remuneration Committee: –
Investment Committee: –

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 Disciplinary Committee at Nasdaq Stockholm or a decision on infringement of good practice in the stock market by Aktie marknadsnämnden (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, the instructions for the Board committees, the instructions for the CEO including instructions on financial reporting, and policies. The Company's internal rules are based on governing documents at four levels:

1. Policies are issued by the Board of Directors and establish overarching rules for all employees.
2. Guidelines are issued by the ICA Management Team and establish more detailed rules for all employees based on the applicable policy.
3. Instructions are issued by the respective operating company and cover employees in that company.
4. Procedures may be established by a department, business area or function for employees in that area.

The Company has the following policies:

- **Data Protection Policy**
The Data Protection Policy describes ICA Gruppen's objectives for data protection and establishes that ICA Gruppen must comply with the relevant data protection laws with a business perspective while retaining the trust of customers, employees, shareholders and other stakeholders. ICA Gruppen must also, throughout the organisation, have integrated, documented and continuous data protection processes for the purpose of being able to prove compliance with the relevant data protection legislation and internal rules.
- **Bill of Authority**
The purpose of the Bill of Authority is to ensure that decisions on strategic and operational matters are made by those who are authorised to do so by the Board of Directors.
- **Financial Policy**
The Financial Policy establishes the Board's financial risk level and defines objectives and guidelines for the Group's financial management. The policy defines the responsibility and procedures for reporting and internal control that apply to financial management.

• HR Policy

The HR Policy establishes the overall framework in respect of employees of the Group. Among other things, it states that to meet customers' needs and expectations, the Group needs to have employees with different backgrounds, experiences and competencies.

• Sustainability Policy

The Sustainability Policy describes ICA Gruppen's overall vision for sustainability issues in the following areas: the environment, health, quality, social responsibility and local production.

• Insider Policy

The Insider Policy establishes principles for trading in ICA Gruppen's shares and how the Company is to handle insider information.

• Communication Policy

The Communication Policy describes the principles for the Company's internal and external communication for the purpose of promoting uniform, clear and effective communication between the Company's employees and between ICA Gruppen and its external stakeholders.

• Business Ethics Policy

The Business Ethics Policy states that the corporate culture is to be based on responsibility, trust and high standards of professional behaviour.

• Risk Management Policy

The Risk Management Policy establishes the principles for the Company's management of risk (i.e. a future uncertain event that may have a negative impact on the Company's ability to achieve its business targets) and the level of risk-taking that ICA Gruppen can accept.

• Tax Policy

The Tax Policy establishes the Company's risk exposure relating to tax taking into account the applicable tax rules.

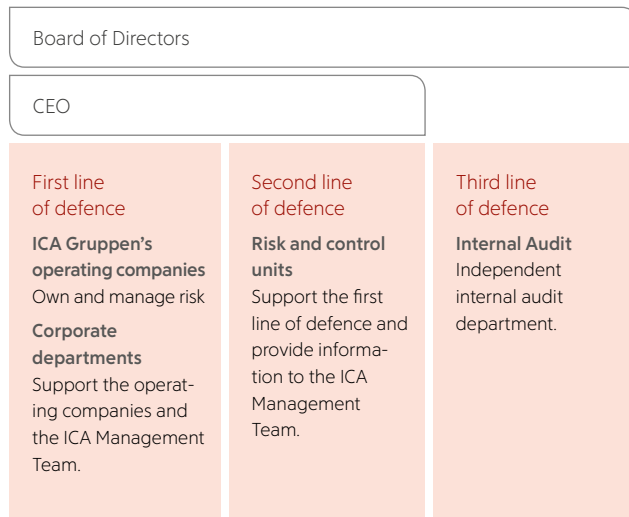


ICA Gruppen's model for internal control

The basis of effective risk management is a strong and Group-wide risk culture. ICA Gruppen's model for internal control and governance is based on three lines of defence. It describes the division of responsibility for internal control and governance.

The Board is responsible for ensuring that there are processes in place to identify and define the risks within the organisation, and to measure and control risk-taking.

The CEO is responsible for the day-to-day task of maintaining efficient governance and control at an overall level. The CEOs of the operating companies are each responsible for maintaining good internal control within their segment.



The first line of defence

10. The first line of defence consists of the Group's operations (ICA Gruppen's operating companies) and of ICA Gruppen's corporate departments (except the risk and control units). The operating companies are responsible within their respective areas for maintaining good internal control and for thereby identifying and managing risk. The corporate departments are to support the operations and the ICA Management Team, and ensure that there is good internal control and that identified risks are managed.

Corporate departments Corporate Responsibility

ICA Gruppen's Corporate Responsibility (CR) department supports each of the operating companies in the implementation of the Company's goals in the area of sustainability and also assists the Sustainability Work Group. The CR department monitors management systems, activities and KPIs relating to sustainability within the Group and prepares information and supporting documents for the Company's sustainability reporting.

Group Accounting, Business Planning & Controlling (GAC)

GAC is responsible for managing and controlling all processes relating to accounting, business planning and control within ICA Gruppen. GAC must

also ensure that monthly, quarterly and annual reports are produced in a manner that provides an accurate depiction of the Company's financial situation and business activities, and that reporting processes are in compliance with laws and regulations.

Group HR and ICA School

The Group HR and ICA School are responsible for the Group's HR strategy. This includes overall responsibility for processes relating to the organisational structure, recruitment, HR management, compensation, and skills and leadership development.

Group IT

Group IT is responsible for developing Group-wide capabilities and synergies within IT. The department leads the work on the Group-wide IT strategy, monitors whether the Group is complying with the strategy in the short and long term, and is responsible for the Group's IT framework.

Group Treasury & Tax

Group Treasury & Tax manages the Company's financial and fiscal issues. The department is responsible for the Company's financial administration and must also ensure, among other things, that the Company follows the established guidelines that the Company has decided upon regarding levels of financial risk, and that the

Company manages taxation within the framework of applicable tax laws and regulations.

Legal

The role of Legal is to create good conditions for the Company to achieve its business targets taking into account the risks that those targets involve, and to ensure that the business is run in compliance with laws as well as external and internal rules.

Corporate Communication

The Corporate Communication department is responsible for the Group's corporate communication. At the corporate level the department is responsible for providing strategic advice and managing the Company's communication planning and activities. The department handles all types of communication – from contacts with the media and community contacts to internal communication. It is not, however, involved in customer communication activities and advertising.

Privacy Office

The Privacy Office is a Group-wide strategic department that coordinates ICA Gruppen's data protection processes and offers legal expertise to the operating companies in matters relating to processing personal data. The Privacy

Office also establishes objectives for data protection activities, highlights risks at a general level and establishes a framework for how the operating companies are to comply with the data protection legislation in force and monitor their data protection procedures.

Strategy and Business Development

The Strategy and Business Development department, in cooperation with the CEO and the ICA Management Team is responsible for developing the Group's common strategy. It also runs Group-wide strategic projects and M&A activities. Also part of this department is the CDO (Chief Digital Officer) unit, which designs the Group's digital strategy and drives and supports Group-wide digital development, such as ICAX innovation hub, e-commerce cooperation between ICA Gruppen's operating companies and applications that involve automation, AI and big data.

The second line of defence

11. In the second line of defence are the Group's risk and control units, which are tasked with supporting the first line of defence and providing information to the ICA Management Team. These functions are carried out by the Internal Control and Group Risk Management departments.

Internal Control

Within ICA Gruppen the Internal Control department 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 evaluated regularly. The evaluation is based on periodic self-evaluation and selective quality review processes. The results are compiled in reports and submitted by Internal Control to the operating companies, the ICA Management Team and the Audit Committee.

Group Risk Management (GRM)

The role of GRM is to create good conditions for long-term and efficient risk management and security activities within ICA Gruppen. GRM coordinates the Group's risk management work and monitors compliance with the Group's framework for risk management. It also supports the subsidiaries and strengthens the Group's risk management through training, by developing tools, by carrying out risk analysis for specific risk areas and by proposing measures to manage identified risks.

The third line of defence

12. The third line of defence is Internal Audit. Internal Audit is a department for independent review and control and is examining the efficiency and reliability of the Group's internal governance and control.

Internal Audit has been commissioned by the Board to review corporate governance, risk management and the governance 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's work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2019 Internal Audit's reviews covered programmes for change that are in progress as well as core processes within ICA Gruppen. In addition, it examined areas such as data security, business continuity planning, e-commerce, sustainability and compliance with external regulations. 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 teams within ICA Gruppen's operating companies to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of the work of Internal Audit is to conduct a quarterly review of the established action plans.

Internal Audit conducts quarterly meetings with the ICA Management Team (IMT Audit Update) which include a review of the results of audits completed during the quarter, follow-up of action plans relating to audits completed previously and discussion regarding future audits. Internal Audit also 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.

Corporate culture

13. ICA Gruppen's corporate culture is based on the vision of making every day a little easier and on the Group's values of *simplicity*, *commitment* and *entrepreneurship*. These values are the foundation for ensuring the Company has committed and talented employees who in turn ensure that ICA Gruppen has efficient corporate governance and risk management procedures. *Simplicity* means an approach in which the employees are transparent and honest in their interactions and trust each other. *Commitment* means taking responsibility for what we do, for the Company's community and for the shareholders, which promotes good governance within the Company. *Entrepreneurship* enables us to create opportunities and take action. It also means that we are driven by a constant desire to improve and take responsibility for ensuring good corporate governance, while paying attention to the risks associated with the business.

All employees have a responsibility for ensuring the Company complies with external and internal rules, and to take action if the Company is in any way non-compliant. To do this employees can contact their immedi-

ate superior, safety officer or the HR department. It is also possible to anonymously 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 (not employees of ICA Gruppen), are responsible for ensuring that their business is in compliance with external and internal rules. The Company and the ICA retailers' membership organisation, ICA-handlarnas Förbund, have together created an accountability board tasked with addressing matters relating to the commitments of the ICA retailers and their responsibilities pursuant to the statutes of ICA-handlarnas Förbund. The accountability board can issue reminders or warnings and can expel members from ICA-handlarnas Förbund.

ICA Gruppen's work on business ethics

ICA Gruppen's ethics and anti-corruption efforts are of crucial importance, and the Company takes active steps to maintain a high level of trust among customers, suppliers, employees, partners, shareholders and the community in general.

Business ethics are an integrated aspect of the recurring risk assessments that are made.

Anti-corruption work

As a major player with operations in several countries and suppliers spread across much of the globe, ICA Gruppen is exposed to risks relating to corruption and fraud. Neither ICA Gruppen nor its management accepts any form of corruption, bribery or unethical business practices and active steps are taken to ensure that this does not occur. ICA Gruppen works in accordance with a business ethics governance model that has been applied within the Group since 2015. This includes the Business Ethics Policy and its guidelines and procedures to monitor compliance with these, the whistleblower service, risk analysis, training, communication and reporting.

Internal and external framework for business ethics

Efforts to prevent business ethics risks are based on both external frameworks and internal rules and guidelines. The external frameworks include the laws and regulations applicable to the business, industry practice and general good practice. ICA Gruppen's work on business ethics is also based on the Company's support of the UN Global Compact, the UN Global Goals and the Swedish Anti-Corruption Institute's Code of Business Conduct.

The internal rules include ICA Gruppen's Business Ethics Policy and its associated guidelines. The Business Ethics Policy describes ICA Gruppen's anti-corruption stance and guidelines, including how to approach gifts and benefits, conflicts of interest and fair competition. In addition to the Business Ethics Policy and associated guidelines, there are also internal guidelines regarding corporate hospitality, meetings and travel.

ICA Gruppen's Business Ethics Policy specifies that the Group is to act and be perceived as a responsible and progressive actor. The policy includes guidelines and principles relating to

business ethics, and these are to be followed by all employees. The basis for good business with and within ICA Gruppen is defined in the Business Ethics Policy and the Sustainability Policy. The Group's suppliers and partners are expected to follow the intentions of these and act ethically and responsibly. Suppliers and partners undertake to meet ICA Gruppen's requirements set out in agreements.

Responsibility and governance

ICA Gruppen's Board of Directors sets the Business Ethics Policy and makes revisions to it. Matters of an ethical nature are addressed by the Company's Sustainability Work Group and referred to the Sustainability Committee within ICA Gruppen's Board. Monitoring of the performance of operating companies is carried out according to ICA Gruppen's established process for monitoring compliance with policies and guidelines. Business ethics aspects are also included in the annual risk analysis that is carried out by each company within the Group.

The members of the ICA 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 policies and their guidelines are implemented within the organisation according to ICA Gruppen's internal rules framework.

Each employee is responsible for following governing documents and thereby helping to promote a sound culture of business ethics within the Group.

Training and follow-up

ICA Gruppen has produced internal online training to ensure that all employees are familiar with and act in accordance with the Business Ethics Policy. The training is mandatory for all white-collar employees within the Group and is also available to other employees. The number of employees who have completed the online 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. Additional information is also provided on an ongoing basis to spread awareness about business ethics within the Group.

Whistleblower service

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 Gruppen's governing documents. The whistleblower service has clear rules and procedures for how to handle any issues reported. In 2019 the whistleblower service was available to employees in Sweden (except those working for individual store companies), in the Baltic states and in Asia.



CEO

14. 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 a member of the steering group for GEN-PEP and as a board member of Byggmax AB, The Consumer Goods Forum, EuroCommerce and ICC Sweden. 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 2019 without the CEO and other members of management being present.

ICA Management Team

15. Alongside CEO Per Strömberg, the members of the ICA Management Team are the CFO, Chief HR Officer, Chief Strategy and Business Development Officer, Chief Information Officer, 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 and ICA Bank. The ICA Management Team meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the ICA Management Team 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 ICA Management Team bears individual responsibility for his or her respective area of the Company. At the beginning of each financial year the ICA Management Team assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the ICA Management Team's overall performance.

Committees supporting the ICA Management Team

In support of the ICA Management Team's work, four committees have been established:

16. Sustainability Work Group
The Sustainability Work Group manages and prepares information on sustainability and is headed by Chief Corporate Responsibility Officer Kerstin Lindvall.

17. Group Risk Management Committee

The Group Risk Management Committee 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. The Committee is headed by CFO Sven Lindskog.

18. Reward Group

The Reward Group addresses and prepares information on matters relating to employment terms for employees and is headed by the Chief HR Officer Petra Albuschus.

19. Retail Investment Committee

The Retail Investment Committee addresses and prepares information on investment-related matters and is headed by CEO Per Strömberg.

Remuneration to senior executives Guidelines for 2019

The Company's guidelines for remuneration to senior executives, adopted at the 2019 Annual General Meeting, state that it is important for the Com-

pany to provide competitive remuneration packages in line with market terms for senior executives so that the Company can recruit, develop and retain senior executives with relevant experience and advanced leadership skills. The total remuneration package consists of the following components: basic salary, pension benefits, variable remuneration in the form of cash bonus, severance pay and other remuneration and benefits.

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 predetermined and measurable criteria.

The levels of remuneration paid to senior executives are to be compared annually with the levels of remuneration paid to executives with similar responsibilities in other companies.

In summary, the remuneration paid to senior executives is made up of the following components:

• Basic pay

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

• Pension

Senior executives may be covered by an individually designed defined contribution pension plan or a collectively agreed pension plan. For individually

designed pension plans the maximum pension premium is 35% of annual basic salary and holiday supplement. The premium/costs for collectively agreed pension plans is in accordance with the rules of the specific collectively agreed pension plan.

Senior executives who are locally employed in a country other than Sweden have pension agreements in line with national norms but that are also in line with the principles described above. Special pension agreements are entered into in the case of postings abroad.

• 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 50% of annual salary (100% for the CEO). Bonus is not pensionable unless otherwise stated in the collective bargaining agreement.

Payment of bonus is to be contingent upon the participant's employment not ending 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.

Based on the rules that apply to variable remuneration schemes at credit institutions, the CEO of ICA Bank is not included in the bonus programmes that apply to other senior executives within the Group which were adopted after 31 December 2016. The loss of this bonus is taken into account when the total remuneration package is established for the CEO of ICA Bank, within the framework of applicable guidelines. The CEO of ICA Bank is still, however, covered by the long-term bonus programme adopted in 2016.

– Annual bonus programme

Bonuses according to the 2019 annual bonus programme are not to exceed 50% of annual salary for the CEO of ICA Gruppen and 25% for other senior executives. The targets set in the bonus programme are to be based on financial performance targets, but performance may also be measured against non-financial targets linked to ICA Gruppen's strategies. Individual bonus agreements are to be entered into with each respective 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 agreements. →

➔ – Long-term bonus programme

Bonuses based on the long-term bonus programme are not to exceed 50% of annual salary for the CEO and 25% for other senior executives. The targets for the bonus programme are to be linked to both absolute and relative performance requirements. Fulfilment of the absolute performance requirements accounts for 60% of the maximum outcome in the long-term bonus programme and pertains to:

- (i) operating margin excluding items affecting comparability,
- (ii) return on capital employed (ROCE) in the Group excluding ICA Bank,
- (iii) net sales increase, and
- (iv) reduction in greenhouse gas emissions excluding carbon offset.

The relative performance criteria account for the remaining 40% of the maximum outcome for the long-term bonus programme and relate to the Company's position in a comparison group consisting of 10 other companies running similar operations. The outcome is dependent on the Company's ranking in this comparison group in terms of:

- (i) net sales increase, and
- (ii) operating margin.

• Terms relating to termination of employment and severance pay

A mutual notice period of six (6) months applies to senior executives. Severance pay corresponding to a maximum of 12 months of basic cash salary may be payable to senior executives if the Company terminates the employment. 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, the Company will pay compensation equivalent to a maximum of 60% of fixed salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

• Terms for postings abroad

In the case of postings abroad special terms are to be offered. The structure of these terms is to be in line with the guidelines for remuneration to senior executives.

• Other remuneration and benefits

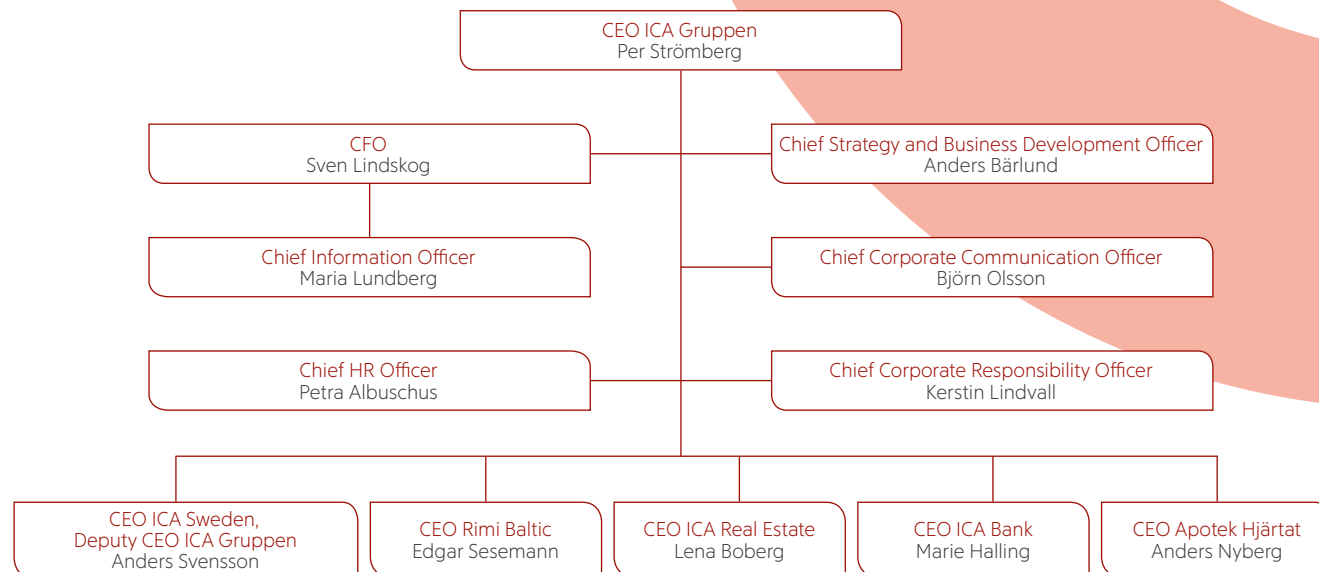
Other remuneration and benefits are to be of limited value in relation to the total remuneration package and in line with market norms.

• Deviating terms for certain senior executives

Two senior executives have terms that deviate from the guidelines for senior executives described above. These are described in the guidelines adopted at the 2019 Annual General Meeting:

- One senior executive has deviating terms regarding severance pay and deductibility of severance pay.
- As of 1 January 2019 the employment of the CEO of Rimi Baltic transitioned from being a limited-term posting abroad to local employment in Latvia. After the transition to local employment the CEO of Rimi Baltic is receiving a monthly pay supplement to compensate for the loss of pension provisions and other benefits related to the posting abroad.

ICA Management Team



• Special circumstances

The Board may deviate from the stated guidelines if there is particular reason to do so.

Proposal to the 2020 Annual General Meeting

The Board is proposing to the 2020 Annual General Meeting that new guidelines for remuneration to senior executives are adopted. The pro-

posal for new guidelines will be in line with the Company's implementation of the current guidelines for remuneration to senior executives and shall aim to provide a clear framework for remuneration and to have the appropriate degree of flexibility considering that the levels and form of remuneration shall benefit the Company's strategy, long-term interests, including long-term value creation for the shareholder-

ers and sustainability. The new guidelines are being established in light of new legal requirements that have been implemented as a result of the EU Shareholder Rights Directive (Directive (EU) 2017/828 of the European Parliament and of the Council). The Board's final proposal for the new 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 Remuneration Committee's evaluation according to the Code, in the notice of the Annual General Meeting and in Group notes, Note 4.

CORPORATE GOVERNANCE REPORT 2019

ICA Management Team



Per Strömberg

CEO ICA Gruppen. Employed at ICA and member of ICA Management Team since 2012.



Petra Albuschus

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



Lena Boberg

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



Anders Bärlund

Chief Strategy & Business Development Officer (CSO) ICA Gruppen. Employed at ICA and member of ICA Management Team since 2019.



Marie Halling

CEO ICA Bank. Employed at ICA and member of ICA Management Team since 2014.



Sven Lindskog

CFO ICA Gruppen. Employed at ICA and member of ICA Management Team since 2014.

Born	1963	1968	1970	1979	1963	1963
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Engineering	Master of Laws	Master of Science in Business and Economics
Other assignments	Board member Bygghem AB, The Consumer Goods Forum, EuroCommerce and ICC Sweden. Member of the Steering Group for GEN-PEP.	Board member Electra Gruppen AB (publ).	Board member Rikshem AB (publ).	—	Deputy board member Svenska Bankföreningen (Swedish Bankers' Association).	—
Experience	President and CEO Lantmännen (2007–2012) and Sardus AB (2006–2007). Kraft Foods (1988–2006), including as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Business Development Director Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics ICA Sweden (2008–2015). Procter & Gamble Nordic (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), including 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 (2004–2019), focusing on retail and consumer goods. Partner since 2013. Most recently responsible for McKinsey's work involving the retail sector's digital and commercial transformation in Asia, based in Manila in the Philippines.	Swedbank (2005–2014), including as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), including as head of Corporate Banking FöreningsSparbanken Stockholm.	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).
Shareholding	14,070 shares (incl. related parties).	1,690 shares (incl. related parties).	1,914 shares (incl. related parties).	0 shares (incl. related parties).	3,250 shares (incl. related parties).	2,100 shares (incl. related parties).

CORPORATE GOVERNANCE REPORT 2019

ICA Management Team, cont.



Kerstin Lindvall

Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of ICA Management Team since 2016.



Maria Lundberg

Chief Information Officer (CIO) ICA Gruppen. Employed at ICA since 2015 and member of ICA Management Team since 2018.



Anders Nyberg

CEO Apotek Hjärtat. Employed at ICA and member of ICA Management Team since 2015 (CEO of Apotek Hjärtat since 2009).



Björn Olsson

Chief Corporate Communication Officer (CCCO) ICA Gruppen. Employed at ICA since 2004 and member of ICA Management Team since 2009.



Edgar Sesemann

CEO Rimi Baltic. Employed at ICA since 1999 and member of ICA Management Team since 2008.



Anders Svensson

CEO ICA Sweden and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of ICA Management Team since 2009.

Born	1971	1968	1956	1971	1961	1964
Education	Agronomist	Master of Science in Engineering	Studies in business and finance, DIHR	Master's degree in Political Science, Economics and Commercial Law	Diploma in Market Economics	Master of Science in Business and Economics
Other assignments	Chief Corporate Responsibility Officer ICA Sverige AB. Board member UN Global Compact Sweden 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 Svensk Handel AB (Swedish Trade Federation). Board member Stadium AB, Swedish Food Retailers Federation and Confederation of Swedish Enterprise.
Experience	ICA Sweden (1997–), including as Chief Corporate Responsibility Officer (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).	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).	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 Swedish Pharmacy Association (2012–2016).	Head of Media Relations/Acting Head of Communications, Svensk Handel (Swedish Trade Federation) (2000–2003).	ICA, including 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 Foods (2002–2009), including as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002) including as Director of Logistics, Nordic, and Sales Director, Sweden. Andersen Consulting (1988–1993), Consultant.
Shareholding	750 shares (incl. related parties).	0 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).

Data protection within ICA Gruppen

ICA Gruppen continues to drive its data protection work with the aim of creating trust by always making individuals privacy at the heart of our efforts. The work is structured and continuous, and is led by the Company's Privacy Office along with the Data Protection Officers in the Group. For 2019 this involved, among other things, work to maintain the established administrative structure for data protection, maintaining and developing the level of knowledge among employees and continued adaptation of systems, processes and structures to ensure compliance with the data protection legislation in force within the

geographic and sectoral areas where the Company operates.

A vital part of maintaining and developing the Group's data protection work is the administrative structure that has been established. The structure is based on the fact that responsibility for data protection lies with the operations within each company, with a supporting organisation. The Privacy Office is a Group-wide unit consisting of data protection experts who advise the operations and also drive and coordinate the data protection work jointly with the Group's Data Protection Officers. The companies in the Group that process a

not insignificant amount of personal data have a Data Protection Officer (DPO), a data protection unit, a personal data controller for each particular business area and supporting Data Protection Guardian(s) (DPG). These are to ensure that the company in question handles personal data in compliance with the data protection legislation in force and the Group's internal governing documents.

Identified data protection risks are to be managed by each operating company and in certain cases escalated from that company's risk group to the Group Risk Management Committee in

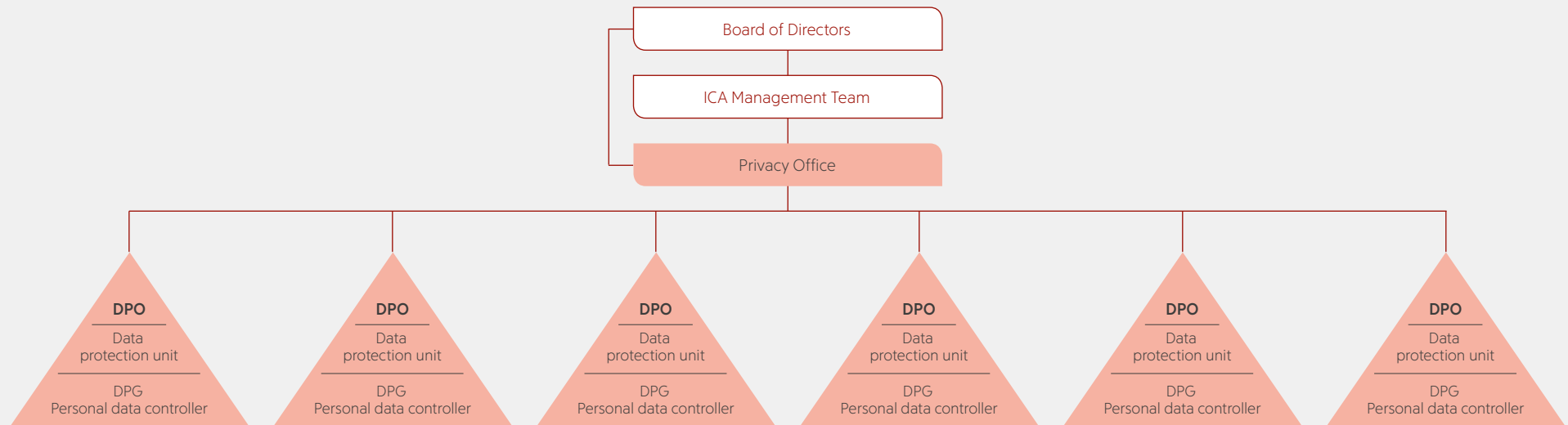
accordance with ICA's risk management process.

During the year the Privacy Office and the Group's Data Protection Officers worked to establish a Privacy Management Programme for monitoring and verifying compliance in the Group. The Head of Privacy Office reports on the data protection work on a regular basis to the ICA Management Team and the Board, while the Data Protection Officers report to the management of their respective companies.

Managers within the Group are responsible for the Group's Data Protection Policy and associated guidelines

being implemented in the operations. All members of the ICA Management Team have a responsibility to ensure that activities in their area of responsibility are conducted in accordance with the GDPR and the Data Protection Policy with its associated guidelines.

A process has been established based on ISO 27035 for dealing with personal data incidents. The Group's employees have been informed about and are constantly reminded of what a personal data incident is and of what is expected of the employees in terms of reporting.





Corporate governance within ICA Bank

As a credit institution ICA Bank has special financial rules and regulations to adhere to regarding governance, risk management and internal control.

ICA Bank's Board of Directors has ultimate responsibility for ensuring that ICA Bank has satisfactory control over the risks that are associated with its operations. The Bank's Board must ensure that the risk framework functions in a way that does not jeopardise ICA Bank's ability to meet its obligations.

ICA Bank has a structure for corporate governance and risk management based on the principle of the first, second and third line of defence:

The first line of defence involves governance and risk management within the day-to-day business operations. It is the business operations that have the delegated responsibility for implementing ICA Bank's established risk strategy and for ensuring that the bank stays within the parameters set by the Board of Directors.

The second line of defence consists of the Risk Control unit and the Compliance unit which, among other things, oversee, control and report on the bank's risks and on the bank's compliance with internal and external rules. These units report to the bank's CEO and present reports on an ongoing basis to the bank's CEO and Board.

The Risk Control unit is an independent unit that is responsible for coordinating, supervising and monitoring the risk management carried out in the first line of defence to ensure compliance with internal and external rules. Risk Control is to provide support and advice to ICA Bank's business operations in their risk management and in the implementation of risk management and risk control rules.

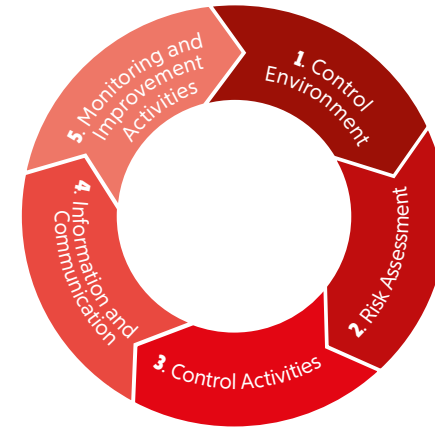
The Compliance unit is an independent unit that is responsible for identifying areas where there is a risk that ICA Bank will not fulfil its obligations according to laws, regulations and other rules that govern the licensed operations, and to verify that

this risk is managed by the departments concerned. Compliance also provides advice and support to the bank's business operations and Board, and verifies that the internal rules and compliance procedures are followed.

The third line of defence is Internal Audit. This is an independent auditing unit that supports ICA Bank's Board in its evaluation of management as well as risk management, governance and control within the operations. Internal Audit also reviews and evaluates the Risk Control and Compliance units. For a more detailed description of ICA Bank's corporate governance, see the bank's website (icabanken.se) and the report entitled "Årlig information om kapitaltäckning och riskhantering" which is on the bank's website (Swedish only).

The Board's report on 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.



The Board of Directors is responsible for ensuring that ICA Gruppen has good internal control and processes 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.

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 component are i) laws, rules and regulations and governing documents and ii) roles and responsibilities. The recurring activities are i) selection, ii) risk assessment, iii) define and implement checks, iv) evaluate and report Compliance and v) 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 and Communication and 5. Monitoring and Improvement 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, HR Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting 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 47–51 of the Annual Report.

3. Control Activities

ICA Gruppen's internal control structure for financial reporting 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 in financial reporting. The Company mainly uses three types of controls:

1. Group-wide controls relating to adherence to the Group policies and guidelines.
2. Process controls for the Group's business-critical processes. Many different types of activities are included, such as approval, permits, reconciliation, scrutiny of business results, 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.
3. 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, procedures, 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 department 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 ICA Management Team, 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, icagruppen.se/en.

5. Monitoring and Improvement Activities

The Board continually assesses the information submitted by the ICA Management Team 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 Audit 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 ICA Management Team, Internal Audit and Internal Control review and follow up as described in this section.

SHARES AND SHAREHOLDERS

Shares and shareholders

The share price rose by 38% during the year and the Board of Directors is proposing an increased dividend of SEK 12.00 per share (11.50).

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 493.50 on 29 August 2019. The lowest price of SEK 315.20 was on 2 January 2019. At the end of the year the share price was SEK 437.20, resulting in a share price increase of 38% in 2019. This is equivalent to a market capitalisation of SEK 87,941 million.

Since 8 December 2005, when the Company was listed on the stock

exchange, the share has provided a total return of 903%. In the same period the SIX Return Index provided a return of 285%.

On Nasdaq Stockholm trading volume for ICA Gruppen shares in 2019 was just above 85 million shares for a value of SEK 33.7 billion, equivalent to an average daily trading volume of more than 340,000 shares. On average, shares were traded for almost SEK 135 million per day during the year. Trading on Nasdaq Stockholm during the year accounted for 62% of all trading in ICA Gruppen shares. The remaining trading took place on Bats CXE 19%, Bats BXE 14% and Turquoise 5%.

Shareholders

The number of shareholders as of 31 December 2019 was 53,832, an increase of 3,318 shareholders compared with the previous year. The largest shareholder on the same date was ICA-handlarnas Förbund with 54% of the shares and votes in ICA Gruppen. The remaining 46% are owned by institutional investors and private individuals in Sweden and other countries. At the end of the year, 21.1% (11.0) of the shares were owned by non-Swedish institutions.

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 12.00 per share for 2019, or a total of SEK 2,414 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 70% 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 31 December 2019

Shareholder	Number of shares	Share, %
ICA-handlarnas Förbund	108,643,330	54
Blackrock	3,784,506	1.9
Vanguard	2,362,991	1.2
XACT Fonder	1,878,028	0.9
Spiltan Fonder	1,829,555	0.9
Swedbank Robur Fonder	1,419,148	0.7
Invesco	1,408,883	0.7
L Jönsson	1,279,601	0.6
Folksam	1,262,319	0.6
Norges Bank	1,167,271	0.6
Ten largest shareholders, total	125,035,632	62.2
Other shareholders	76,111,163	37.8
Total	201,146,795	100.0
<i>Of which foreign shareholders in total</i>	<i>42,460,976</i>	<i>21.1</i>

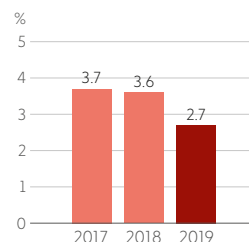
Source: Euroclear Sweden AB and Modular Finance AB. The table may reflect aggregate shareholdings of each shareholder.

Holdings

Holding, no. of shares	No. of shareholders	Capital and votes, %
1-500	47 452	1.9
501-1,000	2 637	1.1
1,001-5,000	2 622	2.9
5,001-10,000	428	1.6
10,001-15,000	186	1.2
15,001-20,000	98	0.9
20,001-	409	82.7
Anonymous ownership		7.8
Total	53 882	100.0

Source: Monitor by Modular Finance AB. Data compiled and processed by Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Dividend yield



Information for the capital market (Investor Relations)

ICA Gruppen's objective is to provide shareholders, debt investors, analysts, lenders and other stakeholders with fast, clear, consistent and real-time information about the Group's activities and financial position. ICA Gruppen's external reports are to reflect the Company's progress towards long-term goals and priorities, as well as give information about other important changes that affect the monitoring and assessment of ICA Gruppen's financial position. The financial information is to provide a good insight into the Company's financial performance and enable the reader to make an assessment of ICA Gruppen's long-term development. Transparency creates an understanding of the financial performance, the decisions that are made and of the business and the industry as a whole. All financial reports, presentations and press releases as well as other relevant information about ICA Gruppen are available on the Company's website, which is updated on an ongoing basis.

SHARES AND SHAREHOLDERS

Analysts following ICA Gruppen

Company	Analyst	Tel. no.	email
ABG Sundal Collier	Fredrik Ivarsson	+46 8 566 286 51	fredrik.ivarsson@abgsc.se
Barclays	Nicolas Champ	+331 44 58 32 45	nicolas.champ@barclays.com
Carnegie	Niklas Ekman	+46 8 588 686 92	niklas.ekman@carnegie.se
Danske Bank	Daniel Schmidt	+46 767 21 60 36	daniel.schmidt@danskebank.se
Exane BNP Paribas	Carole Madjo	+44 203 430 8683	carolemadjo@exanebnpparibas.com
Handelsbanken	Nicklas Skogman	+46 8 701 31 28	nisk03@handelsbanken.se
Kepler Cheuvreux	Magnus Råman	+46 8 723 51 74	mraman@keplercheuvreux.com
Nordea	Daniel Ovin	+46 733 577 226	daniel.ovin@nordea.com
SEB	Gustav Sandström	+46 8 522 297 45	gustav.sandstrom@seb.se

Share information

Marketplace: Nasdaq Stockholm, Large Cap segment

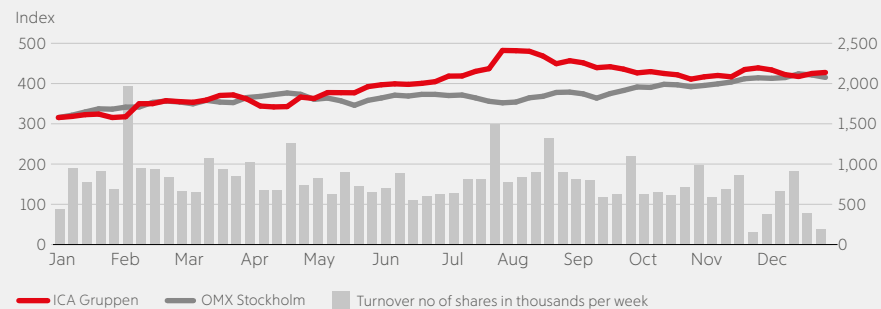
Ticker	ICA
ICB code	5300
ISIN code	SE0000652216
Round lot	1
Market cap as of 31 December 2019, SEK m	87,941
Share price as of 31 December 2019, SEK	437.20
Change during the year, %	38.0
Highest price for the year, SEK	493.50
Lowest price for the year, SEK	315.20

Share data

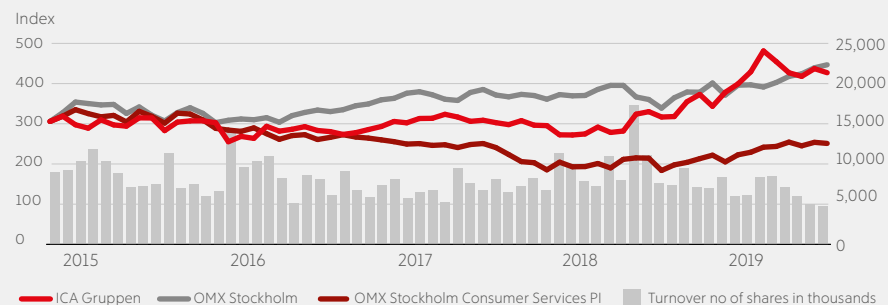
	Recalculated		
	2019	2018 ¹	2018
Earnings per share, SEK	17.06	17.35	18.05
Cash flow per share, SEK	48.46	51.34	33.82
Equity per share, SEK	167.06	163.29	163.98
Dividend per share, SEK	12.00	11.50	11.50
Dividend payout ratio, %	70	66	63
Share price at year-end, SEK	437.20	316.80	316.80
Dividend yield, %	2.7	3.6	3.6
P/E ratio	25.6	18.3	17.6
Share price/equity, %	262	194	193
Total no. of outstanding shares at end of year	201,146,795	201,146,795	201,146,795
Average no. of shares	201,146,795	201,146,795	201,146,795

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

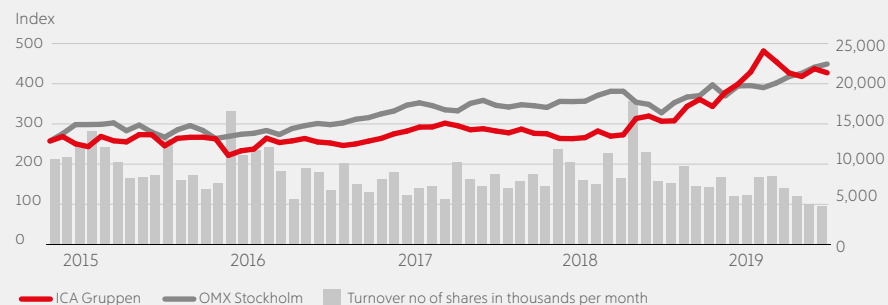
Share price development 2019



Share price development 2015–2019



Total return 2015–2019



Source: Infront

SHARES AND SHAREHOLDERS

ICA Gruppen as an investment

ICA Gruppen is a leading retail company with a focus on food and health. Over the past few years the Company has gone through a large number of structural changes involving both divestments and acquisitions. The Group structure provides a stable foundation and strong platform for continued long-term and sustainable growth in a market in transition – as well as a good return for shareholders.



A stable basis for continued profitable growth

Leading positions and strong brands

The companies within ICA Gruppen hold leading positions today in their respective segments. ICA is one of Sweden's best-known brands and a market leader in grocery retail in Sweden. In Estonia, Latvia and Lithuania the Rimi brand is strong – both among customers and as an employer. Apotek Hjärtat is Sweden's largest private pharmacy chain, with a growing offering also in healthcare.

Attractive online channels

Both ICA Sweden and Apotek Hjärtat have in recent years invested significantly in developing their online offering – and further investments will be made in the years to come. Rimi Baltic began its launch of online shopping in 2019.

Unique business model in Sweden

ICA Gruppen's single largest segment consists of ICA Sweden, which in 2019 accounted for 71% of total sales and

around 70% of operating profit. ICA's strong position in Sweden is largely due to its unique business model, under which the commitment, market knowledge and entrepreneurship of local retailers is combined with central economies of scale and efficiency within ICA Sweden. This model is a strong factor in ICA's growth and its position as a market leader.

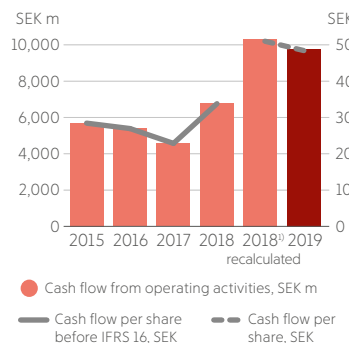
Supporting market trends

ICA Gruppen's development is also supported by several strong market trends; strong population growth in Sweden, an increased focus on health and high e-commerce potential are among the main ones.

Strong financial position, investment capacity and stable returns

Today ICA Gruppen has a strong financial position and a business that generates strong cash flows. Combined, these factors enable both continued investments in the business and a good and stable return for the shareholders.

Cash flow and cash flow per share



1) In addition to the formal IFRS reports, in Recalculated 2018 amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Opportunities for additional synergies

Stronger customer offering through increased internal cooperation

The operations within ICA Gruppen are joined by the common vision: to make every day a little easier. The priorities going forward include leveraging the strength in the Group structure to an even greater extent. Increased cooperation and stronger links between physical and digital channels will provide new opportunities to create even more attractive offerings – benefitting the customers, the individual businesses and ICA Gruppen as a whole.

Extensive digital initiatives

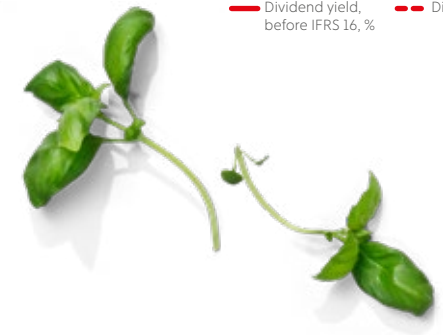
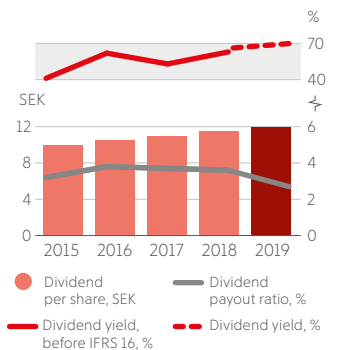
Within ICA Gruppen numerous digital initiatives are under way with the potential to increase internal efficiency and to strengthen and develop the customer offerings. The increased use of data, automation and artificial intelligence are among the key elements in several of the projects.

Attractive historical return

Gradual dividend increase

Since it was formed in 2013, ICA Gruppen has gradually increased its ordinary dividend while also managing to maintain a high level of investment. The Group's financial targets include providing a dividend of at least 50% of profit for the year. The target reflects ICA Gruppen's stable earnings and is to be at a competitive level for the sector.

Dividend per share and dividend yield



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Financial key ratios

ICA Gruppen uses a number of financial key ratios in its annual report, some of which are not defined in IFRS but are so-called Alternative Performance Measures. The aim is to provide additional information that contributes to a more thorough comparison of year-on-year development and to 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 18. Measurement data and definitions are also available at icagruppen.se/en.

The introduction of IFRS 16 has a substantial effect on ICA Gruppen's financial reports. To facilitate comparison and to supplement the presentation of the formal comparison figures for 2018, ICA Gruppen has chosen to also present 2018 recalculated for IFRS 16. The 2018 figures are recalculated as if IFRS 16 had been applied from 1 January 2018, with the leases that were effective at the time. The segments within ICA Gruppen will continue to report all rentals as operating leases. The segment reporting for 2019 is therefore unchanged from 2018. See also Note 1.

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 outstanding shares.

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.

Credit loss ratio (ICA Bank)

Credit losses in relation to average lending.

Divestments

Payments received for property, plant and equipment and intangible assets sold during the period according to the statement of cash flows.

Dividend yield (shares)

Proposed dividend in relation to the share price at year-end.

Earnings per ordinary share

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

EBITDA

Operating profit before depreciation, amortisation and impairments (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 minus cost of goods sold.

Investments

Investments in property, plant and equipment and intangible assets paid during the period according to the statement of cash flows.

Items affecting comparability

Gains/losses on the divestment of non-current assets, impairments and major restructuring.

Like-for-like store sales

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

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 debt excl. IFRS 16

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

Net interest income (ICA Bank)

The difference between interest paid and received by the bank.

Net margin

Profit for the period in relation to net sales.

Operating margin

Operating profit as a percentage of net sales.

Operating profit

Profit before net financial items and tax.

Occupancy rate (ICA Real Estate)

Market rent for leased premises divided by total rental value (contracted annual rent + market rent for unleased premises).

Property yield (ICA Real Estate)

Net operating income in relation to average book value of properties.

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 balance sheet when calculating return on capital employed.

Return on equity

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

For the glossary, see page 135.

FINANCIAL INFORMATION

Alternative performance measures

Reconciliation EBITDA

SEK m	2019	Recalculated 2018 ¹	2018
Operating profit	4,934	4,658	4,498
Depreciation/amortisation	5,219	4,990	1,602
Impairment and impairment reversed	39	202	202
Operating profit before depreciation/amortisation (EBITDA)	10,193	9,850	6,302

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Reconciliation Net debt, excluding ICA Bank

SEK m	2019	Recalculated 2018 ¹	2018
Long-term bonds and non-current interest-bearing liabilities	-2,713	-3,626	-3,626
Short-term bonds and current interest-bearing liabilities	-2,340	-2,233	-2,233
Cash and cash equivalents	846	779	779
Net debt excl. IFRS 16	-4,207	-5,079	-5,079
Non-current lease liabilities	-12,521	-12,553	-
Current lease liabilities	-3,389	-3,355	-
Net debt	-20,117	-20,988	-5,079

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Reconciliation Capital employed, excluding ICA Bank

SEK m	2019	Recalculated 2018 ¹	2018
Equity	33,844	33,110	33,249
Provisions for pensions	3,928	3,072	3,072
Other provisions	37	32	32
Long-term bonds and non-current interest-bearing liabilities	2,713	3,626	3,626
Short-term bonds and current interest-bearing liabilities	2,340	2,233	2,233
Other non-current liabilities	87	45	45
Non-current lease liabilities	12,521	12,553	-
Current lease liabilities	3,389	3,355	-
Capital employed	58,859	58,025	42,256

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

For an explanation of why these key performance measures have been used, refer to page 18.

Five-year financial summary

SEK m	Actual 2019	Recalculated 2018 ¹	Actual 2018	Actual 2017	Actual 2016	Actual 2015
Income statement						
Net sales	119,295	115,354	115,354	109,408	106,643	104,081
Operating profit before depreciation/ amortisation (EBITDA)	10,193	9,850	6,302	6,756	6,238	6,191
Operating profit excluding items affecting comparability	5,356	4,811	4,651	4,642	4,669	4,138
Operating profit	4,934	4,658	4,498	5,220	4,518	4,594
Profit before tax	4,402	4,057	4,227	4,853	4,154	4,225
Profit for the year from continuing operations	3,450	3,508	3,647	4,145	3,397	3,721
Profit for the year	3,450	3,508	3,647	4,145	3,418	4,913
Balance sheet						
Non-current assets	79,789	77,802	61,640	58,711	55,941	55,831
Cash and cash equivalents and short-term investments	3,157	3,206	3,206	4,499	3,974	4,611
Other current assets	15,981	15,382	15,805	14,790	16,208	14,474
Total assets	98,927	96,391	80,651	78,000	76,123	74,916
Equity	33,844	33,110	33,249	32,017	29,688	28,075
Non-current liabilities	23,182	23,545	11,022	11,140	14,538	14,945
Current liabilities	41,901	39,736	36,380	34,843	31,897	31,896
Total equity and liabilities	98,927	96,391	80,651	78,000	76,123	74,916
Cash flow						
From operating activities	9,748	10,326	6,802	4,601	5,422	5,845
From investing activities	-2,900	-3,593	-3,593	632	-1,694	-1,707
From financing activities	-6,895	-8,036	-4,512	-4,693	-4,251	-5,867
Cash flow for the year	-48	-1,303	-1,303	540	-523	-1,729
Cash flow for the year from operating activities, continuing operations	9,748	10,326	6,802	4,601	5,422	5,723

SEK m	Actual 2019	Recalculated 2018 ¹	Actual 2018	Actual 2017	Actual 2016	Actual 2015
Key ratios						
Operating margin excluding items affecting comparability, %	4.5	4.2	4.0	4.2	4.4	4.0
Operating margin, %	4.1	4.0	3.9	4.8	4.2	4.4
Net margin, %	2.9	3.0	3.2	3.8	3.2	4.7
Return on capital employed, %	7.9	7.7	10.2	12.3	10.5	9.8
Return on equity, %	10.1	10.6	11.1	13.4	11.9	16.6
Equity/assets ratio, %	34.2	34.4	41.2	41.0	39.0	37.5
Capital employed excl. ICA Bank, average	59,278	58,251	42,648	41,938	43,050	43,609
Net debt	-20,117	-20,988	-5,079	-5,598	-9,758	-11,697
Net debt/EBITDA	2.0	2.1	0.8	0.8	1.6	1.9
Share data						
Earnings per share for the year, continuing operations, SEK	17.06	17.35	18.05	20.53	16.87	18.21
Earnings per share for the year, SEK	17.06	17.35	18.05	20.53	16.97	24.14
Equity per share, SEK	167.06	163.29	163.98	157.70	147.48	139.41
Cash flow per share from operating activities, continuing operations, SEK	48.46	51.34	33.82	22.87	26.96	28.45
Cash flow per share from operating activities, SEK	48.46	51.34	33.82	22.87	26.96	29.06
Dividend per ordinary share, SEK	12.00	11.50	11.50	11.00	10.50	10.00
Dividend, SEK m	2,414	2,313	2,313	2,213	2,112	2,011
Dividend payout ratio, %	70	66	63	53	62	41
Share price at 31 December, SEK	437.20	316.80	316.80	297.90	277.90	307.40
Dividend yield, %	2.7	3.6	3.6	3.7	3.8	3.2
Number of outstanding shares						
Ordinary shares	201,146,795	201,146,795	201,146,795	201,146,795	201,146,795	119,078,903
C shares	-	-	-	-	-	82,067,892
Total number of shares	201,146,795	201,146,795	201,146,795	201,146,795	201,146,795	201,146,795
Total average number of shares	201,146,795	201,146,795	201,146,795	201,146,795	201,146,795	201,097,895

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note I. These amounts have not been reviewed by the auditors.

Definitions on page 75.

Consolidated statement of comprehensive income

SEK m	Note	2019	Recalculated 2018 ¹	2018
Net sales	2	119,295	115,354	115,354
Cost of goods and services sold	3	-98,328	-95,134	-96,459
Gross profit		20,967	20,220	18,894
Selling expenses	3	-12,703	-12,807	-11,640
Administrative expenses	3, 5	-3,322	-2,993	-2,995
Other operating income	6	379	346	346
Other operating expenses	2, 3	-	-26	-26
Share of profits of associates and joint ventures	13	34	71	71
Operating profit excl. items affecting comparability	2, 4, 5, 7	5,356	4,811	4,651
Capital gains/losses from sale of subsidiaries and non-current assets	2, 17	-382	49	49
Impairment and impairment reversed	2, 3	-39	-202	-202
Operating profit	2	4,934	4,658	4,498
Financial income		4	11	11
Financial expense		-536	-612	-283
Net financial items	8	-532	-602	-272
Profit before tax		4,402	4,057	4,227
Tax	9	-951	-549	-580
PROFIT FOR THE YEAR		3,450	3,508	3,647
Other comprehensive income, items that will not be reclassified to profit or loss, net after tax				
Remeasurement defined benefit pensions	9, 19	-548	-236	-236
Other comprehensive income, items that may be reclassified to profit or loss, net after tax				
Change in translation reserve		66	130	130
Change in hedging reserve		-28	75	75
Share of other comprehensive income of joint ventures		18	16	16
Total items that may be reclassified to profit or loss	9, 18	56	221	221
COMPREHENSIVE INCOME FOR THE YEAR		2,958	3,493	3,632

SEK m	Note	2019	Recalculated 2018 ¹	2018
Profit for the year attributable to:				
Owners of the parent		3,432	3,491	3,630
Non-controlling interests		19	17	17
Comprehensive income for the year attributable to:				
Owners of the parent		2,934	3,470	3,609
Non-controlling interests		25	23	23
Earnings per share, SEK				
Earnings per share	10	17.06	17.35	18.05

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Consolidated statement of financial position

Assets				
SEK m	Note	31 Dec. 2019	Recalculated 31 Dec. 2018 ¹	31 Dec. 2018
Non-current assets				
<i>Intangible non-current assets</i>				
	11			
Goodwill		16,301	16,301	16,301
Trademarks		12,926	13,413	13,413
IT systems		1,776	1,534	1,534
Other		48	38	38
		31,052	31,285	31,285
<i>Property, plant and equipment</i>				
	12			
Buildings and land		12,146	11,951	11,951
Investment properties		1,295	1,180	1,180
Leasehold improvements		448	394	394
Equipment		2,437	2,385	2,385
Construction in progress		1,389	849	849
		17,715	16,759	16,759
<i>Leased right-of-use assets</i>				
	7	16,142	16,162	-
		33,857	32,921	16,759
<i>Financial non-current assets</i>				
Interests in joint ventures and associates	13	1,224	1,256	1,256
ICA Bank's investments	14	2,155	3,181	3,181
ICA Bank's lending	14	11,319	8,735	8,735
Receivables from related parties	16	50	-	-
Other financial non-current assets		60	39	39
		14,808	13,212	13,212
<i>Deferred tax assets</i>				
	9	71	385	385
Total non-current assets		79,789	77,802	61,640

Assets				
SEK m	Note	31 Dec. 2019	Recalculated 31 Dec. 2018 ¹	31 Dec. 2018
Current assets				
<i>Inventories</i>				
	15	4,611	4,490	4,490
<i>Current receivables</i>				
Trade receivables		4,815	4,787	4,787
Tax assets		3	61	61
ICA Bank's lending	14	3,516	3,176	3,176
Receivables from related parties	16	126	111	111
Other current assets		33	55	55
Prepaid expenses and accrued income		2,718	2,695	3,118
Assets held for sale	17	158	6	6
		11,369	10,891	11,315
<i>Cash and cash equivalents</i>				
	22	3,157	3,206	3,206
Total current assets		19,138	18,588	19,011
TOTAL ASSETS		98,927	96,391	80,651

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

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Cont. Consolidated statement of financial position

Equity and liabilities

SEK m	Note	31 Dec. 2019	Recalculated 31 Dec. 2018 ¹	31 Dec. 2018
Equity	18			
Share capital		503	503	503
Other capital contributed		7,694	7,694	7,694
Reserves		603	553	553
Retained earnings		24,805	24,095	24,234
Equity attributable to owners of the parent		33,604	32,845	32,984
Non-controlling interests		240	265	265
Total equity		33,844	33,110	33,249
Non-current liabilities				
Provisions for pensions	19	3,939	3,082	3,082
Deferred tax liabilities	9	3,882	4,205	4,236
Bonds	20	2,200	1,200	1,200
Other interest-bearing liabilities	20	513	2,426	2,426
Non-current lease liabilities	7, 20	12,521	12,553	-
Other provisions		39	34	34
Other liabilities		87	45	45
Total non-current liabilities		23,182	23,545	11,022
Current liabilities				
Bonds	20	-	1,500	1,500
Other interest-bearing liabilities	20	2,340	733	733
Trade payables		15,310	14,891	14,891
Deposits ICA Bank	14	16,698	15,385	15,385
Current lease liabilities	7, 20	3,390	3,356	-
Liabilities to related parties	16	6	12	12
Tax liabilities		215	0	0
Other liabilities		968	822	822
Provisions		260	241	241
Accrued expenses and deferred income		2,716	2,797	2,797
Total current liabilities		41,901	39,736	36,380
TOTAL EQUITY AND LIABILITIES		98,927	96,391	80,651

1 In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Consolidated statement of changes in equity

SEK m	Note	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 2018		503	7,694	338	23,185	31,720	297	32,017	
Effect of change to IFRS 9					-97	-97	-	-97	
Equity after change to IFRS 9		503	7,694	338	23,088	31,623	297	31,920	
Profit for the year					3,630	3,630	17	3,647	
Other comprehensive income				215	-236	-21	6	-15	
Comprehensive income for the year				215	3,394	3,609	23	3,632	
Change in non-controlling interests					-35	-35	0	-35	
Dividend					-2,213	-2,213	-55	-2,268	
Closing equity, 31 December 2018		503	7,694	553	24,234	32,984	265	33,249	

SEK m	Note	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 2019		503	7,694	553	24,234	32,984	265	33,249	
Profit for the year					3,432	3,432	19	3,450	
Other comprehensive income				50	-548	-498	6	-492	
Comprehensive income for the year				50	2,884	2,934	25	2,958	
Dividend					-2,313	-2,313	-50	-2,363	
Closing equity, 31 December 2019		503	7,694	603	24,805	33,604	240	33,844	

Consolidated statement of cash flows

SEK m	Note 22	2019	Recalculated 2018 ¹	2018
Operating activities				
Operating profit		4,934	4,658	4,498
Dividend from joint ventures	13	90	35	35
Adjustments for non-cash items		5,791	5,272	1,884
Income tax paid		-584	-803	-803
Cash flow from operating activities before change in working capital		10,230	9,162	5,615
Change in working capital				
Inventories (increase - /decrease +)		-268	32	32
Current receivables (increase - /decrease +)		-107	-718	-694
Current liabilities (increase + /decrease -)		431	1,865	1,865
ICA Bank's net of deposits, lending and investments		-538	-16	-16
Cash flow from operating activities		9,748	10,326	6,802
Investing activities				
Purchase of property, plant and equipment and intangible assets		-3,080	-3,507	-3,507
Sale of property, plant and equipment and intangible assets		59	302	302
Loans issued		-105	-16	-16
Repayment of loans issued		9	1	1
Other financial non-current assets (increase - /decrease +)		0	5	5
Interest received		1	1	1
Investments in joint ventures and associates	13	-7	-380	-380
Sales of subsidiaries	17	222	0	0
Cash flow from investing activities		-2,900	-3,593	-3,593
Financing activities				
Borrowings		1,003	1,205	1,205
Repayment of borrowings		-1,806	-3,188	-3,188
Capital contributions, acquisitions and dividends relating to non-controlling interests		-53	-87	-87
Amortisation lease liabilities		-3,257	-3,194	-
Interest paid lease liabilities		-342	-330	-
Interest paid		-126	-230	-230
Dividend paid to shareholders of ICA Gruppen AB		-2,313	-2,213	-2,213
Cash flow from financing activities		-6,895	-8,036	-4,512

SEK m	Note 22	2019	Recalculated 2018 ¹	2018
Cash flow for the year				
Cash and cash equivalents at beginning of year		3,206	4,499	4,499
Exchange differences in cash and cash equivalents		-1	10	10
Cash and cash equivalents at end of year		3,157	3,206	3,206

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

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-169 71 Solna, Sweden, the visiting address is Kolonnvägen 20, Solna, and the website is 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 of ICA Gruppen, which is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which mainly conduct grocery retail operations, Apotek Hjärtat, which conducts pharmacy operations, ICA Real Estate, which owns and manages properties, and ICA Bank, which offers financial services and insurance. For more information, see icagruppen.se.

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

The annual financial statements and consolidated financial statements were approved for publication by the Board of Directors on 5 February 2020. A decision will be made at the Annual General Meeting on 21 April 2020 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 International Financial Reporting Standards (IFRS) as endorsed by the European Commission, and interpretations of the IFRS Interpretations Committee. 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 2019

As of the beginning of 2019 IFRS 16 Leases is being applied.

IFRS 16 sets out primarily new rules governing lessees' reporting. Reporting as a lessor corresponds to the rules previously applied under IAS 17 Leases, except in cases of subleasing, where an asset is leased in and thereafter leased out. For subleasing, classification as operating or finance lease is based on the leased-in asset and not on the underlying asset, which was the case under IAS 17.

IFRS 16 requires lessees to recognise a liability and a right-of-use asset for all lease agreements, except for lease agreements pertaining to intangible assets, agreements with a lease term of 12 months or less and agreements of low value. The liability reflects the present value of the lease payments, usually discounted by the incremental borrowing rate. Variable lease payments based on, for example, sales are not included in the discounted liability, but are still recognised as a continuing expense in profit or loss. The asset is depreciated over its useful life, which in most cases corre-

sponds to the lease term. Lease payments are broken down into interest and amortisation of the principal.

The most significant leases in ICA Gruppen measured by value pertain to rents of properties and premises. ICA Gruppen leases in properties both for its own use and for subleasing to non-consolidated ICA retailers. Contracts for transport involving lorries in certain cases constitute a lease, while in others they constitute a haulage contract. Contracts for the use of forklifts and passenger cars usually constitute leases.

The lengths of leases for properties vary depending on the country and the country's lease legislation. The leases originally have an agreed term which is normally 5–10 years. Thereafter the leases usually continue for a term of between 12 and 36 months. In certain leases ICA Gruppen has a contractual extension option that is normally three to five years. It is not unusual at the end of a lease term for the lease to be terminated for renegotiation by ICA Gruppen, the property owner or both parties. In the case of renegotiation, the rent for the next period is unknown until the renegotiation is concluded. Unless it is extremely likely that a lease will be extended on the same terms and conditions, the extension is not included in the calculation of the lease liability.

Rents are often variable but have a minimum level, which in practice means a fixed rent with a smaller variable component if sales exceed certain levels.

In certain cases ICA Gruppen leases in properties and premises and thereafter subleases them to non-consolidated ICA retailers. The aim is to gain control over the commercial location. Having control over the commercial location through a right-of-use asset constitutes the basis for these lease arrangements being made in the first place. The right-of-use asset is an asset for ICA Gruppen that is not transferred via the sublease. All leasing out of properties, including subleases, is therefore classified as operating leases in accordance with IFRS 16.

ICA Gruppen's segments recognise all rentals as operating leases. Reporting in accordance with IFRS 16 is only done for ICA Gruppen as a whole and the segment reporting for 2019 will therefore be the same as in 2018.

IFRS 16 transition method

IFRS 16 offers alternative transitional rules. ICA Gruppen has chosen the transitional method whereby IFRS 16 is applied prospectively as from 1 January 2019 and any effect of the transition is recognised as an adjustment of opening equity as per 1 January 2019. As per 1 January 2019 a lease liability is recognised which equals the present value of the remaining payments for all leases. Discounting of payments is done using ICA Gruppen's incremental borrowing rate on the date of transition and using the interest rate that corresponds to the remaining terms of the respective leases.

ICA Gruppen has also elected to use the transitional rule whereby a right-of-use asset is recognised at the same value as the present value of the lease liability on the transfer date. However, since lease payments are made in advance, the lease liability is lower than the right-of-use asset on the date of transfer, since the initial payment for 2019 has already been made at the end of 2018. The incremental borrowing rate that is used for discounting as per the date of transfer varies, depending on the remaining term of the lease. The weighted average incremental borrowing rate as per 1 January 2019 was 2.20% for contracts in Swedish kronor and 1.79% for contracts in euros.

As of 1 January 2019 the lease liability amounts to SEK 16,141 million, and right-of-use assets are valued at SEK 16,606 million.

There is no significant difference between the nominal amount recognised for future obligations in Note 7 Leases in the 2018 Annual Report and the nominal amount that the present value discounting of the initial value of the lease liability according to IFRS 16 is based on as per 1 January 2019, other than that the future obligations reported in Note 7 in the Annual Report include an amount of SEK 1.7 billion pertaining to leases where transfer of the asset had not taken place as per 31 December 2018. According to IFRS 16, leases for assets that have not been transferred are not included in the recognised lease liability. There is thus no other material difference between the discounted amount of obligations for leases as per 31 December 2018 compared with the recognised lease liability as per 1 January 2019, than leases committed but not yet commenced.

As a result of the transition to IFRS 16 costs in EBIT for leases have been moved from the item Cost of goods and services sold to the item Selling expenses.

Recalculation of 2018 for IFRS 16

The chosen transitional rules entail prospective application of IFRS 16. This means that the formal comparison year 2018 is reported and presented in accordance with IAS 17 Leases, which applied at the time. To facilitate comparisons between years, ICA Gruppen – as a complement to its presentation of the formal comparison values for 2018 – has chosen to also present 2018 recalculated for IFRS 16.

Recalculation has been done according to the principles applied for 2019, but as if IFRS 16 had begun to be applied as per 1 January 2018. This means that as of 1 January 2018, a lease liability is recognised which consists of the present value of the remaining payments for all applicable leases. The payments are discounted using ICA Gruppen's incremental borrowing rate as of 1 January 2018 and using the interest rate that corresponds to the remaining terms of the respective leases at the time. The right-of-use asset is recognised at the same value as the present value of the

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Cont. Note 1 Accounting principles and general information

lease liability as of 1 January 2018, except for in cases where leases were paid in advance, which means that the lease liability is lower than the right-of-use asset as per 1 January 2018. The payments have been broken down into amortisation and interest on the principal, in accordance with IFRS 16. The right-of-use asset has been depreciated. The lease liability and right-of-use asset have been affected by new and amended leases in 2018.

Application of IFRS 16 may differ somewhat between the recalculated figures for 2018 and 2019, but the significant principles are the same for both years. Since IFRS 16 is applied prospectively as from 1 January 2019, the closing balance for the recalculated figures for 2018 is not the opening balance for 2019.

Effects on the condensed consolidated statement of comprehensive income, full year 2018

SEK m	Reported	Change IFRS 16	Recalculated
Net sales	115,354		115,354
Cost of goods and services sold	-96,459	1,325	-95,134
Gross profit	18,894	1,325	20,220
Selling expenses	-11,640	-1,167	-12,807
Administrative expenses	-2,995	2	-2,993
Other operating income	346		346
Other operating expenses	-26		-26
Share of profits of associates and joint ventures	71		71
Operating profit excl. items affecting comparability	4,651	160	4,811
Capital gains/losses from sale of subsidiaries and non-current assets	49		49
Impairment and impairment reversed	-202		-202
Operating profit	4,498	160	4,658
Financial income	11		11
Financial expense	-283	-330	-612
Net financial items	-272	-330	-602
Profit before tax	4,227	-170	4,057
Tax	-580	31	-549
Profit for the year	3,647	-139	3,508

Effects on the condensed statement of financial position, 31 December 2018

SEK m	Reported	Change IFRS 16	Recalculated
ASSETS			
Non-current assets	61,640		61,640
Right-of-use assets		16,162	16,162
Current assets	19,011	-423	18,588
TOTAL ASSETS	80,651	15,740	96,391
EQUITY AND LIABILITIES			
Equity	33,249	-139	33,110
Non-current liabilities	11,022	-31	10,992
Non-current lease liabilities		12,553	12,553
Current liabilities	36,380		36,380
Current lease liabilities		3,356	3,356
Total liabilities	47,402	15,878	63,280
TOTAL EQUITY AND LIABILITIES	80,651	15,740	96,391

Effects on the condensed consolidated statement of cash flows, full year 2018

SEK m	Reported	Change IFRS 16	Recalculated
Operating profit	4,498	160	4,658
Depreciation, amortisation and impairment	1,804	3,388	5,192
Dividend from joint ventures	35		35
Other non-cash items	80		80
Income tax paid	-803		-803
Cash flow from operating activities before change in working capital	5,615	3,548	9,162
Change in working capital	1,187	-24	1,164
Cash flow from operating activities	6,802	3,524	10,326
Cash flow from investing activities	-3,593		-3,593
Dividend paid	-2,213		-2,213
Capital contributions, acquisitions and dividends relating to non-controlling interests	-87		-87
Change in loans	-1,983		-1,983
Interest paid	-230		-230
Interest paid IFRS 16 Leases		-330	-330
Amortisation IFRS 16 Leases		-3,194	-3,194
Cash flow from financing activities	-4,512	-3,524	-8,036
Cash flow for the year	-1,303	-	-1,303
Cash and cash equivalents at beginning of year	4,499		4,499
Exchange differences in cash and cash equivalents	10		10
Cash and cash equivalents at end of year	3,206		3,206

Cont. Note 1 Accounting principles and general information

New standards from IASB applied from 2020 and onwards that are relevant to ICA Gruppen

There are no standards from IASB that have been approved for application from 2020 and beyond. There are some changes to standards that are approved for use from 2020, but no change is expected to impact ICA Gruppen's financial statements. The same applies to the interpretation statements issued from IFRS IC.

New standards from IASB not endorsed by the EU with relevance for ICA Gruppen

IFRS 17 Insurance Contracts was published in May 2017. In June 2019 a draft of amendments to IFRS 17 was issued. One of the proposed amendments is that IFRS 17 will start to be applied in 2022 instead of 2021. IFRS 17 sets principles for reporting, measurement and disclosures relating to issued insurance contracts. The subsidiary ICA Försäkring AB will be affected by IFRS 17, but it has been determined that IFRS 17 will have a limited effect 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 (SEK m) unless indicated otherwise. Rounding differences may occur.

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 sourcing, pricing, investment and personnel. ICA Gruppen thus has no controlling influence over these operations and they are not consolidated into ICA Gruppen.

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.

Interests in associates

Interests in associates are reported according to the equity method. Acquisition-related expenses are included in the acquisition cost.

Foreign currency

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 translation differences that arise are recognised in other comprehensive income.

Revenue

ICA Gruppen's two main sources of revenue are sales of goods to independent ICA retailers (wholesale sales) and sales of goods directly to consumers (retail sales). In the case of wholesale sales, revenue and a trade receivable are recognised upon delivery of the goods. The trade receivable is usually paid in accordance with the standard terms in the industry. In the case of retail sales, revenue is recognised when the customer has paid for the goods at the store. In the case of online sales, revenue is recognised when the goods have been delivered to the customer. Standard warranties are given for retail sales, and other terms – such as the right to return goods – are the usual terms found in the sector. Returns do not add up to any material amount.

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.

There are wholesale agreements in which goods are delivered directly from the supplier to the store. One of the aims is for goods with a limited shelf life to be delivered more quickly to the store than if they were to be sent via ICA Gruppen's warehouse. ICA Gruppen negotiates the most efficient solution possible with the supplier, which in such cases may involve direct deliveries. It is ICA Gruppen that pays the supplier and invoices the store for the goods. Should a serious problem arise between the supplier and the store, it is ICA Gruppen that will deal with the issue with the supplier. ICA Gruppen acts as principal in these agreements. In other agreements, where ICA Gruppen acts as agent, only the commission or equivalent received is reported as revenue.

Revenues from consulting services provided to ICA retailers, as well as franchise fees, royalties and dividends from ICA retailers, are recognised as the services are provided.

Rental income is recognised as the asset is provided.

Gains or losses on real estate sales are recognised when the buyer has taken control of the property, which is usually on the occupancy date. Where ICA Gruppen sells a property that is subsequently leased back, a determination is made as to whether the property has been sold according to IFRS 15. If the property is sold, the gain or loss from the sale is recognised when the buyer has taken control of the property. The gain or loss from the sale constitutes the relative share of the value of the prop-

erty not subject to a leaseback transaction. The leaseback is recognised according to IFRS 16 Leasing. If the property is not sold according to IFRS 15, from an accounting perspective a sale will not 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 amortisation of the principle and interest on the loan, and the property will continue to be depreciated.

Commission from banking operations is recognised when the services are provided. Premiums from insurance operations are recognised when the insurance is provided.

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

Leases

IFRS 16 Leases is applied prospectively for 2019. To constitute a lease according to IFRS 16 a contract must transfer a right to use an identifiable asset for a certain period in exchange for payments being made. ICA Gruppen does not apply IFRS 16 for intangible assets. A lease liability and a right-of-use asset are recognised in the balance sheet for all the lessee's lease agreements with the exception of lease agreements with a term of 12 months or less and lease agreements of low value.

IAS 17 Leases was applied for 2018. According to IAS 17, the Group's leases were either classified as operating of 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. The economic substance of the leases means that all were classified as operating leases – both with respect to assets leased for ICA Gruppen's own use and assets leased and then subleased to independent ICA retailers. For properties that are leased and then subleased, as well as properties that are owned by the Group and leased out, the terms and conditions are such that they are classified as operating leases.

ICA Gruppen as lessee

According to IFRS 16 Leases, the lease liability constitutes the present value of the lease payments, usually discounted by the incremental borrowing rate. Variable lease payments based on, for example, sales are not included in the discounted liability, but are still recognised as a continuing expense in profit or loss. The asset is depreciated over its useful life, which in most cases corresponds to the lease term. Lease payments are broken down into interest and amortisation of the principal.

No cash flow arises when a lease is recognised, which means that in the statement of cash flows no changes arise, neither under investing activities nor financing activities. The lease payments made are recognised in financing activities as a cash flow item in the form of interest received and amortisation of the lease liability.

Lease fees for 2018 and operating leases were treated as an expense and distributed over the life of the lease on a straight-line basis.

Cont. Note 1 Accounting principles and general information

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 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.

Intangible assets and goodwill

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 indefinite, no amortisation takes place and an impairment test is performed at least once a year. Goodwill is not amortised.

Property, plant and equipment

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

Investment properties

Investment properties are properties that 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

This applies to assets and liabilities that are held for sale if they are available for immediate sale, a decision on their sale has been taken and it is extremely likely that they will be sold within 12 months.

Impairment

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 measured 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 assets are classified in three categories: financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured through other comprehensive income. As a general rule, financial liabilities are measured at amortised cost. Derivatives that constitute a liability are recognised at fair value through profit or loss.

The fair values of financial assets and liabilities have been determined in accordance with the descriptions in Note 14 in the case of ICA Bank and Note 20 for the rest of ICA Gruppen.

Liabilities to credit institutions and other loan liabilities

All loan liabilities are recognised at amortised cost according to the effective interest method.

Derivatives

All derivatives are recognised at fair value in the balance sheet and changes in value are recognised through profit or loss. The exception is derivative instruments that meet the criteria for cash flow hedging, where 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 financial assets and liabilities

ICA Bank has two business models according to IFRS 9: one for lending and one for the liquidity portfolio. Based on the business models, ICA Bank's lending is recognised at amortised cost taking into account expected credit losses. ICA Bank's liquidity portfolio and investments are recognised at fair value with changes in value recognised through profit or loss. ICA Bank's deposits are recognised at amortised cost. See also Note 14 ICA Bank.

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 short-term investments with an original maturity of no more than three months.

Bonus programmes

The bonus programmes for senior executives are 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.

Pensions and other post-employment benefit obligations

The Group has both defined contribution and defined benefit pension plans. Defined benefit pension plans are recognised at their present value. The discount rate is the interest rate for housing bonds which, according to ICA Gruppen, are corporate bonds in accordance with IAS 19 Employee Benefits. Revaluation of pension liabilities based on actuarial gains and losses is 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 then used to assess the carrying amounts of assets and liabilities that are not clearly apparent from other sources. Actual results may differ from these estimates and assessments. The assumptions and estimates that management considers the most important are the following:

Leases

ICA Gruppen has a large number of leases amounting to significant sums. ICA Gruppen acts as both a lessee and lessor and a number of properties are leased and then subleased. In connection with the implementation of IFRS 16 an interpretation was made of the rules for principle-based accounting and how these are applied in ICA Gruppen's financial statements. ICA Gruppen is of the opinion that recognition of items in the financial statements according to IFRS 16 provides a true and fair presentation of the substance of the leases. If standardisation in the future involves the addition of more detailed rules based, for example, on amendments to IFRS 16 or interpretations of IFRS 16 from IFRS IC, this could impact the financial statements.

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.

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, in 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. The ICA Real Estate segment consists 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. Hemtex, which operates home furnishing stores, was divested in May. The earnings reported for Hemtex for 2019 are from the period up until the divestment. Other consists of items that are not included in identified segments and 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 seg-

ments as to the Group except for those relating to leases. For the segments, leases for 2019 are recognised according to the same principles that applied for 2018 in accordance with IAS 17 Leases. For ICA Gruppen's segments this means that all lease payments are recognised as an operating cost in operating profit. In the IFRS 16 column, recognition is done according to IFRS 16 as a total for all of the Group's segments.

SEK m	ICA Sweden		Rimi Baltic		Apotek Hjärtat		ICA Real Estate		ICA Bank		Hemtex		Total reported segments		Other		Eliminations		Total per segment		IFRS 16		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	Recalculated 2018 ¹	2019	Recalculated 2018 ¹
External net sales	84,938	82,181	16,168	15,255	14,777	14,110	1,509	1,416	1,528	1,311	305	1,020	119,225	115,293	71	61			119,295	115,354			119,295	115,354
Internal net sales	249	230	-	-	0	0	1,222	1,175	42	42	0	0	1,514	1,448	1,126	981	-2,640	-2,429						
Depreciation/amortisation	565	456	352	336	147	157	501	514	28	27	7	22	1,599	1,511	137	91			1,736	1,602	3,483	3,388	5,219	4,990
Profit from joint ventures and associates	-	-	-	-	-53	-10	86	81	-	-	-	-	34	71	-	-			34	71			34	71
Operating profit excluding items affecting comparability	3,712	3,332	744	631	464	533	504	417	244	170	-36	13	5,632	5,095	-443	-444			5,189	4,651	166	160	5,356	4,811
Items affecting comparability																			-423	-152	2	-	-422	-152
Net financial items																			-190	-272	-342	-330	-532	-602
Profit after financial items																			4,576	4,227	-174	-170	4,402	4,057
Other segment information																								
Assets	41,806	41,032	6,609	6,047	9,199	8,927	14,191	13,700	19,884	18,170	-	955	91,690	88,831	74,887	68,370	-83,388	-76,551	83,189	80,651	15,738	15,740	98,927	96,391
Liabilities	21,706	20,522	4,195	3,040	5,975	5,865	10,183	9,787	17,656	16,197	-	515	59,715	55,927	25,676	20,543	-36,188	-29,068	49,203	47,402	15,880	15,878	65,083	63,280
Investments in property, plant and equipment and intangible assets	656	868	985	362	226	193	992	1,845	37	10	4	27	2,901	3,306	179	201			3,080	3,507			3,080	3,507
Investments in associates and joint ventures	-	-	-	-	0	-350	-1	-30	-6	-	-	-	-7	-380	-	-			-7	-380			-7	-380
Other non-cash flow items	0	79	23	33	53	-41	-69	19	0	-8	-	0	6	81	383	1			390	81	-2	-	388	81

In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

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Cont. Note 2 Segment reporting

Items affecting comparability

SEK m	2019	2018
Capital gains/losses from sale of subsidiaries and non-current assets		
ICA Real Estate	-2	-11
Rimi Baltic	1	1
ICA Bank	-	8
Apotek Hjärtat	-	51
Other	-381	0
Total	-382	49
Impairment and impairment reversed		
ICA Sweden	-	-79
ICA Real Estate	-16	-89
Rimi Baltic	-24	-34
Total	-39	-202
Total items affecting comparability	-422	-153

External net sales by revenue source

SEK m	2019	2018
Wholesale sales	66,988	64,029
Retail sales	42,824	42,498
Rental income and lease-related services	3,005	2,822
Net interest income, commissions and insurance premiums, ICA Bank	1,528	1,311
Other services for ICA retailers	4,950	4,694
Net sales	119,295	115,354

Geographical information

SEK m	Net sales		Property, plant and equipment and intangible non-current assets including right-of-use assets	
	2019	2018	2019	2018
Country				
Sweden	102,971	99,961	57,548	44,304
Baltic countries	16,192	15,279	7,335	3,734
Other countries	133	114	27	5
Total	119,295	115,354	64,909	48,044

Net sales are broken down by country based on where customers are located.

Note 3 Expenses by nature of expense

SEK m	2019	Recalculated 2018 ¹	2018
Cost of materials	90,203	87,464	87,464
Personnel expenses	10,963	10,772	10,772
Administrative expenses	1,987	1,976	1,976
Cost of premises	1,822	1,681	5,229
Depreciation, amortisation and impairment	5,259	5,192	1,804
Other expenses	4,158	4,077	4,077
Total expenses	114,392	111,162	111,322

1 In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

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.

	2019			2018		
	Women	Men	Total	Women	Men	Total
Sweden	6,804	5,650	12,454	7,043	5,468	12,511
Baltic countries	8,861	1,652	10,513	8,067	1,524	9,591
Finland	40	0	40	52	0	52
Asia	53	64	118	54	64	118
Total	15,758	7,367	23,125	15,216	7,056	22,272

Salaries, other remuneration and social security contributions

SEK m	2019	2018
Group		
Salaries and other remuneration	7,048	6,830
Social security contributions	2,316	2,349
Pension costs	512	526
Total	9,876	9,705

Board of Directors and CEO

- Salaries and other remuneration	151	141
- of which variable component	17	16
- Pension costs	20	24
Other employees	7,389	7,191
Total	7,560	7,355

Of the Board members and CEOs within the Group, 414 are men (412) and 327 are women (353). 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 held in April 2019. The amounts stated refer to the remuneration approved for the 12-month period for which the Board member in question was elected. Remuneration to Board members is reported in thousands of kronor (SEK 000s). See also the Corporate Governance Report.

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

Fees to members of the Board of ICA Gruppen AB:	2019			2018		
	Board fees	Commit-tee work	Total fees	Board fees	Commit-tee work	Total fees
Claes Göran Sylvén	1,150	150	1,300	1,100	150	1,250
Fredrik Hägglund	550	50	600	500	100	600
Göran Blomberg	-	-	-	500	85	585
Anette Wiotti	550	100	650	500	85	585
Magnus Moberg	550	50	600	500	50	550
Bengt Kjell	-	-	-	500	85	585
Cecilia Daun Wennborg	550	275	825	500	245	745
Andrea Gisle Joosen	550	100	650	500	100	600
Jeanette Jäger	550	50	600	500	50	550
Fredrik Persson	550	50	600	500	50	550
Lennart Evrell	550	100	650	-	-	-
Bo Sandström	550	150	700	-	-	-
Total	6,100	1,075	7,175	5,600	1,000	6,600

Remuneration to the CEO of ICA 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 of ICA Gruppen AB, make up the ICA Management Team. The number of senior executives in 2019 excluding the CEO of ICA Gruppen AB was 12 (12), 5 (6) of which are women.

ICA Management Team

2019, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs ¹	Total
CEO ICA Gruppen AB	9,567	8,826	248	3,354	21,995
Other senior executives	42,988	11,902	1,938	11,151	67,979
Total	52,555	20,728	2,186	14,505	89,974

2018, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs ¹	Total
CEO ICA Gruppen AB	9,345	7,710	209	3,282	20,546
Other senior executives	40,290	13,542	2,324	14,093	70,249
Total	49,635	21,252	2,533	17,375	90,794

¹ The stated pension costs for other senior executives include SEK 0 (336,000) 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. Reported pension costs do not include special employer's contribution or its foreign equivalents.

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

Variable remuneration systems for the CEO and other senior executives

The CEO of ICA Gruppen AB and other senior executives are covered by two variable remuneration 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 50% (50) of annual salary and 100% (100) for the CEO of ICA Gruppen AB. The bonus is not pensionable except in the case of the four senior executives who are covered by ITP1 and defined benefit ITP2 plans. The 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

A cash-based bonus programme maximised at 25% (25) of annual salary and 50% (50) for the CEO of ICA Gruppen AB. The performance criteria for the bonus programme are to be objectively quantifiable and mainly consist of financial performance targets, but performance can also be measured against non-financial 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 to be contingent upon the participants' employment not ending during the term of the programme. If the 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

A cash-based three-year bonus programme maximised at 25% (25) of annual salary and 50% (50) for the CEO of ICA Gruppen AB. In the current programme that began in 2016 the maximum potential bonus is 32% and 64% respectively and in the programme that began in 2017 the maximum bonus potential is 30% and 60% respec-

tively. 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 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, (iii) net sales increase and, effective from 2018, (iv) decrease in greenhouse gases excluding carbon offset. 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 10 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. 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 pay. Severance pay is deductible. One senior executive has deviating terms regarding severance pay.

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. Total pension premiums for these other senior executives are maximised at 35% of pensionable salary. Two of the other senior executives are instead covered by traditional IPT2 arrangements, while two are covered by ITP1.

Employment terms for the CEO of ICA Gruppen AB

The CEO of ICA Gruppen AB has an agreed basic annual salary of SEK 9.4 million in 2019. 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	2019	2018
KPMG:		
Audit assignments	18	14
Other auditing activities	1	1
Total	19	16

Note 6 Other operating income

Other operating income refers entirely to the share of profits and share dividends from ICA retailers.

Note 7 Leases

ICA Gruppen leases a large number of properties and premises for its own use and to sublease to independent ICA retailers. In addition to properties and premises, ICA Gruppen's other main leased items are lorries, forklifts and cars.

The lengths of leases for properties vary depending on the country and the country's lease legislation. The average remaining lease terms are just over three years. The leases originally have an agreed term which is normally 5–10 years. Thereafter the leases often continue for a term of between 12 and 36 months if neither the lessor nor ICA Gruppen terminates the lease. Otherwise there is a contractual extension option that is normally three to five years. It is not unusual at the end of a lease term for the lease to be terminated for renegotiation by ICA Gruppen, the property owner or both parties. Due to renegotiation the rent for the next period is unknown until the negotiation is concluded if the lease is extended as a result of the negotiation. It is therefore most common for the lease term to correspond to the contractual lease term without extension. Rents are often variable but have a minimum level, which in practice means a fixed rent with a smaller variable component if sales exceed certain levels.

For a specification of the right-of-use assets, see Note 12 Property, plant and equipment. For interest expense, see Note 8 Net Financial items.

The information below is according to IFRS 16 Leases for 2019 and IAS 17 Leases for 2018 due to the prospective application of IFRS 16 from 2019.

Lease liability maturity structure	
2020	3,439
2021	3,043
2022	2,606
2023	1,947
2024	1,884
After 2024 and no later than 2029	4,072
After 2029	339
Total payments	17,330
Discounting effect	-1,419
Total liability according to the balance sheet	15,911
of which current liability	3,390
of which non-current liability	12,521

Lease payments	
Payments of leases entered as liabilities	3,599
Variable lease payments not included in lease liability	117
Short-term leases and leases of low value that are not included in lease liability	89
Total lease payments	3,806

Leases of SEK 2,627 million have been entered into of which possession has not yet been taken.

Maturity structure of payments to receive as lessor	
2020	2,124
2021	1,758
2022	1,427
2023	1,012
2024	683
After 2024 and no later than 2029	1,749
After 2029	360
Total payments	9,114

Total rental income amounts to:	2,790
of which variable rental income	603

Income from subleasing of properties amounts to:	1,629
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Cont. Note 7 Leases

The information below is for 2018 as IAS 17 Leases was applied

Operating leases

ICA Gruppen as lessee

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

SEK m	2018
Lease expense for the year	3,992
Of which minimum lease fees	3,891
Of which variable fees	101

The year's lease revenue from subleased assets	1,554
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Future contractual minimum lease fees:	
Maturity date within 1 year	3,485
Maturity date between 1–5 years	9,847
Maturity date later than 5 years	5,914
Total	19,247

Future minimum lease fees incoming for subleased assets	5,906
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ICA Gruppen as lessor

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

SEK m	2018
Future contractual minimum lease fees:	
Maturity date within 1 year	2,027
Maturity date between 1–5 years	4,648
Maturity date later than 5 years	1,644
Total	8,319

Variable fees included in profits	778
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Note 8 Net financial items

SEK m	2019	Recalculated 2018 ¹	2018
Financial income			
Interest income	1	1	1
Change in fair value of financial instruments	0	1	1
Other financial income	0	1	1
Exchange differences	3	8	8
Financial income	4	11	11
Financial expense			
Interest expense	-194	-283	-283
Lease interest expense	-342	-330	-
Financial expense	-536	-612	-283

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

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

Note 9 Taxes

Current tax	2019	2018
Current tax on profit for the year	-842	-746
Deferred tax on temporary differences	-109	168
Reported tax expense	-951	-580

Reconciliation of effective tax expense

Profit before tax	4,402	4,227
Tax as per the current tax rate in Sweden, 21.4% (22%)	-942	-930
Capital gains/losses	-74	14
Share of profit and share dividends	84	76
Non-deductible expenses/non-taxable income	-29	-39
Profit share according to the equity method	7	17
Effect of other tax rates for foreign subsidiaries	5	80
Effect of changed tax rate ¹	-	194
Other	-2	8
Reported tax expense	-951	-580
Effective tax rate, Group	21.6%	13.7%

¹ In 2018 it was decided that the tax rate in Sweden would be lowered with effect from 2019. The tax rate in 2019–2020 is 21.4% and from 2021 the tax rate will be lowered further to 20.6%.

Taxes by country 2019	Nominal tax rate	Profit before tax	Tax	Profit after tax	Tax paid
Sweden	21.4%	4,504	-840	3,664	-479
Estonia	0%	70	-13	57	-14
Latvia	0%	-90	-117	-207	-87
Lithuania	15%	96	-13	83	-4
Other countries		-5	0	-5	0
IFRS 16 Leases		-174	32	-142	-
Total		4,401	-951	3,450	-584

Taxes by country 2018	Nominal tax rate	Profit before tax	Tax	Profit after tax	Tax paid
Sweden	22%	4,306	-529	3,777	-709
Estonia	0%	-138	-49	-187	-50
Latvia	0%	64	10	74	-38
Lithuania	15%	12	-10	2	-5
Other countries		-17	-2	-19	-1
Total		4,227	-580	3,647	-803

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Cont. Note 9 Taxes

Tax loss carryforwards which have been blocked since 2013 when ICA Gruppen was formed have been utilised in 2019. Due to the utilisation of the tax loss carryforwards, the amount of tax paid is lower than in previous years.

In Estonia and Latvia the corporate income tax rate is 0%, while companies are taxed on any dividends distributed.

In the table above, profit before tax in the Baltic companies has been reduced by the year's dividend to the Parent Company in Sweden.

The effective tax rate is reported only for the Group. Under tax rules in Estonia and Latvia, tax is paid on the previous year's profits in conjunction with these being distributed. As a result it is not relevant to calculate the effective tax rate based on the current year's profits.

ICA Gruppen's tax policy, which is established annually by the Board, provides 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.

SEK m	31 Dec. 2019	31 Dec. 2018
Reported deferred tax assets and tax liabilities		
Non-current assets	-3,015	-3,171
Inventories	11	11
Provisions	592	435
Tax loss carryforwards	52	364
Untaxed reserves	-1,468	-1,491
Financial derivatives	18	0
Total deferred tax assets (+) / deferred tax liabilities (-), net	-3,811	-3,851

As reported in balance sheet:

Deferred tax assets	71	385
Deferred tax liabilities	-3,882	-4,236

SEK 306 million of the 2018 tax loss carryforwards are blocked against Group contributions up to and including 2018 as a result of the acquisition of ICA AB by ICA Gruppen in 2013. SEK 99 million of these related to a tax loss carryforward from Hemtex AB which was sold in connection with the divestment of shares in Hemtex AB. The remaining SEK 207 million was used in 2019 against the Group's surplus.

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.

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance as of 1 Jan. 2019	Recognised in income statement	Recognised in other comprehensive income	Divestment of assets	Balance as of 31 Dec. 2019
Non-current assets	-3,171	58		98	-3,015
Inventories	11	-1			11
Provisions	435	15	142		592
Tax loss carryforwards	364	-214		-99	52
Untaxed reserves	-1,491	23			-1,468
Financial derivatives	0	10	8		18
Total	-3,851	-109	150	-1	-3,811

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

SEK m	Balance as of 1 Jan. 2018	Recognised in income statement	Recognised in other comprehensive income	Divestment of assets	Balance as of 31 Dec. 2018
Non-current assets	-3,435	259	0	5	-3,171
Inventories	13	-2			11
Provisions	361	-17	63	28	435
Tax loss carryforwards	387	-25		2	364
Untaxed reserves	-1,430	-61			-1,491
Financial derivatives	8	13	-21		0
Total	-4,096	168	42	34	-3,851

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

Tax in other comprehensive income

SEK m	2019		
	Before tax	Tax	After tax
Remeasurement of defined benefit pensions	-690	142	-548
Translation differences in foreign operations	66		66
Cash flow hedges:			
- change in value for the year	-65	14	-51
Items reclassified to profit or loss	29	-6	23
Share of other comprehensive income of joint ventures	18		18
Other comprehensive income	-642	150	-492

SEK m	2018		
	Before tax	Tax	After tax
Remeasurement of defined benefit pensions	-299	63	-236
Translation differences in foreign operations	130		130
Cash flow hedges:			
- change in value for the year	87	-19	68
Items reclassified to profit or loss	9	-2	7
Share of other comprehensive income of joint ventures	16		16
Other comprehensive income	-57	42	-15

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Note 10 Earnings per share

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	2019	2018
Profit for the year attributable to owners of the parent	3,432	3,630
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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost	16,301	16,689	12,926	13,413	3,633	3,229	129	127	32,989	33,458
Accumulated amortisation			-	-	-1,857	-1,616	-81	-90	-1,938	-1,706
Accumulated impairment	-	-388	-	-	0	-79	0	0	0	-466
Book value	16,301	16,301	12,926	13,413	1,776	1,534	48	38	31,052	31,285
Opening balance	16,301	16,301	13,413	13,377	1,534	1,145	38	35	31,285	30,858
Investments	-	-	-	-	657	742	27	18	684	760
Divestments and disposals	-	-	-500	-	-9	-	-3	-	-512	
Amortisation for the year			-	-	-406	-275	-13	-16	-419	-291
Impairment for the year	-	-	-	-	0	-79	-	-	0	-79
Translation differences for the year	-	-	13	36	0	0	0	1	13	37
Book value	16,301	16,301	12,926	13,413	1,776	1,534	48	38	31,052	31,285

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

SEK m	2019	2018
Selling expenses	-13	-16
Administrative expenses	-406	-275
Total	-419	-291

SEK m	31 Dec. 2019	31 Dec. 2018
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 that regulates the relationship between the individual ICA retailer and ICA Gruppen is based on the experience, skills and relationships that 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.

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Cont. Note 11 Intangible non-current assets

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. The trademarks are assignable to the following segments:

SEK m	31 Dec. 2019	31 Dec. 2018
ICA Sweden	11,500	11,500
Apotek Hjärtat	550	550
Rimi Baltic	876	863
Hemtex	-	500
Total trademarks	12,926	13,413

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

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

When calculating value in use, lease payments are treated as cash flow from operations. Consequently, lease liabilities have not affected the discount rate as in previous years. The lease liability is deducted from an entity's carrying amount because the value in use is reduced by future lease payments, in which the right-of-use assets are included in impairment testing.

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 incidents occurred that indicate impairment.

Key variables	Method of estimating value
EBITDA	Earnings before net financial items, tax and depreciation/amortisation are 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% (5.2) for ICA Sweden, 5.3% (5.3) for Apotek Hjärtat and 6.3% (6.5) for Rimi Baltic. 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 and 1.5% (1.5) for Rimi Baltic. 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.
	ICA Sweden 6.5% (7.4)
	Apotek Hjärtat 6.6% (7.6)
	Rimi Baltic 7.8% (8.7)

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 impairment (no impairment).

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 impairment (no impairment).

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 (no impairment).

Note 12 Property, plant and equipment

SEK m	Buildings and land		Investment properties		Leasehold improvements		Equipment		Construction in progress		Total before right-of-use assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost	15,506	14,834	1,458	1,304	1,130	946	6,570	5,865	1,389	849	26,052	23,797
Accumulated amortisation	-3,284	-2,811	-118	-96	-677	-549	-4,014	-3,381	-	-	-8,094	-6,836
Accumulated impairment	-75	-72	-45	-28	-5	-3	-119	-99	0	0	-244	-202
Book value	12,146	11,951	1,295	1,180	448	394	2,437	2,385	1,389	849	17,715	16,759
Opening balance	11,951	11,341	1,180	989	394	355	2,385	2,194	849	763	16,759	15,642
Investments	827	1,227	199	404	220	186	825	897	467	87	2,538	2,800
Divestments, transferred to assets held for sale and disposals	-85	-98	-73	-185	0	-3	-92	-66	0	-11	-250	-363
Reclassifications	-91	-5	21	3	-8	-3	0	3	78	2	0	0
Amortisation for the year	-469	-504	-16	-19	-159	-144	-674	-644	-	-	-1,317	-1,311
Impairment for the year	-6	-78	-17	-14	-1	-1	-17	-29	-	-	-41	-123
Impairment reversed during the year	2	0	-	-	-	-	-	-	-	-	2	0
Translation differences for the year	17	69	1	2	1	4	10	30	-5	8	25	114
Book value	12,146	11,951	1,295	1,180	448	394	2,437	2,385	1,389	849	17,715	16,759

Depreciation periods (years):

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

ICA Real Estate has changed its assessment of the useful life of properties and their components, providing an annual prospective effect of SEK 63 million in lower depreciation.

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 SEK 363 million (626). According to IFRS 13 these properties are measured at level 3.

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

SEK m	2019	2018
Rental income	43	44
Direct costs	28	33

Construction in progress

Construction in progress amounts to SEK 1,389 million (849). Expenses paid during the year include capitalised interest expense of SEK 4 million (3) calculated based on an interest rate of 1.45% (1.45).

	Leased right-of-use assets									
	Buildings and land		Other		Total right-of-use assets		Total property, plant and equipment			
	2019	Recalculated 2018 ¹	2019	Recalculated 2018 ¹	2019	2018 ¹	2019	Recalculated 2018 ¹	2018	
Opening balance	16,214	15,280	392	392	16,606	15,672	33,365	31,314	15,642	
Amended and new leases/investments	3,000	3,607	202	153	3,202	3,760	5,739	6,560	2,800	
Divested leases	-231	-	-	-	-231	-	-481	-363	-363	
Amortisation for the year	-3,281	-3,198	-202	-189	-3,483	-3,387	-4,800	-4,698	-1,311	
Impairment for the year	-	-	-	-	-	-	-41	-123	-123	
Impairment reversed during the year	-	-	-	-	-	-	2	0	0	
Translation differences for the year	48	115	0	2	48	117	73	231	114	
Book value	15,750	15,804	392	358	16,142	16,162	33,857	32,921	16,759	

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

Note 13 Interests in joint ventures and associates

ICA Gruppen has essentially two joint ventures: Ancore Fastigheter AB and Secore Fastigheter AB, and one associated company, MD International AB (Min Doktor).

Joint ventures

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 33 marketplaces in Sweden containing ICA stores in which the operations are run by non-consolidated ICA retailers. 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. Secore Fastigheter AB owns and manages 40 marketplaces in Sweden containing ICA stores in which the operations are run by non-consolidated ICA retailers. Based on all relevant facts relating to the joint arrangement, Secore Fastigheter AB is classified as a joint venture. It is consolidated according to the equity method.

Associates

MD International AB (Min Doktor) is a joint arrangement between ICA Gruppen and a number of other parties, including EQT Ventures Fund. Through Apotek Hjärtat, ICA Gruppen owns 49.37% of the company. The ownership percentage increased during the year from 42.7% due to provisions in the original purchase agreement. All significant decisions concerning Min Doktor's operations must be made by agreement between the owners. Min Doktor is one of Sweden's largest providers of digital primary care services and runs a number of drop-in clinics, primarily adjacent to large ICA stores. Based on all relevant facts relating to the joint arrangement, Min Doktor is classified as an associate. It is consolidated according to the equity method.

Joint ventures and associates

SEK m	2019	2018
Carrying amount, joint ventures and associates		
Carrying amount, opening balance	1,256	766
New investments	6	438
Dividends	-90	-35
Share of profits	34	71
Items in other comprehensive income	18	16
Carrying amount, closing balance	1,224	1,256

Secore Fastigheter AB received no capital contribution in 2019 (in 2018 SEK 55 million was received, half of which, SEK 27.5 million, was from ICA Gruppen) and paid dividends totalling SEK 60 million, of which SEK 30 million was paid to ICA Gruppen (in 2018 dividends were paid in the amount of SEK 70 million, of which SEK 35 million was paid to ICA Gruppen). Ancore Fastigheter AB has paid dividends totalling SEK 120 million, of which SEK 60 million was paid to ICA Gruppen (in 2018 0 was paid in dividends). Fastighetsaktiebolaget Postgården AB received a capital contribution totalling SEK 1 million, of which ICA Gruppen's portion is SEK 0.5 million (in 2018 a capital contribution of SEK 5 million was received, of which ICA Gruppen's portion was SEK 2.5 million).

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

SEK m	Share, % ¹		Book value		Share of profits	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Ancore Fastigheter AB, 556817-8858, Stockholm	50	50	731	719	54	54
Secore Fastigheter AB, 559018-9451, Stockholm	50	50	134	132	32	26
Fastighetsaktiebolaget Postgården AB, 559016-8885, Stockholm	50	50	7	7	0	0
MD International AB (Min Doktor), 556934-0580, Malmö	49.37	42.7	346	398	-53	-10
IISÅ Holdco AB, 559217-9203, Stockholm	25	-	6	-	0	-
Total			1,224	1,256	34	71

¹ Ownership percentages are consistent with share of capital.

Summary of joint ventures and associates

SEK m	Joint ventures				Associates	
	Ancore Fastigheter AB		Secore Fastigheter AB		MD International AB (Min Doktor)	
	2019	2018	2019	2018	2019	2018
Reconciliation of reported share of profits						
Profit for the year	111	108	45	27	-112	-22
Share of profits	55	54	22	14	-52	-10
Elimination of intra-Group profits and depreciation of surplus value	-1	1	10	13	-1	0
Reported share of profits	54	54	32	26	-53	-10

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB		MD International AB (Min Doktor)	
	2019	2018	2019	2018	2019	2018
Reconciliation of book value						
Share of equity	701	687	399	406	126	178
Surplus values	91	95	-	-	220	220
Intra-Group profit	-61	-63	-265	-275	-	-
Book value	731	719	134	132	346	398

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Cont. Note 13 Interests in joint ventures and associates

Condensed income statement and balance sheet

SEK m	Ancore Fastigheter AB		Secore Fastigheter AB	
	2019	2018	2019	2018
Rental income	448	435	179	174
Depreciation/amortisation	-109	-103	-37	-57
Expenses	-81	-84	-51	-51
Operating profit	258	248	90	65
Financial income	0	0	0	0
Financial expense	-107	-103	-29	-26
Profit before tax	151	145	61	39
Tax	-40	-37	-16	-12
Profit for the year	111	108	45	27
Other comprehensive income	37	31	-	-
Comprehensive income for the year	148	139	45	27
<hr/>				
Non-current assets	5,528	4,944	2,349	2,365
Current assets	17	16	15	8
Cash and cash equivalents	123	290	52	41
Total assets	5,668	5,250	2,415	2,414
<hr/>				
Equity	1,401	1,374	797	813
Deferred tax liabilities	175	127	141	138
Non-current liabilities to credit institutions	2,668	3,557	940	1,424
Current liabilities	1,424	192	537	39
Total equity and liabilities	5,668	5,250	2,415	2,414

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 2022. The company did not conduct any operations in 2019. It is consolidated according to the equity method.

In September ICA Bank, Ålandsbanken, Ikano Bank, Söderberg & Partners and Borgo signed an agreement to establish a joint mortgage company in the Swedish market. The launch of the operations of the new company IISÁ Holdco AB is dependent on completion of permitting processes with the Swedish Financial Supervisory Authority. The company did not conduct any operations in 2019. The jointly owned company is an associate within ICA Gruppen and is reported according to the equity method.

Note 14 ICA Bank

ICA Bank offers a wide range of services to private individuals in the areas of payments, borrowing, saving and insurance. ICA Bank also offers services in the corporate segment, including lending to ICA retailers.

Variable interest rates apply to both deposits and lending. The surplus liquidity that arises within ICA Bank if deposits exceed lending is invested in low-risk instruments. This involves investing in 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.

In September ICA Bank, Ålandsbanken, Ikano Bank, Söderberg & Partners and Borgo signed an agreement to establish a joint mortgage company in the Swedish market. See also Note 13 Interests in joint ventures and associates.

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

SEK m	31 Dec. 2019	31 Dec. 2018
No longer than 3 months	1,885	1,784
Longer than 3 months but not more than 1 year	1,631	1,392
Longer than 1 year but not more than 5 years	6,674	5,687
Longer than 5 years	4,645	3,048
Total lending	14,835	11,911
Of which lending to companies	1,438	1,204

Impairment according to IFRS 9

Impairment testing according to IFRS 9 is based on expected credit losses. In addition, all relevant macroeconomic factors must be taken into account. For all loan receivables an initial loss allowance is applied which corresponds to expected credit losses within a period of 12 months (stage 1). If the credit risk has increased significantly since initial recognition but the asset is not yet considered credit-impaired, the asset is moved to stage 2. In stage 2 credit losses are recognised based on losses expected to occur over the full anticipated lifetime of the asset. Stage 3 is default, where the receivable is considered to be a bad debt. Bad debts within personal banking are sold to an external party once the receivable has remained unsettled for around 120 days. Reserves are also made for loans approved but not yet paid out, unutilised card credit and overdrafts, and guarantees given. ICA Bank's loan portfolios for personal and business customers consist of secured and unsecured loans as well as card credit and overdrafts. These are allocated to stages according to set criteria which differ between ICA Bank's business areas.

Breakdown of loans by stage and allowances, according to IFRS 9 Lending to the public

SEK m	31 Dec. 2019	31 Dec. 2018
Carrying amount gross, stage 1	14,006	10,852
Carrying amount gross, stage 2	828	1,068
Carrying amount gross, stage 3	122	97
Total carrying amount gross	14,956	12,017
Allowances, stage 1	-39	-34
Allowances, stage 2	-58	-52
Allowances, stage 3	-24	-20
Total allowances	-121	-106
Total carrying amount	14,835	11,911

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Note 15 Inventories

SEK m	31 Dec. 2019	31 Dec. 2018
Inventories of goods for resale	4,712	4,606
Deduction for obsolescence in inventories	-100	-116
Total inventories	4,611	4,490

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.

No sales of properties to any of ICA Gruppen's jointly owned real estate companies took place in 2019 or 2018. See also Note 13 Interests in joint ventures and associates.

In 2019 a loan of SEK 50 million was provided to MD International AB (Min Doktor).

2019, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	29	591	176	6

2018, SEK m	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Joint ventures	24	574	111	12

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

On 14 May ICA Gruppen sold all of the shares in Hemtex to the Norwegian home furnishing chain Kid ASA. The purchase consideration paid on a debt-free basis amounted to SEK 226 million. The effect on cash flow, including the buyer's loan repayment, amounted to SEK 222 million and the capital loss after transaction costs was SEK -382 million. The main assets divested were brands and inventories.

Assets held for sale consist of properties in Sweden and the Baltic countries.

Impairment of SEK 0 million (46) were recognised in connection with classification as assets held for sale.

Note 18 Equity

Share data (number)	31 Dec. 2019	31 Dec. 2018
Total outstanding shares	201,146,795	201,146,795
Number of registered shares	201,146,795	201,146,795

The quota value is SEK 2.50 per share.

Specification of the equity item reserves

SEK m	31 Dec. 2019	31 Dec. 2018
Translation reserve:		
Translation reserve, opening balance	551	421
Reclassified to profit or loss	-	-
Translation differences for the year	66	130
Translation reserve, closing balance	617	551

Hedging reserve:

Hedging reserve, opening balance	-6	-97
Reclassified to profit or loss	29	9
Change in value during the year	-39	82
Hedging reserve, closing balance	-16	-6

Total reserves:

Reserves, opening balance	543	323
Change in reserves during the year:		
Translation reserve	66	130
Hedging reserve	-10	91
Reserves, closing balance	599	543
Non-controlling interests in hedging reserve	3	9
Reserves attributable to the parent, closing balance	603	553

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 portion 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.

Dividends totalling SEK 100 million (110) were received during the year from Långeberga Logistik AB, half of which was paid to Alecta, thereby reducing non-controlling interests.

In 2018 the entire outstanding non-controlling interest in Minutkliniken AB was acquired. In 2019 an outstanding payment of SEK 3 million for the acquisition was made.

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)
- Achieve an operating margin excluding items affecting comparability of 4.5% (4.5)
- Achieve a return on capital employed of 7.5% (According to the 2018 Annual Report: Return on capital employed of 10%, according to the new financial target 7.5%)
- Net debt/EBITDA <3.0 (According to 2018 Annual Report: Net debt/EBITDA <2.0, according to new financial target <3.0)
- 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.

On 23 May 2018 ICA Gruppen published new long-term financial targets effective from 2019. The new targets are a consequence of the introduction of the new IFRS standards IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

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Cont. Note 18 Equity

Paid and proposed dividends	SEK m
Dividends paid during the year	
Dividend for 2018: SEK 11.50/share	2,313
Dividend proposal for the 2020 Annual General Meeting	
Dividend for 2019: SEK 12.00/share	2,414

The Board of Directors of ICA Gruppen AB has decided to propose to the Annual General Meeting to be held on 21 April 2020 an ordinary dividend amounting to SEK 2,413,761,540 (SEK 2,313,188,143).

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, ICA 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 to Alecta/Collectum on an ongoing basis. 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 undertaking are redeemed with Alecta through the purchase of credit insurance. A cost may then 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 occurs only 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 recognised for the special employer's contribution based on this difference. The amount is included in pension provisions.

Cost of defined benefit pension plans

SEK m	2019	2018
Cost of vested benefits during the period	146	135
Interest expense	71	68
Pension cost for defined benefit pension plans in profit for the year	217	203
Pension cost for defined contribution pension plans	377	391
Pension cost in profit for the year	594	594
Remeasurements recognised in other comprehensive income, gains (-) / losses (+)	690	299
Pension cost in comprehensive income for the year	1,284	893

The following disclosures relate only to the defined benefit plans.

Change in obligations

SEK m	2019	2018
Opening balance	3,082	2,627
Cost of vested benefits during the period	146	135
Interest expense	71	68
Remeasurements, gains (-) / losses (+)	690	299
Pension disbursements	-50	-47
Closing balance	3,939	3,082

Important actuarial assumptions

	31 Dec. 2019	31 Dec. 2018
Discount rate	1.75%	2.50%
Inflation	1.75%	1.75%
Rate of salary increase	3.5%	3.5%
Mortality rate	DUS 14	DUS 14

Remeasurements relate only to financial undertakings. There is no remeasurement based on demographic assumptions. Remeasurement due to a lower discount rate compared with the previous year amounted to SEK 675 million (181). (In 2018 the inflation assumption was raised from 1.50% to 1.75%, which gave rise to a remeasurement effect of 143 in 2018). In addition, a remeasurement of SEK 15 million (-25) arose due, among other things, to the outcome of pay increases differing from the assumption.

The duration of the pension liability is 24 years (22 years).

Sensitivity analysis

An increase in the discount rate of one half of a percentage point would reduce the obligation by SEK 466 million (350). A reduction in the discount rate of one half of a percentage point would increase the obligation by SEK 543 million (405).

Expected disbursements

Over the next five years the expected disbursements from the defined benefit plans amount to a total of SEK 286 million, broken down as SEK 52 million in 2020 and SEK 55-61 million for each of the next four years. The disbursements over the subsequent five years will amount to a total of SEK 344 million, which means the average payment per year is SEK 69 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 Financial Policy applies to all companies in the Group. The Financial 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 procedures 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.

According to the long-term financial targets for the business, ICA Gruppen is to provide a dividend of at least 50% of net profit for the year and that net debt/EBITDA is to be less than 3x.

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 Financial 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 14 (22) 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 2019 would increase the annual interest expense for the entire debt by SEK 8 million (1).

Interest rate derivatives match existing loans and cash flow hedging is used for these in accordance with IFRS 9. As of the balance sheet date, 31 December 2019, a negative market value of SEK -9 million (-25) was recognised from hedging. Of this, SEK -9 million (-27) related to interest rate swaps and SEK 0 million (2) 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.

ICA Gruppen issued two bonds in February totalling SEK 1 billion. In June two bonds totalling SEK 1.5 billion matured. ICA Gruppen has no financial covenants in its loan agreements.

Liquidity risk is the risk that ICA Gruppen will not meet its short-term payment obligations. ICA Gruppen's Financial 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.

ICA Gruppen's interest-bearing liabilities and investments, plus credit facilities Specification	Carrying amount 31 Dec. 2019	Carrying amount 31 Dec. 2018	Interest rate on 31 Dec. 2019 incl. derivatives	Type of interest excl. derivatives
Non-current liabilities				
<i>Bonds¹</i>				
Bond MTN Sweden 2018–2021	600	600	0.47%	fixed
Bond MTN Sweden 2018–2021	600	600	0.47%	floating
Bond MTN Sweden 2019–2022	700	–	0.74%	floating
Bond MTN Sweden 2019–2022	300	–	0.75%	fixed
Total bonds as per the balance sheet	2,200	1,200		
<i>Other interest-bearing liabilities</i>				
Bilateral loan MTN Svensk Exportkredit 2014–2021 ¹	500	500	2.62%	floating
Bilateral loan Svensk Exportkredit 2013–2020 ¹	–	1,000		
Property financing Helsingborg 2013–2020	–	913		
Other loans in subsidiaries	13	14		
Total	513	2,427		
Pre-paid loan fees ¹	–	-1		
Total other interest-bearing liabilities as per balance sheet	513	2,426		
Total long-term bonds and non-current interest-bearing liabilities	2,713	3,626		

¹ Refers to ICA Gruppen AB.

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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. 2019	Carrying amount 31 Dec. 2018	Interest rate on 31 Dec. 2019 incl. derivatives	Type of interest excl. derivatives
Current liabilities				
<i>Bonds¹</i>				
Bond MTN Sweden 2014–2019	-	1,300		
Bond MTN Sweden 2014–2019	-	200		
Total bonds as per the balance sheet	-	1,500		
<i>Other interest-bearing liabilities</i>				
Bilateral loan Svensk Exportkredit 2013–2020 ¹	1,000	-	3.89%	fixed
Property financing Helsingborg 2013–2020	913	-		
Bank loans ¹	-	218		
Store deposits ¹	427	515		
Total other interest-bearing liabilities as per balance sheet	2,340	733		
Total short-term bonds and current interest-bearing liabilities	2,340	2,233		
Total bonds and interest-bearing liabilities	5,053	5,859		
Cash excluding ICA Bank	-846	-779		
Total net debt excluding IFRS 16	4,207	5,079		
Non-current lease liabilities	12,521	n/a		
Current lease liabilities	3,389	n/a		
Total lease liabilities excl. ICA Bank	15,910	n/a		
Total net debt	20,117	5,079		

¹ Refers to ICA Gruppen AB.

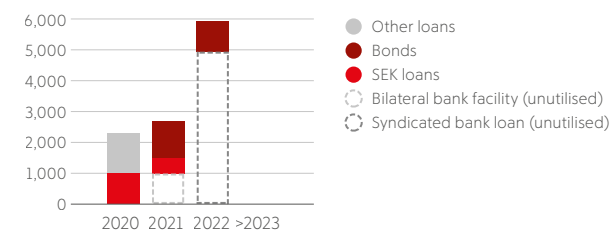
Unutilised confirmed facilities ¹	31 Dec. 2019	31 Dec. 2018
Bilateral bank facility	1,000	2,000
Syndicated bank loan	5,000	5,000
Total unutilised facilities	6,000	7,000

¹ Refers to ICA Gruppen AB.

Maturity structure of long-term bonds and non-current interest-bearing liabilities SEK m	
2021	1,713
2022	1,000
Total	2,713

Current liabilities are mainly trade payables of SEK 15,310 million (14,891) and deposits with ICA Bank of SEK 16,698 million (15,385), as well as short-term bank loans and deposits from ICA stores totalling SEK 427 million (733) which mature in January 2020. There is also a bilateral loan of SEK 1,000 million maturing in December 2020 and property financing in Helsingborg of SEK 913 million which will mature in August 2020. The current portion of the lease liabilities amounts to SEK 3,390 million. ICA Bank deposits are payable upon demand and trade payables generally 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 160 million for ICA Gruppen excluding ICA Bank and excluding lease liabilities. For the lease liabilities maturity structure, see Note 7.

Maturity profile for interest-bearing liabilities (excluding lease 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, indi-

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Cont. Note 20 Financial risks, financial risk management and financial instruments

vidual 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.

Other than those within ICA Bank, the receivables mainly consist of account credit granted to non-consolidated ICA retailers. The receivables are continually assessed for expected losses. The provision for expected losses is based on an assessment over the entire lifetime of the receivable and is based on both macroeconomic and individual factors. The reserve for bad debts does not amount to a material sum. Collateral for the credit is mainly provided through floating charges. See also 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). A very significant proportion of the Group's purchasing takes place in Swedish kronor. According to the Financial Policy, the effect on earnings of a 5% change in exchange rates must not exceed SEK 10 million. As of 31 December 2019 the amount was SEK 4 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 are hedged.

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 euros, mainly through currency swaps.

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.
						Nominal amount	Fair value
DKK/SEK	-9	-1	-6			-16	0
EUR/SEK	-1,898	-116	-119	-3		-2,137	-43
EUR/USD	8					8	0
CNY/SEK	-14	-6	-30			-51	-1
CNY/HKD	-6	-6	-9			-21	0
GBP/SEK	-41	-54	-77	-52	-1,357	-1,581	-17
HKD/SEK	-11	-5	-10			-26	-1
NOK/SEK	-87					-87	0
USD/SEK	-250	-84	-282	-43	-8	-666	-13
As of 31 Dec. 2019	-2,309	-272	-533	-98	-1,365	-4,577	-76
As of 31 Dec. 2018	-2,291	-269	-602	-27	-3	-3,192	9

Financial currency derivatives (SEK m)

Currency ¹	1-3 months	3-6 months	Nominal amount	Fair value
As of 31 Dec. 2019	-1,139	0	-1,139	23
As of 31 Dec. 2018	-77	0	-77	1

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 IFRS 9 for the portion of the currency exposure that is based on forecasts, except in the case of the Baltic states and some purchasing of fruit and vegetables. Of the total fair value amounting to SEK -76 million (9), earnings of SEK -41 million (10) were hedged as of the 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 -70 million (-75). Under the Financial

Policy the effect may not exceed SEK -10 million in losses. As of 31 December 2019 the amount was SEK -4 million. At the same time equity would be negatively affected in the amount of SEK -159 million (-83).

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 Financial Policy, this price risk is hedged for a period of up to 36 months. This is done using financial future contracts.

In 2019 ICA Gruppen purchased 29,400 (7,200) tonnes of diesel, which also covers the HVO (biofuel) price risk.

Fuel hedging

	Maturity analysis			Nominal amount, SEK m 31 Dec. 2019	Fair value, SEK m 31 Dec. 2019
	2020	2021	2022		
Total Metric tonnes	20,400	12,000	3,000		
Total litres (000s)	25,491	15,022	3,764		
Forecast litres (000s)	27,647	25,043	22,366		
Hedge ratio as of 31 Dec. 2019	92.20%	59.98%	16.83%	297	296
As of 31 Dec. 2018	37.66%	0.00%	0.00%	204	223

Hedge accounting

ICA Gruppen uses hedges according to IFRS 9 for forecast fuel consumption (HVO or diesel) and the associated currency flows (USD). Of the total fair value amounting to SEK -1 million (19), earnings of SEK -3 million (19) were hedged as of the balance sheet date.

Sensitivity analysis

If ICA Gruppen did not hedge against fuel price exposure, the total effect on annual earnings, based on the 2019 forecast, in the case of a 20% negative price change would amount to around SEK -30 million (-35). Taking into account the existing hedging shown in the table, the effect would instead be SEK -2 million in 2019.

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Cont. Note 20 Financial risks, financial risk management and financial instruments

Assets and liabilities	31 Dec. 2019	31 Dec. 2018
SEK m		
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Investments	2,155	3,181
Other financial assets	41	64
Total	2,196	3,245
<i>Financial assets measured at amortised cost</i>		
ICA Bank's lending	14,835	11,911
Receivables	7,762	8,047
Cash and cash equivalents	3,157	3,206
Total	25,754	23,165
Total financial assets	27,950	26,410
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	100	76
Total	100	76
<i>Financial liabilities measured at amortised cost</i>		
Bonds	2,200	2,700
Other interest-bearing liabilities	2,853	3,159
Deposits ICA Bank	16,698	15,385
Lease liability	15,911	-
Other financial liabilities	18,985	18,490
Total	56,647	39,734
Total financial liabilities	56,748	39,810

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 44 million (59).

Fair value measurement of financial instruments is based on the most reliable data available. Depending on the input data used for measurement, fair value is classified at three levels: level 1 refers to the most objective prices for input data, while level 3 is based on the company's own data and assessments.

Investments and other financial assets measured at fair value amount to SEK 2,196 million (3,245). In the fair value hierarchy the full amount is classified at level 1. 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 attributable to financial instruments

The table below indicates how the net profit and interest income/interest expense pertaining to financial instruments have affected ICA Gruppen's earnings for the different categories of financial instruments.

SEK m	2019	2018
Financial assets and liabilities measured at fair value through profit or loss	0	1
Financial assets and liabilities measured at amortised cost	-107	-61
Interest from financial liabilities and assets measured at amortised cost:		
Interest income from financial assets	635	520
Interest expense from financial liabilities	-226	-315
Profit	302	146

ICA Bank's interest income and interest expense are included in consolidated operating profit. In interest income and interest expense in the table above they are provided as disclosures concerning profit on financial items.

Note 21 Pledged assets and contingent liabilities

SEK m	31 Dec. 2019	31 Dec. 2018
Pledged assets		
Property mortgages	913	913
Floating charge	0	0
Registered assets of ICA Försäkring AB	260	223
Total	1,173	1,136
Contingent liabilities		
Loan commitments for unsecured loans, ICA Bank	723	613
Guarantees and contingent liabilities ¹	714	347
Total	1,437	960

¹ Guarantee for MasterCard amounting to SEK 280 million (269). The rest of this item is divided between numerous counterparties.

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Note 22 Statement of cash flows and cash and cash equivalents

SEK m	Recalculated		
	2019	2018 ¹	2018
Adjustments for non-cash items			
Depreciation/amortisation	5,219	4,990	1,602
Impairment and impairment reversed	39	202	202
Share of profits from joint ventures and associates	-34	-71	-71
Capital gains/losses	382	-49	-49
Provisions	183	201	201
Total non-cash items	5,791	5,272	1,884

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

SEK m	2019	2018
ICA Bank: cash flow net deposits, lending and investments		
Deposits with ICA Bank (increase + / decrease -)	1,313	1,324
Short-term lending (increase - / decrease +)	-331	-318
Long-term lending (increase - / decrease +)	-2,546	-1,314
Investments (increase - / decrease +)	1,026	293
Total	-538	-16

SEK m	31 Dec. 2019	31 Dec. 2018
Composition of cash and cash equivalents		
Cash and bank balances ¹	3,157	3,206
Short-term investments ¹	0	0
Total cash and cash equivalents	3,157	3,206

	31 Dec. 2019	31 Dec. 2018
¹ of which ICA Bank		
Cash and bank balances	2,311	2,427
Short-term investments	-	-
Total cash and cash equivalents ICA Bank	2,311	2,427
Total cash and cash equivalents excluding ICA Bank	846	779

According to banking laws, ICA Bank's cash and cash equivalents are not available to the Group.

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.

SEK m	Group 2019	ICA Bank 2019	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	10,230	272	9,959
Change in working capital			
Inventories	-268	-	-268
Current receivables	-107	-12	-95
Current liabilities	431	103	328
ICA Bank's net of deposits, lending and investments	-538	-538	-
Cash flow from operating activities	9,748	-175	9,923
Cash flow from investing activities	-2,900	-90	-2,811
Cash flow from financing activities	-6,895	149	-7,044
Cash flow for the period	-48	-116	69
Cash and cash equivalents at beginning of period	3,206	2,427	779
Exchange differences in cash and cash equivalents	-1	-	-1
Cash and cash equivalents at end of period	3,157	2,311	846

SEK m	Group recalculated 2018 ¹	ICA Bank 2018 ²	Group excl. ICA Bank recalculated 2018 ¹
Cash flow from operating activities before change in working capital	9,162	184	8,977
Change in working capital			
Inventories	32	-	32
Current receivables	-718	94	-812
Current liabilities	1,865	-16	1,881
ICA Bank's net of deposits, lending and investments	-16	-16	-
Cash flow from operating activities	10,326	247	10,078
Cash flow from investing activities	-3,593	-16	-3,577
Cash flow from financing activities	-8,036	-12	-8,023
Cash flow for the period	-1,303	219	-1,521
Cash and cash equivalents at beginning of period	4,499	2,209	2,290
Exchange differences in cash and cash equivalents	10	-	10
Cash and cash equivalents at end of period	3,206	2,427	779

¹ In addition to the formal IFRS reports, in the Recalculated column the amounts are presented as if IFRS 16 had been applied from 1 January 2018, see Note 1. These amounts have not been reviewed by the auditors.

² The segments have not been recalculated for IFRS 16. The bank effect of IFRS 16 is insignificant.

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Cont. Note 22 Statement of cash flows and cash and cash equivalents

SEK m	Group 2018	ICA Bank 2018	Group excl. ICA Bank
Cash flow from operating activities before change in working capital	5,615	184	5,430
Change in working capital			
Inventories	32	-	32
Current receivables	-694	94	-788
Current liabilities	1,865	-16	1,881
ICA Bank's net of deposits, lending and investments	-16	-16	-
Cash flow from operating activities	6,802	247	6,555
Cash flow from investing activities	-3,593	-16	-3,577
Cash flow from financing activities	-4,512	-12	-4,500
Cash flow for the period	-1,303	219	-1,521
Cash and cash equivalents at beginning of period	4,499	2,209	2,290
Exchange differences in cash and cash equivalents	10	-	10
Cash and cash equivalents at end of period	3,206	2,427	779

Note 23 Business combinations

Up to June 2018 ICA Gruppen had costs for the UAB Palink acquisition that did not take place. This company operates the IKI grocery retail chain Lithuania. The acquisition could not be implemented due to a decision in April 2018 by the Lithuanian competition authority not to approve it.

Note 24 Events after the balance sheet date

No significant events have taken place after the year end.

Income statement, Parent Company

SEK m	Note	2019	2018
Net sales	2	1,106	972
Cost of services sold		-1,048	-933
Gross profit		57	39
Administrative expenses	2, 3, 4, 5	-474	-443
Operating profit		-417	-404
Profit from financial items	6		
Profit from interests in Group companies		8,327	3,690
Interest income and similar profit items		229	221
Interest expense and similar profit items		-114	-204
Total profit from financial items		8,442	3,707
Profit after financial items		8,026	3,303
Appropriations			
Group contribution received		1,214	393
Total appropriations		1,214	393
Profit before tax		9,240	3,696
Tax on profit for the year	7	-196	-10
PROFIT FOR THE YEAR		9,044	3,687

Other comprehensive income, Parent Company

SEK m	Note	2019	2018
Profit for the year		9,044	3,687
Other comprehensive income		-1	-
COMPREHENSIVE INCOME FOR THE YEAR		9,043	3,687

Balance sheet, Parent Company

Assets			
SEK m	Note	31 Dec. 2019	31 Dec. 2018
Non-current assets			
<i>Intangible non-current assets</i>			
IT systems	8	136	108
<i>Property, plant and equipment</i>			
Equipment	9	182	161
<i>Financial non-current assets</i>			
Interests in Group companies	10	29,703	30,142
Deferred tax assets	7	26	223
Non-current receivables from Group companies		1,118	639
Non-current receivables		23	16
Total non-current assets		31,190	31,288
Current assets			
<i>Current receivables</i>			
Trade receivables	15	4	5
Receivables from Group companies		18,053	11,889
Other receivables		163	85
Prepaid expenses and accrued income	11	153	114
		18,373	12,093
<i>Cash and bank balances</i>			
		326	72
Total current assets		18,699	12,165
TOTAL ASSETS		49,889	43,453

Equity and liabilities			
SEK m	Note	31 Dec. 2019	31 Dec. 2018
Equity			
<i>Restricted equity</i>			
Share capital		503	503
Statutory reserve		2,773	2,772
Reserve for development expenses		31	13
<i>Non-restricted equity</i>			
Share premium reserve		4,916	4,916
Retained earnings		18,353	16,998
Profit for the year		9,043	3,687
Total equity		35,619	28,889
Provisions			
Provisions for pensions	13	427	400
Other provisions		13	4
Total provisions		440	404
Non-current liabilities			
Bonds	14, 15	2,200	1,200
Liabilities to credit institutions		500	1,500
Other non-current liabilities		36	21
Total non-current liabilities		2,736	2,721
Current liabilities			
Bonds	15	-	1,500
Liabilities to credit institutions		1,427	733
Trade payables		135	149
Liabilities to Group companies		9,261	8,796
Other liabilities		93	92
Accrued expenses and deferred income	11	177	169
Total current liabilities		11,093	11,439
TOTAL EQUITY, PROVISIONS AND LIABILITIES		49,889	43,453

Changes in equity, Parent Company

SEK m	Restricted equity			Non-restricted equity			Total equity
	Share capital (Note 12)	Statutory reserve	Reserve for development expenses	Share premium reserve	Retained earnings	Profit for the year	
Opening equity, 1 January 2018	503	2,772	0	4,916	13,345	5,879	27,415
Profit for previous year					5,879	-5,879	0
Dividend					-2,213		-2,213
Development expenses			13		-13		0
Comprehensive income for the year						3,687	3,687
Closing equity, 31 December 2018	503	2,772	13	4,916	16,998	3,687	28,889
Opening equity, 1 January 2019	503	2,772	13	4,916	16,998	3,687	28,889
Profit for previous year		1			3,686	-3,687	0
Dividend					-2,313		-2,313
Development expenses			18		-18		0
Comprehensive income for the year						9,043	9,043
Closing equity, 31 December 2019	503	2,773	31	4,916	18,353	9,043	35,619

Statement of cash flows, Parent Company

SEK m	Note	2019	2018
Operating activities			
Operating profit		-417	-404
Dividend received		8,900	3,690
Adjustments for non-cash items	16	135	90
Income tax paid		0	0
Cash flow from operating activities before change in working capital		8,618	3,376
Change in working capital			
Current receivables (increase - /decrease +)		-54	-51
Current liabilities (increase + /decrease -)		-16	30
Cash flow from operating activities		8,547	3,356
Investing activities			
Purchase of property, plant and equipment and intangible assets		-168	-158
Investments in subsidiaries		-150	-51
Sales of subsidiaries		258	-
Loans to Group companies		-479	-645
Interest received		1	1
Interest received Group companies		208	163
Cash flow from investing activities		-330	-689
Financing activities			
Borrowings		768	1,429
Repayment of borrowings		-1,500	-3,500
Change in intra-Group loans		-4,821	405
Dividend paid		-2,313	-2,213
Interest paid		-97	-200
Cash flow from financing activities		-7,963	-4,078
Cash flow for the year		254	-1,412
Cash and cash equivalents at beginning of year		72	1,484
Cash and cash equivalents at end of year		326	72

Notes

Note 1 Accounting principles and supplementary disclosures

ACCOUNTING PRINCIPLES

Accounting principles applied

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 Accounting 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 IFRS 9 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

IFRS 16 Leases is not applied by ICA Gruppen AB according to the exception permitted under RFR 2. Leases in which the Parent Company is the lessee are recognised as a cost over the life of the lease on a straight-line basis. No right-of-use assets or lease liabilities have been recognised.

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

Development expenditures capitalised in 2019, for development work performed within ICA Gruppen AB on intangible assets, are 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 1,106 million (972), of which 97% (96) consisted of sales to Group companies. Purchases from Group companies amounted to SEK 77 million (58).

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.

	2019	2018
Women	185	160
Men	196	161
Total	381	321

Salaries, other remuneration and social security contributions

SEK m	2019	2018
Salaries and remuneration		
<i>Board of Directors and CEO</i>		
Salaries and other remuneration	26	24
– of which variable component	9	8
Other senior executives	21	22
Other employees	268	214
Total	315	260
Social security contributions		
Social security contributions	117	100
Pension costs	57	54
– of which pension costs for the Board of Directors and CEO	3	3
Total	174	154
Total salaries, other remuneration, social security contributions and pension costs	489	414

FINANCIAL INFORMATION | PARENT COMPANY

Cont. Note 3 Average number of employees, salaries and other remuneration

Gender distribution on the Board and among senior executives

	31 Dec. 2019	31 Dec. 2018
<i>Board of Directors</i>		
Men	6	6
Women	4	4
Total	10	10
<i>CEO and other senior executives</i>		
Men	4	3
Women	2	3
Total	6	6

Gender distribution on the Board refers to the AGM-elected members and not the employee representatives.

ICA Gruppen Management Team

2019, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	9,567	8,826	248	3,354	21,995
Other senior executives	15,421	4,829	523	4,148	24,921
Total	24,988	13,655	771	7,502	46,916

2018, SEK 000s	Salaries	Variable remuneration	Benefits	Pension costs	Total
CEO	9,345	7,710	209	3,282	20,546
Other senior executives	15,233	6,423	518	4,388	26,562
Total	24,578	14,132	727	7,670	47,107

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 remuneration 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 remuneration 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 executive is 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 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, with two exceptions, 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 – amount to up to 30% of pensionable salary. One senior executive is instead covered by a defined benefit ITP2 plan and one by ITP1.

Note 4 Audit expenses

SEK m	2019	2018
KPMG:		
Audit assignments	3	3
Total	3	3

Note 5 Lease agreements – lessee

SEK m	2019	2018
Lease expense for the year	51	39
Future contractual lease fees:		
Maturity date within 1 year	11	16
Maturity date between 1–5 years	1	12
Maturity date later than 5 years	0	0
Total	12	27

FINANCIAL INFORMATION | PARENT COMPANY

Note 6 Profit from financial items

SEK m	2019	2018
Profit from interests in Group companies		
Dividends:		
ICA AB	8,900	3,690
Capital gains/losses:		
Hemtex AB	-572	-
Impairment	0	0
Total	8,327	3,690
Other interest income and similar items		
Interest income, Group companies	209	170
Exchange differences	3	8
Other interest income and similar items	1	1
Change in fair value of financial instruments	16	43
Total	229	221
Other interest expense and similar items		
Interest expense, Group companies	0	-4
Other interest expense and similar items	-114	-200
Total	-114	-204
Total profit from financial items	8,442	3,707

Note 7 Taxes

SEK m	2019	2018
Current tax		
Current tax on profit for the year	0	0
Deferred tax on temporary differences	-196	-10
Reported tax	-196	-10
Reconciliation of effective tax expense		
Profit before tax	9,240	3,696
Tax as per the current tax rate in Sweden, 21.4% (22%)	-1,977	-813
Dividend	1,904	812
Loss on divestment of shares	-122	-
Non-deductible expenses/non-taxable income	-1	-2
Effect of changed tax rate	-	-7
Reported tax	-196	-10
Effective tax rate	2.1%	0.3%
As reported in balance sheet:		
Deferred tax assets	26	223

The Parent Company's tax loss carryforwards as of 31 December 2019 amounted to 0 (921). Deferred tax assets of 0 (197) are recognised in the balance sheet for these tax loss carryforwards. The tax loss carryforwards have been 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. Tax loss carryforwards have been used during the year.

Change in deferred tax in temporary differences and tax loss carryforwards

SEK m	Balance as of 1 Jan. 2019	Recognised through profit or loss	Balance as of 31 Dec. 2019
Tax loss carryforwards	197	-197	0
Other	25	1	26
Total	223	-197	26

SEK m	Balance as of 1 Jan. 2018	Recognised through profit or loss	Balance as of 31 Dec. 2018
Tax loss carryforwards	203	-6	197
Other	30	-5	25
Total	233	-10	223

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

FINANCIAL INFORMATION | PARENT COMPANY

Note 8 Intangible non-current assets

SEK m	2019	2018
IT systems		
Accumulated cost	287	239
Accumulated amortisation	-150	-131
Book value	136	108
<hr/>		
Opening balance	108	108
Investments	71	28
Amortisation for the year	-42	-28
Book value	136	108

Amortisation of intangible non-current assets is included in the line "Administrative expenses" in the income statement.

Note 9 Property, plant and equipment

SEK m	2019	2018
Equipment		
Accumulated cost	501	521
Accumulated amortisation	-319	-360
Book value	182	161
<hr/>		
Opening balance	161	90
Investments	106	132
Amortisation for the year	-84	-61
Book value	182	161

Depreciation of property, plant and equipment is included in the line "Administrative expenses" in the income statement.

Note 10 Interests in Group companies

SEK m	2019	2018
Interests in subsidiaries		
Cost, opening balance	31,655	31,604
Divested (Hemtex AB)	-1,120	
Shareholder contributions ¹	150	51
Accumulated cost, closing balance	30,685	31,655
<hr/>		
Impairment, opening balance	-1,512	-1,512
Divested (Hemtex AB)	531	
Impairment for the year	0	0
Accumulated impairment, closing balance	-981	-1,512
<hr/>		
Residual value according to plan, closing balance	29,703	30,142

¹ In 2019 shareholder contributions were provided to ICA Banken AB in the amount of SEK 150 million. In 2018 shareholder contributions were provided to ICA Banken AB in the amount of SEK 50 million and new shares were issued in ICA Spara AB amounting to SEK 0.5 million.

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. 2019, SEK m	Book value 31 Dec. 2018, SEK m
Expedia 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
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	1,854	1,704
ICA Fastigheter Holding AB	556604-5471	Stockholm	1,000	100	SEK 100	4,812	4,812
ICA Spara AB	559086-0531	Solna	2,000	100	SEK 100	0	0
BläckClub Intressenter AB	556720-3467	Solna	1,000	100	SEK 100	0	0
Höga Blåica AB	556703-2924	Solna	1,000	100	SEK 100	0	0
Total						29,703	30,142

FINANCIAL INFORMATION | PARENT COMPANY

Cont. Note 10 Interests in Group companies

Specification of important indirect holdings as of 31 December 2019

	Corporate reg. no.	Registered office	Capital and votes, %
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
ICA Global Sourcing Ltd	1 155 948	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
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 property 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.

Note 11 Accruals

SEK m	31 Dec. 2019	31 Dec. 2018
Prepaid expenses and accrued income		
Other prepaid expenses	153	114
Total	153	114
SEK m		
31 Dec. 2019		
31 Dec. 2018		
Accrued expenses and deferred income		
Accrued salaries, holiday pay and social security expenses	96	89
Accrued interest expense	9	10
Other accrued expenses	72	71
Total	177	169

Note 12 Equity and appropriation of earnings

As of 31 December 2019 the share capital consists 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 propose that the earnings be distributed as follows:

SEK	
To the shareholders, a dividend of	2,413,761,540
To the share premium reserve	4,915,938,770
Carried forward	24,982,316,783
Total	32,312,017,093

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 to Alecta/Collectum on an ongoing basis. 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. 2019	31 Dec. 2018
Reconciliation of carrying amount for self-managed pensions		
Opening balance, capital value of pension obligations	400	374
Costs charged against profit	20	19
Interest expense	16	15
Pension disbursements	-9	-8
Closing balance, capital value of pension obligations	427	400

Note 14 Non-current liabilities

SEK m	31 Dec. 2019	31 Dec. 2018
Bonds	2,200	1,200
Liabilities to credit institutions	500	1,500
Total	2,700	2,700

No liabilities have a maturity date later than five years after the balance sheet date.

For more information see Group notes, 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. Receivables on Group companies are monitored individually for expected credit losses. There are no material expected credit losses.

Financial assets and liabilities by category

SEK m	31 Dec. 2019	31 Dec. 2018
Financial assets		
<i>Financial assets measured at fair value through profit or loss</i>		
Other financial assets	140	85
<i>Financial assets measured at amortised cost</i>		
Trade receivables	4	5
Current receivables from Group companies	19,172	11,889
Cash and cash equivalents and other receivables	523	842
Total financial assets	19,839	12,821

Financial liabilities

<i>Financial liabilities measured at fair value through profit or loss</i>		
Other financial liabilities	123	106
<i>Financial liabilities measured at amortised cost</i>		
Bonds	2,200	2,700
Liabilities to credit institutions	1,927	2,233
Trade payables	135	149
Current liabilities to Group companies	9,261	8,796
Other current liabilities	184	176
Total financial liabilities	13,829	14,160

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 44 (59).

Note 16 Statement of cash flows

Adjustments for non-cash items

SEK m	2019	2018
Depreciation/amortisation	126	90
Provisions for pensions	11	11
Other provisions	-3	-11
Total	135	90

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. 2019	31 Dec. 2018
<i>Guarantees and contingent liabilities</i>		
Guarantees for subsidiaries	288	277
Total	288	277

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 12.00 per share (11.50). The total dividend amounts to SEK 2,414 million (2,313), which is 26.7% (62.7) of the Parent Company's profit. The proposed dividend will reduce the Parent Company's equity/assets ratio from 71.4% to 66.6%, and the Group's equity/assets ratio from 34.2% to 31.8%. The equity/assets ratio is adequate for both the long and short term. The dividend amount corresponds to 70.0% of the Group's profit for the year. The Company's equity would have been SEK 14 million, or approximately 0.0%, lower 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 place on the level of equity and on the Company's and the Group's consolidation requirements, liquidity and position in general.

FINANCIAL INFORMATION

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	18,352,544,647
Profit for the year	9,043,533,676
Total	32,312,017,093

The Board of Directors propose that the earnings be distributed as follows:

To the shareholders, a dividend of	2,413,761,540
To the share premium reserve	4,915,938,770
Carried forward	24,982,316,783
Total	32,312,017,093

The undersigned hereby provide an assurance that the annual accounts and consolidated 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 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 stated as such on page 4, has been approved for publication by the Board of Directors.

Stockholm, 5 February 2020

Claes-Göran Sylvén
Chairman

Lennart Evrell

Cecilia Daun Wennborg

Andrea Gisle Joosen

Jeanette Jäger

Fredrik Hägglund

Bo Sandström

Magnus Moberg

Fredrik Persson

Anette Wiotti

Jonathon Clarke

Magnus Rehn

Per Strömberg
Chief Executive Officer

Our audit report was submitted on 5 February 2020
KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

FINANCIAL INFORMATION

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 2019, except for the corporate governance statement on pages 52–70. The annual accounts and consolidated accounts of the company are included on pages 3–4, 7–19, 31–72 and 74–116 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 2019 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 2019 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. Our opinions do not cover the corporate governance statement on pages 52–70. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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.

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>
<p>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.</p>	<p>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.</p>

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 1–2, 5–6, 20–30 and 117–136. 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 Director's 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.

FINANCIAL INFORMATION

- 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 2019 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52–70 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts 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 11 April 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm, 5 February 2020

KPMG AB

Helena Arvidsson Älgne
Authorized Public Accountant

SUSTAINABILITY INFORMATION

Sustainability information

The Sustainability Report is one of the ways ICA Gruppen communicates with the communities around it on the work the Group is doing on sustainability and how this work is progressing. 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 2019 has been reviewed by a third party. ICA Gruppen's accounting principles can be found on pages 130–132.

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About the Sustainability Report

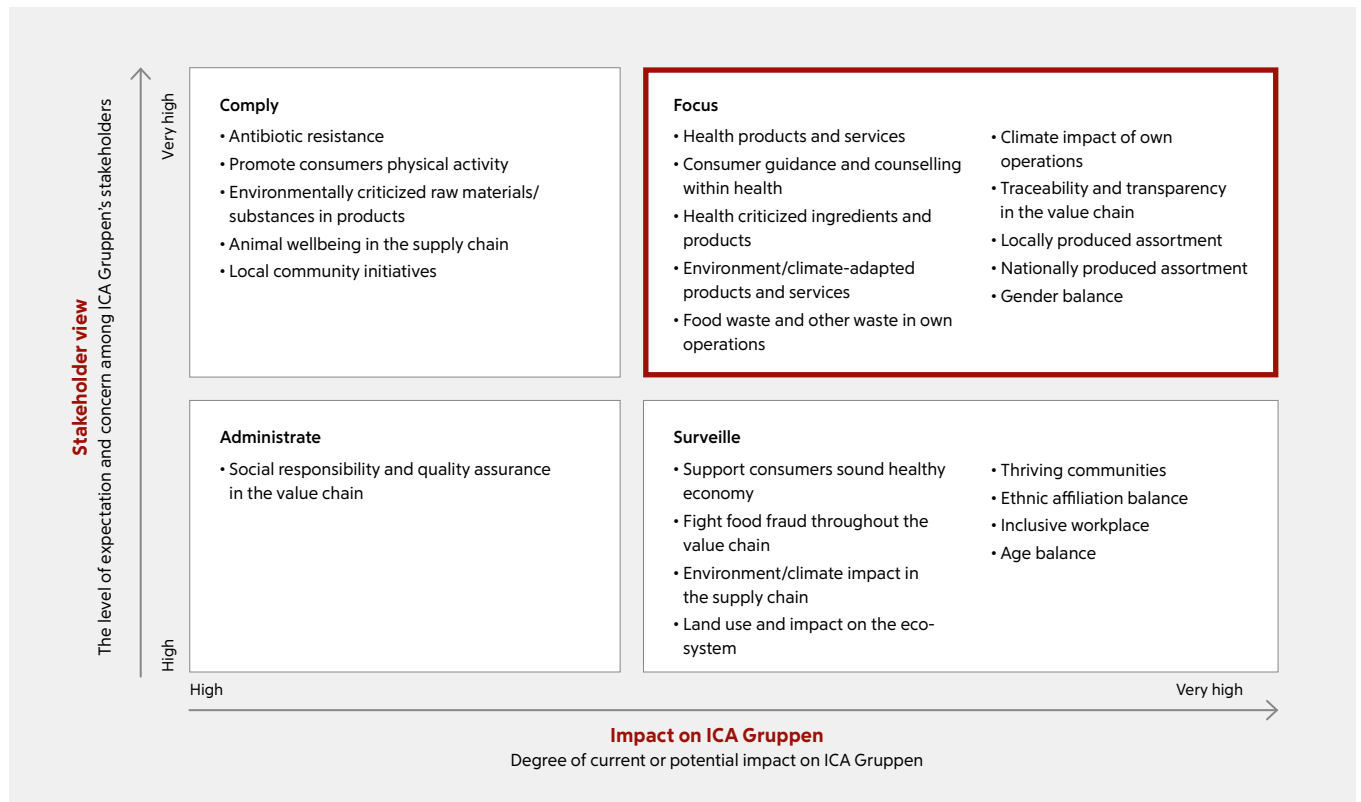
ICA Gruppen's Sustainability Report describes the Group's work relating to local, environment, health, diversity and quality.

Governance of ICA Gruppen's sustainability work

The strategic focus of ICA Gruppen'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, 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 covers risk analysis, ethical dilemmas and 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 Management Team.

The ICA Management Team, 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 Management Team 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 Management Team suggests sustainability priorities to the Board and monitors ethical dilemmas, risks and public opinion. The Management Team is also tasked with proposing policies to the Board and revising existing policies. For many years the operating companies in ICA Gruppen have been using selected key indicators in the areas of the environment, health, diversity, corporate social responsibility and quality. ICA Gruppen's interim reports include quarterly reports on its sustainability work showing ongoing progress during the year. ICA Gruppen's Annual Report contains a sustainability report to provide an overall picture of its sustainability work. This reporting covers all operating companies within the Group. The sustainability report also serves as the Communication on Progress report which ICA Gruppen submits annually to the UN Global Compact. Read more about sustainability work from page 20 onwards and on the Group's website, icagruppen.se/en.

ICA Gruppen's materiality analysis



SUSTAINABILITY INFORMATION

➔ **Basis of the report**

An annual environmental and sustainability report has been published since 1995. Between 2004 and 2017 the report was presented in accordance with the GRI reporting standard. Since 2018 ICA Gruppen has been using the Group's own accounting principles for sustainability reporting. Since 2008 the Sustainability Report has been reviewed by a third party, following a decision by the ICA Management Team. The Sustainability Report follows ICA Gruppen's financial year, and as such covers the period 1 January 2019 to 31 December 2019. The previous report was published in March 2019.

Continuous dialogue with stakeholders

Obtaining both internal and external actors' views on ICA Gruppen's operations is an important aspect of ongoing efforts to develop ICA Gruppen. The goal is to balance and optimise various interests, expectations and wishes through a constantly ongoing dialogue. The most important stakeholder groups are customers, employees, owners, independent ICA retailers in Sweden, suppliers, authorities and a number of non-profit organisations. Each of these main stakeholders has different expectations and requirements with respect to ICA Gruppen's sustainability work.

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 continu-

ous improvements. With the UN Sustainable Development Goals, the ten principles of the UN Global Compact and ICA Gruppen's policies as the starting point, 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 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.

Boundaries

The report covers all companies within ICA Gruppen. The report mainly consists of operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. ICA Sweden works in cooperation 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
- Food waste
- Waste collected in connection with deliveries of goods to stores
- Sales data from stores
- The number of stores that are certified according to Swedish standard for food handling in stores, are Swan ecolabelled or have introduced the Miljösmart butik (smart green store) concept.

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.

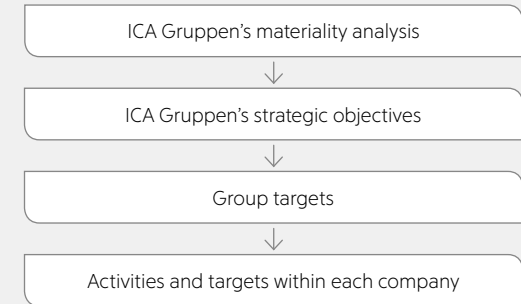
Framework for sustainability work

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 initiatives. 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

Governing documents for the sustainability work

Framework: UN Sustainable Development Goals, UN Global Compact, ICA Gruppen's policies



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).

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 then used to prepare strategies, targets and activities.

Contact

Kerstin Lindvall, Chief Corporate Responsibility Officer, ICA Gruppen
+46 8 561 500 00, kerstin.lindvall@ica.se

ICA Gruppen's stakeholders



SUSTAINABILITY INFORMATION

Sustainability work based on tools and standards

ICA Gruppen works in a structured way, using tools and standards to follow up and ensure that the products sold and handled 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 according 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 ^{1,2)}	1998	-	2017	2012
ICA Real Estate ¹	1999	-	-	-
ICA Sweden, sourcing operations ¹	2012	2012	-	-
ICA Special, sourcing operations ¹	2012	2012	-	-
Rimi Baltic, sourcing operations ¹	2015	2015	-	-
Rimi Baltic, Rimi-owned warehouses ¹	-	-	-	2014

1 Year first certified.

2) ICA Sweden's logistics operations were certified to BRC S&D in the years 2012–2016.

	Swan ecolabel	Miljösmart butik (smart green store)	Swedish standard for food handling in stores
Swedish ICA stores, number	119	155	640

Environmental certification and standards

The environmental standard ISO 14001 is used to certify operations, and in the stores the Swan ecolabel is used along with the Group's own environmental support tool Miljösmart butik (smart green store). ICA Real Estate's target is for all ICA-owned new stores to be certified according to the Sweden Green Building Council's Miljöbyggnad environmental certification at the Gold level. In 2019 ICA Real Estate completed one new store project: ICA Kvantum in Trosa where Apotek Hjärtat has also moved in. Certification has been completed, the Miljöbyggnad Gold level was achieved.

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.

In 2016 the ICA Social Audit, ICA Gruppen's own tool for social auditing of suppliers, was supplemented with additional sections relating to the suppliers' 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 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 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 ICA Gruppen's 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 pharmacist who is responsible for ensuring compliance with the requirements and who also reports to the MPA if there are serious operational deficiencies. In addition, this pharmacist carries out an inspection of the pharmacy every year. 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 within 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 Gruppen takes random samples based on a risk assessment that is updated annually by product category. All corporate brand products are also examined and approved to ensure that they comply with ICA Gruppen's internal guidelines for nutritional value, ingredients and ingredient origin etc. 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. Packaging information is also verified and approved. After a product is launched, follow-up inspections are carried out at the supplier's premises and of the product to ensure that it continues to meet ICA Gruppen's expectations of a good quality, safe product.

Ethical trade

ICA Gruppen sells products from all over the world and needs to be aware of where the products come from and the conditions in which they were produced. ICA Gruppen does not accept discrimination, any lack of the right to freedom of association and collective bargaining, child labour, forced labour, young workers being exposed to risky tasks or any other failure to comply with human rights.

ICA Gruppen has produced its own tool for social auditing of the Group's 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 irregularities 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 and is given temporary approval in the mean time. If the supplier corrects the problem to the Group's satisfaction,



SUSTAINABILITY INFORMATION

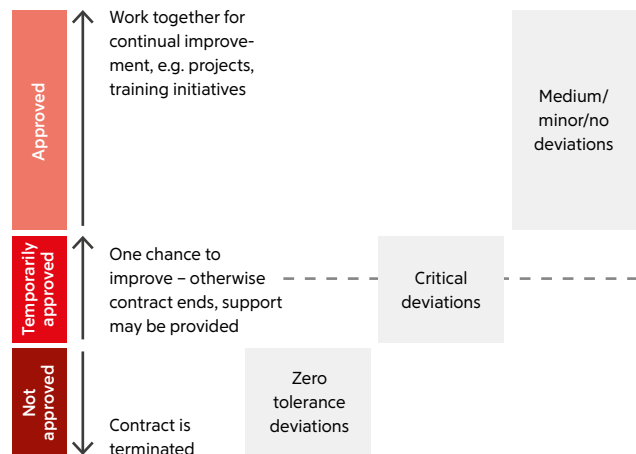
➔ ICA Gruppen will keep working with it. If a critical deviation is repeated, the agreement with the supplier will be terminated. In 2019 ICA Gruppen decided to terminate agreements with 7 (13) suppliers because they did not adequately meet the Group's requirements on human rights or they had not made the necessary improvements since the first audit.

Combating child labour

ICA Gruppen's basic rule when it comes to child labour is that individuals 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 stakeholders is an important part of ICA Gruppen's sustainability work and enables the Group to compare and improve its processes and thus promote positive development.

ICA Gruppen's Chief Corporate Responsibility Officer is the Group's representative in the UN Global Compact, including Global Compact Network Sweden.

ICA Gruppen's Chief Corporate Responsibility Officer is a member of the Monitoring Board of the Swedish Chemicals Agency, a deputy member of the board of Global Compact Network Sweden and, until April 2019, was also a member of the board of KRAV, which develops organic standards and promotes the KRAV label in Sweden. ICA participates in a network organised by the Norwegian-Swedish Chamber of Commerce to strengthen relationships between Scandinavia and the Balkans. ICA Swe-

den is a member of the trade organisation Svensk Dagligvaruhandel (the Swedish Grocery Trade Federation), which works to protect the interests of consumers.

Rimi Lithuania is a permanent member of the initiative Baltoji Banga (transparent wave), which promotes transparency in Lithuanian business and a member of Lithuanian Association of Responsible business (LAVA). Rimi Latvia 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 the government initiative Fossil Free Sweden and supports the Roadmap produced by the members of the Swedish Food Retailers Federation within the framework of Fossil Free Sweden for fossil-free and recyclable plastic packaging by 2030. ICA Sweden and Apotek Hjärtat have also adopted Fossil Free Sweden's transport challenge. ICA Sweden is also a member of the Sustainable Food Chain initiative.

Examples of additional memberships and initiatives in which

ICA Gruppen participates

- Accord on Fire and Building Safety in Bangladesh (Bangladesh Accord)
- Amfori
- BoTryggt2030
- The Chemicals Group at RISE
- Consumer Goods Forum
- Global Food Safety Initiative (GFSI)
- In-Depth Cooperation Programme
- KRAV
- REAP (Retailers' Environmental Action Programme)
- Round Table on Responsible Soy (RTRS)
- Roundtable on Sustainable Palm Oil (RSPO)
- The SIWI Group on water and food
- Supply Chain Initiative
- Sweden Food Arena
- Sweden Green Building Council
- Sweden Textile Water Initiative (STWI)
- Swedish Leadership for Sustainable Development (Sida)
- Swedish Soy Dialogue
- Swedish Textile Importers
- Swedish Trade Federation
- T4RI, Textiles for Recycling Initiative, Swedish Trade Federation

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)
- Generation Pep
- Marine Stewardship Council (MSC)
- Public Health Agency of Sweden
- Swedish Asthma and Allergy Association
- Swedish Board of Agriculture
- The Swedish Cancer Society
- Swedish Coeliac Society
- Swedish Environmental Protection Agency
- Swedish National Food Agency
- The Swedish School of Sport and Health Sciences, GIH
- Swedish Society for Nature Conservation
- WWF

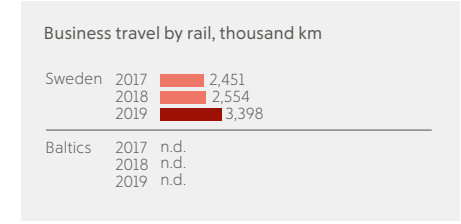
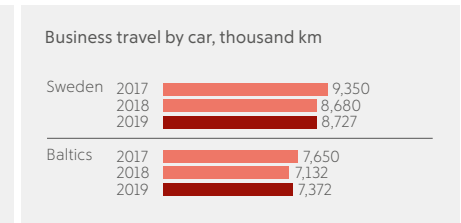
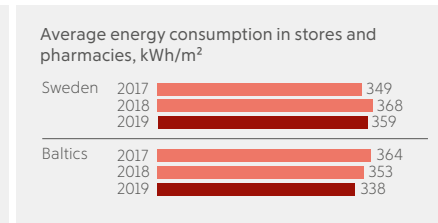
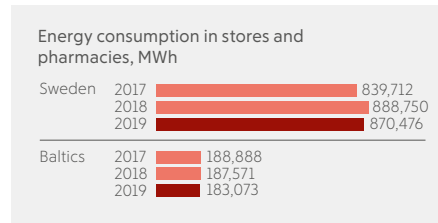
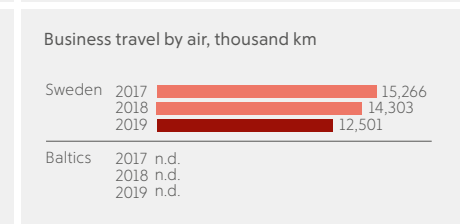
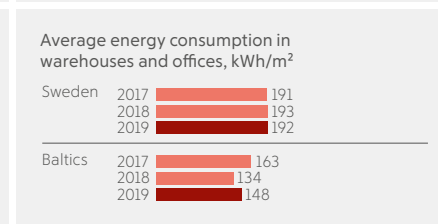
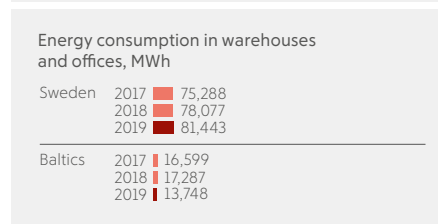
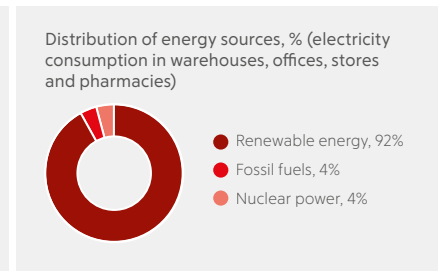
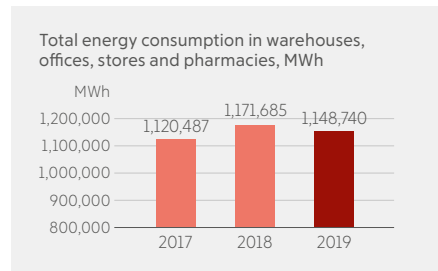
Sustainability data

Environment

Use of resources

ICA Gruppen's total energy use in warehouses, offices, stores and pharmacies has decreased in 2019 compared with the previous year. In 2019, efforts have been made to increase energy efficiency, for example installations of geo-energy in a number of ICA Sweden's stores. The distribution of energy sources has also changed and in 2019 92% came from renewable energy. The change is mainly due to the fact that Rimi Baltic has transitioned to renewable energy throughout the business since the fourth quarter of 2019. Total fuel consumption decreased slightly during the year. The proportion of renewable fuels has fallen somewhat this year. This is a result of regulations in the fuel sector, among other things the reduction obligation introduced in Sweden in July 2018 and regulations for PFAD (palm fatty acid distillate) in HVO (Hydrated Vegetable Oil) which affects supply and price of HVO. Air travel have decreased, thanks to increased opportunities for digital meeting platforms that reduce requirements on traveling.

Energy and transport

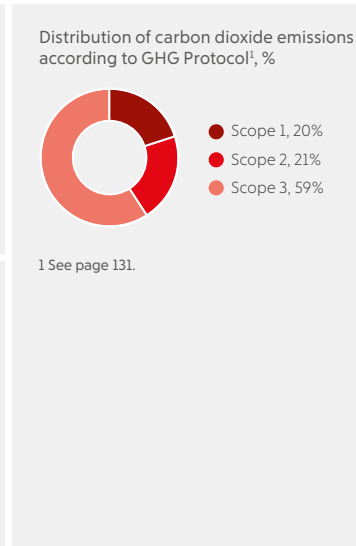
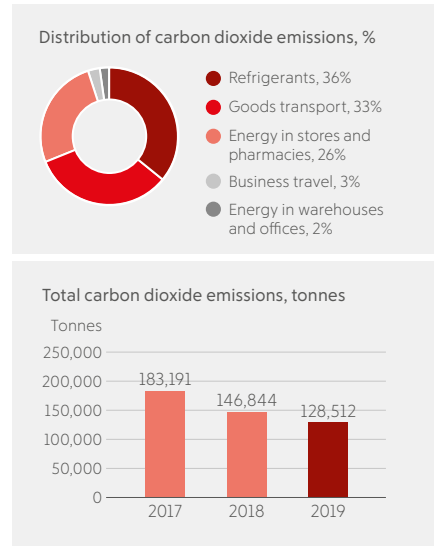


SUSTAINABILITY INFORMATION

Emissions

Since 2006, ICA Gruppen's direct greenhouse gas emissions have been reduced by 67% (62). The reduction has been possible due to long-term work with a number of actions in energy, refrigerants and transports. The main contributing causes of the decline in 2019 are the transition to refrigerants with lower climate impact in both ICA Sweden's and Rimi Baltic's stores and that Rimi Baltic has transitioned to renewable energy for the entire business from the fourth quarter of 2019. Previously, Rimi Baltic used renewable energy for its owned properties. ICA Gruppen's climate target to be climate neutral by 2020 places high demands on monitoring of equipment, operations, agreements and knowledge to increase resource efficiency and greatly reduce the climate impact in ICA Gruppen's own operations.

Greenhouse gas emissions



Total carbon dioxide emissions according to GHG Protocol², tonnes

	2019	2018	2017
Scope 1	25,347	38,670 ³	46,401
Scope 2	27,342	35,567 ⁴	38,670 ⁴
Scope 3	75,824	72,607 ^{3,4}	98,121 ⁴

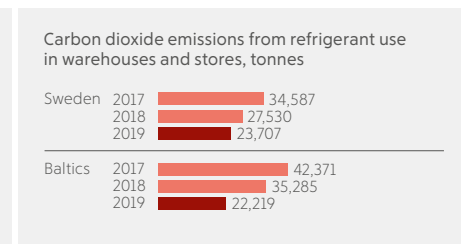
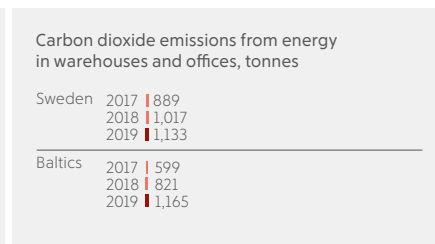
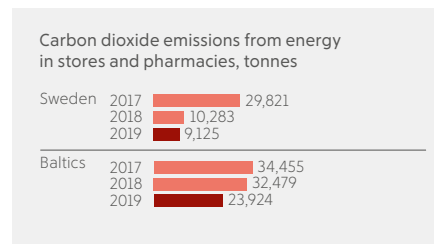
Scope 1 comprises emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself and emissions from business travel using leased company cars and cars provided as a fringe benefit.

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 transport between warehouses and stores/pharmacies.

2 Not divided into fossil/non-fossil emissions.
 3 Historical data has been updated due to adjusted data for refrigerants.
 4 Historical data has been updated due to divestment of Hemtex.

Energy and refrigerants



SUSTAINABILITY INFORMATION

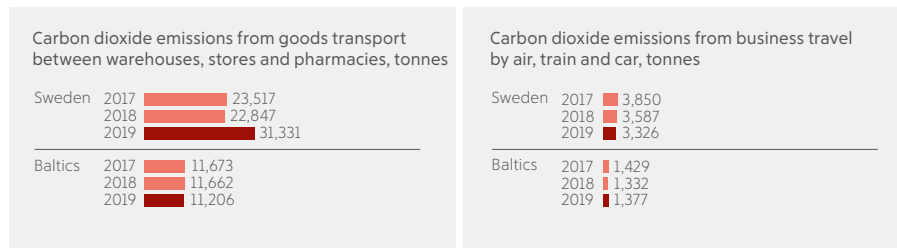
Emissions

The share of renewable fuels has decreased in 2019 due to the reduction obligation that came into force in Sweden on July 1, 2018, and regulations for PFAD in HVO, which came into force in July 2019. This has led to increased demand as well price variations on HVO, which meant that ICA in Sweden used a higher share of diesel than in previous years and emissions from goods transport therefore increased. Apotek Hjärtat does not own any trucks and the majority of ICA Sweden's trucks are leased, except for ICA Sweden's e-commerce transport and a small number of owned trucks. Rimi Baltic has both owned and leased trucks. In Sweden, both renewable fuels and diesel are used. In the Baltic countries, only diesel is used for most of the year, during the summer months renewable fuels are used since 2018.

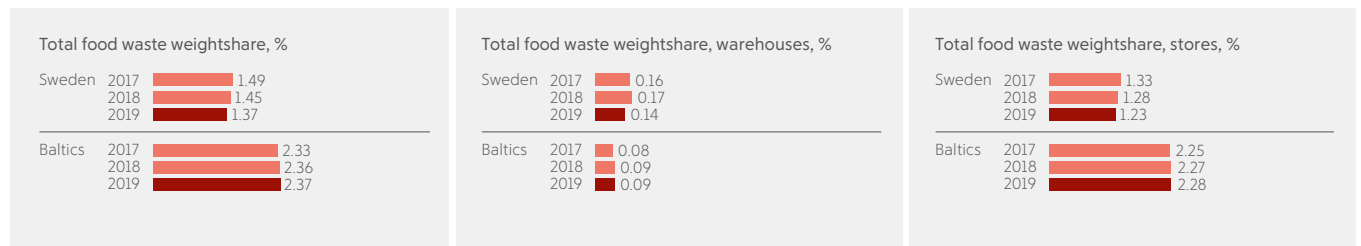
Food waste

Total food waste has decreased by 7% since the base year 2016. During 2019, improvements have been made in terms of campaign forecasting and purchasing within warehouse operations in Sweden, which reduced food waste. The e-commerce warehouse has reduced food waste, among other things, through its collaboration with Stadsmissionen. At the store level there is an increased commitment and focus on reducing food waste, something that both increases the number of stores that are included in the sample base (see Accounting principles page 131) and contributes to reduced total food waste. Rimi Baltic has a collaboration with Whywaste and collaborations with Food Bank where fully edible food is donated to the needy, which contributes to reduced food waste.

Transport



Food waste

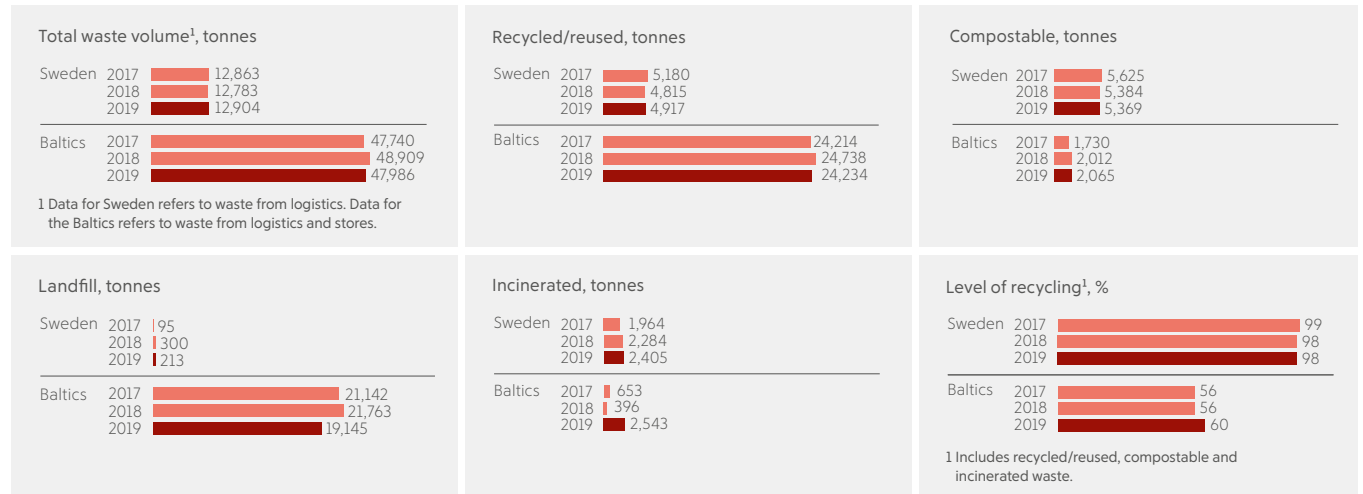


SUSTAINABILITY INFORMATION

Food Waste

ICA Gruppen strives to minimize waste and have a high recycling rate in warehouses and stores. As part of this, the ICA Gruppen has collaborations with several charities, including the Salvation Army in Sweden and Food Bank in the Baltic countries. Different waste management systems in the different markets affects the possibility of increasing the recycling rate. Increased focus on the issue can be seen in the outcome for Rimi Baltic, who increased their recycling rate to 60% in 2019. Waste data does not include waste from the Swedish ICA stores and Apotek Hjärtat.

Food Waste



Environmental work in stores

In Sweden 119 ICA stores had the Swan ecolabel at the end of 2019, which is 9% of the stores. The Swan ecolabel applies tough criteria to matters such as waste management and energy efficiency. The internal Miljösmart butik (smart green store) support tool is intended to help the stores to improve their environmental efforts and further reduce their environmental impact. 155 ICA stores had implemented the tool at the end of the year.

Environmental work in stores

Swan ecolabelled ICA stores, number			
	2019	2018	2017
ICA Sweden	119	115	135

ICA stores approved according to Miljösmart butik (smart green store), number			
	2019	2018	2017
ICA Sweden	155	157	129

SUSTAINABILITY INFORMATION

Quality

In 2019 work continued on 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 relevant 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 the checkout 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 re-occurrence. No recalls during the year resulted in a fine or a warning for ICA Gruppen.

Public recalls, number

	2019	2018	2017
Total	92	27	43
Corporate brands	51	8	18

Quality-certified stores and stores that have implemented Swedish standard for food handling in stores, ICA Sweden, number

	2019	2018	2017
Accepted by inspection body	640	625	592
Adopted the standard	1,121	1,083	1,048

Employees

In 2019 ICA Gruppen had approximately 27,000 employees, mainly in Sweden and the Baltic countries. Converted to full-time staff on an annual basis, this corresponds to 23,125 (22,272) full-time equivalents (FTEs). Of the Group's employees, 63% (66) worked in stores and pharmacies, 15% (14) in warehouses and 23% (20) in other operations. Stores and pharmacies had a higher share of part-time employees and also a higher share of women employed compared to other operations. Store employees in the retailer-owned ICA stores in Sweden are not included because they are employed by the company that owns the store in question. Sickness-related absence has remained at the same level as the

previous year for the Group and varies depending on the operations conducted in each segment. Sickness-related absence is monitored continuously and steps are taken at an individual level through ICA Gruppen's processes for rehabilitation. ICA Gruppen also works actively to reduce sickness-related absence through prevention, support and organisational efforts.

Average number of employees

Average number of employees (FTE)

	2019	2018	2017
Sweden	12,454	12,511	12,319
Finland	40	52	60
Baltic countries	10,513	9,591	9,653
Asia	118	118	105
ICA Gruppen total	23,125	22,272	22,137

Employee turnover

Employee turnover, %

	2019	2018	2017
ICA Gruppen AB	14	10	10
ICA Sweden	19	19	15
Rimi Baltic	44	45	39
Apotek Hjärtat	16	16	14
ICA Real Estate	10	8	13
ICA Bank	13	12	15
Hemtex	-	20	23
ICA Global Sourcing	26	24	27
ICA Gruppen total	30	30	26

Sickness-related absence

Sickness-related absence, %

	2019	2018	2017
ICA Gruppen AB	3.2	3.2	3.5
ICA Sweden	5.7	5.9	5.4
Rimi Baltic	6	6	5.5
Apotek Hjärtat	5.1	5	5.1
ICA Real Estate	1.9	1.6	2
ICA Bank	3.5	3.6	3.1
Hemtex	-	4	5
ICA Global Sourcing	1.7	1.8	3.2
ICA Gruppen total	5.7	5.7	5.3

SUSTAINABILITY INFORMATION

Cont. Employees

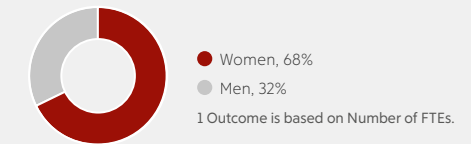
Type of employment

Employment by type, region and gender, number

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sweden									
Permanent	5,946	7,228	13,174	5,746	7,810	13,556	5,514	7,632	13,146
Temporary	594	1,478	2,072	683	1,588	2,271	799	2,031	2,830
Finland									
Permanent	-	-	-	0	65	65	0	67	67
Temporary	-	-	-	0	14	14	0	13	13
Baltic countries									
Permanent	1,779	9,982	11,761	1,756	10,123	11,879	1,715	10,213	11,928
Temporary	69	243	312	59	226	285	58	217	275
Asia									
Permanent	64	53	117	66	55	121	61	50	111
Temporary	0	0	0	0	0	0	0	1	1
ICA Gruppen total									
Permanent	7,789	17,263	25,052	7,568	18,053	25,621	7,290	17,962	25,252
Temporary	663	1,721	2,384	742	1,828	2,570	857	2,262	3,119

Gender distribution

Gender distribution, all employees¹, %



Gender distribution, business-critical positions, %



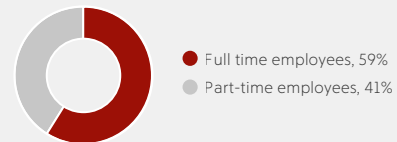
Gender distribution, all management levels, %



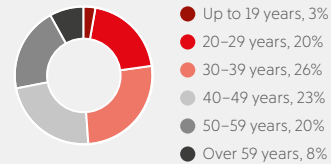
Gender distribution, Board and ICA Management Team, %



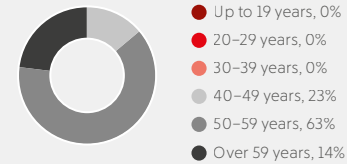
Type of employment, %



Age distribution all employees, %



Age distribution, Board and ICA Management Team, %



Accounting principles

ICA Gruppen has drawn up its own accounting principles, which are detailed below. The accounting principles are partly based on the GRI framework, but have been adapted for the Group's operations based on the materiality analysis. The Sustainability Report mainly covers operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. The 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 sustainability data. 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 procedures for sustainability reporting. The accounting principles are explained in detail below.

Energy

Comprises stores, pharmacies, warehouses and offices.

To calculate electricity consumption (kWh) in Swedish stores a sampling of stores from each format is used. The same calculation principle is used for the pharmacies. The actual consumption is then extrapolated by 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 stores, pharmacies, warehouses and offices, the area (in square metres) of the stores, pharmacies, warehouses and offices in operation at the end of the measurement period is used.

Renewable energy is energy from renewable sources such as wind, solar and hydro power, while non-renewable energy refers to energy from fossil sources such as coal and oil.

Energy consumption has been calculated on the following basis:

- ICA Sweden's stores: The calculation is based on actual use of electricity in stores covered by the central electricity agreement. Total consumption is extrapolated by the number of stores at the end of the reporting period using a standard formula. The standard formula is based on the following: Maxi ICA Stormarknad hypermarkets: 97% renewable and 3% non-renewable energy, ICA Kvantum: 88% renewable and 12% non-renewable energy, ICA Supermarket: 82% renewable and 18% non-renewable energy, and ICA Nära: 77% renewable and 23% non-renewable energy. This breakdown was established by a review in January 2018.
- Rimi Baltic stores: The actual consumption for all Rimi Baltic stores is used.
- Apotek Hjärtat pharmacies: The calculation is based on actual electricity used by pharmacies covered by a central electricity agreement. Total consumption is extrapolated using the number of pharmacies at the end of the reporting period. The standard formula is based on 40% renewable and 60% non-renewable energy.

Emissions of CO₂ from energy have been calculated on the following basis:

- The Nordic electricity mix emission factor 2006 is used to calculate carbon emissions from the use of non-renewable energy in Sweden (source: Swedenergy, published 2007).
- When calculating carbon emissions for renewable energy in Sweden the emission factor from Bixia/Östkraft (2007) is used.
- When calculating carbon emissions for non-renewable energy in the Baltic countries an average value for each country's electricity production in the years 2000–2005, according to IEA (2007), is used.
- When calculating carbon emissions for renewable energy in the Baltic countries an average emission factor for renewable electricity from IEA (2009) is used.
- When calculating carbon emissions from district heating an average emission factor from the Swedish Energy Agency is used, as recommended by the GHG Protocol (Carbon dioxide evaluation of energy use, supporting reports, the Swedish Energy Agency 2008).

Goods transport

Comprises the transportation of goods between ICA Gruppen's warehouses and stores/pharmacies. The transportation of goods to warehouses is not included. Apotek Hjärtat only uses leased transport solutions, while ICA Sweden uses leased transport solutions for the majority of goods transports but owns the e-commerce transport solutions and also has number of transport solutions of its own. Rimi Baltic uses both owned and leased transport solutions.

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.

Fuel consumption for transport vehicles leased by Rimi Baltic is calculated based on distances driven and average fuel consumption. Fuel consumption for Rimi Baltic's own transportation of goods is obtained directly from the fuel supplier.

Emissions of CO₂ from goods transport have been calculated on the following basis:

- Emission factor for diesel from NTM, Nätverket för Trafik och Miljö (2006).
- Emission factor for ethanol from the Swedish Road Administration (2009).
- Renewable fuels from the Swedish Transport Administration (2016).
- Fossil fuels are calculated according to Scope 1 and renewable fuels according to Scope 1 and 3.

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.

Emissions of CO₂ from refrigerants have been calculated on the following basis:

- Global Warming Potential (GWP) for each type of refrigerant according to the Montreal Protocol and IPCC (2006–).

Business travel

Comprises business travel by air booked through the central travel agency for ICA Gruppen in Sweden.

Comprises business travel by rail for ICA Gruppen in Sweden booked through the central travel agency or directly through travel providers using the ICA customer number.



SUSTAINABILITY INFORMATION

- ➔ Comprises business travel by car for Rimi Baltic and ICA Gruppen in Sweden except Apotek Hjärtat.
 - Emissions of CO₂ from business travel have been calculated on the following basis:
 - Carbon dioxide emissions from air and rail travel are obtained from the travel provider in Sweden.
 - The GHG Protocol's emission factor for business travel by car (2005).

Climate neutrality

ICA Gruppen is to be climate neutral by 2020. This means that ICA Gruppen 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 emission allowances. The emissions covered 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 zero net greenhouse gas emissions. This is in line with the definition used by the Swedish Environmental Protection Agency.

Climate impact

At the end of 2015 the ICA 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 is the fixed base year for emission factors. For any new energy and fuel types introduced after 2006, emission factors are set in accordance with the IPCC's recommendation. In this report, ICA Gruppen's direct greenhouse gas emissions are reported per square metre of total area in stores, pharmacies, warehouses and offices. 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).

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 and emissions from transport between warehouses and stores/pharmacies.

Climate ambition for ICA Gruppen's suppliers

In 2018 the Group raised its climate ambition further to include an additional target: that suppliers of consumer goods sold accounting for an estimated 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. The outcome is calculated as follows:

The climate impact from suppliers has been calculated based ICA Gruppen's store sales 2018 and emission factors from the GHG Protocol tool Scope 3 Evaluator (kg CO₂-eq/USD, source: World Input Output Database). The exchange rate is the Riksbank (Sweden's central bank) average for the year 2018 (USD 1 = SEK 8.6921). Value, currency and emission factors are updated every three years starting in 2018. The combined estimated climate footprint of the suppliers constitutes 100% of ICA Gruppen's upstream climate impact.

Suppliers with set climate targets approved by the Science Based Targets initiative are updated on the Science Based Targets website. The estimated climate footprint of ICA Gruppen's suppliers that have approved climate targets is then established in relation to the total climate footprint of ICA Gruppen's suppliers to determine the extent to which targets have been met.

Waste

Comprises ICA Sweden's and Rimi Baltic's warehouses, as well as Rimi Baltic's stores. Apotek Hjärtat is 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 from stores is based on actual volumes of waste for 98% of the stores, with the remaining 2% being calculated based on the actual waste volumes.

Composted waste consists of biodegradable organic waste, i.e. waste sorted as compostable and 90% of organic waste fractions including packaging.

Incinerated waste consists of waste fractions that can be incinerated 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 improve the conditions for sorting and recycling of waste.

Food waste

ICA Gruppen intends to reduce its food waste in half by 2025 with 2016 as the base year, which is in line with goals set by the Consumer Goods Forum. Food waste is measured according to the FLW Protocol (Food Loss and Waste Protocol). Cutting food waste in half means reducing the food waste weightshare by 50%. This is measured by dividing total food waste (tonnes) by total food sold (tonnes).

Food waste is food that is prepared to be eaten by humans but which, for various reasons, is not eaten by humans. Food consists of the main food categories of Fresh Foods, Dry Groceries and Fruit & Vegetables. Both food and inedible parts (e.g. peel and bones) are included. The weight of packaging is not included.

ICA Gruppen's food waste is waste that arises in ICA Gruppen's own food handling, which includes:

- 1 Food waste from stores
- 2 Food returned from stores
- 3 Food waste from warehouses
- 4 Food waste from e-commerce warehouses

Food waste from which compensation is received from external actors (e.g. suppliers) is not included in ICA Gruppen's food waste.

Reporting includes the warehouses and stores of ICA Sweden and Rimi Baltic.

For the Swedish ICA stores the calculation is based on total food waste (tonnes) of the actual food waste from a selection of stores (50–75% of the stores were part of the selection in 2016–2019). Total food waste (tonnes) is extrapolated by the number of stores at the end of the reporting period using a standard formula.

For ICA Sweden's warehouses and e-commerce warehouse and Rimi Baltic's warehouses and stores, the actual data for total food waste (tonnes) is used.

Historically, it has not been possible to measure food registered as food waste and then donated to charity for ICA Sweden and the Swedish ICA stores and it is thus included in the food waste data for the years 2016, 2017 and 2018. For 2019 part of this will be excluded from total food waste (tonnes). For Rimi Baltic food that is donated to charity has been excluded since the base year 2016.

Customer surveys

ICA Gruppen's target of by 2020 being perceived by consumers as the actor in the market that most clearly helps them make healthy choices is measured and monitored through the Customer Satisfaction Index for ICA Sweden, the Nielsen Omnibus Survey for Rimi Baltic and Nepa Brand Attributes for Apotek Hjärtat. ➔

SUSTAINABILITY INFORMATION

➔ **Supplier-related data**

Quality-certified suppliers are all suppliers of ICA Gruppen's corporate brands who have undergone an assurance procedure 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 within a set period of time stated in the audit protocol. If the supplier corrects the problem to the Group's satisfaction within the period set, the supplier is approved. The length of time the supplier is approved is determined by the principles for approval in the relevant standards and, if the standards do not stipulate a timeframe for approval, by ICA Gruppen's governing documents. In individual cases a personal assessment is made on dates of validity based on ICA Gruppen's governing documents. Production unit refers to a factory, farm or processing plant.

High-risk countries are defined according to the BSCI (Business Social Compliance Initiative) definition for the current reporting period. BSCI factors in, for example, political stability and absence of violence, quality of regulatory systems, rule of law, control of corruption, government effectiveness and the ability of people to be heard.

Since 2018 the outcome for quality-certified suppliers, socially audited suppliers in high-risk countries and socially re-audited suppliers in high-risk countries has been measured on a rolling 12-month basis. Earlier periods have been recalculated using a new calculation model.

Sales trends and number of products

Sales data for ICA Sweden includes all products in ICA Sweden's central assortment sold from Swedish ICA stores. Sales percentages for ICA Sweden consist of all products in ICA Sweden's central assortment, excluding the non-food assortment.

Sales data for the ICA stores' own sourcing from external suppliers is not included.

Organic products are defined as products with one of the following labels: EU organic, KRAV, GOTS and OCS. The number of items refers to the total number of unique EAN codes in ICA Sweden's product assortment in the current year.

Quality work and product safety

Public recalls are recalls where there is considered to be a risk to health or the environment, 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 Swedish standard for food handling in stores.

Stores that have adopted Swedish standard for food handling in stores are Swedish ICA stores that apply the standard but have not been certified by a third party.

Environmental work in stores

Swan ecolabelled stores are ICA stores in Sweden approved and certified by a third party in accordance with the Swan criteria.

Stores that have been approved according to the Miljösmart butik (smart green store) support tool are Swedish ICA stores that have been approved in an internal audit performed by ICA Sweden's sustainability coaches.

Employees

Employees are 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, with the exception of the categories Average number of employees (FTEs) and Gender distribution all employees, which are based on the average number of full-time employees during the year. Average number of employees (FTEs) consists of permanent, probationary and temporary employees. Employee turnover is calculated as the number of permanent employees who leave during the year in relation to the average number of permanent employees. Sickness-related absence is calculated as the number of hours of sickness-related absence in relation to the number of scheduled working hours. From 2018 sickness-related absence is calculated on a rolling 12-month basis up to and including November current year. Gender distribution, all management levels refers to all managers with responsibility for staff within the Group.

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%.

Percentage of employees by age group is a breakdown of all individuals employed on a permanent basis.

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.

Significant changes since the previous reporting period

Climate ambition for ICA Gruppen's suppliers

In 2018 the Group raised its climate ambition further to include an additional target: that suppliers of consumer goods sold accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. For the full accounting principles, see page 131.

Food waste

ICA Gruppen intends to reduce its food waste by half by 2025 with 2016 as the base year, which is in line with goals set by the Consumer Goods Forum. Food waste is measured according to the Food Loss and Waste Protocol. Cutting food waste in half will also reduce the food waste weight share by 50%. This is measured by dividing total food waste (tonnes) by total food sold (tonnes). For the full accounting principles, see page 131.

Recalculation of data based on divestment of Hemtex

Historical data in which Hemtex was included has been recalculated following the divestment. Hemtex has been excluded from all historical data.

Significant events ahead of the upcoming reporting period

Goods transport

The accounting principles for emissions from goods transport by ICA Gruppen in Sweden will be changed in the coming year.

Assurance Report

Auditor's Limited Assurance Report on ICA Gruppen AB's 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 2019. ICA Gruppen AB has defined the scope of the Sustainability Report in the table of content in this document, the Statutory Sustainability Report is defined on page 4.

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. The criteria are defined on page 121 in the Sustainability Report and consist of the accounting principles that the Group has developed. This responsibility also includes the internal control processes 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 present 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 historical 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, 5 February 2020

KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

Torbjörn Westman
Expert Member of FAR

Annual General Meeting and financial calendar

Annual General Meeting 2020

The Annual General Meeting (AGM) of shareholders in ICA Gruppen will be held on Tuesday, 21 April 2020 at 2 p.m. CET at Biograf Rigoletto, Kungsgatan 16, Stockholm, Sweden. Registration starts at 1 p.m. CET.

The notice of the AGM will be issued on Wednesday, 11 March 2020 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 Friday, 13 March 2020. The notice and documentation relating to resolutions to be considered at the AGM will be available at icagruppen.se/en in the section on Corporate Governance.

Shareholders who wish to have a matter taken up for consideration at the Annual General Meeting must submit a request for such not later than 3 March 2020. Requests shall be addressed "To the Chairman of the Board" and be sent to Per Behm, General Counsel, by email at per.behm@ica.se or by post to ICA Gruppen AB, Box 4075, SE-169 04 Solna, Sweden.

Attendance

In order to attend the AGM shareholders must, no later than Wednesday, 15 April 2020, (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 in 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 2020, 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 Wednesday, 15 April 2020, 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 12.00 (11.50) per share, or a total of SEK 2,414 million (2,313). The total dividend corresponds to 70% 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 over time is to pay a 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 with entitlement to dividend will be Tuesday, 21 April 2020 and the record date will be Thursday, 23 April 2020. The estimated payment date from Euroclear Sweden's system will therefore be Tuesday, 28 April 2020.

Financial calendar

Annual General Meeting 2020	21 April 2020
Q1 interim report January–March 2020	29 April 2020
Q2 interim report January–June 2020	19 August 2020
Q3 interim report January–September 2020	23 October 2020
Year-end report January–December 2020	10 February 2021

Interim reports and other information from the Company are published regularly on the Company's website, 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.

The Annual Report will be available on the Company's website on Tuesday, 25 February 2020. For environmental and cost reasons, and because ICA Gruppen is increasingly switching to digital communication, from the 2018 Annual Report onwards ICA Gruppen has decided to no longer provide a printed version.

Contact

Frans Benson, Head of Investor Relations
+46 8 561 500 20
frans.benson@ica.se

Glossary

API – Application Programming Interface. A protocol used for facilitating application communication.

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 supply chain management system.

DHI – Swedish Retail Sales Index.

DVI – Food Retail Index

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 risk management

High-risk countries – Defined based on the BSCI definition.

HUI – Swedish Institute of Retail (Handelns Utredningsinstitut).

HVO – Hydrotreated Vegetable Oil.

ICA Gruppen's corporate brand products – All products for which ICA Gruppen is the primary consignor, mainly private label products.

ICA Stiftelsen – Independent foundation formed by ICA-handlarnas Förbund. Supports projects, ideas and organisations that make a lasting difference in society with a focus on health, wellbeing, diversity and integration.

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 ecolabel 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, housewares and toys.

Private label products – Products manufactured for sale under ICA's brand.

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.

Swan ecolabel – Official Nordic ecolabel 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.

For definitions of key figures see page 75.

Solberg

Photos: Weland Aluminium, Apelöga, Oskar A Arvidsson, Joakim Bergstöröm, Björn Dalin, ICA Experience, Fojab, Tobias Göth, Simon Hellsten, Petter Karlberg, Tomas Monka, Martin Olson, Helén Pe, Daniel Persson, Liza Simonsson, Frida Ström, Clive Tompsett, Marko Vesterinen, Anders Wiklund/TT, Joel Wäreus and others.

ICA Gruppen AB • Box 4075, 169 04 Solna, Sweden. Visiting address: Kolonnvägen 20. Tel.: +46 8 561 500 00. www.icagruppen.se
Corporate registration number 556048-2837

ICA Sverige AB

Box 4075, 169 04 Solna, Sweden
Visiting address:
Kolonnvägen 20
Tel.: +46 8 561 500 00
ica.se

Rimi Baltic AB

A. Deglava Str 161 LV-1021
Riga, Latvia
Tel.: +37 1 800 001 80
rimibaltic.com

Apotek Hjärtat AB

169 04 Solna, Sweden
Visiting address:
Kolonnvägen 20
Tel.: +46 8 561 500 00
apotekhjartat.se

ICA Fastigheter AB

721 84 Västerås, Sweden
Visiting address:
Ingenjör Bååths gata 11, T2
Tel.: +46 21 19 30 00
icafastigheter.se

ICA Banken AB

169 04 Solna, Sweden
Visiting address:
Kolonnvägen 20
Tel.: +46 8 561 500 00
icabanken.se